

- A. Compute the total Revenue, operating expenses, and net profit before taxes for Juan Coulter, a self-employed house painter for July.

| Juan Coulter | | |
|---------------------------------------|-----------------|-------------|
| Income Statement July | | |
| Revenue: | House Painting: | \$12,000.00 |
| | Water Blasting: | \$22,000.00 |
| | Total: | \$ _____ |
| Operating Expenses: | Advertising: | \$2,400.00 |
| | Automotive: | \$500.00 |
| | Miscellaneous: | \$340.00 |
| | Payroll: | \$3,450.00 |
| | Rent: | \$750.00 |
| | Salary: | \$5,000.00 |
| | Supplies: | \$124.00 |
| | Utilities: | \$420.00 |
| Total Operating Expenses: | | \$ _____ |
| Net Profit before Federal Income Tax: | | \$ _____ |

- B. Compute the total Revenue, operating expenses, and net profit before taxes for Richard Shaw, a self-employed computer programmer for August.

| Richard Shaw | | |
|---------------------------------------|------------------|-------------|
| Income Statement August | | |
| Revenue: | Web Design: | \$12,000.00 |
| | App Development: | \$2,000.00 |
| | Total: | \$ _____ |
| Operating Expenses: | Advertising: | \$2,400.00 |
| | Automotive: | \$50.00 |
| | Apple ID: | \$45.00 |
| | Miscellaneous: | \$20.00 |
| | Payroll: | \$3,450.00 |
| | Rent: | \$350.00 |
| | Salary: | \$3,000.00 |
| | Supplies: | \$4.00 |
| | Utilities: | \$220.00 |
| Total Operating Expenses: | | \$ _____ |
| Net Profit before Federal Income Tax: | | \$ _____ |

C. Wester World is a merchandising store. Complete the Total Revenue, Gross Margin, Operating Expenses, and Net Profit before federal income tax.

| Wester World Inc. Income Statement December 31, 2012 | | | |
|---|------------------------------------|----------|----------|
| Revenue: | | | |
| | Sales: | \$800.00 | |
| | Less: Sales returns and allowances | \$10.00 | |
| | Net Sales: | | \$ |
| Cost of Goods sold: | | | \$395.00 |
| Gross Margin: | | | \$ |
| Operating Expenses: | | | |
| | Advertising: | \$60.00 | |
| | Delivery: | \$40.00 | |
| | Depreciation: | \$59.00 | |
| | Insurance: | \$36.00 | |
| | Office Supplies: | \$14.00 | |
| | Telephone: | \$50.00 | |
| | Utilities: | \$36.00 | |
| Total Expenses: | | | \$ |
| Net Income before taxes: | | | \$ |

D. Merchandising businesses have to calculate the “Cost of Goods Sold” on their income statement. The Cost of Goods Sold represents how much it cost the firm to generate its sales. Complete the table below after examining the calculations used in the example. (Beginning Inventory + Purchases = Total Cost of Goods Available for Sale)
(Total Cost of Goods Available for Sale – Ending Inventory = Cost of Goods Sold)

| | Cost of Goods Sold | | | | |
|---|---------------------|---------------|--|----------------------|--------------------|
| | Beginning Inventory | Purchases (+) | Total Cost of Goods Available for Sale | Ending Inventory (-) | Cost of Goods Sold |
| 1 | \$220,000 | \$38,240 | \$181,760 | \$ 55,276 | \$126,484 |
| 2 | 66,000 | 39,200 | | 60,225 | |
| 3 | 145,568 | 20,200 | | 87,432 | |
| 4 | 10,947 | 50,925 | | 30,439 | |
| 5 | 884,948 | 200,000 | | 300,000 | |
| 6 | | 10,900 | | 60,000 | \$ 48,900 |
| 7 | 566,891 | | \$530,303 | | \$489,735 |

E. Compute the component percentages for Big Top. Round answers to two decimal places.

Big Top, Inc.

Income Statement December 31, 2012

| | | | |
|------------------------------------|------------|------|---|
| Revenue: | | | |
| Sales: | \$9,450.00 | 100% | |
| Less: Sales returns and allowances | \$673.41 | | % |
| Net Sales: | \$8,776.59 | | % |
| Cost of Goods sold: | \$4,395.00 | | % |
| Gross Margin: | \$4,381.59 | | % |
| Operating Expenses: | | | |
| Advertising: | \$604.00 | | % |
| Delivery: | \$550.00 | | % |
| Depreciation: | \$859.00 | | % |
| Insurance: | \$16.00 | | % |
| Office Supplies: | \$36.00 | | % |
| Telephone: | \$520.00 | | % |
| Utilities: | \$36.00 | | % |
| Total Expenses: | \$2,621.00 | | % |
| Net Income before taxes: | \$1,760.59 | | % |
| Federal Income Tax: | \$528.18 | | % |
| Net Profit after taxes: | \$1,232.41 | | % |

F. Complete the Income Statement for James Weaver, M. D. that appears below.

James Weaver, M.D.
Income Statement 2011

| | | | |
|---------------------------------------|--------------|--|-----------|
| Revenue: | | | |
| General Practice: | \$290,000.00 | | |
| Operations: | \$255,000.00 | | |
| Total: | | | \$ |
| Operating Expenses: | | | |
| Advertising: | \$10,983.00 | | |
| Automotive: | \$500.00 | | |
| Miscellaneous: | \$5,340.00 | | |
| Payroll: | \$ | | |
| Rent: | \$20,750.00 | | |
| Salary: | \$200,000.00 | | |
| Supplies: | \$55,839.00 | | |
| Utilities: | \$3,520.00 | | |
| Total Operating Expenses: | | | \$446,932 |
| Net Profit before Federal Income Tax: | | | \$ |

G. For each company in the office furniture industry below, divide net income by sales to find the profit margin. Round answers to two decimal places.

| Company | Sales | Net Income | Return on Sales (%) |
|---------------|-----------|------------|---------------------|
| HNI | 1,686,728 | 26,941 | |
| Steelcase | 2,437,100 | 20,400 | |
| Herman-Miller | 1,649,200 | 70,800 | |
| Kimball | 1,122,808 | 10,803 | |