

**Solution:****STATEMENT OF INCOME (in thousands of \$)**

| <b>Name: Morlan Bathroom Supply Co.</b> |               | <b>As of: 31 December 2015</b> |  |
|---|---------------|--------------------------------|--|
| <b>Particulars</b>                      | <b>Amount</b> | <b>Net Amount</b>              |  |
| Sales of goods                          | 1,066         |                                |  |
| Sales Returns & Allowances              | (50)          |                                |  |
| Cash Discount on Sales                  | (16)          |                                |  |
| <b>Net Sales</b>                        |               | <b>1,000</b>                   |  |
| Cost of acquiring goods:                |               |                                |  |
| Gross Purchase of goods                 | 700           |                                |  |
| Freight in Expenses                     | 55            |                                |  |
| Purchase Returns & Allowances           | (40)          |                                |  |
| Cash Discounts on Purchases             | (15)          |                                |  |
| Net Cost of acquiring goods             | 700           |                                |  |
| Beginning inventory                     | 200           |                                |  |
| Less: Ending Inventory                  | (300)         |                                |  |
| <b>Cost of Goods Sold</b>               |               | <b>600</b>                     |  |
| <b>Gross Profit</b>                     |               | <b>400</b>                     |  |
| Other Operating Expenses:               |               |                                |  |
| Rent expense, selling space             | 50            |                                |  |
| Salary expense, sales                   | 160           |                                |  |
| Depreciation expense, sales             | 29            |                                |  |
| Advertising expenses                    | 45            |                                |  |
| Delivery expenses                       | 20            |                                |  |
| <b>Total Operating Expenses</b>         |               | <b>304</b>                     |  |
| <b>Net Operating Income</b>             |               | <b>96</b>                      |  |
| Other Expenses:                         |               |                                |  |
| Administrative expenses:                |               |                                |  |
| Office salaries                         | 46            |                                |  |
| Office depreciation                     | 3             |                                |  |
| Office rents                            | 10            |                                |  |
| Office supplies used                    | 6             |                                |  |
| <b>Total administrative expenses</b>    |               | <b>65</b>                      |  |
| Bad Debt Expenses                       | 8             |                                |  |
| Miscellaneous Expenses                  | 13            |                                |  |
| <b>Total expenses</b>                   |               | <b>86</b>                      |  |
| <b>Income Before Tax</b>                |               | <b>10</b>                      |  |
| Income Tax Applicable (Paid)            |               | 4                              |  |
| <b>Net Income</b>                       |               | <b>6</b>                       |  |

