

Vol. 1, Chapter 6 – The Income Statement

Problem 1: Solution

1. Gain on sale of range:

Proceeds	\$500
Net book value* <u>300</u>	
Gain	\$200

*net book value = original cost - accumulated depreciation
NBV = \$3,000 - \$2,700 = \$300

2. Loss on sale of van:

Proceeds	\$3,500
NBV	<u>5,000</u>
Loss	(\$1,500)

Problem 2: Solution

1. Range:

NBV	\$1,000
Gain on sale	<u>500</u>
Cash received	\$1,500

2. Van:

Accumulated Depr.	\$18,000
Sold for	15,000
NBV after 2 years	<u>12,000</u>
Gain on sale	\$ 3,000

3. Computer

DDB Depr. for year 1	\$2,000	(2/3)*3000
NBV after 1 year	\$1,000	
Sold for	<u>500</u>	
Loss on sale	\$ 500	

Problem 3: Solution

1. Rooms revenue = \$600,000 × .680 = \$408,000
2. Total rooms expense = \$408,000 × .261 = \$106,488
3. Energy costs = \$600,000 × .042 = \$25,200
4. Admin. and general costs = \$600,000 × .083 = \$49,800
5. Beverage gross profit = \$600,000 × .044 × .785 = \$20,274
6. Total food and beverage expenses =
\$600,000 × (.205 + .044) × .557 = \$83,216

Problem 4: Solution

1. Cost of food used

Beginning inventory	\$ 8,000
Plus: Purchases	40,000
Less: Ending inventory	<u>(10,000)</u>
Cost of food used	<u>\$38,000</u>

2. Cost of food sold

Cost of food used	\$38,000
Less: Employees meals	(500)
Less: Transfers to bev. dept.	<u>(300)</u>
Cost of food sold	<u>\$37,200</u>

3. Cost of beverages sold

Beginning inventory	\$ 3,000
Plus: Purchases	20,000
Less: Ending inventory	<u>(3,500)</u>
Cost of beverages sold	<u>\$19,500</u>

Problem 5: Solution

1. Calculation of the cost of food sold

Inventory, Dec. 1	\$12,376
+ Purchases	<u>76,840</u>
= Food available for sale	89,216
- Inventory, Dec. 31	<u>15,845</u>
= Cost of food consumed	73,371
- Employee meals	733
- Promotional meals	256
+ Transfers to kitchen	<u>46</u>
= Cost of food sold	<u>\$72,428</u>

2.

<u>Expense</u>	<u>Department</u>
1. Cost of food sold	Food Department
2. Employee meals--general manager	Admin. & General
3. Employee meals--food department	Food Department
4. Promotional meals	Marketing Department

Problem 6: Solution

Hilltop Motel Rooms Schedule

Revenue			
Transient rooms revenue		\$150,000	
Other rooms revenue		<u>2,000</u>	
Total		152,000	
Allowances		<u>500</u>	
Net Revenue		151,500	
Expenses			
Payroll and related expenses			
Salaries and wages		25,000	
Payroll taxes		2,000	
Employee benefits		<u>5,000</u>	
Total Payroll & Related			30,000
Other Expenses			
Commissions		1,000	
Contract services	1,800		
Laundry and dry cleaning		4,200	
Linen		1,000	
Miscellaneous		1,800	
Operating supplies		1,500	
Uniforms		<u>500</u>	
Total Other Expenses			<u>11,800</u>
Department Income (Loss)			<u>\$109,700</u>

Problem 7: Solutions

Burba Inn Rooms Schedule

Revenue:

Transient Rooms Revenue	\$750,000
Other	<u>50,000</u>
Total	800,000
Allowances	<u>2,000</u>
Net Revenue	

798,000

Expenses:

Payroll and Related Expenses

Salaries and Wages	130,000
Payroll Taxes	12,300
Employee Benefits	<u>18,000</u>
Total Payroll and Related	

160,300

Other Expenses:

Commissions	2,000
Contract Services	3,000
Laundry and Dry Cleaning	6,500
Linen	6,500
Miscellaneous	350
Operating Supplies	4,850
Reservations	12,200
Telecommunications	3,500
Training	550
Uniforms	<u>1,200</u>

