

Did the florist have a good year?

Teacher guidance and answers | Original TBS classroom practice

Use this lesson when teaching the statement of comprehensive income for a sole trader. Learners sort capital and revenue expenditure, complete a florist's statement of comprehensive income with cost of goods sold, gross profit, other income, straight-line depreciation and profit for the year, adjust it for an accrual and judge the year against last year. The tasks are planned to take about 55 minutes and have not been trialled in a classroom. The minutes include brief answer checking but not handing out materials or a full plenary; allow about 65 minutes in the timetable.

Curriculum fit

Pearson BTEC Level 3 National Extended Certificate in Business (601/7159/5), specification Issue 14, April 2023, Unit 3 Personal and Business Finance (externally assessed): content area F1 Statement of comprehensive income (purpose and use; completion, calculation and amendment to include gross profit and profit/loss for the year; adjustments for straight-line depreciation; adjustments for prepayments, accruals; interpretation, analysis and evaluation; printed page 42), which the specification says relates to sole traders only, with formulas not given in external assessment. The starter uses C3 Types of expenditure (capital and revenue expenditure, printed page 40). Task 5a borrows two F3 ratios (gross profit margin and profit margin) to support the interpretation. Checked against the archived Issue 14 specification; please confirm the specification and assessment series for your learners with your exams officer. This is a TBS lesson, not a Pearson resource; it is not endorsed by Pearson and uses no Pearson assessment materials.

Assumptions and simplifications: all figures are fictional and exclude VAT; inventory is valued at cost; the van and fittings were bought on 1 April 2025, the first day of the year, so a full year's straight-line depreciation is charged on cost with no residual value; income tax on a sole trader's profit is personal and not shown; last year's expenses include £2,000 van hire and no depreciation. The answers are indicative teaching guidance only. There is no official mark tariff, grade boundary or AO allocation for these tasks and no grade claim is made.

Lesson plan (about 55 minutes of tasks, estimated)

Stage	Minutes	What happens
Starter: capital or revenue?	5	Sort eight items; link to the statement.
Task 1: cost of goods sold and gross profit	7	Top part of the statement.
Task 2: depreciation	5	Straight-line on the van and fittings.
Task 3: profit for the year	10	Bottom part of the statement; leave out two items.
Task 4: an accrual	6	Amend expenses and profit.
Task 5a: margins	6	Gross profit margin and profit margin for two years.
Task 5b: pairs	5	Two signs of success, two of concern.
Task 6: judgement	8	About 100 words.
Exit ticket	3	A prepayment and drawings.
Total	55	

45-minute version: starter 4, Task 1 6, Task 2 4, Task 3 8, Task 4 5, Task 5a 5, Task 5b 4, Task 6 6, exit ticket 3. In Task 5a pairs can split the two years and then share. Ask for about 70 words in Task 6. This timing has not been trialled. The 45 minutes are task time only, so in a real 45-minute period, with handing out and feedback, move the exit ticket to homework.

Pre-filled values: the Task 3 table gives gross profit (£56,800), and Tasks 3 to 6 repeat earlier results (depreciation, total expenses, profit and margins) so that a learner who went wrong can carry on. Remind learners to check them against their own answers.

Answers: starter

Indicative guidance for teachers. This is not an exam board mark scheme and carries no marks or grades.

Item	Capital or revenue?	In the statement?
(i) Delivery van	Capital	No (only its depreciation)
(ii) Shelving and shop sign	Capital	No (only its depreciation)
(iii) Flowers and wrapping to sell	Revenue	Yes (purchases, in cost of goods sold)
(iv) Rent	Revenue	Yes
(v) Wages	Revenue	Yes
(vi) Electricity	Revenue	Yes (heating and lighting)
(vii) Insurance	Revenue	Yes
(viii) Depreciation of the van	Revenue (C3); not a cash payment	Yes

Answers: Tasks 1 to 3 and the completed statement

Task 1a: cost of goods sold = $2,400 + 38,600 - 1,800 = £39,200$. Gross profit = $96,000 - 39,200 = £56,800$.

Task 1b: Flowers are perishable, so Rosa buys little and often and keeps only a small stock.

Task 2a: $18,000 \times 20\% = £3,600$. Task 2b: $2,000 \times 10\% = £200$.

