

Income Statement for the Year ended December 31, 1996

(Reselling)

Gross Sales			\$260,000
Less: returns and allowances			10,000
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Net Sales			\$250,000
Cost of Goods Sold			
Inventory, January 1, 1996 (at cost)		\$48,000	
Purchases	\$51,000		
Less: purchase discounts	<u>4,000</u>		
Net Purchases	\$47,000		
Plus: Freight	<u>2,000</u>		
Net cost of delivered purchases		<u>\$49,000</u>	
Cost of goods available for sale		\$97,000	
Less: inventory, December 31, 1997		<u>52,000</u>	
Cost of goods sold			<u>\$45,000</u>
Gross Margin			\$205,000
Expenses			
Selling expenses			
Sales salaries and commissions	\$32,000		
Advertising	16,000		
Sales promotions	3,000		
Delivery	<u>2,000</u>		
Total selling expenses		\$53,000	
Administrative expenses			
Administrative salaries	\$20,000		
Office salaries	20,000		
Office supplies	2,000		
Miscellaneous	<u>1,000</u>		
Total administrative expenses		\$43,000	
General expenses			
Rent	\$14,000		
Utilities	7,000		
Bad debts	1,000		
Miscellaneous	<u>4,000</u>		
(Local taxes, insurance, interest)			
Total general expenses		<u>\$26,000</u>	
Total expenses			<u>\$122,000</u>
Net Income			<u><u>\$83,000</u></u>