

Solution:

The income statement is prepared below, with the changes in retained earnings also included in it.

STATEMENT OF INCOME CUM RETAINED EARNINGS
(Amounts in millions of \$)

Name: McDonald's Corporation

As Of: Fiscal 2011

Particulars	Amounts
INCOME:	
Revenues	27,006.0
Less: Food & Paper Expense	(6,167.2)
Less: Occupancy & Other Operating Expense	(3,827.6)
Net Operating Income (Loss)	17,001.2
Other revenues (expenses):	
Payroll & Employee Benefits	(4,606.3)
Occupancy Expense (Restaurants)	(1,481.5)
Selling, administrative & general expenses	(2,393.7)
Interest & Other non-operating expenses	(517.5)
Total other revenues (expenses)	(8,999.0)
Income Before Tax (Loss)	8,002.2
Less: Provision for Income Tax	(2,509.1)
Net Income (Loss)	5,493.1
RETAINED EARNINGS:	
Retained Earnings as of December 31, 2010	33,811.7
Add: Net Income	5,493.1
Less: Dividends Declared	(2,607.3)
Retained Earnings as of December 31, 2011	36,707.5

(2)

The cash dividend forms almost 50% of the net income of the McDonald's. This is a huge amount of money invested in the form of the cash dividends.