

**CBE Competency 1**  
**FS.CO1.LM01-2 Module 2**  
**Summative Assessment**

**A. Please fill in the blanks:**

Please fill in the blanks with the word or words that will best complete the sentence.

1. 1. Net sales minus cost of goods sold equals \_\_\_\_\_.

**Answer: Gross profit**

2. Selling, general, and administrative expenses also may be called \_\_\_\_\_.

**Answer: Operating Expenses**

3. The relationship of fixed costs, total costs, and net sales is called \_\_\_\_\_.

**Answer: Operating leverage**

4. The loss on sale of a fixed asset would be classified as a/an \_\_\_\_\_ on the income statement.

**Answer: Capital loss sale of assets**

5. \_\_\_\_\_ matches revenues and expenses through sales and is a good measure for how profitable the company has been over time.

**Answer: Accrual accounting**

**B. Prepare the Income Statement, include the corresponding totals and place the following accounts in the correct order:**

Rent Expense	\$ 15
Depreciation	\$ 12
Net Sales	\$895
Bad Debt Expense	\$ 2
SGA Expenses	\$157
Profit Sharing	\$ 7
Officers Compensation	\$ 36
Cost of Good Sold	\$120
Other income	\$ 21

**Answer:**

<b>Net Sales</b>	<b>\$895</b>	
<b>Cost of Good Sold</b>	<b><u>\$120</u></b>	
<b>Gross Profit</b>		<b>\$775</b>
<b>SGA Expenses</b>	<b>\$157</b>	
<b>Officers Compensation</b>	<b>\$ 36</b>	
<b>Depreciation</b>	<b>\$ 12</b>	
<b>Rent Expense</b>	<b>\$ 15</b>	
<b>Bad debt Expenses</b>	<b>\$ 2</b>	
<b>Profit Sharing</b>	<b><u>\$ 7</u></b>	
<b>Total Operating Expenses</b>		<b><u>\$247</u></b>
<b>Net Operating Income</b>	<b>\$528</b>	
<b>Other Income</b>	<b><u>(\$21)</u></b>	
<b>Net Income</b>		<b>\$549</b>

