# Deloitte 09-8 classified information

Case Study Deloitte Case 09-8 ified information - Income ment Presentation

The income ment presentation for the Lads ∧ Lassies (L&L) company is as shown below:

Net Sales:

2005 $ 74. 5 million (Contribution by Sassy Spa Division: 3. 9 million)

2006 $ 86. 5 Million (Contribution by Sassy Spa Division: 11. 2 million)

Increase in income in financial year 2006 from preceding year (2005) = $ 12 million (Percent increase = 16. 1). Remaining increase in Total Net Sales ($ 4. 7 million) was because of increase in average transaction value (higher average retail sales per unit & favorable customer response to vintage prints.

Table:

Year

Sales

Operating Income

Non-operating Income

Expense

Gross Profit

2005

74. 5

74. 5

0

46. 5

28

2006

86. 5

86. 5

4. 4

56. 1

30. 4

(All figures in$ millions)

Gross Profit = Net Sales - Cost of sales:

2005: $ 28 million

2006: $ 30. 4 million (An increase of $ 2. 4 million; 8. 6%)

Cost of Sales [expenses for acquiring & producing inventory (product cost + freight-in + import cost + direct labor cost)] - depreciation =

2005: $ 46. 5 million

2006: $ 56. 1 million

Increase in 2006 = $ 9. 6 million (20. 6%)

In financial year 2005, L&L had total net sales of $ 74. 5 million with the cumulative cost of sales being $ 46. 5 million, yielding a gross profit of $ 28 million. Contribution of the ‘ Sassy Spa Division’ in the financial year 2005 was a mere $ 3. 9 million.

In the year 2006, the gross profit increased by 8. 6%, with the total net sales increasing to a figure of $ 86. 5 million, the sassy Spa division yielding a net profit of $ 11. 2 million. Contribution from the ‘ Sassy Spa Division,’ therefore, increased by a whopping 287. 18 %. This shows that the other divisions did not contribute much to increase in sales revenue in 2006.

Gain on Sale of Corporate HQ = $ 1. 7 million. Codification ‘ 225-10-S99-2’ states that income earned from transactions with related parties shall be disclosed under the heading of other revenues.

Class Action Settlement: Lawsuit against supplier settled in 2006 to net a yield of $ 2. 7 million

Contribution to the total profit in the year 2006 was therefore from sale of a fixed asset i. e. the sale of corporate HQ ($ 1. 7 million), and winning a lawsuit against a supplier yielding further revenue of $ 2. 7 million. This contributed to a non-operating income of $ 4. 4 million in the financial year 2006. ' 420-10-S99' codification standard defines such income as restructuring charges and may not be presented in an income statement as extraordinary items. Paragraph ' 225-20-45-16' states that items which do not meet the classification criteria of an extraordinary item should be reported as component of income. Therefore, this figure can be added to the gross profit in 2006, yielding net revenue of $ 34. 8 million.

References

Presentation of Financial Statements, Retrieved June 3, 2012 from: https://asc. fasb. org/topic&trid= 2122149&nav_type= left_nav&analyticsAssetName= area_page_left_nav_topic