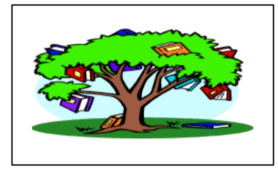
Toward Business Literacy: Accounting Outlines



Income Statement Accounts

Sales	
Sales of Goods	Tangible things (Cost of Good Sold below applies)
Service revenue	Efforts given to others (no inventory, usually)
Less: Returns	Things returned that were previously sold
Discounts	A percentage is deducted if customer pays early
- Cost of Goods Sold	
Beginning inventory	Things "on the shelf" at the beginning of the period
Add: Purchases	Costs to purchase additional inventory
Less: Discounts & Returns	Deducted from purchases to arrive at net purchases
Add: Freight in	The cost to have the inventory shipped to us
Minus: Ending inventory	Equals the total cost of goods sold
= Gross Margin	Sales minus Cost of Goods Sold
- Operating Expenses	Selling, general and administrative; account names such as depreciation, utilities, rent, repairs, advertising, and salary.
= Income from Operations	
+/- Other Income and Expenses	Items not primary to business operations such as interest and gains or losses from asset sales.
= Net Income	

Extra classes of income or loss (that are not a part of ongoing operations)

1. Discontinued operations
   a. Include amount of income from segment net of tax
   b. Include gain or loss from sale net of tax
2. Extraordinary items (net of tax): things infrequent in occurrence and unusual in nature.
3. Accounting changes (net of tax): usually a cumulative effect

- If tax rate is 30%, multiply by income or gain, show tax and subtract.
- If loss, multiply rate by loss and add tax effect to loss (lesser loss results)

Earnings per share

Net income divided by weighted average of common shares outstanding

- Weighted average: multiply # shares by fraction of year the shares are outstanding. Add portions together to get weighted average.
- Discontinued operations, Extraordinary items and Accounting changes have separate
  EPS figures

From Intermediate Accounting by Keiso
Last modified 7/26/2013