Accounting in retail and service businesses

Answer the following questions in your workbook.

a) Explain what a retail business is. Give two examples of a retail business. [3 marks]
b) Explain what a service business is. Give two examples of a service business. [3 marks]
c) What is the difference between the earnings and the profit of a business? [2 marks]
d) Why would you want to compile an income statement for a business? [2 marks]

[Total: 10 marks]
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| 1               | 10             | a) A retail business buys things that it sells again at a higher price to customers. Examples: Furniture shop, grocery store, green grocer, vehicle retailers, clothing store, etc. (any two) [3 marks]  
b) A service business renders a service to clients. Examples are television repairs, internet service providers, swimming pool maintenance, cleaning services, garden services, hairdressers, spas, gym instructors, doctors’ practices, etc. (any two) [3 marks]  
c) The earnings of a business consist of the income the business receives as payment from its clients, whether for products sold or services rendered. The profit of the business is the money that is left of the earnings (or income) after the business expenses have been subtracted. [2 marks]  
d) You compile an income statement to have a breakdown of all the earnings and the expenses of the business over a certain period. You also compile an income statement to see whether the business made a profit or a loss. [2 marks] |