



**Leeds Enterprise
Advisory Programme**
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LEAP VAT

To simulate the real world LEAP assume that all sales include 20.0% of VAT
and that all bought-in items and expenses include 20.0% of VAT

SP	Selling Price	= ESP + 20.0%
ESP	Effective Selling Price	= SP / 1.20
BI	Bought-in or cost price	= EC + 20.0%
EC	Effective Cost	= BI / 1.20

To calculate the LEAP VAT owed

Calculate the total sales and work out the LEAP VAT

$$\text{SP divided by } 1.20 = \text{ESP}$$

$$\text{LEAP VAT} = \text{SP minus ESP}$$

Calculate the total bought-in costs and work out what VAT this includes

$$\text{BI divided by } 1.20 = \text{EC}$$

$$\text{VAT included in cost} = \text{BI minus EC}$$

$$\text{LEAP VAT owed} = \text{LEAP VAT on sold items minus VAT included in Bought-in items}$$

Example

If the total sales are 150 and the Bought-in price of parts and goods are 75

$$\text{LEAP VAT on Sales} = \text{SP} - (\text{SP}/1.20) = 150 - (150/1.20) = \text{£25.00}$$

$$\text{VAT included in Bought-in} = \text{BI} - (\text{BI}/1.20) = 75 - (75/1.20) = \text{£12.50}$$

LEAP VAT owed to Leeds Enterprise Advisory Programme

$$\text{VAT on sales} - \text{VAT on bought-in} = \text{£12.50}$$

Strictly speaking your accounts should have kept track of VAT throughout the year using the accounting spreadsheets supplied at start-up.

Example

Item	SP	ESP	LEAPVAT
bracelet sale at Allerton High	£6.40	£5.33	£1.07
necklace sale at Merrion Centre	£7.50	£6.25	£1.25
glow stick sale at LGS	£0.50	£0.42	£0.08
TOTALS	£14.40	£12.00	£2.40