

Difference between retained earnings

[Business](#), [Company](#)



Retained earnings is the profit generated by a company that are not distributed to stockholders (shareholders) as dividends but are either reinvested in the business or kept as a reserve for specific objectives (such as to pay off a debt or purchase a capital asset). A balance sheet figure shown under the heading retained earnings is the sum of all profits retained since the company's inception. Retained earnings are reduced by losses, and are also called accumulated earnings, accumulated profit, accumulated income, accumulated surplus, earned surplus, undistributed earnings, or undivided profits.

Profit and loss account is one of the financial statements of a company and shows the company's revenues and expenses during a particular period. It indicates how the revenues (money received from the sale of products and services before expenses are taken out, also known as the "top line") are transformed into the net income (the result after all revenues and expenses have been accounted for, also known as "net profit" or the "bottom line"). It displays the revenues recognized for a specific period, and the cost and expenses charged against these revenues, including write-offs (e.g., depreciation and amortization of various assets) and taxes. The purpose of the income statement is to show managers and investors whether the company made or lost money during the period being reported. When any amount is kept separate by a company out of its profit for future purpose then that is called as General reserves. In other words, the general reserves are the 'retained earnings' of a company which are kept aside out of company's profits to meet future known or unknown obligations.

General reserves are the part of 'Profit and Loss Appropriation Account'. The general reserve is a free reserve which can be utilized for any purpose after fulfilling certain conditions. The primary differences between the retained earnings , profit and loss account and general reserve is as follows: Point of difference Retained earning Account General reserve Definition This is the profit which is not distributed to the stockholders but probably reinvested In the business. This Is the financial statement of a company which shows the tOf2 for future purposes. Uses

This is used or retained as earnings for specific objectives like to pay off debts etc. The purpose of the income statement is to show managers and investors whether the company made or lost money during the period being reported. General reserve is certain amount of money kept aside for future need or unexpected expenses. Found under A balance sheet figure shown under the heading retained earnings is the sum of all profits retained since the company's inception. Found in the final accounts statement book General reserves are the part of Profit and Loss Appropriation Account.