FIN100 Topic 8

Post-seminar learning task 1

This learning task can be completed during the consultation session.

Part A: Review question

Complete **Review question 8** from page 412 of the prescribed text (Melicher & Norton 2017):

What is the purpose of the income statement? Briefly identify and describe the major types of expenses that are shown on the typical income statement.

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Part B: Key financial terms

Briefly explain how shareholder wealth is measured.

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Part C: Problem

Complete **Review question 5 and 6** from page 413 of the prescribed text (Melicher & Norton 2017).

Use your knowledge of income statements to fill in the missing items:

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| **Sales** |  |
| Cost of goods sold | $ 575 000 |
| Gross profit | 1 600 000 |
| General and administrative expense | 200 000 |
| Selling and marketing expense |  |
| Depreciation | 50 000 |
| Operating income |  |
| Interest | 100 000 |
| Income before taxes |  |
| Income taxes (30 %) |  |
| **Net income** | **$ 700 000** |

Use the following information to construct an income statement on the following page:

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| Interest | $25 000 |
| Sales | $950 000 |
| Income tax rate | 25 % |
| Selling and marketing expenses | $160 000 |
| General and administrative expenses | $200 000 |
| Gross profit | $550 000 |
| Depreciation | $30 000 |
| Cost of goods sold | $400 000 |