

B-15.03

Melanie Mielke Construction Corporation is considering the appropriate accounting for two unrelated events during the year. The first event related to the effects of a labor strike that resulted in a work stoppage on a major construction project. \$2,000,000 of building material that was left exposed to weather conditions during the strike was lost. The construction trade relies heavily on unionized labor and strikes are a common negotiating tool. The second event was a \$3,000,000 gain related to sale of valuable antiques that were excavated at a construction site. This event was completely unexpected.

Melanie Mielke's annual sales were \$9,000,000, at a gross margin of 15%. Selling expenses totaled \$300,000 and administrative expenses totaled \$800,000. Mielke is subject to a 30% income tax rate.

Prepare the 20XX income statement for Melanie Mielke Construction Corporation.