

Multi-Step Income Statement

For the Year Ended December 31, 2023

Sales Revenue	\$500,000
Less: Sales Returns & Allowances	(15,000)
Net Sales	\$485,000
Cost of Goods Sold	(320,000)
Gross Profit	\$165,000
Operating Expenses	
Selling Expenses	(35,000)
General & Administrative Expenses	(40,000)
Total Operating Expenses	(75,000)
Operating Income	\$90,000
Other Income and Expenses	
Interest Income	5,000
Interest Expense	(10,000)
Total Other Income (Expense)	(5,000)
Income Before Taxes	\$85,000
Income Tax Expense	(17,000)
Net Income	\$68,000

Important Notes:

- A multi-step income statement separates operating and non-operating activities for better analysis.
- It clearly shows Gross Profit, Operating Income, and Net Income as distinct steps.
- This format is preferred for larger companies or those needing detailed financial insights.
- Each section helps identify sources of revenue and expenses more precisely.
- Accurate classification of items is crucial for correct interpretation.