




Accounting II - Simplified for You

Merchandise Accounting


Service versus Merchandising activities

Sample Service & Merchandising Income Statements



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Service Income Statement




Unique Designs Income Statement For the Month Ended July 31, 20XX		
Service Revenue		\$21,000
Expenses:		
Salaries Expense	\$1,800	
Rent Expense	1,500	
Printing Expense	375	
Utilities Expense	650	
Advertising Expense	300	
Supplies Expense	795	
Total Expense		5,420
Net Income		\$15,580

Single Step Income Statement

Revenues
- Expenses
= Net Income

Merchandising Income Statement



Unique Designs Income Statement For the Month Ended July 31, 20XX		
Sales Revenues		\$XXX
Cost of Goods Sold	-XXX	
Gross Profit		\$XXX
Operating Expenses	-XXX	
Net Income		\$XXX

How merchandising works

Merchandise sold to customers is reported as sales revenues



Unique Designs Income Statement For the Month Ended July 31, 20XX		
Sales Revenues		\$XXX
Cost of Goods Sold	-XXX	
Gross Profit		\$XXX
Operating Expenses	-XXX	
Net Income		\$XXX

How merchandising works

Cost of purchased merchandise sold is reported in the Cost of Goods Sold



Unique Designs Income Statement For the Month Ended July 31, 20XX		
Sales Revenues		\$XXX
Cost of Goods Sold		-XXX
Gross Profit		XXXX
Operating Expenses		-XXX
Net Income		XXXX

How merchandising works

Merchandise on hand is reported on the Balance Sheet as Merchandise Inventory



revenues

Unique Designs Balance Sheet July 31, 20XX	
Assets	Liabilities
Cash	Accounts Payable
Accounts Receivable	Salaries Payable
Merchandise Inventory	
Office Equipment	Owner's Equity
Total Assets	Many Smith, capital
	Total liabilities and owner's equity

Sample Multi-Step Income Statement

Unique Designs Income Statement For the Month Ended July 31, 20XX		
Sales Revenues		\$ 35,175
Less: Sales returns and allowances	\$ 2,125	
Sales discounts	675	2,800
Net sales		\$ 32,375
Cost of Goods Sold		14,498
Gross Profit		\$ 17,877
Operating expenses:		
Selling expenses:		
Sales salaries expense	\$ 2,500	
Advertising expense	1,700	
Delivery expense	985	
Total selling expenses		\$ 5,185
Administrative expenses:		
Office salaries expense	\$ 2,175	
Insurance expense	585	
Office supplies expense	375	
Total administrative expenses		3,135
Total operating expenses		8,320
Income from operations		\$ 9,557
Other income and expense		
Interest revenue	\$ 200	
Interest expense	79	121
Net income		\$ 9,678

Merchandising Cycle



