

Merchandising (Income Statement Differences)

Service

Single-Step Income Statement	Revenue
	- Operating Expenses
	<u>Net Income</u>

Retail

Multi-Step Income Statement	Net Sales
	- Cost of Goods Sold (CGS)
	<u>Gross Profit</u>
	- Operating Expenses
	<u>Income from Operations</u>
	+/- Other Income/Expenses
	<u>Net Income</u>

Net Sales = Sales - Sales Discounts - Sales Returns and Allowances

CGS = Beginning Inventory + Cost of Merchandise Purchased - Ending inventory

Cost of Merchandise Purchased = Purchases - Purchase Discounts - Purchase Returns and Allowances + Freight In.
(AKA Net Purchases)

Note: Beginning Inventory + Cost of Merchandise = Merchandise Available for Sale (MAS)

MAS = Ending Inventory + CGS