

Income Statement (aka Profit and Loss Statement)

An income statement is a financial report that presents a company's revenue, expenses and profit or loss over a period of time (typically month, quarter, and/or year). The income statement is broken down into three primary sections: gross profit, operating profit, and net profit.

- **Revenue (aka Sales):** Revenue is the total amount of income generated by the sale of goods or services related to the company's primary operations.
- Cost of Goods/Services Sold (aka Cost of Sales): Cost of goods or services sold include the direct
 costs incurred to create product that has been sold or services that have been provided. Some
 common examples include product materials, shipping costs, and direct labor associated with
 producing the product or providing the service.
- **Gross Profit:** Gross profit is the difference between revenue and cost of goods/services sold.
- **Gross Margin:** Gross margin is gross profit as a percentage of revenue.
- Operating Expense: Operating expenses are ordinary and necessary costs of operating a trade
 or business. Some common examples include selling and administrative personnel costs (wages,
 payroll taxes, employee benefits), marketing costs, rent, utilities, and insurance.
- Operating Profit/Loss: Operating profit or loss is the difference between gross profit and operating expenses. This can also be referred to as "Earnings Before Interest, Taxes, Depreciation and Amortization" or "EBITDA".
- Non-Operating Income/Expenses: Non-operating income and expenses are generally tied to
 business activities which are not directly related to the principal business operations of the
 company. Some examples include gains or losses from the disposal of assets, interest income or
 expense, depreciation and amortization, and income taxes.
- **Net Profit/Loss:** Net profit or loss is the difference between operating profit, non-operating income, and non-operating expenses.

Income Statement – Cash Basis Accounting

A cash basis income statement only contains revenues for which cash has been received from customers, and expenses for which cash expenditures have been made.

XYZ Clothing Company, LLC Income Statement - Cash Basis Accounting Year Ending December 31, 20XX

| Sales | | |
|--------------------------------|-----------------------|---------|
| Men's Clothing | \$ | 260,000 |
| Women's Clothing | \$ | 285,000 |
| Children's Clothing | \$ \$ | 215,000 |
| Total | \$ | 760,000 |
| Cost of Goods Sold | | |
| Men's Clothing | \$ | 180,000 |
| Women's Clothing | \$ | 190,000 |
| Children's Clothing | | 140,000 |
| Total | \$ \$ | 510,000 |
| Gross Profit | \$ | 250,000 |
| Gross Margin | | 32.9% |
| Operating Expenses | | |
| Personnel Costs | | |
| Salary and Wages | \$ | 100,000 |
| Payroll Taxes | \$ | 9,000 |
| Employee Benefits | \$ | 7,000 |
| Facility and Equipment Costs | | |
| Rent | \$ | 24,000 |
| Utilities | \$ | 3,500 |
| Repair and Maintenance | \$ | 3,000 |
| Administrative | | |
| Marketing and Advertising | \$ | 9,000 |
| Business Insurance | | 4,000 |
| Office Supplies | \$ | 2,000 |
| Legal/Accounting Services | \$ \$ \$ | 3,000 |
| Total | \$ | 164,500 |
| Operating Profit (EBITDA) | \$ | 85,500 |
| Non Operating Income/Expenses | | |
| Interest Income | \$ | 500 |
| Interest Expense | \$ | (3,000) |
| Depreciation | \$ | - |
| Gain/(Loss) on Sale of Assets | \$ \$ \$ | - |
| Total | \$ | (2,500) |
| Net Profit/(Loss) before Taxes | \$ | 83,000 |

Income Statement – Accrual Basis Accounting

Under the accrual basis of accounting, revenues are reported on the income statement when they are earned (not when payment is received) and expenses when they are incurred (not when payment is made).

