

Lads and lassies

[Economics](#), [Tax](#)



Lads & Lassies

Introduction

Classifying how the income statement needs to be coded for Lads & Lassies is a two-step processes. I will be using the data provided in the case along with information from FASB's Accounting Standards Codification. FASB's coding system is being used to help prepare the layout and ensure proper reporting of the items listed in the case analysis. Some minor changes need to be done to the income statement format to make it presentable which will be noted in the analysis. Please reference Appendix A throughout the analysis to see how the income statement is ultimately being constructed. When constructing the 2005 income statement for Lads & Lassies, I will be using a multi-step income statement as this is the format that " includes other important revenue and expense classifications makes the income statement more useful". We have limited information to use for 2005, but we can still construct an income statement up to gross profit.

This coding rule provides us guidance on how to label and present the revenue generated by Lads & Lassies. Also included in this rule is the requirement on how to report costs and expenses associated with the applicable sales be reported separately on the income statement. Therefore we will break out the expenses directly tied to sales on their own line item. Lastly, in 2005 we will calculate the gross profit, which " tells us how much money an entity would have earned if it Lads & Lassies didn't pay any other expenses such as salary, income taxes, office supplies, utility, rent, etc. The accounting reporting standards mentioned in the 2005 analysis still

apply, however, there are additional standards that need to be applied in 2006. When constructing the income statement we will have to address the gain on sale of corporate headquarters and the class action settlement.

However, when the gain or loss of a building is associated with the movement of corporate headquarters. This rule states that " a material event or transaction that is unusual in nature or occurs infrequently but not both, shall be reported as a separate component of income from continuing operations". We must report the gain or loss from the class action lawsuit in other income (expense) section of the income statement. This section will follow the income and cost of goods sold sections, thereby " adding back" revenue to the gross profit to reveal a new gross profit. These transactions could be considered below the line entries and would follow indirect expenses (salaries, rent, etc. , but since those items are not present these entries will follow the revenue and cost of goods sold. Conclusion Using FASB we are able to determine how to properly present Lads & Lassies income statements. The changes that accompany the growing company from 2005 to 2006 are easily Lads & Lassies recorded and presented in the income statements year over year. Being able to distinguish what is an unusual or infrequently occurring item is crucial in determining if it falls under operations or non-operating income (loss).