

## Common Size Income Statements (\$000s)

For Period Ending Date \_\_\_\_\_, 20\_\_\_\_, 20\_\_\_\_, 20\_\_\_\_

	20____	% Sales	20____	% Sales	20____	% Sales
<b>TOTAL SALES</b>	_____	100.0%	_____	100.0%	_____	100.0%
Cost of Goods Sold (-)	_____		_____		_____	
<b>GROSS PROFIT</b>	_____		_____		_____	
<b>OPERATING EXPENSES</b>						
Advertising	_____		_____		_____	
Salaries & Wages	_____		_____		_____	
Payroll Taxes	_____		_____		_____	
Business Taxes	_____		_____		_____	
Depreciation	_____		_____		_____	
Insurance	_____		_____		_____	
Telecommunications	_____		_____		_____	
Rent	_____		_____		_____	
Utilities	_____		_____		_____	
Insurance	_____		_____		_____	
Professional Services	_____		_____		_____	
Miscellaneous	_____		_____		_____	
<b>TOTAL OP. EXP. (-)</b>	_____		_____		_____	
<b>OPERATING PROFIT</b>	_____		_____		_____	
<b>OTHER INC. (EXP.)</b>						
Other Income (+)	_____		_____		_____	
Other Expense (-)	_____		_____		_____	
Interest (-)	_____		_____		_____	
<b>PRETAX PROFIT</b>	_____		_____		_____	
Income Tax (-)	_____		_____		_____	
<b>NET INCOME</b>	_____		_____		_____	

# Common Size Income Statements

The common size income statement helps you identify cost items that have gotten out of control. If the % of sales relationship increases over time it tells you that individual item is growing faster than the increase in sales therefore eroding into your profitability.

## HOW TO USE SPREADSHEET:

1. Follow the same process as the Income Statement Spread. Gather three years of your latest year-end Income Statements and annotate a column for each year-end statement.
2. Using the category listings record data in their appropriate row. If a specific account is not listed, sum and record in their major subtotal account, for example miscellaneous expenses, etc.
3. Start the race by subtracting cost of goods sold from sales, this result is your gross profit. Then subtract operating expenses from your gross profit which represents your normal operating profit. Next add other sources of income and subtract other sources of expense to determine pretax profit. If you are not a C-Corp, this represents your net income. If you are a C-Corp determine the income tax rate and subtract to determine your net income.
4. Now that you've recorded the income statements, take each cost item and divide it by sales for that year. For example, take rent expense and divide it by sales, take utilities and divide it by sales, etc. Record %s to the nearest tenth of a %, i.e., 6.7% is not 7.0%, it is 6.7%.
5. Note any %s that are increasing over time as those items are growing faster than your sales therefore they are eroding into your profitability and they need to be controlled better.

## Questions:

If you have questions on how to fill out the Common Size Income Statement, contact a Hipereon professional. You may also consider attending one of our financial management programs that demonstrates how to use this tool and much more:

Hipereon, Inc.  
4048 148<sup>th</sup> Ave. NE  
Redmond, WA. 98052  
<http://www.info@hipereon.com>  
ph: 425-702-9389  
fax: 425-869-3911