



## 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	
	<hr/>	
Total revenues		xxx

##### Expenses :

Cost of goods sold	x	
Selling expenses	x	
Administrative expenses	x	
Other expenses	x	
Income tax expenses	x	
	<hr/>	
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
-------	--------

**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:

المعادلات التالية مشتقة من كشف الدخل:

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

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

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

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

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

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

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

## Income statements

For the year ended Dec 31 , xxx

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



### 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, Dividend revenue 71000, Sales returns 12400, Sales discount 7800, Selling expenses 99400, Income tax 31000, Administrative expenses 82500, Cost of goods sold 184400, 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>

**Examples: 3:** The following information about Al-Zawraa company for year ended Dec.31 2020 in IQD is available:

Purchases discounts 3,000 ,Beginning merchandise inventory 37,299 ,transportation-in 1,400 ,Sales returns and allowances 31,000 ,Sales revenue 750,000 ,Purchases returns and allowances 3,000 ,Ending merchandise inventory 43,000 ,Rent expense 31,000, Sales salaries expense 28,000 ,Maintenance expenses 16,000 ,Office supplies expense 3,900 ,Hospitality expense 67,000 ,Sales discounts 9,800 ,( other expenses )32,000 ,Income tax 40,000 ,Interest revenue ( other revenue ) 40,000 ,Purchases 50,000 .

**Required: Prepare an income statement for year ended Dec. 31 2020 for above company.**

**Al-Zawraa company**

**Income statements**

**For the year ended Dec 31 , 2020**

<b>Details</b>	
Total Sales	750,000
-Sales Return	31,000
-Discount Permitted	9,800
<b>=Net Sales</b>	<b><u>709,200</u></b>
Purchases+	50,000
Purchases Expenses+	1,400
Purchases Return and allowances	3000
-	
Earned Discount-	3000
<b>=Net purchases</b>	<b><u>45,400</u></b>
+Beginning inventory	37,299
<b>=Cost of goods available for sale</b>	<b><u>82,699</u></b>
-Ending inventory	43,000
<b>=cost of good sold</b>	<b><u>39,699</u></b>
Net Sales	709,200
- cost of goods sold	39,699



<b>Total Income =</b>	<b><u>669,501</u></b>
Operating Expenses:-	
Rent expense	31,000,
Sales salaries expense,	28,000
Maintenance expenses,	16,000
Office supplies expense,	3,900
Hospitality expense	67,000
<b>Net Operating Income=</b>	<b><u>523,601</u></b>
+ Other Revenues	40,000
-Other expenses	32,000
<b>=Net Income Before Tax</b>	<b><u>531,601</u></b>
-Income Tax	40,000
<b>Net Income After Tax=</b>	<b><u>491,601</u></b>

**Example:** 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 .