



# INCOME STATEMENT

## THE BIG PICTURE

Also known as the “Profit and Loss (P&L)”, “Statement of Operations”, and “Statement of Earnings”, the Income Statement is a financial statement that indicates how company revenue is transformed into net income. Revenue is the money received from the sale of products and services before expenses are taken out. Net income is the result after all revenues and expenses have been accounted for.

The purpose of the income statement is to show managers and investors whether the company made or lost money during the period being reported. It also reflects trends of Revenues, Cost, & Profit over a three year period of time.

## BASIC EQUATION

$$\begin{array}{r} \text{Revenue (Sales)} \\ - \text{Expenses} \\ \hline \text{Profit (Income)} \end{array}$$

## INDICATES

Profitability within a company

## KEY MEASURES

- › Revenues
- › Cost of Goods Sold
- › Gross Profit or Gross Margin
- › Operating Income
- › Net Income (Profit)
- › Earnings Per Share (EPS)



For more information, refer to page 121 in *Seeing the Big Picture*.

## AUSTIN'S CYCLE SHOP CONSOLIDATED INCOME STATEMENT

(In thousands, except per-share amounts)

For the year ended December 31	<u>2014</u>	<u>2013</u>	<u>2012</u>
TOTAL REVENUE	\$8,300	\$7,200	\$6,400
Cost of Goods Sold	4,600	4,200	3,840
GROSS PROFIT	3,700	3,000	2,560
Operating Expenses:			
Research and Development	500	440	369
Sales and Marketing	850	730	641
General and Administrative	370	320	270
Depreciation and Amortization	486	328	256
TOTAL OPERATING EXPENSES	2,206	1,818	1,536
OPERATING INCOME	1,494	1,182	1,024
Interest Income	300	200	107
Interest Expense	96	53	58
Income before provision for income taxes	1,698	1,329	1,073
Provision for income taxes	611	478	386
NET INCOME	\$1,087	\$851	\$687
Basic earnings per share	\$0.27	\$0.26	\$0.23
Diluted earnings per share	\$0.25	\$0.25	\$0.22
Shares used in per-share calculation - basic	4,002	3,275	2,988
Shares used in per-share calculation - diluted	4,300	3,408	3,112