

Chapter 5 Outline

Preparation of the Income Statement
Revenue Classification
Sales Accounting
 Sales Taxes
 Servers' Tips
Expense Classification
Cost of Sales Expense
 Food Cost
 Gross Profit
Inventory Systems
 Perpetual Inventory System
 Periodic Inventory System
 Inventories in Service Areas
Other Business Expenses
 Operating Expenses
 Fixed Expenses
 Income Taxes Expense
Depreciation

Competencies

1. Describe the income statement, identify the accounts used to prepare an income statement, define the revenue classification, and explain when a sale is recognized. (pp. 117–119)
2. Define and describe the accounting treatment for sales taxes and servers' tips, employee meals, cost of sales, food used, and gross profit. (pp. 120–123)
3. Explain the accounting procedures for a perpetual inventory system and a periodic inventory system, and describe the differences in accounting for purchases and cost of sales. (pp. 123–131)
4. List the typical day-to-day operating and fixed expenses. (pp. 131–132)
5. Define depreciation and explain the difference between depreciation expense and accumulated depreciation. (pp. 132–133)