



Accounting 2 – ٢١٢ محا

Chapter 6

Income Statement for Merchandise Business

Name:

Class:

A/C. No.:

Formulas:

- **Net Sales** صافي المبيعات =
Gross Sales – (Sales Discount + Sales Returns and Allowance)
- **Net Purchases** صافي المشتريات =
Gross Purchases – (Purchases Discount + Purchases Returns)
- **Cost of Purchases** تكلفة المشتريات =
Net Purchases + Expenses on Purchases
- **Cost of Goods Available for Sales** تكلفة البضاعة المتاحة للبيع =
Opening Inventory + Cost of Purchases
- **Cost of Goods Sold** تكلفة البضاعة المباعة =
Cost of Goods Available for Sale – Ending Inventory
- **Gross Profit** إجمالي الربح =
Net Sales - Cost of Goods Sold
- **Income from Operation** الإيرادات التشغيلية =
Gross Profit – Operating Expenses
- **Net Income Before Tax** صافي الدخل قبل الضريبة =
Income from Operation + Other Revenues and Gains – Other Expenses and Losses
- **Net Income** صافي الدخل =
Net Income Before Tax – (Net Income Before tax × Tax %)

Types of Expenses & Revenues:

Expenses on Purchase	Operation Expense	Other Revenues and Gains	Other Expenses and Losses
- Freight-In	- Freight-Out.	- Interest Revenue.	- Interest Expenses.
- Carriage-In	- Salaries Expenses.	- Services Revenue.	- Loss from Sales
- Transportation In.	- Repair Expenses.	- Dividend Revenues.	Assets.
- Import Tax.	- Advertising	- Rent Revenues.	
- Insurance on Purchases.	Expenses	- Gain from sales	
	- Rent Expenses.	Assets.	
	- Electricity	- Earned	
	Expenses.	- Income	
	- Insurance Expense.		





Multiple Income Statement Formula:

Company Name
Income Statement
For the XXX ended XXX

Sales		xxx	
Sales Returns and Allowance	-	(xxx)	
Sales Discount		(xxx)	
Net Sales			xxx
Beginning Inventory		xxx	
Purchases		xxx	
Purchases Returns and allowance	-	(xxx)	
Purchases Discount		(xxx)	
Net Purchases		xxx	
Expenses on Purchases:			
Freight-In (Carriage-In) (Transportation-In)	+	xxx	
Import Tax		xxx	
Insurance on Purchases		xxx	
Cost of Purchases		xxx	
Cost of Goods Available for Sale		xxx	
Ending Inventory		(xxx)	
Cost of Goods sold			xxx
Gross Profit (loss)			xxx
Operating Expenses:			
Freight-Out / Repair Expense		xxx	
Salaries Expense / Advertising Expense	+	xxx	
Insurance Expense / Utilities Expense / Rent Expense		xxx	
Total Operating Expense			(xxx)
Income from Operation			xxx
Other Revenues and Gains:			
Rent Revenue / Gain from Sales Assets	+	xxx	
Interest Revenue / Dividend Revenue		xxx	
Total Other Revenues and Gains			xxx
Other Expenses and Losses:			
Interest Expense	+	xxx	
Loss from Sales Assets		xxx	
Total Other Expenses and Losses			(xxx)
Net Income Before Tax			xxx
Income Tax (<i>Net Income Before Tax</i> × Tax %)			(xxx)
Net Income (loss)			



Illustration (6-1):

(1) The following accounts balances were extracted from the book of Abdulla's Company on Dec 31,2019.

Sales Returns	BD3,200
Purchases Returns & Allowance	BD1,300
Carriage-out	BD150
Opening Inventory	BD3,200
Import Tax	BD270
Rent Expense	BD750
Gross Purchases	BD5,600
Freight-in	BD250
Sales Discount	BD800
Interest Revenue	BD1,200
Insurance Expense	BD380
Loss from Sale Equipment	BD800
Ending Inventory	BD1,600
Gross Sales	BD19,200

Calculate the amount following accounts:

1. Net Sales.
2. Net purchases.
3. Cost of purchases.
4. Cost of goods available for sale.
5. Cost of goods sold
6. Gross profit.
7. Income from operation.
8. Net income before tax.
9. Net income after tax (tax rate 5%).

(1) Identify the Net Sales:

(2) Identify the Net Purchases:

(3) Identify the Cost of Purchases:



(4) Identify the Cost of Goods Available for Sales :

(5) Identify the Cost of Goods Sold :

(6) Identify the Gross Profit:

(7) Identify the Income from Operation:

(8) Identify the Net Income Before Tax:

(9) Identify the Net Income after Tax:



Illustration 6-2:

The following balances was extracted from the books of Manama Fashion Center at the end Dec, 31 2016.

Account Title	BD	Account Title	BD
Cash	21,000	Purchases Discount	1,000
Account Receivable	4,200	Machines	15,000
Beginning Inventory	3,000	Rent Revenues	17,000
Equipment	15,000	Dividend Revenues	4,400
Account Payable	2,800	Salaries Expenses	12,300
Capital	45,000	Repair Expenses	8,200
Drawings	1,300	Advertising Expenses	5,400
Sales	178,000	Freight In	2,000
Sales returns	2,600	Freight Out	3,900
Sales Discount	5,400	Interest Expenses	7,600
Purchases	106,000	Loss from Sales Equipment	2,200
Purchases Returns	2,000	Sales Commission Expense	1% of Net Sales

A physical count to inventory shows a balance of BD6,100.

(1) Identify the Net Sales:

(2) Identify the Net Purchases:

(3) Identify the Cost of Purchases:

(4) Identify the Cost of Goods Available for Sales :



(5) Identify the Cost of Goods Sold :

(6) Identify the Gross Profit:

(7) Identify the Income from Operation:

(8) Identify the Net Income Before Tax:

(9) Identify the Net Income after Tax:



Illustration 6-4:

The following trail balance for Taba Super Market for the year ended on Dec 31 2015:

Taba Super Market
Trail Balance
As at Dec, 31 2015

Account Title	Debit BD	Credit BD
Cash	8,500	
Supplies	2,300	
Inventory	9,400	
Building	93,000	
Machines	17,000	
Notes Payable		8,300
Capital		90,200
Sales		229,400
Sales Returns	15,400	
Purchases	162,700	
Purchases Discount		2,700
Import Tax	1,900	
Salaries Expenses	15,600	
Electricity Expenses	3,400	
Rent Expenses	7,200	
Gain from Sales Machines		8,600
Interest Expenses	2,800	
Total	339,000	339,000

* Ending Inventory on Dec, 31 2014, is BD5,200. (Beginning Inventory of 2015)

* Income tax 5%.

(1) Identify the Net Sales:

(2) Identify the Net Purchases:

(3) Identify the Cost of Purchases:





(4) Identify the Cost of Goods Available for Sales :

(5) Identify the Cost of Goods Sold :

(6) Identify the Gross Profit:

(7) Identify the Income from Operation:

(8) Identify the Net Income Before Tax:

(9) Identify the Net Income after Tax:
