

# Tidewater Group, Inc.

## The Income Statement Revenue, Cost of Sales & Gross Profits

Many of the companies we meet do themselves a disservice by the way they construct their financial statements. Clearly, accounting rules and practices apply, but accounting also leaves much to be decided by each company. As a result, many firms put costs and expenses in different places on the income statement. In the food industry, certain practices are embraced by the large food corporations and consequently, they have set a standard for smaller companies to follow. This assures these smaller companies that when they decide to sell, their financial statements will present their company in the best and most acceptable manner. **Strive for a 50% gross profit margin!!**

### Acceptable

Revenue	\$4,345,200
Cost of Sales	
Raw material	1,276,550
Packaging	322,100
Overhead	208,650
Labor	425,300
Commissions	347,600
Freight-out	<u>260,700</u>
Total cost of sales	<u>\$2,840,900</u>

**Gross Profit**           **\$1,504,300**  
**G. P. %**               **35%**

Gen & Adm Exp.     \$ 653,700  
Selling Exp.         372,628

Total S, G & A Exp. \$1,026,328

Operating Profits    \$ 477,972  
Op. Profit %         11%

### Best

Revenue	\$4,345,200
Cost of Sales	
Raw Material	1,276,550
Packaging	322,100
Overhead	208,650
Labor	<u>425,300</u>
Total cost of sales	<u>\$ 2,232,600</u>

**Gross Profit**           **\$ 2,112,600**  
**G. P. %**               **49%**

Gen & Adm Exp     \$ 653,700  
Selling Exp.         372,628  
    Commissions     347,600  
    Freight-out       260,700

Total S, G & A Exp. \$ 1,634,628

Operating Profits    \$ 477,972  
Op. Profit %         11%

Commissions and freight out should be a selling expense, while labor and plant overhead should be included in cost of sales. This is fairly standard in the food industry and consequently, it is expected. It is important to note, that while gross profits are higher, there is no change in operating profits. **However, the company's financial statements are more attractive and less difficult to analyze for prospective acquirers.**

**For more information, give us a call!**

Point of View-1

---

4019 Bishop Court  
Wilmington, N. C. 28412

Phone: 910-793-9224  
Fax: 910-793-9366

E-Mail: [bill@thetidewatergroup.com](mailto:bill@thetidewatergroup.com)