

Lesson 12: The Income Statement — Measuring Profit and Loss

Part A: Build the Income Statement

Use the data below to complete the multi-step income statement:

Net Sales \$120,000 | COGS \$72,000 | Salaries \$18,000 | Rent \$6,000 | Depreciation \$3,000 | Interest Expense \$2,000 | Tax Rate 25%

Line Item	Amount (\$)
Net Sales Revenue	120,000
Less: Cost of Goods Sold (COGS)	
= Gross Profit	
Less: Operating Expenses	
Salaries	18,000
Rent	6,000
Depreciation	3,000
= Operating Income (EBIT)	
Less: Interest Expense	2,000
= Net Income Before Tax (EBT)	
Less: Income Tax (25%)	
= Net Income	

Part B: Short Answer

What is the difference between gross profit and net income?
