

## Income Statement In-Class Exercise

Use the following information to complete an income statement for Jack's Roadside Market. Not all of the information belongs on an income statement.

Annual Business License	\$100
Hired Labor Wages	\$12,000
Operating Loan Principal Received	\$35,000
Depreciation	\$8,000
Office Expense	\$1,200
Total Sales (Gross Receipts)	\$115,000
Repairs & Maintenance	\$900
Supplies	\$2,000
Interest on Mortgage	\$3,500
Interest on Other Loan	\$700
Legal & Professional Services	\$1,500
Car & Truck Expenses	\$2,500
Advertising	\$800
Utilities	\$4,000
Loan Principal Repaid	\$6,000
Insurance	\$3,000

To calculate the Cost of Goods Sold (Operating Expenses): Use Part III of Schedule C

Beginning Inventory	\$30,000
Hired Labor Wages – Production	\$18,000
Purchase of Inventory	\$25,000
Materials & Supplies	\$3,000
Ending Inventory	\$35,000

Calculate the Gross Margin (Line 7) for Jack's business.

Calculate the Net Income (Line 31) for Jack's business. What can Jack do with these profits?

What can Jack do to try to improve the profitability (net income) of his business?