

Green Valley Consulting
Income Statement
 For the Year Ended December 31, 2024

Revenue		
Sales Revenue	#####	
Less: Sales Returns and Allowances	(30,000)	
Net Sales		950,500
Cost of Goods Sold	(750,000)	
Gross Profits		200,500
Expenses		
Operating Expenses		
Advertising Expense	25,000	
Depreciation Expense	15,000	
Insurance Expense	3,000	
Rent Expense	9,500	
Utilities Expense	12,000	
Salaries and Wages Expense	90,000	154,500
Income from Operations Expense		46,000
Other Income and Expense		
Gains on Disposal of Plant Assets	5,000	
Interest Expense	(8,500)	
Income Before Taxes		42,500
Income Tax Expense	(12,500)	
Net Income		30,000

Green Valley Consulting
Retained Earnings Statement
 For the Year Ended December 31, 2024

Beginning Retained Earnings	\$ 20,300
Add: Net Income	30,000
Less Dividends	(30,000)
Ending Retained Earnings	20,300

Green Valley Consulting
Classified Balance Sheet
 For the Year Ended December 31, 2024

Assets	
Current Assets	
Cash	10,500
Accounts Receivable	7,800
Inventory	62,300
Prepaid Insurance	7,500
Total Current Assets	88,100
Property, Plant, Equipment	
Equipment	145,000
Less: Accumulated Depreciation	(75,000)
Total Assets	158,100
Liabilities and Stockholders' Equity	
Current Liabilities	
Accounts Payable	30,000
Salaries and Wages Payable	17,800
Total Current Liabilities	47,800
Long-Term Liabilities	
Notes Payable (due 2027)	50,000
Total Liabilities	97,800
Stockholders' Equity	
Common Stock	40,000
Retained Earnings	20,300
Total Stockholders' Equity	60,300
Total Liabilities and Equity	158,100

b) **Ratio Calculations**

Profit Margin Ratio = (Net Income/Net Sales)	0.031562	3.16%
Gross Profit Rate = (Gross Profits/Net Sales)	0.211053	21.11%

Silver Oak Enterprise
Income Statement
 For the Year Ended December 31, 2024

Revenue		
Sales Revenue	#####	
Less: Sales Returns and Allowances	(25,000)	
Net Sales		775,000
Cost of Goods Sold	(600,000)	
Gross Profits		175,000
Expenses		
Operating Expenses		
Advertising Expense	30,000	
Depreciation Expense	10,000	
Insurance Expense	7,600	
Rent Expense	8,000	
Utilities Expense	9,500	
Salaries and Wages Expense	85,000	150,100
Income from Operations Expense		24,900
Other Income and Expense		
Gains on Disposal of Plant Assets	4,000	
Interest Expense	(7,000)	
Income Before Taxes		21,900
Income Tax Expense	(10,500)	
Net Income		11,400

Silver Oak Enterprise
Retained Earnings Statement
 For the Year Ended December 31, 2024

Beginning Retained Earnings	\$ 35,000
Add: Net Income	11,400
Less Dividends	(40,000)
Ending Retained Earnings	6,400

Silver Oak Enterprise
Classified Balance Sheet
 For the Year Ended December 31, 2024

Assets	
Current Assets	
Cash	12,300
Accounts Receivable	6,580
Inventory	50,000
Prepaid Rent	9,220
Total Current Assets	78,100
Property, Plant, Equipment	
Warehouse Property	120,000
Less: Accumulated Depreciation	(40,000)
Total Assets	158,100
Liabilities and Stockholders' Equity	
Current Liabilities	
Accounts Payable	25,000
Salaries and Wages Payable	52,700
Total Current Liabilities	77,700
Long-Term Liabilities	
Notes Payable (due 2027)	24,000
Total Liabilities	101,700
Stockholders' Equity	
Common Stock	50,000
Retained Earnings	6,400
Total Stockholders' Equity	56,400
Total Liabilities and Equity	158,100

b) **Ratio Calculations**

Profit Margin Ratio = (Net Income/Net Sales)	0.01471	1.47%
Gross Profit Rate = (Gross Profits/Net Sales)	0.225806	22.58%

Pine Ridge Construction
Income Statement
 For the Year Ended December 31, 2024

Revenue		
Sales Revenue	#####	
Less: Sales Returns and Allowances	(20,000)	
Net Sales		730,000
Cost of Goods Sold	(500,000)	
Gross Profits		230,000
Expenses		
Operating Expenses		
Advertising Expense	25,000	
Depreciation Expense	12,000	
Insurance Expense	11,000	
Rent Expense	7,500	
Utilities Expense	8,000	
Salaries and Wages Expense	90,000	153,500
Income from Operations Expense		76,500
Other Income and Expense		
Gains on Disposal of Plant Assets	3,000	
Interest Expense	(5,000)	
Income Before Taxes		74,500
Income Tax Expense	(11,500)	
Net Income		63,000

