

Incomplete Records – Type B

Net Worth/Balance Sheet Method

Including Mark-up/Margin

Introduction

1. Cash in is business is usually used to make a profit
2. This method is used when a business doesn't have a figure for sales, purchases, expenses
3. This methods allows for a profit figure to be found but there will not be a full set of figures
4. It involves estimates and is not that very reliable

Steps involved

Higher level step by step approach

- Step 1 Prepare a statement of new worth/capital (goodwill)
- Step 2 Make any adjustments for assets, Expenses, Gains, Loans, Interest
- Step 3 Prepare a balance sheet
- Step 4 Prepare a trading and profit and loss account

Remember the following and the relationship they have with each other in the accounts

Sales – Cost of goods sold (Sales)	=	Gross profit
Opening Stock + Purchases – Closing stock	=	Cost of sales
Gross profit – Expenses	=	Net profit

Mark up	<u>Gross profit</u>	X	<u>100</u>
	Cost of Sales		1

Margin	<u>Gross profit</u>	X	<u>100</u>
	Sales		1