

17-1 WORK TOGETHER, p. 521

Analyzing an income statement

1.

Tri-State Pipe

Comparative Income Statement

For Years Ended December 31, 20-- and 20--

	Current Year				Prior Year			
	Amount		Percent		Amount		Percent	
Net Sales	659	470	53	100.0	642	189	81	100.0
Cost of Merchandise Sold	321	034	21		301	843	28	
Gross Profit	338	436	32		340	346	53	
Operating Expenses:								
Advertising Expense	24	981	05	3.8	23	149	84	3.6
Credit Card Fee Expense	6	977	95	1.1	6	819	25	1.1
Depreciation Expense—Office Equipment	7	850	00	1.2	7	650	00	1.2
Depreciation Expense—Store Equipment	6	490	00	1.0	6	080	00	0.9
Insurance Expense	8	400	00	1.3	8	200	00	1.3
Miscellaneous Expense	3	826	79	0.6	4	194	19	0.7
Payroll Taxes Expense	8	298	94	1.3	8	568	54	1.3
Rent Expense	8	447	55	1.3	8	400	00	1.3
Salary Expense	92	194	99		95	190	11	
Supplies Expense—Office	3	949	22	0.6	4	109	28	0.6
Supplies Expense—Store	4	989	92	0.8	4	219	10	0.7
Uncollectible Accounts Expense	16	487	08	2.5	12	197	16	1.9
Utilities Expense	5	269	69	0.8	4	910	82	0.8
Total Operating Expenses	198	163	18		193	688	29	
Income from Operations	140	273	14		146	658	24	
Other Revenue		598	78	0.1		449	14	0.1
Net Income before Federal Income Tax	140	871	92	21.4	147	107	38	22.9
Less Federal Income Tax Expense	38	190	05	5.8	40	621	88	6.3
Net Income after Federal Income Tax	102	681	87	15.6	106	485	50	16.6

2.

Ratio	Acceptable Range		Actual Ratio		Favorable Trend	Within Target Range
	Low	High	Current Year	Prior Year		
Gross margin	50.4%	52.0%				
Operating expenses	27.0%	29.0%				
Operating margin	21.4%	25.0%				

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Analyzing an income statement
1.

PBH Corporation

Comparative Income Statement

For Years Ended December 31, 20-- and 20--

	Current Year				Prior Year				
	Amount		Percent		Amount		Percent		
Net Sales	747	923	57	100.0	694	841	18	100.0	
Cost of Merchandise Sold	339	418	69		318	189	99		
Gross Profit	408	504	88		376	651	19		
Operating Expenses:									
Advertising Expense	9	655	70	1.3	11	084	92	1.6	
Credit Card Fee Expense	7	467	60	1.0	5	914	81	0.9	
Depreciation Expense—Office Equipment	4	550	00	0.6	4	250	00	0.6	
Depreciation Expense—Store Equipment	6	830	00	0.9	6	710	00	1.0	
Insurance Expense	13	126	68	1.8	13	014	92	1.9	
Miscellaneous Expense	4	192	71	0.6	5	148	61	0.7	
Payroll Taxes Expense	9	627	46	1.3	8	765	28	1.3	
Rent Expense	8	447	55	1.1	7	848	00	1.1	
Salary Expense	106	953	84		97	375	74		
Supplies Expense—Office	4	396	25	0.6	4	184	19	0.6	
Supplies Expense—Store	5	353	08	0.7	5	019	71	0.7	
Uncollectible Accounts Expense	8	042	78	1.1	7	319	36	1.1	
Utilities Expense	9	823	69	1.3	9	220	08	1.3	
Total Operating Expenses	198	467	34		185	855	62		
Income from Operations	210	037	54		190	795	57		
Other Revenue		4	75	33	0.1	6	62	08	0.1
Net Income before Federal Income Tax	210	512	87	28.1	191	457	65	27.6	
Less Federal Income Tax Expense	65	350	02	8.7	57	918	48	8.3	
Net Income after Federal Income Tax	145	162	85	19.4	133	539	17	19.2	

2.

Ratio	Acceptable Range		Actual Ratio		Favorable Trend	Within Target Range
	Low	High	Current Year	Prior Year		
Gross margin	54.2%	54.9%				
Operating expenses	25.0%	26.0%				
Operating margin	28.2%	29.9%				

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Analyzing an income statement

1.

TR's Quik Mart

Comparative Income Statement

For Years Ended December 31, 20-- and 20--

	Current Year		Prior Year	
	Amount	Percent	Amount	Percent
Net Sales	979,292.15	100.0	951,848.08	100.0
Cost of Merchandise Sold	703,779.06		673,184.19	
Gross Profit	275,513.09		278,663.89	
Operating Expenses:				
Advertising Expense	3,101.00	0.3	15,481.18	1.6
Credit Card Fee Expense	14,914.28	1.5	13,498.09	1.4
Depreciation Expense—Office Equipment	3,418.00	0.3	2,180.00	0.2
Depreciation Expense—Store Equipment	4,198.00	0.4	3,220.00	0.3
Insurance Expense	6,200.00	0.6	6,000.00	0.6
Miscellaneous Expense	12,748.14	1.3	14,188.07	1.5
Payroll Taxes Expense	8,834.84	0.9	8,027.91	0.8
Rent Expense	18,000.00	1.8	18,000.00	1.9
Salary Expense	98,148.50		89,184.08	
Supplies Expense—Office	2,148.21	0.2	1,848.66	0.2
Supplies Expense—Store	9,418.19	1.0	10,198.17	1.1
Uncollectible Accounts Expense	1,480.00	0.2	914.00	0.1
Utilities Expense	6,848.89	0.7	6,871.09	0.7
Total Operating Expenses	189,458.05		189,611.25	
Income from Operations	86,055.04		89,052.64	
Other Revenue	92.00	0.0	22.50	0.0
Net Income before Federal Income Tax	86,147.04	8.8	89,075.14	9.4
Less Federal Income Tax Expense	17,539.99	1.8	18,527.90	1.9
Net Income after Federal Income Tax	68,607.05	7.0	70,547.24	7.4

2.

Ratio	Acceptable Range		Actual Ratio		Favorable Trend	Within Target Range
	Low	High	Current Year	Prior Year		
Gross margin	27.5%	28.0%				
Operating expenses	18.8%	19.5%				
Operating margin	8.0%	9.2%				