XYZ Clothing Company, LLC Income Statement - Accrual Basis Accounting Year Ending December 31, 20XX

| Operating Expenses Personnel Costs Salary and Wages \$ 110,000 Payroll Taxes \$ 9,500 Employee Benefits \$ 7,500 Facility and Equipment Costs Rent \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Income/Expenses Interest Income \$ 750 Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) | Sales | |
|--|--------------------------------|----------------|
| Children's Clothing \$ 870,000 Total \$ 870,000 Cost of Goods Sold \$ 210,000 Men's Clothing \$ 200,000 Children's Clothing \$ 155,000 Total \$ 565,000 Gross Profit \$ 305,000 Gross Margin 35.1% Operating Expenses \$ 9.500 Personnel Costs \$ 9,500 Salary and Wages \$ 110,000 Payroll Taxes \$ 9,500 Employee Benefits \$ 7,500 Facility and Equipment Costs Rent \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,500 Administrative Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Income/Expenses Interest Income \$ 750 Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total | Men's Clothing | \$ 320,000 |
| Cost of Goods Sold \$ 210,000 Men's Clothing \$ 200,000 Children's Clothing \$ 155,000 Total \$ 565,000 Gross Profit \$ 305,000 Gross Margin 35.1% Operating Expenses Personnel Costs Salary and Wages \$ 110,000 Payroll Taxes \$ 9,500 Employee Benefits \$ 7,500 Facility and Equipment Costs \$ 24,000 Rent \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative \$ 9,000 Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Income/Expenses Interest Expense \$ (3,750) Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (16,000) | Women's Clothing | \$ 300,000 |
| Cost of Goods Sold \$ 210,000 Men's Clothing \$ 200,000 Children's Clothing \$ 155,000 Total \$ 565,000 Gross Profit \$ 305,000 Gross Margin 35.1% Operating Expenses Personnel Costs Salary and Wages \$ 110,000 Payroll Taxes \$ 9,500 Employee Benefits \$ 7,500 Facility and Equipment Costs \$ 24,000 Rent \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative \$ 9,000 Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Income/Expenses Interest Expense \$ (3,750) Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (16,000) | Children's Clothing | \$ 250,000 |
| Men's Clothing \$ 210,000 Women's Clothing \$ 200,000 Children's Clothing \$ 155,000 Total \$ 565,000 Gross Profit \$ 305,000 Gross Margin 35.1% Operating Expenses Personnel Costs \$ 110,000 Salary and Wages \$ 110,000 Payroll Taxes \$ 9,500 Employee Benefits \$ 7,500 Facility and Equipment Costs \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Income/Expenses Interest Income \$ 750 Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Total | \$ 870,000 |
| Men's Clothing \$ 210,000 Women's Clothing \$ 200,000 Children's Clothing \$ 155,000 Total \$ 565,000 Gross Profit \$ 305,000 Gross Margin 35.1% Operating Expenses Personnel Costs \$ 110,000 Salary and Wages \$ 110,000 Payroll Taxes \$ 9,500 Employee Benefits \$ 7,500 Facility and Equipment Costs \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Income/Expenses Interest Income \$ 750 Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Cost of Goods Sold | |
| Women's Clothing \$ 200,000 Children's Clothing \$ 155,000 Total \$ 565,000 Gross Profit \$ 305,000 Gross Margin 35.1% Operating Expenses \$ 110,000 Personnel Costs \$ 9,500 Salary and Wages \$ 110,000 Payroll Taxes \$ 9,500 Employee Benefits \$ 7,500 Facility and Equipment Costs \$ 24,000 Rent \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative \$ 9,000 Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Income/Expenses Interest Income \$ 750 Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Men's Clothing | \$ 210,000 |
| Children's Clothing \$ 565,000 Total \$ 565,000 Gross Profit \$ 305,000 Gross Margin 35.1% Operating Expenses \$ 110,000 Personnel Costs \$ 9,500 Salary and Wages \$ 110,000 Payroll Taxes \$ 9,500 Employee Benefits \$ 7,500 Facility and Equipment Costs \$ 24,000 Rent \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative \$ 9,000 Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Income/Expenses Interest Income \$ 750 Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Women's Clothing | 200,000 |
