

LESSON 15-1

Preparing an Income Statement



INCOME STATEMENT INFORMATION ON A WORK SHEET

<i>Hobby Shack, Inc.</i>									
<i>Work Sheet</i>									
<i>For Year Ended December 31, 20--</i>									
ACCOUNT TITLE	1 TRIAL BALANCE		3 ADJUSTMENTS		5 INCOME STATEMENT		7 BALANCE SHEET		
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	
5 Merchandise Inventory	14048000			^(d) 1584000			12464000		5
29 Sales		49512000				49512000			29
30 Sales Discount	25848				25848				30
31 Sales Returns and Allowances	312728				312728				31
32 Purchases	20996000				20996000				32
33 Purchases Discount		164815				164815			33
34 Purch. Returns and Allowances		348495				348495			34
35 Advertising Expense	360000				360000				35
36 Cash Short and Over	1925				1925				36
37 Credit Card Fee Expense	338500				338500				37
38 Depr. Exp.—Office Equipment			^(f) 654000		654000				38
39 Depr. Exp.—Store Equipment			^(g) 525000		525000				39
40 Insurance Expense			^(c) 317000		317000				40
41 Miscellaneous Expense	256490				256490				41
42 Payroll Taxes Expense	910500				910500				42
43 Rent Expense	1800000				1800000				43
44 Salary Expense	10452500				10452500				44
45 Supplies Expense—Office			^(a) 273000		273000				45
46 Supplies Expense—Store			^(b) 291000		291000				46
47 Uncollectible Accounts Expense			^(e) 124500		124500				47
48 Utilities Expense	382000				382000				48
49 Federal Income Tax Expense	1800000		^(h) 588924		2388924				49
50	67086159	67086159	4357424	4357424	41993915	50025310	26984668	18953273	50
51 Net Income after Federal Income Tax					8031395			8031395	51
52					50025310	50025310	26984668	26984668	52



REVENUE SECTION OF AN INCOME STATEMENT FOR A MERCHANDISING BUSINESS

Hobby Shack, Inc.
Income Statement
For Year Ended December 31, 20--

				% OF NET SALES
2	<i>Revenue:</i>			
	<i>Sales</i> 3		49512000	4
	<i>Less: Sales Discount</i>	25848		
	<i>Sales Ret. and Allow.</i> 5	312728	338576	
8	<i>Net Sales</i>	6	7	9
			49173424	

1. Heading
2. Revenue section
3. Title of revenue account
4. Sales amount
5. Less contra accounts
6. Contra account amounts
7. Contra account total
8. Net Sales
9. Net sales amount

COST OF MERCHANDISE SOLD SECTION OF AN INCOME STATEMENT FOR A MERCHANDISING BUSINESS

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Hobby Shack, Inc.
Income Statement
For Year Ended December 31, 20--

<i>Revenue:</i>			
Sales			49512000
Less: Sales Discount	25848		
1 Sales Ret. and Allow.	312728	338576	
Sales			49173424
<i>Cost of Merchandise Sold:</i>			
Merchandise Inventory, Jan. 1, 20--			14048000
2 Purchases	20996000		
3 Less: Purchases Discount	164815		
Purch. Ret. and Allow.	348495	513310	
Net Purchases			20482690
Total Cost of Mdse. Avail. for Sale			34530690
5 Less Mdse. Inventory, Dec. 31, 20--			12464000
6 Cost of Merchandise Sold			22066690

1. Cost of Merchandise Sold section
2. Beginning inventory
3. Purchases section
4. Total cost of merchandise available for sale
5. Ending inventory
6. Cost of merchandise sold



COMPLETING AN INCOME STATEMENT FOR A MERCHANDISING BUSINESS

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Hobby Shack, Inc.
Income Statement
For Year Ended December 31, 20--

		%
		NET OF SALES
Revenue:		
Cost of Merchandise Sold	22066690	44.9
Gross Profit on Sales	27106734	55.1
Expenses:		
Advertising Expense	360000	
Cash Short and Over	1925	
Credit Card Fee Expense	338500	
Depr. Exp.—Office Equipment	654000	
Depr. Exp.—Store Equipment	525000	
Insurance Expense	317000	
Miscellaneous Expense	256490	
Payroll Taxes Expense	910500	
Rent Expense	1800000	
Salary Expense	10452500	
Supplies Expense—Office	273000	
Supplies Expense—Store	291000	
Uncollectible Accounts Expense	124500	
Utilities Expense	382000	
Total Expenses	16686415	33.9
Net Income before Federal Income Tax	10420319	21.2
Less Federal Income Tax Expense	2388924	
Net Income after Federal Income Tax	8031395	