Total Other Expenses

40,650

Total Expenses

200,950

Departmental Income

\$597,050

Problem 8: Solution

1. Gross profit = net revenue - cost of sales
\$561,000 - 54,000 = \$507,000
2. Total fixed charges = rent, property taxes,
insurance, and depreciation
\$17,000 + 30,000 = \$47,000
3. Average tax rate = income taxes / income before
income taxes
\$21,938/87,750 = 25.00%
4. Gross operating profit = \$155,750
5. Overhead expenses = undistributed operating
expenses + fixed charges
\$140,250 + 47,000 = \$187,250
6. Payroll cost % = total payroll costs / net
revenue
\$224,250/561,000 = 39.97%
7. Food cost % = food costs / food revenue
\$54,000/180,000 = 30.00%

Problem 9: Solution

Income Statement
(operated departments section)
MacKenzie Inn
For the Year of 20X6

	Revenues	Cost of Sales	Payroll & Rel. Expenses	Other Direct	Income
Rooms	\$1,200,000	-	\$240,000	\$100,000	\$860,000
Food	600,000	\$356,000	216,000	40,000	(12,000)
Other	68,000	-	-	-	68,000
Total Operated Dept. Income	<u>\$1,868,000</u>	<u>\$356,000</u>	<u>\$456,000</u>	<u>\$140,000</u>	<u>\$916,000</u>

Problem 10: Solution

The Salazar Sunset Inn
Summary Income Statement
As of December 31, 20X6

	<u>Net Revenues</u>	<u>Cost of Sales</u>	<u>Payroll & Related Expenses</u>	<u>Other Expenses</u>	<u>Income (Loss)</u>
Operated Departments					
Rooms	\$ 998,000	\$ -	\$ 150,000	\$ 80,000	\$ 768,000
Food	540,000	180,000	160,000	40,000	160,000
Beverages	200,000	60,000	40,000	15,000	85,000
Rental and Other Income	<u>15,000</u>				<u>15,000</u>
Total Operated Departments	1,753,000	240,000	350,000	135,000	1,028,000
Undistributed Operating Expenses					
Administrative and General			80,000	40,000	120,000
Sales and Marketing				55,000	55,000
Property Operation and Maintenance				60,000	60,000
Utilities				70,000	70,000
Total Undistributed Expenses			<u>80,000</u>	<u>225,000</u>	<u>305,000</u>
Gross Operating Profit	<u>\$1,753,000</u>	<u>\$ 240,000</u>	<u>\$ 430,000</u>	<u>\$ 360,000</u>	723,000
Management Fees					<u>50,000</u>
Income Before Fixed Charges					673,000
Property Taxes and Insurance					70,000
Depreciation and Amortization					<u>55,000</u>
Net Operating Income					548,000
Interest Expense					<u>85,000</u>
Income Before Income Taxes					463,000
Income Taxes					<u>115,750</u>
Net Income					<u>\$ 347,250</u>

Problem 11: Solution

Summary Statement of Income
Ramsey's
For the Year Ended December 31, 19X3

	<u>Amounts</u>	<u>Percentages</u>
Revenue		
Food	\$1,200,000	70.6%
Beverage	<u>500,000</u>	29.4
Total Revenue	1,700,000	100.0
Cost of Sales		
Food	453,000	26.6
Beverage	<u>128,000</u>	<u>7.5</u>
Total Cost of Sales	<u>581,000</u>	<u>34.2</u>
Gross Profit	1,119,000	65.8
Operating Expenses		
Salaries and Wages	430,000	25.3
Employee Benefits	85,000	5.0
Direct Operating Expenses	100,000	5.9
Music	20,000	1.2
Marketing	30,000	1.8
Utility Services	35,000	2.1
General and Admin. Expenses	92,000	5.4
Repair and Maintenance	30,000	1.8
Occupancy Costs	152,000	8.9
Depreciation	50,000	2.9
Other Income	<u>(20,000)</u>	<u>(1.2)</u>
Total Operating Expenses	1,004,000	59.1
Operating Income	115,000	6.8
Interest	<u>20,000</u>	<u>1.2</u>
Net Income before Income Taxes	95,000	5.6
Income Taxes	<u>28,500</u>	<u>1.7</u>
Net Income	\$ <u><u>66,500</u></u>	<u><u>3.9%</u></u>

