

INSTRUCTIONS: The **sponsor** of the activity is required to complete this form. The form should be used to complete profit or loss on such activities as school store, vending, gym clothes, fund raiser, and yearbooks. If separate accounts are established by type of merchandise sold in the school store, separate statements should be prepared. **See back for additional instructions.**

Activity _____ Account # _____ For Period: From ____/____/____ To ____/____/____

1. Sales receipts			_____
2. Transfers in, which represent sales		+	_____
3. Total sales (line 1 plus line 2)		=	_____
4. Beginning inventory (from MCPS Form 281-22) for prior period			_____
5. Disbursements		+	_____
6. Accounts payable at end of period		+	_____
7. Add lines 4, 5, and 6		=	_____
8. Ending inventory (from MCPS 281-22)			_____
9. Accounts payable at beginning of period		+	_____
10. Add lines 8 and 9		=	_____
11. Cost of merchandise sold (line 7 minus line 10)			_____
12. Line 3 minus line 11 (enter negative figures in parentheses)			_____
13. Adjustments ¹ (describe) _____ _____			_____
14. Gross profit or loss (line 12 plus or minus line 13) and Gross profit margin (line 14 divided by line 3)			_____ \$ _____

PROFIT OR LOSS ANALYSIS			
15. Expected gross profit and margin (line 3 times expected gross profit margin) ²	Enter as a decimal Example: 36% = .36		\$ _____
16. Gross profit shortfall			\$ _____

Comments: (include giveaways, damaged merchandise, etc., to account for all or part of any profit shortfalls or losses)

¹ For example, add back retail sales tax remitted to the state if included in the disbursements amount, and any establishment or increase to the change fund if affecting receipts during the period covered.

² Expected gross profit margin: Unit sales prices less unit costs equals gross profit, divided by sales prices equals expected gross profit margin.

Prepared by _____ /_____/____ Reviewed by _____ /_____/____
 Date Date

INSTRUCTIONS FOR PREPARING THE STATEMENT OF PROFIT OR LOSS

The following numbered instructions correspond to the numbered lines on the form:

1. Enter on **line 1** the amount for the period as shown on the Activity Account Reconciliation report as receipts of the activity.
2. Enter on **line 2** the amount of any transfers from other Independent Activity Fund (IAF) fund accounts to pay for merchandise used in other school activities.
3. **Add** lines 1 and 2 and enter the total.
4. The ending inventory for one period becomes the beginning inventory for the following period. The amount entered on **line 4** should therefore be the total shown on MCPS Form 281-22: *Physical Inventory of Salable School Merchandise* for the activity at the end of the prior period.
5. Enter on **line 5** the amount for the period as shown on the Activity Account Reconciliation report as disbursements of the activity.
6. Enter on **line 6** the amount of accounts payable attributable to the activity only.
7. **Add** lines 4, 5, and 6 and enter the total.
8. Enter on **line 8** the total of the physical inventory for the activity at the end of the period, as shown on MCPS Form 281-22 or other record.
9. Enter on **line 9** the amount of accounts payable attributable to the activity at the beginning of the period. This should be the amount that was entered on line 6 of the statement of profit or loss prepared at the end of the prior period.
10. **Add** lines 8 and 9 and enter the total.
11. **Subtract** the amount of line 10 from the amount of line 7 and enter the difference in the last column. This is the cost of merchandise sold during the period.
12. **Subtract** the amount of line 11 from the amount of line 3 and enter the difference in the last column. If the amount of line 11 is greater than the amount of line 3, enter the difference in parentheses to indicate a negative figure.
13. **Add or subtract** from line 12 any adjustments. For example, subtract transfers out which represent either purchases or returned merchandise, and add back retail sales tax remitted to the state if included in the disbursements amount, and any establishment or increase to the change fund if affecting receipts during the period covered. (Do **not** enter the amount of any transfers out which are for the purpose of transferring profits of the activity to another IAF fund account.)
14. Line 12 plus or minus line 13 is the amount of gross profit or loss for the period. Line 14 divided by line 3 is the gross profit margin.

PROFIT OR LOSS ANALYSIS

15. Line 3 times the expected gross profit margin is the expected gross profit. The expected gross profit margin requires a separate computation. Gross profit margins are established when unit costs of items purchased are determined and selling prices are set. Accordingly, costs and selling prices needed to determine gross profit margins can be obtained from vendor invoices, physical inventory reports, and sponsor records. The gross profit margin is computed as follows: The unit sales price less the unit cost equals the gross profit, divided by the unit sales price equals the gross profit margin. Care should be taken particularly when computing an overall expected gross profit margin for a store selling items with varying profit margins within a single store account. Such computations will not be as precise as at stores with separate accounts by category of merchandise. Section II.D. of the *Handbook for the Operation of School Stores* prescribes the pricing policy for school stores. Margins may vary by item or category of merchandise. For illustrative purposes only, the following sample computation is provided:

Candy may have a unit selling price of 50 cents and a cost of 30 cents. The sales price of 50 cents less the cost of 30 cents equals 20 cents gross profit. The profit divided by the 50 cents sales price equals a gross profit margin of 40 percent. If the sales price was 60 cents, the gross profit margin would be 50 percent.

16. If line 15 is greater than line 14, a gross profit shortfall exists, i.e., actual profits were less than expected. If the profit shortfall is large, and the causes are not known, the computation of the expected profit should be rechecked.
17. Sponsors should again review the Handbook for the Operation of School Stores and/or Fund Raisers prior to preparation of the statement of profit or loss. An important objective of the analysis is the educational benefit gained from comparing the outcome with the planned result and determining what factors contributed to the difference, if any. This analysis can help improve future undertakings. The financial assistant at the school or the Office of Shared Accountability, Internal Audits can be contacted for assistance as needed.