

**.....Company**  
**Income Statement**  
**For the year ended Dec. 31, ....**

**Revenue :**

Sales		xxx
<b>Less: Sales discounts</b>	xx	
Sales returns and allowances	<u>xx</u>	<u>(xxx)</u>
<b>Net Revenue</b>		<u>xxx</u>

**Cost of goods sold :**

Inventory January 1	xx	
Purchases	xx	
<b>Less: Purchases discounts</b>	(xx)	
Purchases returns and allowances	<u>(xx)</u>	
Net Purchases		<u>xx</u>
Cost of goods available for sale	xx	
<b>Less: Inventory December 31</b>	<u>(xx)</u>	
Cost of goods sold		<u>(xxx)</u>
<b>Gross profit</b>		<u>xxx</u>

**Operating expenses :**

**Selling expenses**

Sales salaries and commissions	xx	
Sales office salaries	xx	
Travel and entertainment	xx	
Advertising expense	xx	
Freight and transportation-out	xx	
Delivery expense	xx	
Shipping supplies and expense	xx	
Postage and stationery	xx	
Telephone and Internet expense	xx	
Depreciation of sales equipment	<u>xx</u>	<u>xx</u>

**Administrative expenses**

Officers' salaries	xx
Office wages	xx
Legal and professional services	xx

Utilities expense	XX		
Insurance expense	XX		
Depreciation of building	XX		
Depreciation of office equipment	XX		
Stationery, supplies, and postage	XX		
Miscellaneous office expenses	XX	<u>XX</u>	
Total Operating expenses			<u>(XXX)</u>
Income from operation			<u>XXX</u>
<b>Other revenues and gains:</b>			
Dividend revenue		XX	
Rent revenues		XX	<u>XXX</u>
			<u>XXX</u>
<b>Other expenses and losses :</b>			
Interest on bonds and notes		XX	<u>(XXX)</u>
Income before income tax			<u>XXX</u>
Income tax			<u>(XXX)</u>
Net income			XXX

**Operating expenses** = Selling expenses + Administrative expenses

**Income from operation** = Gross Profit - Operating expenses

**Net income (Profit)** = Income before income tax - Income tax

**Net income (Profit)** = Gross Profit - Operating expenses + Other revenues and gains - Other expenses and losses - Income tax .

**Example (3) :** The following information appeared in the books of Salee Co. the year 2012 sales 200,000 , purchases 110,000 , sales returns 4,000 , freight out 1,500 , purchase returns 5,000 , salaries 1,200 , beginning Inventory 20,000 , freight in 800 , selling exp. 4,500 , Administrative exp. 6,500 , ending Inventory 7,000 .

**Required :** Prepare multiple – Step Income Statement for 2012 .

**Sol /**

**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

**Example (4) :** The following 2015 information related to webster company :

**Administrative expense**

Officers' salaries \$ 4,900

Depreciation of office furniture and equipment 3,960

Cost of goods sold 63,570

Rent revenue 17,230

**Selling expense**

Delivery expense 2,690

Sales commissions 7,980

Depreciation of sales equipment 6,480

Sales revenue 96,500

Income tax 7,580

Interest expense 1,860

**Required :** Prepare an income statement for the year 2015 using the multiple-step .

Sol /

**WEBSTER COMPANY**  
**Income Statement**  
**For the Year Ended December 31, 2015**  
(In thousands, except earnings per share)

Sales revenue .....			<b>£96,500</b>
Cost of goods sold .....			<b><u>63,570</u></b>
Gross profit .....			<b>32,930</b>
Selling expenses			
Sales commissions .....	<b>£7,980</b>		
Depr. of sales equipment .....	<b>6,480</b>		
Delivery expense .....	<b><u>2,690</u></b>	<b>£17,150</b>	
Administrative expenses			
Officers' salaries .....	<b>4,900</b>		
Depr. of office furn. and equip. ....	<b><u>3,960</u></b>	<b><u>8,860</u></b>	<b>26,010</b>
Other income and expense			
Rent revenue .....			<b><u>17,230</u></b>
Income from operations .....			<b>24,150</b>
Interest expense .....			<b><u>1,860</u></b>
Income before income tax .....			<b>22,290</b>
Income tax .....			<b><u>7,580</u></b>
Net income .....			<b><u>£14,710</u></b>

### **Homework**

Shown below is selected information from the recent annual reports of Two companies .

Details	K. com.	N. com
Net sales	37724	?
Cost of goods sold	28485	2339
Gross profit	?	1083

**Required :** Filling in the Missing amounts .