



Module 1

The Language and Tools of Financial Analysis

The Profit and Loss Statement: Revenues (What the company earns)

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Profit and loss statement

Now we know what the firm's financial position is at a point in time, how has the firm been performing lately?

P&L statement measures the firm's performance over a period of time (financial year)

- from 'top line' sale of products/services to
- 'bottom line' known as net income/earnings



Profit and loss statement

Consolidated Statement of Income

(\$USD millions)	2014	2013
Net Sales	14,580	14,792
Cost of goods sold	9,517	8,689
Selling, general and administrative expense	4,039	3,266
Operating profit	1,024	2,837
Interest expense	209	235
Other Income (expense), net	10	4
Income before income taxes	825	2,606
Income taxes	186	792
Earnings (loss) from joint ventures	(6)	(6)
Net income	633	1,808
Net income (loss) attributable to noncontrolling interests	1	1
Net income attributable to Kellogg Company	632	1,807

Sales revenue





Net sales

Net sales = Gross sales – Deductions

Deductions = customer discounts + returns + allowances

Sales revenue is not always so easily defined or measured

- supply chain (internal sales)
- international sales

Cost of goods sold

Purchase or conversion cost:

- product or raw materials (including shipping/freight)
- direct labor cost
- direct overhead that is allocated e.g. storage
- adjustment or depreciation of goods



Source list

- Slide 3: Consolidated Statement of Income, © University of Melbourne. Prepared by Indika Lovell & Thomas Szoka. Sourced from data contained within Item 8. Financial Statements and Supplementary Date – Consolidated Statement of Income, p 37 Kellogg Company Annual Report 2014, 25 February 2015 (http://investor.kelloggs.com/files/doc_financials/annual_reports/K_2014-Annual-Report_v001_q725z5.pdf).
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