Task 3a: total expenses = $14,400 + 18,000 + 2,600 + 1,800 + 1,200 + 600 + 300 + 3,600 + 200 = £42,700$. Profit for the year = $56,800 + 600 - 42,700 = £14,700$. Task 3b: The £18,000 van is capital expenditure on a non-current asset, so only its depreciation is an expense. The £18,000 drawings are for Rosa herself.

Statement of comprehensive income for the year ended 31 March 2026	Task 3, before the accrual (£)	Task 4, after the accrual (£)
Revenue	96,000	96,000
Opening inventory	2,400	2,400
Add purchases	38,600	38,600
Less closing inventory	(1,800)	(1,800)
Cost of goods sold	39,200	39,200
Gross profit	56,800	56,800
Add other income: commission received	600	600
Rent	14,400	14,400
Wages	18,000	18,000
Heating and lighting	2,600	3,000
Insurance	1,800	1,800
Marketing	1,200	1,200
Telephone and internet	600	600
Bank charges	300	300
Depreciation: van	3,600	3,600
Depreciation: fittings	200	200
Total expenses	42,700	43,100
Profit for the year	14,700	14,300

Task 4a: heating and lighting $2,600 + 400 = £3,000$; total expenses $42,700 + 400 = £43,100$; profit for the year $14,700 - 400 = £14,300$.

Answers: Tasks 4 and 5

Task 4b: The electricity was used this year to help earn this year's revenue, so it is this year's expense. (the accruals or matching idea). Task 4c: As an accrual of £400 under current liabilities.

Task 5a: gross profit margin last year $52,800 / 88,000 \times 100 = 60.0\%$; this year $56,800 / 96,000 \times 100 = 59.2\%$. Profit margin last year $15,400 / 88,000 \times 100 = 17.5\%$; this year $14,300 / 96,000 \times 100 = 14.9\%$ (it would have been 15.3% before the accrual).

Task 5b, accept any reasoned points with a correct figure, for example. Went well: Revenue rose by £8,000 (9.1%), from £88,000 to £96,000. Gross profit rose by £4,000, from £52,800 to £56,800. Concern: Profit for the year fell by £1,100, from £15,400 to £14,300. Expenses rose by £5,700 to £43,100, so the profit margin fell from 17.5% to 14.9%. Rosa's drawings of £18,000 were £3,700 more than her profit of £14,300. The gross profit margin slipped slightly, from 60.0% to 59.2%.

Discussion point: van depreciation of £3,600 replaced £2,000 of van hire, so owning the van added £1,600 to expenses (£1,800 with the £200 fittings depreciation), but Rosa now has a van and fittings that will last several years. Revenue grew by 9.1%, so the extra deliveries may have helped sales.

Task 6: indicative guidance

A well supported answer uses at least three correct figures, explains the effect of the depreciation or the accrual, gives a clear judgement and suggests one action. Example response (not a mark scheme): Rosa's business did fairly well, but less well than last year. Revenue rose by £8,000 to £96,000 and gross profit rose to £56,800, although the gross profit margin slipped from 60.0% to 59.2%. Expenses grew faster, to £43,100, partly because of £3,800 depreciation on the new van and fittings and the £400 electricity accrual. Profit for the year fell from £15,400 to £14,300, a profit margin of 14.9%. Her £18,000 drawings were more than her profit. Next year she should control expenses or take less.

Learners may reasonably judge that Rosa did well, because revenue and gross profit grew and the extra depreciation buys a van she will use for years; credit that view if it is supported with figures and recognises the fall in profit for the year. Look for correct figures, a link between expenses and profit, a judgement and a realistic action. Do not award a grade from these tasks.

Answers: exit ticket

a. Expense $3/12 \times £3,600 = £900$; prepayment $9/12 \times £3,600 = £2,700$. Only January to March (3 months) belongs to this year. b. Drawings are money the owner takes for personal use. They reduce her capital, not the business's profit.

Sources and limits

Curriculum source: Pearson BTEC Level 3 National Extended Certificate in Business specification, Issue 14, April 2023, Unit 3, content area F1 (printed page 42) and C3 (printed page 40); the gross profit margin and profit margin come from F3 on the same page. The specification verifies the topic scope only. The case, figures, timings and guidance are original TBS teaching design.