Preparation of Multiple-Step Income Statement and Ratio Calculations (5 points)

1. Using the account information below prepare, in good form, a complete multiple step income statement for the Prepare It Right Corporation for the year ended December 31, 2008. **Be sure to include a detailed cost of goods sold section in the body of the statement and a proper heading for your statement. The operating expenses may be listed in any order.**

2. When you have completed preparing the income statement calculate the Gross Profit Rate and the Profit Margin Percentage. Put your answers below the income statement and round to 3 significant digits.

3. This project must be typed using a computer and either word processing or spreadsheet software. Print out your answer and hand it in no later than the beginning of class on the due date shown on your homework schedule. **You may collaborate (work with) other students but each person must type their own answer!** Keep your electronic file in case the instructor asks for it at a later date.

4. **If your answer has more than one minor error you will not receive any extra credit. Therefore, pay close attention to the details of the problem and your answer! REMEMBER TO USE YOUR RESOURCES: the text book, my webpage, and other examples provided.**

Interest expense 4,000
Merchandise inventory, Jan 1, 2008 10,000
Income tax expense 7,000

Utilities expense 7,000
Prepaid insurance 9,000
Accounts payable 22,000

Accumulated depreciation 67,000
Net purchases 440,000
Common stock 60,000

Sales Revenue 600,000
Office equipment 200,000
Freight-out 10,000

Cash 30,000
Rent expense 27,000
Retained earnings 25,000

Sales discounts 2,000
Wages expense 33,000
Property taxes expense 13,000

Merchandise inventory, Dec 31, 2008 14,000
Sales returns and allowance 18,000
Accounts receivable 15,000