



Income statement

قائمة الدخل (كشف الدخل)

Methods of preparing Income Statement:

1- Single – step income statement.

طريقة الخطوة الواحدة

Single – step income statement just two grouping exist , total revenues and total expenses , total expenses deducted from total revenues to arrive at net income or loss .

بموجب هذه الطريقة يتم استعمال مجموعتين هما إجمالي الإيرادات وإجمالي المصاريف ، فيتم

طرح إجمالي المصاريف من إجمالي الإيرادات للوصول الى صافي الربح او صافي الخسارة.

The single - Step income statement

Revenues

Net sales

xxx

Other revenues

xxx

Total revenues

xxx

Expenses :

Cost of goods sold

x

Selling expenses

x

Administrative expenses

x

Other expenses

x

Income tax expenses

x

Total expenses

xxx

Net income

xxx



Example :

Tim Allen Co. had sales revenue of 540000 in 2004, other items recorded during the year were:

Cost of goods sold	320000
Wages expenses	120000
Income tax expenses	25000
Other operating expenses	10000

Required :

Prepare a single – step income statement for Allen 2004 .

Solutions

Tim Allen Co.

Income statement for the year 2004

Revenue :

Sales	540000
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Expenses :

Cost of goods sold	320000
Wages expenses	120000
Other operating expenses	10000
Income tax expenses	25000

Total expenses

(475000)

Net income

65000



2-Multiple - Step Income Statement: is one of the major financial statements presents the financial results of business for a stated period of time.

قائمة الدخل متعددة الخطوات: هو أحد البيانات المالية الرئيسية التي تعرض النتائج المالية للأعمال لفترة زمنية محددة.

The following equations are derived from the income statement:

$$\text{Net sales} = \text{Sales revenues} - \text{sales returns and allowances} - \text{sales discount}$$

$$\text{Cost of goods sold} = \text{Beginning inventory} + \text{Cost of goods purchased} - \text{ending inventory}$$

$$\text{Cost of goods purchased} = \text{purchases} - \text{purchases returns and allowances} - \text{purchases discounts} + \text{any purchases expenses such as freight - in}$$

$$\text{Gross profit} = \text{Net sales} - \text{Cost of goods sold}$$

$$\text{Income from operations} = \text{Gross profit} - \text{total selling expenses} + \text{total administration expenses}$$

$$\text{Total operating expenses} = \text{total selling expenses} + \text{total administration expenses}$$

$$\text{Net income} = \text{income from operations} + \text{other revenues and gains} - \text{other expenses and losses}$$



Income statements

For the year ended Dec 31 , xxx

Particulars	IQD	IQD	IQD
Sales revenues		xxx	
Less: sales returns and allowances	xxx		
sales discount	xxx	(xxx)	
Net sales			xxx
Cost of goods sold :			
Beginning inventory	xxx		
Plus: Cost of goods purchased	xxx		
Less: ending inventory	(xxx)		
Cost of goods sold			xxx
Gross profit			xxx
Less: operating expenses :			
Freight - out	xxx		
Insurance expenses	xxx		
Depreciation expenses	xxx		
		xxx	
administration expenses:			
rent expenses	xxx		
salaries expenses	xxx		
		xxx	
			(xxx)
Income from operations			xxx
other revenues and expenses			
Interest revenue	xxx		
Less: interest expenses	(xxx)		
			xxx
Net income			xxx

**Example 1:**

The following information appeared in the books of Salee Co the year 2012 sales 200000 , purchases 110000 , sales returns 4000 , freight out 1500 , purchase returns 5000 , salaries 1200 , beginning Inventory 20000 , fright in 800 , selling exp . 4500, Administrative exp. 6500.

Required: Prepare the income statement. ending Inventory 7000.

Salee Co .
Income statement for the year 2012

Sales		200000	
- Sales returns		(4000)	
Net sales			196000
Cost of goods sold :			
beginning inventory		20000	
Purchases	110000		
- purchases returns	(5000)		
+ Fright in	800		
Net purchases		105800	
Cost of goods available for sales		125800	
- ending Inventory		(7000)	
Cost of goods sold			(118800)
Gross profit			77200
- Operating expense :			
freight out	1500		
Selling exp .	4500		
Total selling exp.		6000	
Salaries exp.	1200		
Administrative exp.	6500		
Total Administrative exp.		7700	
Total Operating exp			(13700)
Net Income			63500



Examples: 2: The following is a partial account balances for Ahmed Corporation as of December 31, 2011. Sales revenue 390000 , Rental revenue 6500 , Retained earnings 1 /1 114400 , Retained earnings 31/12 134000, Dividends revenue 71000 , Sales returns 12400 , Sales discount 7800, Selling expenses 99400 , Income tax 31000 , Administrative expenses 82500, Interest exp 12700.

Required:

1- Total net revenue

2- Net income(single step income statement)

Solution**(a) Total net revenue:**

Sales		\$390.00	
Less: Sales discounts	\$7.800		
Sales returns	<u>12,400</u>		
		(20,200)	
Net sales			369,800
Dividend revenue			71,000
Rental revenue			<u>6500</u>
Total net revenue			<u>\$447,300</u>

(b) Net income:

Total net revenue (from a)			<u>\$447,300</u>
Expenses:			
Cost of goods sold	184,400		
Selling expenses	99,400		
Administrative expenses	82,500		
Interest expense	<u>12,700</u>		
Total expenses			<u>379,000</u>
Income before taxes			68,300
Income taxes			<u>31.000</u>
Net income			<u>\$37,300</u>



Example1: prepare income statement for S. Co. for the year ended 2017, on bases the following data:

Inventory, Jan 1 **2000**, Inventory, Dec 31 **4000**, sales revenue **14000**, purchases **6000**, purchases returns **1000**, purchases discount **1000**, sales returns **3000**, sales discount **500**, freight-in **2000**, freight – out **2000**, advertising expenses **1000**, rent expenses **1000**, salaries expenses **2000**, Gains on sale fixed assets **500**.

Example: 2

TX shown below is selected information from the recent annual reports of three companies'.

Details	K. com.	N. com	T. com
Net sales	37724	?	7169
Cost of goods sold	28485	2339	?
Gross profit	?	1083	?
Gross profit rate (Percentages)	?	?	30.7%

Required : filling in the Missing amounts and Percentages .