

Pythagoras plc

Profit and loss account

		2015 £'000	2014 £'000
Included in turnover	(432 + 330)	762	
	(400 + 370)		770
Included in cost of sales	(374 + 308)	682	
	(322 + 338)		660
Gross profit	(58 + 22)	80	
	(78 + 32)		110

Balance sheet

		2015 £'000	2014 £'000
Stock			
Long-term contract balances (32 + 29)		61	12
Debtors			
Amounts recoverable on contracts		100	20
Creditors			
Payments received on account		Nil	2

Workings

(1) Project Alpha – profit and loss entries

		2015 £'000	2014 £'000
Included in turnover (832 – 400)		432	400
Included in cost of sales – balancing figure		374	322
Gross profit		58	78
Attributable profit			£'000
2014 – $\frac{\text{Cost to date}}{\text{Total expected costs}} \times \text{profit} = \frac{360}{360 + 790} \times 250$			78
2015 – Attributable profit to date = $\frac{816}{816 + 384} \times 200$			136
Earned in 2014			(78)
Earned in 2015			58

(2) Project Alpha – balance sheet entries

	2015 £'000	2014 £'000
Cumulative turnover	832	400
Less: Payments on account	(920)	(440)
Excess payments on account	(88)	(40)
	2015 £'000	2014 £'000
Costs incurred to date	816	360
Less: Transferred to cost of sales	(696)	(322)
	120	38
Less: Set off of excess payments on account	(88)	(38)
Long-term contract balances	32	Nil
Residue of excess payments on account – classified within creditors	Nil	2

(3) Project Beta – profit and loss entries

	2015 £'000	2014 £'000
Included in turnover (700 – 370)	330	370
Included in cost of sales – balancing figure	308	338
Gross profit	22	32
Attributable profit		£'000
2014 – $\frac{\text{Cost to date}}{\text{Total expected costs}} \times \text{profit} = \frac{350}{350 + 640} \times 90$		32
		£'000
2015 – Attributable profit to date = $\frac{675}{675 + 325} \times 80$		54
Earned in 2014		(32)
Earned in 2015		22

(4) Project Beta – balance sheet entries

	2015 £'000	2014 £'000
Cumulative turnover	700	370
Less: Payments on account	(600)	(350)
Amounts recoverable on contracts	100	20
	2015 £'000	2014 £'000
Costs incurred to date	675	350
Less: Transferred to cost of sales	(646)	(338)
Long-term contract balances	29	12