

Example:

ABC Company had a total revenue of \$55,000 during the fiscal year, ending on December 31st. Of the company's total revenue, \$50,000 was from service revenue, \$4,000 was from sales, and \$1,000 was from fees earned. Also, ABC Company had \$28,000 in total expenses. Of the expenses, \$10,000 came from paying employee salaries, \$8,000 came from rent expenses, and \$5,000 came from interest expenses. Furthermore, ABC Company had \$3,000 of income tax expenses, \$1,000 in depreciation expenses, \$1,000 of utility expenses. A class assignment may require students to complete an income statement that would look like the following table.

Income Statement	ABC Company		For Fiscal Year Ended December 31
Revenues			
	Service revenue	\$50,000	
	Sales	4,000	
	Fees earned	1,000	
	Total revenues		\$55,000
Expenses			
	Salary expense	\$10,000	
	Rent expense	8,000	
	Interest expense	5,000	
	Income tax expense	3,000	
	Depreciation expense	1,000	
	Utilities expense	1,000	
	Total expenses		\$28,000
Net income			\$27,000

It should be noted that the net income of \$27,000 was calculated by subtracting the total expenses of \$28,000 from the total revenues of \$55,000. ABC Company's net income will be used to prepare the next financial statement, which is the statement of retained earnings.