Pine Ridge Construction
Retained Earnings Statement
 For the Year Ended December 31, 2024

Beginning Retained Earnings	\$ 25,000
Add: Net Income	63,000
Less Dividends	(15,000)
Ending Retained Earnings	73,000

Pine Ridge Construction
Classified Balance Sheet
 For the Year Ended December 31, 2024

Assets	
Current Assets	
Cash	15,000
Accounts Receivable	33,400
Inventory	45,000
Prepaid Insurance	9,600
Total Current Assets	103,000
Property, Plant, Equipment	
Equipment	80,000
Less: Accumulated Depreciation	(20,000)
Total Assets	163,000
Liabilities and Stockholders' Equity	
Current Liabilities	
Accounts Payable	35,000
Salaries and Wages Payable	10,000
Total Current Liabilities	45,000
Long-Term Liabilities	
Notes Payable (due 2027)	30,000
Total Liabilities	75,000
Stockholders' Equity	
Common Stock	15,000
Retained Earnings	73,000
Total Stockholders' Equity	88,000
Total Liabilities and Equity	163,000

b) **Ratio Calculations**

Profit Margin Ratio = (Net Income/Net Sales)	0.086301	8.63%
Gross Profit Rate = (Gross Profits/Net Sales)	0.315068	31.51%

Blue Horizon Marketing has been operating for 4 years. At the end of the company's fiscal year on December 31, 2024, these accounts appeared in its adjusted trial balance.

Accounts Payable	40,000
Cash	9,000
Cost of Goods Sold	600,000
Sales Revenue	925,000
Depreciation Expense	15,000
Office Building	150,000
Advertising Expense	35,000
Utilities Expense	11,000
Common Stock	62,000
Inventory	70,000
Dividends	35,000
Beginning Retained Earnings	30,000
Rent Expense	5,500
Income Tax Expense	14,000
Sales Returns and Allowances	30,000
Salaries and Wages Expense	100,000
Accumulated Depreciation	50,000
Gain on Disposal of Plant Assets	2,000
Salaries and Wages Payable	18,000
Interest Expense	5,000
Accounts Receivable	35,000
Insurance Expense	4,800
Prepaid Insurance	11,200
Notes Payable	4,500

Instructions

- a) Prepare a multiple-step income statement, a retained earnings statement, and a classified balance sheet.
 b) Calculate Profit Margin Ratio and Gross Profit Rate

Blue Horizon Marketing
Income Statement
 For the Year Ended December 31, 2024

Revenue		
Sales Revenue	\$ 925,000	
Less: Sales Returns and Allowances	(30,000)	
Net Sales		895,000
Cost of Goods Sold	(600,000)	
Gross Profits		295,000
Expenses		
Operating Expenses		
Advertising Expense	35,000	
Depreciation Expense	15,000	
Insurance Expense	4,800	
Rent Expense	5,500	
Utilities Expense	11,000	
Salaries and Wages Expense	100,000	171,300
Income from Operations Expense		123,700
Other Income and Expense		
Gains on Disposal of Plant Assets	2,000	
Interest Expense	(6,000)	
Income Before Taxes		119,700
Income Tax Expense	(14,000)	
Net Income		105,700

Blue Horizon Marketing
Retained Earnings Statement
 For the Year Ended December 31, 2024

Beginning Retained Earnings	\$ 30,000
Add: Net Income	105,700
Less Dividends	(35,000)
Ending Retained Earnings	100,700

Blue Horizon Marketing
Classified Balance Sheet
 For the Year Ended December 31, 2024

Assets	
Current Assets	
Cash	9,000
Accounts Receivable	35,000
Inventory	70,000
Prepaid Insurance	11,200
Total Current Assets	125,200
Property, Plant, Equipment	
Office Building (Property)	150,000
Less: Accumulated Depreciation	(50,000)
Total Assets	225,200
Liabilities and Stockholders' Equity	
Current Liabilities	
Accounts Payable	40,000
Salaries and Wages Payable	18,000
Total Current Liabilities	58,000
Long-Term Liabilities	
Notes Payable (due 2027)	4,500
Total Liabilities	62,500
Stockholders' Equity	
Common Stock	62,000
Retained Earnings	100,700
Total Stockholders' Equity	162,700
Total Liabilities and Equity	225,200

b)

Ratio Calculations

Profit Margin Ratio = (Net Income/Net Sales)	0.118101	11.81%
Gross Profit Rate = (Gross Profits/Net Sales)	0.329609	32.96%