

1. **Cost of goods sold** - Means cost attached to sales items (items that have been sold) i.e.
 - a. I bought 1 crate of soda (price) at usd 50 tax inc and marked up my price to be able to sell usd 100 tax inclusive
 - b. This means my sell price ex tax is 86.21 assuming my sales tax is 16% and my purchase cost is 43.10 assuming the tax is 16% again (Computation $100/1.16$) and (Computation $50/1.16$)
 - c. This is one crate. If I buy two crates of similar nature, bought from different suppliers then **average cost applies** which will explain later.

This is the real life scenario in any part of the world.

2. **Cost of Goods Available** - Means Cost of Purchases still held in stock not sold *** should never appear in P/L accounts this is where the problem is.

Now let's derive the Cost of Goods ****Sold**** take note of the word **Sold**

- a) Assuming I bought **two crates** of similar items from two **different Suppliers** at usd **50 supplier 1** another at usd **60 supplier 2**, My purchase cost or buying cost is **usd 110** this is not ****my cost of goods sold***** it is just ****purchase cost**** or **** Cost of goods available*****
- b) I go ahead and sell 1 crate so my cost of goods sold is **usd 55** Why? Because this is the **Average Cost Value** attached to the sale item I have sold.
- c) *****important**** remember because I had two items in stock which cost me usd 110 and now only one remains ******my initial Average stock value is ****** usd 55 sometimes also known as Cost of goods Available *****take note of the word available****
- d) this appears nowhere in profit and loss it should only appear in your stock account in balance sheet.
- e) But when one of the items is sold remember one supplier supplied at usd 60 another at usd 50 it will appear in as average of the two in p/L as 55 for the item was sold **that is the cost of goods sold**

Explanation: when I buy the crates of soda I can buy this from different suppliers one supplier will sell at usd 50 another supplier will sell for me at usd 60 because not all suppliers have the same selling prices or products are not fixed prices in market. This means the stock I am holding came in at different buying costs so to derive my value of stock I will take $50+60$ divided by 2 to get 55 this is my average Cost of goods ****available**** inc tax but to display it in p/l it must be ex tax

3. so assuming that's what happened what is Profit and loss report

Total Sales Revenue –Sales Order Tax and any other applicable taxes)-Returns	USD XXXX	and discounts are displayed in expense accounts to reduce net Profit and during a sale discounts/rebates can be applied to a single item or whole sale as a fixed amount or percentage Returns means no sale happened so don't show in Profit and loss (I did the sale but customer returned the item so no stock left) No stock value changed return should just be return. Have a separate report for returns.
Less : Cost of Goods Sold - Cost of Goods Sold (Average Cost) (55) item sold (Ex Tax) =47.41	Usd XXXX	Average Cost is important for any business maintaining stock because it is impossible to track individual costs of item of similar nature in stock (this is the international General Accepted Accounting Principle) Known as GAAP in the world
Gross Profit/Loss =	Usd XXXX	Total Sales Revenue –Average Cost of Goods sold This is the correct derivation of cost of goods sold and Profit and loss
Less : General Expenses	USD XXXX	
Less: Discounts	USD XXXX	
Net Profit /Loss	USD XXXX	
in my balance sheet (Current Assets)		Cost of Goods Available or Stock value is 55 that is the cost of the single item remaining in store.
		You can only show item profitability when this process is followed without this we remain in the dark

****The Sales Revenue is products sold price - products taxes? **Correct**

*** If yes what about the sales order level taxes/discount etc. **** all this should appear in expenses section as subtraction the sales order level tax should not be displayed in p/L removed sales should be ex tax ***The Cost of Goods Sold is the products' cost - taxes*** wrong answer it is the Average Cost as above -Taxes Correct **Thanks for the deliberations I appreciate let the outcome be to make the system much unique and better.**