**Week 3 – Retail Math – Income Statement**

*In-class Group Work*

1. During the year, net sales for a t-shirt shop were $182,000. Cost of goods sold was $103,740 and operating expenses totaled $53,400. Complete an income statement showing both dollar amounts and ratios for this business.

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| --- | --- | --- |
|  | $ | Ratio % |
| Net Sales | 182,000 | 100% |
| Cost of Goods Sold (COGS) | 103,740 | 57% |
| Gross Margin | 78,260 | 43% |
| Operating Expenses (SGA) | 53,400 | 29.3% |
| Net Profit/Loss (B/F Taxes) | 24,860 | 13.7% |

1. A store with operating expenses of $57,000 had a loss of $3,000. What was the store’s gross margin?

HINT Use this Formula: Gross Margin – Operating Expenses = Profit/Loss (Before Taxes)

* **$60,000**
1. Examine the profit/loss statement that follows. Evaluate the profit dollars earned for this t-shirt shop (i.e., was it good or bad?)

  **$** Ratios

Net Sales  $100,000  100%

Cost of Goods Sold  $55,000  55%

Gross Margin  $45,000  45%

Operating Expenses $35,000  35%

Profit/Loss (Before Taxes) $10,000  10%

Answer: It was **good** since they had a **10% profit**.

#4 From the data that follows, develop a P&L with ratios included.

Profit $2,000

Operating Expenses $18,000

Purchases $36,000

Gross Sales $52,000

Ending Stock $34,000

Customer Returns $2,000

Beg Stock $28,000

HINT: You need to calculate the COGS = Beginning Stock +Purchases -Ending Stock

|  |  |  |
| --- | --- | --- |
|  | $ | Ratio % |
| Gross Sales | $52,000 | 52% |
| Customer Returns | $2,000 | 2% |
| Net Sales | $82,000 | 82% |
| Cost of Goods Sold (COGS) | $30,000 | 30% |
| Gross Margin | $20,000 | 20% |
| Operating Expenses (SGA) | $18,000 | 18% |
| Net Profit/Loss (B/F Taxes) | $2,000 | 2% |