

Business Skills for Chemists

The Basic Rules of Business

Developed by the University of Nottingham

This resource was produced as part of the National HE STEM
Programme

The Basic Rules of Business

Finance

This resource aims to give students a basic appreciation of two of the key financial reports which accompany a business plan; specifically the Profit/Loss Report and the Balance Sheet.

Having worked through the associated PowerPoint presentation which describes how to complete these financial reports through simple worked examples, the students are challenged to complete a basic Profit/Loss Report and Balance Sheet for the hypothetical business, Chemistry Co.

All of the information required to complete these two reports, as well as the blank outline report spreadsheets are included within this handout, with the answers included in the PowerPoint presentation. This allows this case study to be implemented within the classroom setting.

Implementing within the Classroom

1. Print the following handouts and distribute to the students.
2. Present the PowerPoint presentation which contains the worked example of a Profit/Loss Report being like Alan Sugar's bank statement, and stop at this point.
3. Allow the students time to complete the Profit/Loss Report Case Study for Chemistry Co. All of the information required is contained within the handout.
4. Continue with the PowerPoint presentation to work through the completed Profit/Loss Report for Chemistry Co. and establish that the company is in profit in the first quarter.
5. Continue to give the PowerPoint presentation and stop at the Balance Sheet Case Study.
6. Allow the students time to complete both parts of the Balance Sheet Case Study for Chemistry Co. All of the information required is contained within the handout.
7. Continue with the PowerPoint presentation to work through the completed Balance Sheet for Chemistry Co. and establish that the Balance Sheet balances as of 31st December.
8. Continue to give the PowerPoint presentation to the end.

Profit / Loss Report

A Case Study for Chemistry Co.

On December 31st the sales and dispatch department of Chemistry Co. reported that it has £50,000 of saleable chemical products in its store.

In the first quarter of the New Year, the company works hard to synthesize and sell some of the chemical compounds it produces.

During the first quarter, the company's credits and debits are:

Item	£	Credit or Debit
Sales income of chemical products	185,000	
Business and Laboratory running costs	50,000	
Staff salaries	55,000	
Invoice paid to chemical suppliers	25,000	
Repayment of loans to bank	25,000	

Note: Consider carefully how we account for the £50,000 of stock carried over

Questions

1. Label the entries in the accounts table above as credits or debits on the account of Chemistry Co.
2. Using the information in the completed table above, and the blank profit/loss spreadsheet below, calculate whether Chemistry Co. made a profit or a loss in the first quarter?
3. What was the value of this profit or loss?

Item	Credit (£)	Debit (£)
Sales income of chemical products		
Business and Laboratory running costs		
Staff salaries		
Invoice paid to chemical suppliers		
Repayment of loans to bank		
Total Credit or Debit		
Net Profit or Loss for 1st Quarter		

The Balance Sheet

A Case Study for Chemistry Co.

Chemistry Co. wants to see its company balance sheet as of the 31st of December.

Questions

Using the information in the table below please:

1. Label each item in the table as an asset, a liability or as capital/reserve.
2. Label each of the assets as a fixed asset (fixed or F) or variable asset (variable or V).

Item	£	Asset, Liability or Capital & Reserve
Freehold of laboratory	350,000	
Equipment used within the business (inc. chemistry, I.T. etc.)	775,000	
Business fixtures and fittings	175,000	
Amount owed to chemical suppliers and bills	25,000	
Stocks of chemicals within the laboratory	25,000	
Stocks of saleable chemical products	50,000	
Loan from bank (repayable in 5 years)	250,000	
Venture capitalist investment	500,000	
Cash in the bank	125,000	
Capital invested by the owner	375,000	
Accumulated profits (after 5 years trading)	350,000	

3. Using the information in the completed table above, complete the following blank balance sheet spreadsheet.

4. Do the books balance on this date (Yes or No)?

Fixed Assets		£	Liabilities		£
1.			1.		
2.			2.		
3.			3.		
Variable Assets		£	Capital and Reserves		£
1.			1.		
2.			2.		
3.					
Total Assets			Total Liabilities & Capital		