

Research – tma03 – b120 essay sample



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Income statement (also referred to as profit and loss statement (P&L), revenue statement, statement of financial performance, earnings statement, operating statement or statement of operations)[1] is a company's financial statement that indicates how the revenue (money received from the sale of products and services before expenses are taken out, also known as the "top line") is 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.[1] The purpose of the income statement is to show managers and investors whether the company made or lost money during the period being reported. The important thing to remember about an income statement is that it represents a period of time. This contrasts with the balance sheet, which represents a single moment in time. Charitable organizations that are required to publish financial statements do not produce an income statement.

Instead, they produce a similar statement that reflects funding sources compared against program expenses, administrative costs, and other operating commitments. This statement is commonly referred to as the statement of activities. Revenues and expenses are further categorized in the statement of activities by the donor restrictions on the funds received and expended. The income statement can be prepared in one of two methods.[2] The Single Step income statement takes a simpler approach, totaling revenues and subtracting expenses to find the bottom line. The

more complex Multi-Step income statement (as the name implies) takes several steps to find the bottom line, starting with the gross profit. It then calculates operating expenses and, when deducted from the gross profit, yields income from operations. Adding to income from operations is the difference of other revenues and other expenses. When combined with income from operations, this yields income before taxes. The final step is to deduct taxes, which finally produces the net income for the period measured.