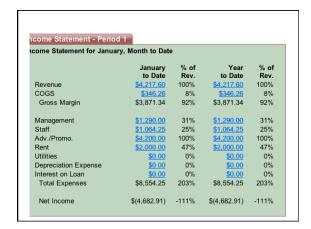
Biz-Café Monthly Income Statement

Ted Mitchell



Traditional Rates Of Return on an Income Statement

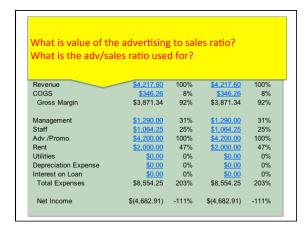
- Gross Return on Sales, GROS more accurately the rate at which gross profit is being returned on sales revenue
- Markup on Price, (P-V)/P = Mp more accurately the rate at which profit per unit sold is being returned for every dollar of selling price
- Return on Sales, ROS, more accurately the rate at which net profit or net income is being returned on sales revenue

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Return on Sales, RO		"		
Markup on Price, N	1p = (P-V)/P	or GRO	S = G/R	
Revenue	\$4,217.60	100%	<u>\$4,217.60</u>	100%
COGS	<u>\$346.26</u>	8%	<u>\$346.26</u>	8%
Gross Margin	\$3,871.34	92%	\$3,871.34	92%
Management	\$1,290.00	31%	\$1,290.00	31%
Staff	\$1,064.25	25%	\$1,064.25	25%
Adv./Promo.	\$4,200.00	100%	\$4,200.00	100%
Rent	\$2,000.00	47%	\$2,000.00	47%
Utilities	\$0.00	0%	\$0.00	0%
Depreciation Expense	\$0.00	0%	\$0.00	0%
Interest on Loan	\$0.00	0%	\$0.00	0%
Total Expenses	\$8,554,25	203%	\$8,554,25	203%

Fixed vs. Variable Cost

- The cost of managers and advertising are treated as a variable cost because they can be varied every week
- True or False?
- Depreciation should be consider a variable cost because the more coffee we make the faster things wear out.
- True or False?

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What are the Fixed Costs?						
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What's good and useful about it if it was weekly

- Revenue
- · COGS if there was more detail
- · Gross profit
- Gross profit Return on sales, GROS, helps set price and determine efficiency
- Staff servers if there was more detail on hours
- Ad/Promo if there was more detail
- Weekly net profit

Summary on Monthly Income Statement as Management Tool

- It is not designed to help with weekly Managerial Decision Making
- It has information that would be helpful if it was in a different format

 We need to prepare a Weekly statement of the marketing machine's production of profit that it contributes to the firm