

## COACH'S INCOME STATEMENT

Coach & Co., a retail merchandise company, opened for its first year of business in 2007. The company's accountant accidentally deleted key accounting files from their computer system just before year-end. Coach was able to salvage some information, but it needs your help to prepare its income statement for 2007.

The following information came from the review of surviving files and interviews with key company employees:

1. During 2007, Coach received \$600 thousand in cash from its customers. This includes \$12 thousand for merchandise to be shipped in January 2008. At year-end, Coach has Accounts Receivable (net) of \$49 thousand.
2. Coach estimates bad debts as a function of gross Accounts Receivable. It anticipates that it will collect 98% of its outstanding receivables. During the year, Coach has not yet written off any of its accounts.
3. Coach purchases its merchandise from suppliers on credit. It has paid suppliers \$240 thousand in cash during the year, and its Accounts Payable balance at year-end is \$20 thousand. Its merchandise inventory balance at year-end is \$25 thousand.
4. Coach borrowed \$50 thousand on July 1, 2007, agreeing to pay 8% interest in cash every 12 months. The first payment is due on June 30, 2008.
5. Coach purchased equipment during the year for \$40 thousand. Its book value for equipment at year-end is \$32 thousand.
6. Coach paid \$88 thousand during 2007 for selling and administrative activities. These include wages and salaries, insurance, rent, and other operating items. At year-end, Coach has an accrued liability for an additional \$8 thousand, and it has prepaid rent and insurance for 2007 in the amount of \$2 thousand.
7. Coach has an average income tax rate of 20%.

**REQUIRED: Prepare the 2007 Income Statement for Coach & Co.**