

Income Statement (Profit & Loss Statement) for Contoso

Overview: This document will cover a fictional fiscal year (e.g., January 1, 2023 - December 31, 2023). It will show inflated revenue figures due to the fictitious sales.

Fraudulent Element: Revenue will be significantly higher than realistically expected, with a disproportionate increase in "Consulting Service Revenue" and "Software Licensing Fees," reflecting the fake sales. The "Cost of Goods Sold" (COGS) will not proportionally increase, leading to an artificially high gross profit margin.

Key Sections:

- **Revenue:** Breakdown by service (AI Integration, Custom Software, Data Analytics, *Fictitious Project X*).
- **Cost of Revenue:** Direct costs associated with services.
- **Gross Profit:** Revenue minus Cost of Revenue.
- **Operating Expenses:** Sales & Marketing, General & Administrative, Research & Development.
- **Operating Income:** Gross Profit minus Operating Expenses.
- **Other Income/Expenses:** Interest, other non-operating items.
- **Net Income Before Taxes:** Operating Income plus Other Income/Expenses.
- **Income Tax Expense:** Calculated tax on income.
- **Net Income:** The final profit figure.

Narrative Context: Contoso reports a stellar year, boasting record revenue growth. Management attributes this to aggressive market expansion and successful acquisition of several large client contracts, particularly "Project X," a groundbreaking AI implementation for a major client. (This "Project X" will be the source of our fake invoices).

Income Statement

Contoso

For Demonstration & Training Purposes Only — Not for Actual Financial Use

Fiscal Year: January 1, 2023 – December 31, 2023

Narrative Context (Fiction)

Contoso reports what appears to be a stellar year of financial performance. Management claims aggressive market expansion and landmark client acquisitions drove record results. A flagship contract dubbed *Project X* — an allegedly groundbreaking AI implementation for a “major client” — is credited with much of the year’s revenue growth.

(In this fictional scenario, Project X revenue is inflated to demonstrate how fraudulent reporting could work. This is purely illustrative for educational purposes.)

Revenue

Category	Amount (USD)
AI Integration Services	\$25,000,000
Custom Software Development	\$30,000,000
Data Analytics Solutions	\$15,000,000
Project X (fabricated)	\$50,000,000
Total Revenue	\$120,000,000

Cost of Revenue

Category	Amount (USD)
AI Integration Direct Costs	\$6,000,000
Custom Software Direct Costs	\$8,000,000
Data Analytics Direct Costs	\$4,000,000
Project X Direct Costs (understated)	\$2,000,000
Total Cost of Revenue	\$20,000,000

Gross Profit

Total Revenue – Total Cost of Revenue = **\$100,000,000**
(Gross margin: 83.3% — unrealistically high in a real market.)

Operating Expenses

Category	Amount (USD)
Sales & Marketing	\$15,000,000
General & Administrative	\$10,000,000
Research & Development	\$5,000,000
Total Operating Expenses	\$30,000,000

Operating Income

Gross Profit – Operating Expenses = **\$70,000,000**

Other Income / Expenses

Category	Amount (USD)
Interest Income	\$500,000
Interest Expense	(\$1,500,000)
Total Other Income/Expenses	(\$1,000,000)

Net Income Before Taxes

Operating Income + Other Income/Expenses = **\$69,000,000**

Income Tax Expense (fictional)

Assume 25% tax rate → \$17,250,000

Net Income

Net Income Before Taxes – Income Tax Expense = **\$51,750,000**

Disclaimer:

This entire document is a fictional construct intended for training, compliance awareness, or fictional storytelling. Figures, contracts, and revenue shown are invented; “Project X” and associated numbers are purely illustrative. This example should **never** be used for real-world reporting, filing, investment decisions, or any form of misrepresentation.