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