***SS1 LESSON:***

***SUBJECT: ACCOUNTING/BOOKKEEPING***

***TOPIC: PROFIT AND LOSS ACCOUNT.***

***INTRODUCTION:*** The profit and loss account is the account that shows the net profit or net loss of an organization. Income or gains are credited, while expenses are debited. The profit or loss will be taken to the capital account.

***Profit and loss format:***

***Credit side***: The gross profit from the trading account will be recorded on the credit side and other income or gains will be added.

***Debit side***: the total expenses will be recorded on the debit side. The difference between the credit side and debit side is the Net profit, or Net loss. If the debit side is greater, then we have Net loss and if the credit side is greater, there is Net profit.

The expenses incurred in the trading period will vary in accordance with the nature of the business.

The profit and loss account must not be prepared in isolation. It must be prepared with the trading account.

Go through the format given to you above for better understanding.

In summary, the profit and loss account is prepared to determine the Net profit or Net loss. The profit and loss account balance being net profit or net loss will be carried to the capital account and taken to the balance sheet.

***Net profit***: It must be added to the capital account.

***Net loss:*** It must be deducted from the capital account.

***ASSIGNMENT:***

(1). Explain the following: a. Over trading. (b). Bad debts. (c). Cost of goods sold.

(2). State five signals or signs of Over trading.

(3). Go to chapter twelve, pages 40 and 41 of your accounting and bookkeeping workbook, answer the questions (i.e question 1 to 7). Submit questions 1&2 to my WhatsApp page or at the security post in school. I will inform when to the workbook.

Contact: 08062433021.