

Visual Learning Maps

Introductory Financial Accounting



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VIRTUAL TEXT BOOK

Single Step Income Statement Merchandising Operations - 1 of 2

The Single Step Income Statement is a condensed multi-step Income Statement. It is called single step because there is only one step to get to net income – subtract total expense from total revenue. There are only two categories of data; Revenue and Expense.

Revenue includes operating revenue, interest revenue, gains and other. Expense includes cost of goods sold, operating expenses, other non-operating expense and other losses.

Here's What It Looks Like

REVENUE

Net Sales	620	
Interest	11	
Gain on sale of building	14	
Miscellaneous	<u>2</u>	
Total Revenue		\$647

EXPENSE

Cost of Goods Sold	225	
Selling expense	95	
Admin expense	55	
Interest expense	3	
Loss on sale of equipment	<u>22</u>	
Total Expense		<u>400</u>

NET INCOME

\$247

Single Step Income Statement Merchandising Operations - 2 of 2

Why Condense the Multi-step Income Statement?

The detailed information on the Multi-step is analyzed by management to make decisions that steer the business boat. All this detail is not needed by other stakeholders. Shareholders, potential investors, suppliers, employees and debt holders are interested in the financial performance of the business, but do not need or want the details. The single step is simpler and easier to read.

Other filings of financial information such as those required by regulators and tax authorities also do not need or want “managing by the numbers” detail – just the basic components of revenue and expense.

Companies strive to provide financial information to meet the standards of relevance to stakeholders, regulators and tax authorities, while at the same time protect detailed proprietary information that would be of interest to competitors.