Problem 12: Solution

Wilson Motel
Summary Income Statement
For the Year Ended December 31, 20X6

	<u>Net</u> <u>Revenues</u>	<u>Cost of</u> <u>Sales</u>	<u>Payroll &</u> <u>Related</u> <u>Expenses</u>	<u>Other</u> <u>Expenses</u>	<u>Income</u> <u>(Loss)</u>
Operated Departments					
Rooms	\$380,000	-	1.) \$96,300	\$30,000	\$253,700
Food	180,000	3.) 53,200	2.) 72,500	20,000	34,300
Rental and Other Income	<u>1,000</u>				<u>1,000</u>
Total Operated Departments	\$561,000	53,200	168,800	50,000	289,000
Undistributed Operating Expenses					
Administrative and General			4.) 60,000	10,000	70,000
Sales and Marketing				40,000	40,000
Property Operation and Maintenance				30,000	30,000
Utilities				27,000	27,000
Total Undistributed Expenses			60,000	107,000	<u>167,000</u>
Totals	<u>\$561,000</u>	<u>\$53,200</u>	<u>\$228,800</u>	<u>\$157,000</u>	<u>122,000</u>
Gross Operating Profit					122,000
Management Fees				5.)	<u>23,600</u>
Income before Fixed Charges					98,400
Property Taxes and Insurance					17,000
Depreciation					<u>50,000</u>
Net Operating Income					31,400
Interest Expense				6.)	<u>4,500</u>
Income before Income Taxes					26,900
Income Taxes					<u>6,725</u>
Net Income					<u>\$20,175</u>

Calculations:

(1) Rooms Dept. Payroll and Related $(\$80,000 \times 1.2) + \$300(\text{food}) = \$96,300$

(2) Food Dept. Payroll and Related $(\$60,000 \times 1.2) + \$500(\text{food}) = \$72,500$

(3) Cost of food sold
B.I., 1/1 2,000
+ Purchases 55,000
-E.I., 12/31 3,000
Cost of Food Used 54,000
-Free food 800
COFS 53,200

(4) Admin and Gen Payroll and related $= \$50,000 \times 1.2 = \underline{\$60,000}$

(5) Management fees: $\$380,000 \times .03 + \$122,000 \times .1 = \underline{\$23,600}$

(6) Interest Expense: $\$50,000(.1)(.5) + \$40,000(.1)(.5) = \underline{\$4,500}$

Problem 13: Solution

The completed income statement is on the following page. Below are the calculations used for several of the noted entries on the income statement.

- (a) $500,000 - 3,000 = 497,000$
- (b) $100,000 * .06 * .33 = 2,000$
- (c) $5,000 + 220,000 - 7000 - 3000 = 215,000$
- (d) $350,000 * 1.3 = 455,000$
- (e) $1,899,000(.02) + 469,500(.05) = 61,430$
- (f) $15,000 - 10,000 = 5,000$
- (g) $2,000 - 5,000 = -3,000$
- (i) $154,570 * .25 = 38,642.50$

Problem 14: Solution

The completed income statement follows the next page. Below are the calculations used for several of the noted entries on the income statement.

- (a) $1,210,000 - 10,000 = 1,200,000$
- (b) $7,000 + 200,000 - 5,000 - 4,000 = 198,000$
- (c) $1.3(300,000) + 3,000 = 393,000$
- (d) $1.3(200,000) + 1,000 = 261,000$
- (e) $1.3(1,200,000) = 156,000$
- (f) $.02(1,200,000) + .1(282,000) = 52,200$
- (g) $.5(1,000,000 * .12) = 60,000$
- (h) $8,000 - 10,000 = -2,000$
- (i) $2,000 - (15,000 - 12,000) = -1,000$

Problem 13: Solution

JW Motel
Summary Income Statement
For the Year Ended December 31, 20X2

	<u>Net</u> <u>Revenues</u>		<u>Cost of</u> <u>Sales</u>	<u>Payroll &</u> <u>Related</u> <u>Expenses</u>	<u>Other</u> <u>Expenses</u>
					<u>Income</u> <u>(Loss)</u>
Operated Departments					
Rooms	\$1,400,000			(d) \$455,000	\$895,000
Food	(a) 497,000	(c.)	\$215,000	260,000	(18,000)
Rental and Other Income	(b) 2,000				2,000
Total Operated Departments	\$1,899,000		215,000	715,000	879,000
Undistributed Operating Expenses					
Administrative and General				130,000	170,000
Sales and Marketing					110,000
Property Operations and Maintenance					60,000
Utilities					70,000
Total Undistributed Expenses				130,000	280,000
Totals	\$1,899,000		\$215,000	\$845,000	\$370,000
Gross Operating Profit					
					469,000
Management Fees					(e) 61,430
Income before Fixed Charges					407,570
Property Taxes and Insurance					100,000
Depreciation					80,000
Net Operating Income					227,570
Interest Expense					75,000
Income before Gain or Loss on Sale of Property					152,570
Gain on Sale of Stock					(f) 5,000
Loss on Sale of Van					(g) (3,000)
Income before Income Taxes					154,570
Income Taxes (25%)					(h) 38,642.50
Net Income					\$115,927.50

