Income Statement Paper

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May 13, 2020

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| **RADIOLOGY INCOME STATEMENT** | | | | |
|  | COMMON SIZE | | CHANGE IN PERCENTAGE | |
|  | 2nd year | 1st year | 2nd year | The compounded annual rate of growth for five years |
| Sales | 100.0% | 100.0% | 8.5% | 3.5% |
| Revenues from interest and other revenues | 1.6 | 1.4 | 21.4% | 20.5% |
| Sales costs | (45.8) | (45.9) | 8.3% | 7.0% |
| Administrative, general and selling expenditure | (35.2) | (35.1) | 8.9% | (1.9%) |
| Intangible amortization | (0.5) | (0.5) | 1.4% | 0.0% |
| Restructuring and impairment costs | (0.5) | (0.8) | (27.2%) | (5.0%) |
| Expenditure on interests | (0.6) | (0.6) | 2.5% | (11.5%) |
| Income before taxation | 19.0% | 18.5% | 11.1% | 10.2% |
| Expenditure on tax income | (4.7) | (5.3) | (3.7%) | 3.0% |
| Continuing operations income | 14.3% | 13.2% | 17.0% | 13.2% |
| Discontinued operations tax benefits | 0.1 | - | - | - |
| Income (Net) | 14.4% | 13.2% | 18.0% | 13.4% |

Sales for the Radiology Equipment Company increased in year two by 8.5% mainly because of the subsidization of production health care production inputs, which resulted in more affordability for health care organizations. Therefore more of them were able to buy the product (Franklin, Graybeal & Cooper 2018). However, it is expected that the rate of increase in sales of the Radiology Equipment Company in the next five years would be 3.5% because, over time, most of the organizations will already have obtained the equipment, and the price is expected to increase.

In year one interest and other revenues of the Radiology Equipment Company was approximately 1.4% of the sales while in year two they were at 1.6% of the sales. Therefore, that represents an increase of 21.4%, with the rate of growth in the next five years expected to be 20.35% on average.

The cost of sales experienced an increase of 8.3% from year 1 to year 2 for the Radiology Equipment Company. It is expected that the cost of sales will have a compounded growth rate of 7.0%.

Administrative, general and selling expenses of increased by 8.9% from year 1 to year 2. Economies of scale for the Radiology Equipment Company are expected as the volume of sales increases. The growth rate is expected to decline in the next five years, with a compounded annual growth rate of 1.9%.

As a result of the need for the construction of new stores, Radiology Equipment Company has undertaken long-term borrowing. In year two, the average interest rates for the debt was increased by 2.55 as compared to the previous year. Due to the long term loans, the interest rate for the company's loans in the next five years is expected to 11.5% a notable increase.

Income tax expenditure given as income before taxation increased by 3.7% from year 1 to year 2. The rate of increase in the next five years is expected to be 3.0%. (Abernathy, Beyer, Gross & Rapley 2017).

The average annual increase rate of the Radiology Equipment Company's dividends was 18.0% between year one and year 2. The annual increase rate of the company's dividends is expected to be at 13.4% annually for the next five years.

**References**

Franklin, M., Graybeal, P., & Cooper, D. (2018). Describe the Income Statement, Statement of Owner’s Equity, Balance Sheet, and Statement of Cash Flows, and How They Interrelate. Principles of Accounting, Volume 1: Financial Accounting.

Abernathy, J. L., Beyer, B., Gross, A. D., & Rapley, E. T. (2017). Income statement reporting discretion allowed by FIN 48: Interest and penalty expense classification. The Journal of the American Taxation Association, 39(1), 45-66.