

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

Revenue :

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

Cost of goods sold :

Inventory January 1	xx
Purchases	xx
Less: Purchases discounts	(xx)
Purchases returns and allowances	<u>(xx)</u>
Net Purchases	<u>xx</u>
Cost of goods available for sale	xx
Less: Inventory December 31	<u>(xx)</u>
Cost of goods sold	<u>(xxx)</u>
Gross profit	<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		(xxx)
<u>Income from operation</u>		<u>xxx</u>
Other revenues and gains:		
Dividend revenue	xx	
Rent revenues	xx	<u>xxx</u>
		<u>xxx</u>
Other expenses and losses :		
Interest on bonds and notes	xx	(xxx)
<u>Income before income tax</u>		<u>xxx</u>
<u>Income tax</u>		(xxx)
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)		
+ Freight 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	£96,500
Cost of goods sold	<u>63,570</u>
Gross profit	32,930
Selling expenses	
Sales commissions	£7,980
Depr. of sales equipment	6,480
Delivery expense	<u>2,690</u> £17,150
Administrative expenses	
Officers' salaries	4,900
Depr. of office furn. and equip.	<u>3,960</u> <u>8,860</u> 26,010
Other income and expense	
Rent revenue	<u>17,230</u>
Income from operations	
Interest expense	<u>1,860</u>
Income before income tax	22,290
Income tax	<u>7,580</u>
Net income	<u>£14,710</u>

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 .