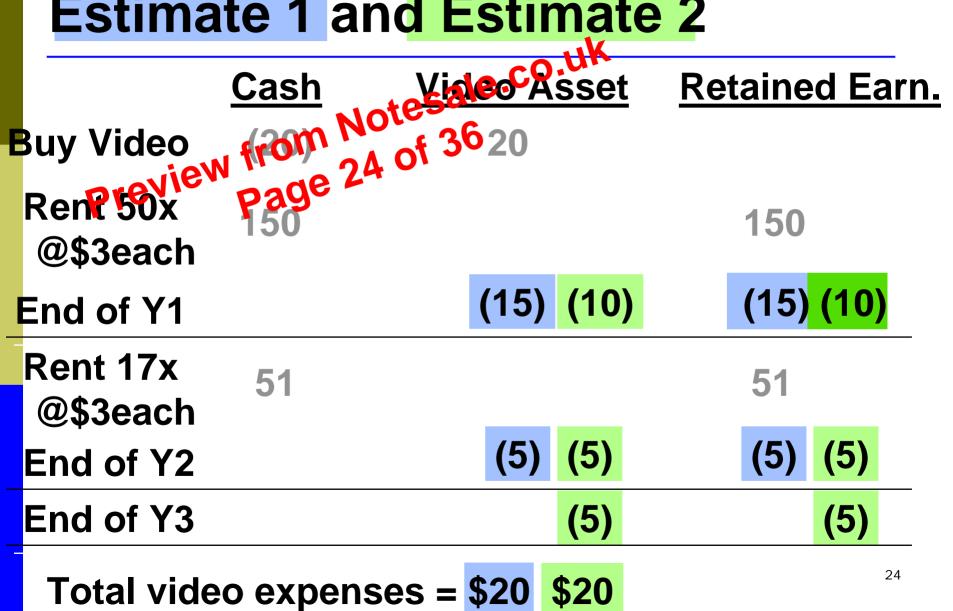
Recording video expenses

		Cash	Video Asset	Retained Earn.
ł	Buy Video	from 1	0 of 3620	
	Rent 50x @\$3each	Page 7	ote Violeo Asset of 3620	150
	End of Y1		(15)	(15)
	Rent 17x @\$3each	51		51

Recording video expenses Estimate 1 and Estimate 2



What is Cost of Goods Sold?

- Freshest Grocer Buys \$10,000 worth of previewed augrom Quality Foods for cash.
 - Assets
 = L + OE
 - Cash Inventory
 - **-10,000 +10,000**

- Exchange of one asset for another asset
- Operating outflow = \$10,000

What is Gross Profit or Margin?

• Assetom Notesale.co.uk

• Assetom Notesale.co.uk

• Assetom Notesale.co.uk

• Owne

• Castraghiventory

• 10,000 - 110 + Owners' Equity Retained Earnings

+8,000

+8,000

-5,000

-5,000

Increase in retained earnings

+3,000

- Gross Profit or Margin = Sales Revenue (-) Cost of Goods Sold = \$3,000
- GM rate = \$3,000/\$8,000 = 37.5%

Advantages of Income Statement Components

- 1997 Nothincome 36ICO) = \$100,000
 previn 19989 ne total income was \$100,000 also.
 - M earned \$90,000 income whereas N earned only \$10,000.
 - On December 31, 1998, Firm A decides to discontinue the business segment N.
 - It expects to lose \$15,000 by disposing off the assets of N.
 - i.e., it will generate \$15,000 less cash compared to the net book value of the assets of segment N.



- previnancial statements?
 - Usually comparative statements are provided

1998 1997

\$90,000 \$70,000 Income from Cont. Ops.

Income from Disc. Ops. 10,000 30,000

Loss on sale of Disc. Ops. (15,000)

Net Income 85,000 100,000