

**Effective Bookkeeping and Payroll**

**Chapter 13 - Interim Profit or Loss**

**WORKBOOK**

## Interim – Interim Statement

The management of a company would not want to wait until the end of the fiscal year to see how the company is doing financially.

- An Interim Statement is produced to show the current profit or loss at any given time during the year.
- It is common to request interim statements monthly and/or quarterly.
- These statements help management look for trends and to correct potential problems that could lead to a loss as quickly as possible.

---

---

---

---

---

---

---

---

---

---

---

## Interim – Preparing Interim Statement

The interim statement may be an informal or a formal statement.

- The informal statement simply lists the revenue and expense accounts with their current balances and the totals of the columns are compared.
- If the Debit column is greater than the Credit column, the company is making a profit.
- The formal statement is grouped by Revenues with a total and then Operating Expenses with a total.
- The difference between the totals is the profit or loss.

---

---

---

---

---

---

---

---

---

---

---

## Interim – Preparing Interim Statement

ABC Legal Services Interim Profit or Loss For Period Jan 1 to March 31, 2015		
Account	Debit	Credit
Expense account 1	5,000.00	
Revenue account 2		4,750.00
Subtotals	5,000.00	4,750.00
Interim Profit or Loss		250.00
	5,000.00	5,000.00

An informal interim report showing a Loss.

---

---

---

---

---

---

---

---

---

---

## Interim – Preparing Interim Statement

A formal interim statement showing a profit.

ABC Legal Services Interim Profit or Loss For Period Jan 1 to March 31, 2015		
Revenues		
Sales	3,000.00	
Sales Returns	(500.00)	
And so on	2,500.00	
Total Revenue		5,000.00
Operating Expense		
Utilities	1,000.00	
Wages Expense	600.00	
And so on	2,400.00	
Total Operating Expenses		4,000.00
Interim Profit or Loss		1,000.00

## Interim – Preparing Interim Statement

- The interim statement provides a quick snapshot of the current profitability of the company for management's purposes only.
- If management wants a very accurate Interim Profit or Loss, end of period adjustments are necessary. Recall that end of period adjustments include accruals for revenues and expenses and the recording of fixed asset depreciation.

---

---

---

---

---

---

---

---

---

---



Questions

and

Answers

## Review Questions:

1. True or False: Interim financial statements are produced for management only.
2. In order for the company to be making a profit, which column needs to be greater than the Credit Column?
  - A. Revenue
  - B. Debit
  - C. Operating Expenses
  - D. Sales
3. True or False: The interim financial statements look just like a formal income statement even though it is for management purposes.
4. True or False: The difference between the totals of the Revenues and Operating Expenses is the profit or loss.
5. True or False: End of period adjustments are not recorded for interim statements.



## **Answer Key:**

1. A  
True. Interim financial statements are produced for management only.
2. B  
In order for the company to be making a profit, the Debit Column needs to be greater than the Credit Column.
3. B  
False. Interim statements can be a quite simple list of revenue and expense accounts.
4. A  
True. The difference between the totals of the Revenues and Operating Expenses is the profit or loss.
5. B  
False. Adjustments are recorded when management wants a more accurate interim statement.