

The Income Statement

BOULDER ENERGY SYSTEMS	2022	2021
Revenues	\$525,000	\$450,000
Cost of Goods Sold	\$315,000	\$290,000
Gross Profit	\$210,000	\$160,000
Gross Margin (%)	40%	36%
Operating Expenses:		
R&D	\$75,000	\$70,000
Marketing	\$50,000	\$45,000
General & Administrative	\$60,000	\$50,000
Depreciation & Amortization	\$10,000	\$5,000
Total Operating Expenses:	\$195,000	\$170,000
Operating Income:	\$15,000	\$(10,000)
Interest Income/Expense	\$2,000	\$0
Income Before Taxes	\$17,000	\$(10,000)

← *All the other costs necessary to run the business*

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← Usually includes HR, IT, Mgmt Salaries, etc.: “G&A”

If it includes Sales Expenses: “SG&A”

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← Represents the decrease in value of equipment, IP and other assets...

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← *What it takes to run the business...*

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← *Gross Profit – Operating Expenses*

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*Money coming from sources
other than the product or service*

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← *Operating Income + Interest
Income (or Expense)*

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Income Taxes	\$4,000	\$0
Net Income	\$13,000	\$(10,000)
Dividends	(\$5,000)	\$0
Change in Retained Earnings	\$8,000	\$(10,000)
Earnings Per Share (EPS)		
Basic:	\$0.162	\$(0.125)
Diluted:	\$0.130	\$(0.10)
# Shares used in EPS		
Basic:	80,000	80,000
Diluted:	100,000	100,000

← *Fed & State Taxes*

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← *The company's "earnings"*

"The Bottom Line"

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← *What is paid out to shareholders*

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← *What is finally leftover*

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← *Net Income / # Shares of Stock*

Basic: the # of shares traded in the marketplace

Diluted: the # of shares traded in the marketplace + things that can be converted to stock (e.g., employee stock options)

Main Takeaways...

- The Income Statement (or P&L, or Statement of Operations) shows the financial performance over a period of time.
- The Income Statement highlights Revenues, COGS, and Operating Expenses
- Gross Margin is a good indicator of how efficiently the company is producing its products, or how aggressive it is able to price its products.
- Net income, the bottom line, is the after-tax profit, and is used to determine the company's earnings per share – a key metric used by financial analysts.
- All the details can be found in the company's Annual Report and SEC 10-K filing.

Next Time...

The Balance Sheet



Credits & References

Slide 15: Balance sheet by Anton, Adobe Stock (129111083.jpeg).