1. Gross Profit on Sales
2. Expenses section
3. Net Income before Federal Income Tax
4. Less Federal Income Tax Expense
5. Net Income after Federal Income Tax
6. Double lines
7. Component percentage

1

2

4

5

3

7

6

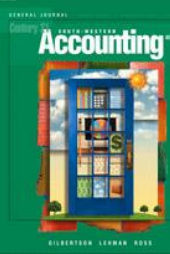
Interstate Tires, Inc.

Income Statement

For Year Ended December 31, 20 --

														*% OF NET SALES				
<i>Revenue:</i>																		
<i>Sales</i>																		
<i>Less: Sales Discount</i>																		
<i>Sales Ret. and Allow.</i>																		
<i>Net Sales</i>																		

29	Sales																	
30	Sales Discount																	
31	Sales Returns and Allowances																	



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Cost of Merchandise Sold:												
Merchandise Inventory, January 1, 20 --											198 4 8 0 33	
Purchases										278 4 5 2 39		
Less: Purchases Discount	1 8 4 5 78								-			
Purch. Ret. and Allow. +	3 5 4 8 65								5 3 9 4 43	+		
Net Purchases											273 0 5 7 96	
Total Cost of Mdse. Avail. for Sale											471 5 3 8 29	
Less Mdse. Inventory, Dec. 31, 20 --										-	188 9 9 9 25	
Cost of Merchandise Sold											282 5 3 9 04	51.9

5	Merchandise Inventory	198 4 8 0 33							(d) 9 4 8 1 08				188 9 9 9 25
32	Purchases	278 4 5 2 39								278 4 5 2 39			
33	Purchases Discount				1 8 4 5 78							1 8 4 5 78	
34	Purch. Returns and Allowances				3 5 4 8 65							3 5 4 8 65	

Advertising Expense	932	000							932	000
Cash Short and Over		527								527
Credit Card Fee Expense	945	445							945	445
Depr. Exp.—Office Equipment			426	000					426	000
Depr. Exp.—Store Equipment			575	000					575	000
Insurance Expense			600	000					600	000
Miscellaneous Expense	648	000							648	000
Payroll Taxes Expense	931	566							931	566
Rent Expense	180	000							180	000
Salary Expense	102	576	000						102	576

Net Sales									544	814	72	100.0
Cost of Merchandise Sold									282	539	04	51.9
Gross Profit on Sales									262	275	68	48.1
<i>Expenses:</i>												
<i>Advertising Expense</i>									932	000		
<i>Cash Short and Over</i>										527		
<i>Credit Card Fee Expense</i>									945	445		
<i>Depr. Exp.—Office Equipment</i>									426	000		
<i>Depr. Exp.—Store Equipment</i>									575	000		
<i>Insurance Expense</i>									600	000		
<i>Miscellaneous Expense</i>									648	000		
<i>Payroll Taxes Expense</i>									931	566		
<i>Rent Expense</i>									180	000		
<i>Salary Expense</i>									102	576	000	
<i>Supplies Expense—Office</i>									248	699		
<i>Supplies Expense—Store</i>									294	828		
<i>Uncollectible Accounts Expense</i>									168	000		
<i>Utilities Expense</i>									648	789		
Total Expenses									184	764	54	33.9



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<i>Gross Profit on Sales</i>																			262 275 68	48.1
<i>Total Expenses</i>																			- 184 764 54	33.9
<i>Net Income before Federal Income Tax</i>																			77 511 14	14.2
<i>Less Federal Income Tax Expense</i>																			14 603 79	
<i>Net Income after Federal Income Tax</i>																			62 907 35	

49	Federal Income Tax Expense	12 000 000				^(h) 2 603 79			14 603 79										49
50		762 394 41	762 394 41	35 210 14	35 210 14	491 476 33	554 383 68	285 211 87	222 304 52									50	
51	Net Income after Fed. Income Tax							62 907 35									62 907 35	51	
52								554 383 68	554 383 68	285 211 87	285 211 87							52	