Problem 14: Solution

Milford Motel
Summary Income Statement
For the Year Ended December 31, 20X2

	Net Revenue	Cost of Sales	Payroll and Related Exp.	Other Expenses	Income (Loss)
Operated Departments					
Rooms	(a) \$ 1,200,000		(c) \$ 393,000	\$ 50,000	\$ 757,000
Food	450,000	(b) 198,000	(d) 261,000	40,000	-49,000
Total Operated Departments	1,650,000	198,000	654,000	90,000	708,000
Undistributed Operating Expenses					
Admin and general			(e) 156,000	60,000	216,000
Sales and Marketing				80,000	80,000
Property operations and maintenance				60,000	60,000
Utilities				70,000	70,000
Total Undistributed Operating Exp.			156,000	270,000	426,000
Totals	\$ 1,650,000	\$198,000	\$ 810,000	\$ 360,000	282,000
Gross Operating Profit					282,000
Management Fees				(f) 52,200	229,800
Income before fixed charges					229,800
Rent, property tax and insurance					120,000
Depreciation					80,000
Net Operating Income					29,800
Interest Expense				(g) 60,000	-30,200
Income before gain (loss) on sale of assets					-30,200
Loss on sale of stock				(h) -2,000	-2,000
Loss on sale of computer				(i) -1,000	-1,000
Income before Income Taxes					-33,200
Income Taxes 30%					-9,960
Net Income					\$ (23,240)

Problem 15: Solution

Part 1

Tim's Tasty Tidbits
Common-Size Income Statements
For the months of August and September, 19X1

Percentages

	<u>August</u>	<u>September</u>	<u>August</u>	<u>September</u>
Food Sales	\$80,000	\$82,000	100.00%	100.00%
Cost of Food Sales	24,000	25,000	30.00	30.49
Labor	25,500	28,800	31.88	35.12
Laundry	4,000	4,200	5.00	5.12
China, Glass, Silver	1,000	1,100	1.25	1.34
Other	<u>16,000</u>	<u>15,500</u>	<u>20.00</u>	<u>18.90</u>
Total Expenses	<u>70,500</u>	<u>74,600</u>	<u>88.13</u>	<u>90.98</u>
Net Income	\$ <u>9,500</u>	\$ <u>7,400</u>	<u>11.88%</u>	<u>9.03%</u>

Part 2

Average Sales Per Customer:

<u>August</u>	<u>September</u>
\$5.7143	\$5.4667

Average Cost of Sales Per Customer:

<u>August</u>	<u>September</u>
\$1.7143	\$1.6667

Gross Profit Per Customer:

<u>August</u>	<u>September</u>
\$4.00	\$3.80

The analysis above shows that the gross profit per customer has decreased from \$4.00 to \$3.80. Overall profits have decreased by \$2,100 when 1,000 additional customers were serviced in September over August.

Problem 16: SolutionPat's Place
Comparative Income Statement
For the Years of 20X1 and 20X2

	<u>20X1</u>	<u>20X2</u>	<u>Difference</u>	
			\$	%
Rooms				
Revenue	\$976,000	\$1,041,000	\$65,000	6.66%
Expenses	250,000	264,000	14,000	5.60%
Department Income	<u>726,000</u>	<u>777,000</u>	<u>51,000</u>	<u>7.02%</u>
Food				
Revenue	604,000	626,000	22,000	3.64%
Expenses	476,000	507,000	31,000	6.51%
Department Income	<u>128,000</u>	<u>119,000</u>	<u>(9,000)</u>	<u>-7.03%</u>
Telephone				
Revenue	50,000	52,000	2,000	4.00%
Expenses	68,000	68,000	0	0.00%
Department Income	<u>(18,000)</u>	<u>(16,000)</u>	<u>2,000</u>	<u>11.11%</u>
Total Operated Department Income	836,000	880,000	44,000	5.26%
Undistributed Operating Expenses				
Administrative and General	195,000	206,000	11,000	5.64%
Sales and Marketing	65,000	68,000	3,000	4.62%
Property Operations and Maintenance	69,000	68,000	(1,000)	-1.45%
Utilities	101,000	102,000	1,000	0.99%
Total Undistributed Operating Expenses	<u>430,000</u>	<u>444,000</u>	<u>14,000</u>	<u>3.26%</u>
Gross Operating Profit	406,000	436,000	30,000	7.39%
Rent	200,000	201,000	1,000	0.50%
Depreciation and Amortization	116,000	116,000	0	0.00%
Net Operating Income	<u>90,000</u>	<u>119,000</u>	<u>29,000</u>	<u>32.22%</u>
Interest Expense	55,000	52,000	(3,000)	-5.45%
Income before Income Taxes	<u>35,000</u>	<u>67,000</u>	<u>32,000</u>	<u>91.43%</u>
Income Taxes	7,000	17,000	10,000	142.86%
Net Income	<u>\$28,000</u>	<u>\$50,000</u>	<u>\$22,000</u>	<u>78.57%</u>

