

INCOME STATEMENT FOR A MANUFACTURER

Laurens Incorporated began operations this year. The company manufactured 22,000 units of its product and sold 20,000 units. Each unit sold for \$100. The cost to produce these units were as follows:

Manufacturing costs:

Variable..... \$1,100,000 (\$50 per unit)

Fixed..... 330,000 (\$15 allocated to each unit)

Selling and administrative expenses:

Variable..... 40,000 (\$2 per unit)

Fixed..... 250,000

Prepare an income statement for Laurens Incorporated's first year of operations.

Explain the difference in net incomes.