

Task-Based Simulation:

Multistep Income Statement	Authoritative Literature	Help
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Situation

Presented below is information related to **American Horse Company** for 2010.

Retained earnings balance, January 1, 2010	\$ 980,000
Sales for the year	25,000,000
Cost of goods sold	17,000,000
Interest revenue	70,000
Selling and administrative expense	4,700,000
Write-off of goodwill (not deductible)	820,000
Income taxes for 2010	905,000
Gain on the sale of investments (normal recurring)	110,000
Loss due to flood damage—extraordinary item (net of tax)	390,000
Loss the disposition of the wholesale division	615,000
Loss on operations of wholesale division	200,000
Income tax benefit from discontinued wholesale division	285,000
Dividends declared on common stock	250,000
Dividends declared on preferred stock	70,000

American Horse Company decided to discontinue its entire wholesale operations and to retain its manufacturing operations. On September 15, American Horse sold the wholesale operations to Rogers Company. During 2010, there were 300,000 shares of common stock outstanding all year.

Prepare a multistep income statement.

American Horse Company INCOME STATEMENT For the Year Ended December 31, 2010			
1	Sales		\$ 25,000,000
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19			
20	Net income		
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22			
23	Earnings per share:		
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25			
26			
27			
28	Net income		
29			
30			