Problem 17: Solution

Black Beach Motel
Summary Income Statement
For the Year Ended December 31, 20X1

	<u>Net</u> <u>Revenues</u>	<u>Cost of</u> <u>Sales</u>	<u>Payroll &</u> <u>Related</u> <u>Expenses</u>	<u>Other</u> <u>Expenses</u>	<u>Income</u> <u>(Loss)</u>
Operated Departments					
Rooms	\$600,000	-	\$125,600	\$40,000	\$434,400
Food	300,000	76,100	101,000	30,000	92,900
Telecommunications	16,000	10,000	6,250	3,000	(3,250)
Rental and Other Income	6,000				6,000
Total Operated Departments	<u>\$922,000</u>	<u>86,100</u>	<u>232,850</u>	<u>73,000</u>	<u>530,050</u>
Undistributed Operating Expenses					
Administrative and General			50,300	20,000	70,300
Sales and Marketing			25,000	8,000	33,000
Property Operation and Maintenance				40,000	40,000
Utilities				27,000	27,000
Total Undistributed Expenses			<u>75,300</u>	<u>95,000</u>	<u>170,300</u>
Totals	<u>\$922,000</u>	<u>\$86,100</u>	<u>\$308,150</u>	<u>\$168,000</u>	<u>359,750</u>
Gross Operating Profit					359,750
Management Fees					<u>74,880</u>
Income before Fixed Charges					284,870
Rent, Property Taxes and Insurance					37,000
Depreciation					<u>60,000</u>
Net Operating Income					187,870
Interest Expense					<u>50,000</u>
Income before Income Taxes					137,870
Income Taxes					<u>41,361</u>
Net Income					<u>\$96,509</u>

Problem 18: Solution

Bush Beach Motel
Summary Income Statement
For the Year Ended December 31, 20X1

	<u>Net</u> <u>Revenues</u>	<u>Cost of</u> <u>Sales</u>	<u>Payroll &</u> <u>Related</u> <u>Expenses</u>	<u>Other</u> <u>Expenses</u>	<u>Income</u> <u>(Loss)</u>
Operated Departments					
Rooms	\$549,000	-	\$108,000	\$30,000	\$411,000
Food	250,000	65,200	72,000	20,000	92,800
Rental and Other Income	1,800				1,800
Total Operated Departments	\$800,800	65,200	180,000	50,000	505,600
Undistributed Operating Expenses					
Administrative and General			72,000	15,000	87,000
Sales and Marketing				33,470	33,470
Property Operation and Maintenance				40,000	40,000
Utilities				27,000	27,000
Total Undistributed Expenses			72,000	115,470	187,470
Totals	\$800,800	\$65,200	\$252,000	\$165,470	318,130
Gross Operating Profit					318,130
Management Fees					30,068
Income before Fixed Charges					288,062
Property Taxes and Insurance					33,000
Depreciation and Amortization					45,000
Income before Gain on Sale of Property					210,062
Gain on Sale of Property					1,000
Income before Income Taxes					211,062
Income Taxes					63,318.60
Net Income					\$147,743.40

Problem 19: SolutionWilkin Inn
Comparative Income Statement
For the Years of 20X1 and 20X2

