

Income statement - ford motor company

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In order to measure a company's performance financially, analysts use the income statement. It includes details about the revenues generated by the business as well as the list of all expenses incurred during a specified time.

Purpose of an Income Statement

Income statements are usually released at the end of the year. They help in analyzing how much successful the company has been in achieving its goals and objectives. The profit and loss is calculated for each operating and non-operating activity of the company. This helps in estimating the net profit and loss. That is why it is also known as profit or loss statement or revenue statement. Income statement is different from the balance sheet because the latter represents a single instance of time (for example, a week). Income statements are for a longer time period that is a year or quarter of a year (Pandit and Phillips, 2004).

Important Points of an Income Statement

Mentioned below are some important points that an analyst would use in assessing the financial condition of the company.

1. Revenue

The term revenue is the amount of money received after selling a product or providing a service. Revenues are mentioned in the start of an income statement. They also represent the total sale made by a company in a time. The revenue generated once calculates, helps in determining the profits made by a company.

2. Cost of goods sold

This refers to the cost incurred during the production and manufacturing of

products. This includes all the expenses of the production unit including raw materials, machinery, labor employed etc.

3. Operating Expenses

This covers all the expenses in maintaining a business. The cost for the operational unit of the business is also added in this. Operating expenses include the money spent on market research, development of products, marketing and promotion of goods and services and intellectual property rights (patents, trademarks etc.). Some items that are not accurately measured may not be reported (Garrison et al. 2003).

4. Non operating expenses

This includes other revenues or gains, other expenses or losses, finance costs and income tax expenses etc.

5. Profit

After having calculated the total revenue and expenses incurred, it becomes easy to calculate profit. Profit is revenue minus total expenses. They are referred to as the bottom line of an income statement because unlike revenues that are reported at the top of the income statement, profits are reported at bottom (Ford Motor Company Annual Report, 2012).

Ford Motor's income statement analysis

An analysis of Ford Motors Company's income statement from year 2012 shows the following facts. The total revenue was \$133, 559, 000. The cost of revenue was \$116, 107, 000. The gross profit was \$17, 452, 000. Amongst the operating expenses, the amount spent on research and development is Zero\$. The net income is \$5, 665, 000. The net income to include extra expenses is 5, 665. 0 \$. The net income excluding extra expenses is 5, 665.

0 \$.

This shows that throughout these years (2011-2014) the company has shown impressive growth. The company has been successful in reducing the percentage of sales for income tax department. This important factor has contributed in the company's growth.

References

Pandit, G. M., & Phillips, J. J. (2004). Comprehensive income: reporting preferences of public companies. *CPA JOURNAL*, 74, 40-41.

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Garrison, R. H., Noreen, E. W., & Brewer, P. C. (2003). *Managerial accounting*. New York: McGraw-Hill/Irwin.