**Question 13**

The following is Karin Walker’s Income Statement for the year ended 31 December Year 1:

**Income Statement for year ended 31 December Year 1**

**£ £**

Sales Revenue 160,000

Less Cost of Sales 120,000

Gross Profit 40,000

LESS:

Salary 15,000

Commission on Sales Revenue 3,200

Heat and Light 2,600

Other Operating Expenses 3,400

24,200

**Profit for the Year 15,800**

Karin believes that her business will expand and makes the following estimates for Year 2:

1. Sales Revenue will increase by 10%
2. Gross Profit percentage will increase by 5%
3. Heat and Light will increase by 20%
4. Salary will increase by 5%
5. Rate of commission on Sales Revenue will remain the same
6. Other Operating Expenses will decrease by £290

Prepare an estimated Income Statement for the year ended 31 December Year 2.

**10**

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| --- | --- | --- | --- |
| **Question** | **Expected answer(s)** | **Mark** | **Additional guidance** |
| **13** | |  |  |  | | --- | --- | --- | | **Income Statement of Karin Walker for year ended**  **31 Dec Yr 2** | | | |  | **£** | **£** | | Sales Revenue  (160,000 + 16,000) |  | 176,000 **(1)** | | Less Cost of Sales |  | 123,200 **(1)** | | **Gross Profit (25% + 5%)** |  | **52,800 (2)** | | Salary (15,000 + 750) | 15,750 **(1)** |  | | Commission on Revenue (2%) | 3,520 **(2)** |  | | Heat and Light (2,600 + 520) | 3,120 **(1)** |  | | Other Operating Expenses  (3,400 − 290) | 3,110 **(1)** | 25,500 | | **Profit for the Year** |  | **£27,300 (1)** | | **10** | Mark as per solution.  Cost of Sales is consequential on candidate’s gross profit figure.  If candidate just enters the same commission on sales figure — 0 marks.  Profit for the Year mark is consequential. |