**CBE Competency 1**

**FS.CO1.LM01-2 Module 2**

**Summative Assessment**

1. **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***

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

***Answer: Operating Expenses***

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

***Answer: Operating leverage***

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

***Answer: Capital loss sale of assets***

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

***Answer: Accrual accounting***

1. **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:**

**Net Sales $895**

**Cost of Good Sold $120**

**Gross Profit $775**

**SGA Expenses $157**

**Officers Compensation $ 36**

**Depreciation $ 12**

**Rent Expense $ 15**

**Bad debt Expenses $ 2**

**Profit Sharing $ 7**

**Total Operating Expenses $247**

**Net Operating Income $528**

**Other Income ($21)**

**Net Income $549**