

## Preparing an Income Statement

Coyote, Inc. Company						
Multi-Step Income Statement						
				200x	201x	202x
Net Sales				\$ 1,833,000		
Cost of Goods Sold				1,072,000		
Gross Profit				761,000	-	-
Selling and Administrative Expenses				454,000		
Advertising						
Depreciation and Amortization				14,000		
Repairs and Maintenance						
Operating Profit				293,000	-	-
Other Income (Expense)						
Interest Income				13,000		
Interest Expense				(16,000)		
Earnings Before Interest and Taxes				290,000	-	-
Income Taxes				116,000		
Net Earnings				\$ 174,000	\$ -	\$ -

The companies' net income is profitable when the sales exceed the cost of goods sold. In this, the gross profit is \$761k. This is beneficial to the company. Though we took the cost of goods away from the net sales there are still other areas which need to take a piece of the pie. For this company, once the SG&A and depreciation are taken out, the company still contains a profit of \$290k. But the buck does not stop there. Once the interest income and interest expense are adjusted the balance before earnings and taxes is \$290k. After taxes are taken out, the company is left with a net profit of \$174k.

In this case I think the company has achieved success with a net profit of \$174k. If the company were unable to be profitable, the company would eventually go out of business. We would be able to tell if the company was not profitable by looking at each section individually. The cost of goods sold is what stands out for me. If we pay more to make the product then we are actually selling it for, there is no profit to be made. So, I think it should all start there.