

ACCOUNTANCY 321
INCOME STATEMENT SUPPLEMENTAL PROBLEM

Shown below is an income statement for 2007 that was prepared by a poorly trained bookkeeper of Jensen Corporation.

Jensen Corporation
INCOME STATEMENT
December 31, 2007

Sales revenue	\$945,000
Investment revenue	19,500
Cost of merchandise sold	(408,500)
Selling expenses	(145,000)
Administrative expense	(215,000)
Interest expense	<u>(13,000)</u>
Income before special items	183,000
Special items	
Results of operations of discontinued component of the business	15,000
Loss on disposal of a component of the business	(45,000)
Major casualty loss (extraordinary item)	(70,000)
Net federal income tax liability	<u>(24,900)</u>
Net income	<u>\$ 58,100</u>

Instructions

Prepare a multiple-step income statement for 2007 for Jensen Corporation that is presented in accordance with generally accepted accounting principles (including format and terminology). Jensen Corporation has 50,000 shares of common stock outstanding and has a 30% federal income tax rate on all tax related items. Round all earnings per share figures to the nearest cent.