

Multi-Step Income Statement

For the Year Ended December 31, 2023

Revenue	
Sales Revenue	500,000
Less: Sales Returns & Allowances	(10,000)
Net Sales	490,000
Cost of Goods Sold	
Beginning Inventory	40,000
Purchases	300,000
Less: Ending Inventory	(50,000)
Cost of Goods Sold	290,000
Gross Profit	200,000
Operating Expenses	
Selling Expenses	45,000
Administrative Expenses	35,000
Total Operating Expenses	80,000
Operating Income	120,000
Other Revenues and Expenses	
Interest Income	2,000
Interest Expense	(8,000)
Gain on Sale of Asset	3,000
Total Other Income (Expenses)	(3,000)
Income Before Tax	117,000
Income Tax Expense	(23,400)
Net Income	93,600

Important Notes

- This statement separates operating from non-operating activities, aiding in performance analysis.
- Gross profit highlights the relationship between sales and cost of goods sold.
- Operating income focuses on core business profitability, excluding non-operating items.
- Detailed expense breakdown supports better financial decision-making.
- Net income reflects the overall profitability after all revenues and expenses, including taxes.

