



Peter Regan teaching MBA Math at Tuck

MBA Math Sample Exercise

Accounting: Income Statement

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Exercise

Suppose Lightspeed Industries has the following revenue and expenses for 2008:

- Revenues of \$8,800,000
- Cost of Goods Sold of \$2,640,000
- Depreciation Expenses of \$1,200,000
- Income Taxes of \$1,452,000
- Interest Expenses of \$50,000
- Other Expenses of \$400,000
- Sales, General, & Administrative Expenses of \$880,000

Create an income statement with amounts in thousands

What is the value of Pre-Tax Income?

Solution

Solution Commentary



(3:17)

Manual Solution

Pre-Tax Income, sometimes written as PT Income, is exactly what the name states. Pre-Tax Income is the last of the intermediate measures of the profit from running a firm.

Lightspeed Industries Income Statement January 1 to December 31, 2008 (amounts in thousands)	
Revenue	8,800
Cost of Goods Sold (COGS)	2,640
Gross Income	6,160
Sales, General, & Administrative Expenses (SG&A)	880
Depreciation Expense	1,200

Other Expenses	400
Earnings Before Interest & Taxes (EBIT)	3,680
Interest	50
Pre-Tax Income	3,630
Income Taxes	1,452
Net Income	2,178

Pre-Tax Income = \$3,630,000

Peter Regan teaches decision science courses at Dartmouth's Tuck School and Duke's Fuqua School. He also teaches pre-term quantitative skills courses at Tuck and Cornell's Johnson School. He created the MBA Math self-paced, online pre-MBA quantitative skills course covering finance, accounting, economics, statistics, and spreadsheets.

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