The **income statement** is a statement of the total revenues and expenses for the company. Where the balance sheet tracks all of what the company owns, as well as who owns it (i.e., assets and liabilities), the income statement tracks the company's performance in terms of money made (or lost).

| Yummy Stuff Company: Income Statement | |
|---|---|
| **Amount (in millions)** | **12 months (ending Dec 31, 2022)** |
| **Revenue:** | |
| Sales | $38,937 |
| Other income | $1,377 |
| **Total revenue:** | **$40,314** |
| **Expenses:** | |
| Sales and marketing expenses | $31,030 |
| Salaries and wages | $1,450 |
| Other general and administrative expenses | $4,108 |
| Interest paid | $297 |
| Tax provision | $872 |
| **Total expenses:** | **$37,757** |
| **Net income (Revenue - Expenses):** | **$2,557** |

The income statement summarizes the **revenue** (the amount of money the company made by selling things and other sources of income) and the **expenses**. Expenses for a company include typical things like the costs of purchasing from suppliers and marketing (categorized as “sales and marketing expenses”), salaries and employee compensation (“salaries and wages”), and “general and administrative” costs (such as real estate leases and other business expenses). Firms that borrow and thus have debt on the balance sheet also have to subtract the expense of paying interest on those loans.

The income statement subtracts the expenses from the revenue to calculate the **net income**.

At its essence, the income statement gives investors a “bottom-line” answer as to whether the company earned (or lost) money, and if so, how much.