

Financial statements

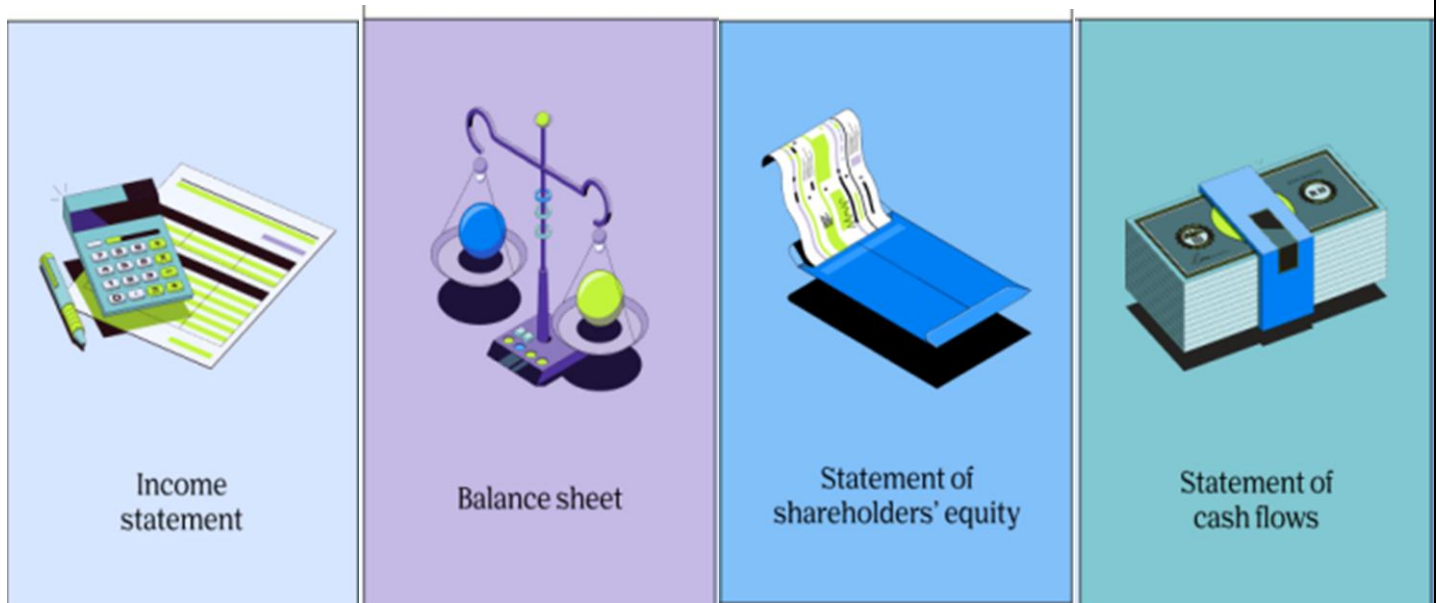
Financial statements are the primary means of communicating important accounting information about a business to those who have an interest in the business. Companies prepare **four** financial statements from the summarized accounting data :

1- Income statement presents the revenues and expenses and resulting net income or net loss for a specific period of time.

2- Balance sheet reports the assets, liabilities, and owner's equity at a specific date.

3- Owner's equity statement summarize the changes in owner's equity for a specific period of time.

4- Statement of cash flows summarizes information about the cash inflows (receipts) and outflows (payments) for a specific period of time.



Income statement

Presents the revenues and expenses and resulting net income or net loss for a specific period of time.

Single – Step Income Statement

The single-step statement consists of just two groupings: revenues and expenses, Expenses are deducted from revenues to arrive at net income or loss.

Particulars	Amount	Amount
Revenues:		
Net sales	***	
Dividend revenue	***	
Rent revenue	***	
Total revenues		***
Expenses:		
Cost of goods sold	***	
Selling expenses	***	
Administrative expenses	***	
Finance Charges	***	
Other expenses	***	
Income tax expense	***	
Total expenses		***
Net income		***

Gross Profit = Net Sales - Cost of good sold

Net Sales = Sales – (Sales return + Sales discount)

Cost of good sold = Beginning inventory + Net purchases - Ending inventory

Net purchases = purchases – (purchases return + purchases discount)

Net income = Revenues - Expenses

Example (1) : From the following balances, prepare single-step income statement for **Dina trading Company** for the year ended Dec. 31, 2012 :

Sales \$3,053,081 Inventory January 297,241 , Purchases 1,924,000, Purchases returns and allowances 80,414 , Sales discounts \$ 24,241 , Purchases discounts 57,720, Sales returns and allowances 56,427 , Freight and transportation-in 154,162 , Selling expenses 453,028 , Administrative expenses 350,771 , Interest on bonds and notes 126,060 , Income tax 66,934 , Dividend revenue 98,500 , Rent revenue 72,910 , Inventory December 31 254,728 .

Sol /

Dina Trading Company Single-Step Income Statement For the year ended Dec. 31, 2012		
Particulars	Amount	Amount
Revenues:		
Net sales	\$2,972,413	
Dividend revenue	98,500	
Rent revenue	72,910	
Total revenues		\$3,143,823
Expenses:		
Cost of goods sold	1,982,541	
Selling expenses	453,028	
Administrative expenses	350,771	
Interest expense	126,060	
Income tax expense	66,934	
Total expenses		2,979,334
Net income		164,489

Example (2) : Tim Allen Co. had sales revenue of 540,000 in 2004 , other items recorded during the year were :

Cost of goods sold 320,000

Wages expenses 120,000

Income tax expenses 25,000

Other operating expenses 10,000

Required : Prepare a single - step income statement for Allen 2004.

Solutions /

Tim Allen Co.

Income statement for the year 2004

Revenue:

Sales	540,000
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Expenses :

Cost of goods sold	320,000
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Wages expenses	120,000
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Other operating expenses	10,000
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Income tax expenses	25,000
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Total expenses	(475,000)
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Net income	65,000
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Exercise : Starr Co. had sales revenue of \$540,000 in 2017. Other items recorded during the year were :

Cost of goods sold \$330,000

Salaries and wages expense 120,000

Income tax expense 25,000

Other operating expenses 10,000

Required : Prepare a single-step income statement for Starr for 2017 .

Multiple – Step Income Statement

Is one of the major financial statements presents the financial results of business for a stated period of time.