	<u>20X1</u>	<u>20X2</u>	<u>Difference</u>	
	<u>\$1,000,000</u>	<u>\$1,200,000</u>	<u>\$</u>	<u>%</u>
Total Revenues	\$1,000,000	\$1,200,000	\$200,000	20.0
Rooms-Revenues	\$600,000	\$750,000	\$150,000	25.0
Payroll & Related Expenses	90,000	100,000	10,000	11.1
Other Expenses	50,000	55,000	5,000	10.0
Department Income	460,000	595,000	135,000	29.3
Food-Revenues	350,000	390,000	40,000	11.4
Cost of Sales	115,000	130,000	15,000	13.0
Payroll & Related Expenses	75,000	82,500	7,500	10.0
Other Expenses	35,000	38,500	3,500	10.0
Department Income	125,000	139,000	14,000	11.2
Telephone-Revenues	50,000	60,000	10,000	20.0
Cost of Sales	40,000	44,800	4,800	12.0
Payroll & Related Expenses	14,286	16,286	2,000	14.0
Other Expenses	7,000	8,000	1,000	14.3
Department Income	(11,286)	(9,086)	2,200	19.5
Total Operated Department Income	573,714	724,914	151,200	26.4
Undistributed Operating Expenses:				
Administrative and General	100,000	111,000	11,000	11.0
Sales and Marketing	55,000	60,000	5,000	9.1
Property Operation and Maintenance	45,000	55,000	10,000	22.2
Utility Costs	50,000	56,000	6,000	12.0
Total Undistributed Operating Expenses	250,000	282,000	32,000	12.8
Gross Operating Profit	323,714	442,914	119,200	36.8
Management Fees	27,000	30,000	3,000	11.1
Income before Fixed Charges	296,714	412,914	116,200	39.2
Rent, Property Taxes and Insurance	100,000	106,000	6,000	6.0
Depreciation	25,000	30,000	5,000	20.0
Net Operating Income	171,714	276,914	105,200	61.3
Interest Expense	60,000	80,000	20,000	33.3
Income before Income Taxes	111,714	196,914	85,200	76.3
Income Taxes	60,000	66,000	6,000	10.0
Net Income	\$51,714	\$130,914	\$79,200	153.1

Problem 20: Solution

Part 1

Rooms Operating Schedule

Net Room Revenue	\$1,560,000
Expenses	
Salaries & Wages	209,000
Employee Benefits	<u>51,000</u>
Total Payroll and Related Exp.	260,000
Other Expenses	
Commission	8,600
Contract Cleaning	23,500
Laundry	5,800
Linen	24,800
Miscellaneous	130,000
Reservation	<u>13,500</u>
Total Other Expenses	206,200
Total Expenses	<u>466,200</u>
Departmental Income	<u>\$1,093,800</u>

Part 2

Cost of Goods Sold

Beginning Inventory	\$ 38,900
Add: Purchases	328,400
Less: Ending Inventory	<u>(53,000)</u>
Cost of Food Consumed	314,300
Less: Employee Meals	<u>(12,300)</u>
Cost of Food Sold	<u>\$ 302,000</u>

Problem 20: Solution (continued)

Part 3

Harby Hotel
Summary Income Statement
For the year ended December 31, 19X2

	<u>Net</u> <u>Revenues</u>	<u>Cost of</u> <u>Sales</u>	<u>Payroll &</u> <u>Related</u> <u>Expenses</u>	<u>Other</u> <u>Expenses</u>	<u>Income</u> <u>(Loss)</u>
Operated Departments					
Rooms	\$1,560,000	-	\$260,000	\$206,200	\$1,093,800
Food	858,000	302,000	93,600	93,600	368,800
Telephone	62,400	46,800	15,600	6,240	(6,240)
Rental and Other Income	119,600	9,360	20,800	9,360	80,080
Total Operated Departments	<u>\$2,600,000</u>	<u>\$358,160</u>	<u>\$390,000</u>	<u>\$315,400</u>	<u>\$1,536,440</u>
Undistributed Operating Expenses					
Administrative and General				337,334	337,334
Sales and Marketing				111,800	111,800
Property Operation and Maintenance				112,200	112,200
Utilities				159,500	159,500
Total Undistributed Expenses				<u>720,834</u>	<u>720,834</u>
Totals	<u>\$2,600,000</u>	<u>\$358,160</u>	<u>\$390,000</u>	<u>\$1,036,234</u>	<u>815,606</u>
Gross Operating Profit					815,606
Rent, Property Taxes and Insurance					228,800
Depreciation and Amortization					<u>91,000</u>
Net Operating Income					495,806
Interest Expense					<u>98,800</u>
Income before Gain on Sale of Property					397,006
Gain on Sale of Equipment					<u>3,000</u>
Income before Income Taxes					400,006
Income Taxes					<u>160,002</u>

Net Income

\$240,004