Income statement

Finance

Income ment Cost of goods sold   Finished goods inventory, beginning $ 120, 000. 00 Add: cost of goods manufactured $ 200, 000. 00Cost of goods available for sale

$ 320, 000. 00

Less: finished goods inventory, ending

$ 60, 000. 00

Cost of goods sold

$ 260, 000. 00

Sales

$ 680, 000. 00

Less: cost of goods sold

$ 260, 000. 00

Gross profit

$ 420, 000. 00

Administrative expenses

$ 70, 000. 00

Selling expenses

$ 40, 000. 00

Earnings before tax

$ 310, 000. 00

Tax expenses

$ 93, 000. 00

Net income

$ 217, 000. 00

Income statement of the organization presents the profitability of the organization and it explains the revenues that the company has generated and the costs it has incurred (McLaney, 2009). Superior Manufacturing Company is a production firm whose income statement indicates that the company has generated an income of $217, 000 in 2011. Its cost of goods sold is accumulated at $260, 000; however, this lacks the calculation of applied overheads. Being a manufacturing company, it has to record the variance between the actual overhead costs and budgeted overhead costs. The cost of goods sold is directly related to the manufacturing of products by the company; hence, it must incur overapplied or underapplied overhead costs in the calculation of cost of goods sold.

The company has earned a viable net income after deducting all the expenses. The financial position of the manufacturing company seems to be sound in 2011. The revenues for the year are summed up at $680, 000 and gross profit is accumulated at $420, 000. The company can increase its income for the year by lessening the sales expenses and the operating and administrative expenses. The administrative expenses of the company are totaled at $70, 000 and the sales expenses are accumulated at $40, 000. Superior Manufacturing Company can reduce its administrative expenses by investing more in technology, outsourcing business processing and technological advancements, automate the functions of customer service by using online systems, etc. This will help the company to increase its net income. Summing up, the company has a stable financial position and can improve more in the coming years by cutting down its expenses.

Reference

McLaney, E. (2009). Business Finance: Theory and Practice, Pearson Education: New Jersey.