Multi-Step Income Statement Master Reference Sheet

Gross Profit, Operating Income (EBIT), SG&A Breakdown & US GAAP Line-Item Formats

1. MULTI-STEP STRUCTURE & OPERATING TIERS

Statement Section	Key Financial Formula	Analytical Purpose & US GAAP Standard
Net Sales Revenue	Gross Sales – Returns – Allowances – Cash Discounts	Measures top-line inflow from core products/services.
Gross Profit	**Net Sales Revenue** – **Cost of Goods Sold (COGS)**	Evaluates production efficiency and direct pricing markup.
Operating Expenses	Selling Expenses + General & Administrative (SG&A)	Overhead costs required to run operations and market products.
Operating Income (EBIT)	**Gross Profit** – **Total Operating Expenses**	Core profitability before financing decisions and tax structure.
Other Income & Expense	+ Interest Revenue + Gain on Sale – Interest Expense	Non-operating peripheral activities and corporate capital costs.
Net Income	**Income Before Taxes** – **Income Tax Expense**	Bottom line net profit transferred to Retained Earnings.

2. OPERATING OVERHEAD: SELLING VS. G&A EXPENSES

Expense Category	Included Cost Items	Excluded / Non-Operating Items
Selling Expenses	Sales commissions, advertising, freight-out delivery, marketing salaries, showroom depreciation.	Freight-in (included in COGS inventory asset).
General & Administrative	Executive salaries, office rent, legal/accounting fees, office utilities, IT software, insurance.	Factory plant utilities (allocated to MOH / inventory).
Other Non-Operating	Interest expense, dividend income, gains/losses on equipment disposal, litigation settlements.	Operating lease costs (included in operating expenses).

3. KEY PROFITABILITY MARGIN FORMULAS & BENCHMARKS

Profit Margin Metric	Calculation Formula	Analytical Interpretation
Gross Margin %	Gross Profit / Net Sales × 100	High margin = strong pricing power & low production cost.
Operating Margin %	Operating Income (EBIT) / Net Sales × 100	Measures operational cost efficiency independent of debt/taxes.
Net Profit Margin %	Net Income / Net Sales × 100	Final return generated per dollar of top-line revenue.