| Gross Profit \$ 305,000 Gross Margin 35.1% Operating Expenses Personnel Costs \$ 110,000 Salary and Wages \$ 110,000 Payroll Taxes \$ 9,500 Employee Benefits \$ 7,500 Facility and Equipment Costs \$ 24,000 Rent \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Income/Expenses Interest Income \$ 750 Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Children's Clothing | 155,000 |
| Gross Margin 35.1% Operating Expenses Personnel Costs \$ 110,000 Payroll Taxes \$ 9,500 Employee Benefits \$ 7,500 Facility and Equipment Costs Rent Rent \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Income/Expenses Interest Income \$ 750 Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Total | \$ 565,000 |
| Operating ExpensesPersonnel Costs\$ 110,000Salary and Wages\$ 110,000Payroll Taxes\$ 9,500Employee Benefits\$ 7,500Facility and Equipment Costs\$ 24,000Rent\$ 24,000Utilities\$ 3,500Repair and Maintenance\$ 3,000Administrative\$ 9,000Marketing and Advertising\$ 9,000Business Insurance\$ 5,500Office Supplies\$ 2,000Legal/Accounting Services\$ 4,000Total\$ 178,000Operating Profit (EBITDA)\$ 127,000Non Operating Income/Expenses\$ (3,750)Interest Income\$ 750Interest Expense\$ (3,750)Depreciation\$ (10,000)Gain/(Loss) on Sale of Assets\$ (3,000)Total\$ (16,000) | Gross Profit | \$ 305,000 |
| Personnel Costs \$ 110,000 Payroll Taxes \$ 9,500 Employee Benefits \$ 7,500 Facility and Equipment Costs \$ 24,000 Rent \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Profit (EBITDA) \$ 127,000 Non Operating Income/Expenses \$ (3,750) Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Gross Margin | 35.1% |
| Salary and Wages \$ 110,000 Payroll Taxes \$ 9,500 Employee Benefits \$ 7,500 Facility and Equipment Costs \$ 24,000 Rent \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative * 9,000 Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Profit (EBITDA) \$ 127,000 Non Operating Income/Expenses \$ (3,750) Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Operating Expenses | |
| Payroll Taxes \$ 9,500 Employee Benefits \$ 7,500 Facility and Equipment Costs \$ 24,000 Rent \$ 3,500 Repair and Maintenance \$ 3,000 Administrative * 9,000 Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Profit (EBITDA) \$ 127,000 Non Operating Income/Expenses \$ (3,750) Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Personnel Costs | |
| Employee Benefits \$ 7,500 Facility and Equipment Costs Rent \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Profit (EBITDA) \$ 127,000 Non Operating Income/Expenses Interest Income \$ 750 Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Salary and Wages | 110,000 |
| Facility and Equipment Costs Rent \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Non Operating Income/Expenses Interest Income \$ 750 Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Payroll Taxes | 9,500 |
| Rent \$ 24,000 Utilities \$ 3,500 Repair and Maintenance \$ 3,000 Administrative Marketing and Advertising \$ 9,000 Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Operating Profit (EBITDA) \$ 127,000 Non Operating Income/Expenses \$ (3,750) Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Employee Benefits | \$ 7,500 |
| Utilities\$ 3,500Repair and Maintenance\$ 3,000AdministrativeMarketing and Advertising\$ 9,000Business Insurance\$ 5,500Office Supplies\$ 2,000Legal/Accounting Services\$ 4,000Total\$ 178,000Operating Profit (EBITDA)\$ 127,000Non Operating Income/Expenses\$ (3,750)Interest Expense\$ (3,750)Depreciation\$ (10,000)Gain/(Loss) on Sale of Assets\$ (3,000)Total\$ (16,000) | Facility and Equipment Costs | |
| Repair and Maintenance\$ 3,000Administrative\$ 9,000Marketing and Advertising\$ 9,000Business Insurance\$ 5,500Office Supplies\$ 2,000Legal/Accounting Services\$ 4,000Total\$ 178,000Operating Profit (EBITDA)\$ 127,000Non Operating Income/Expenses\$ 750Interest Income\$ 750Interest Expense\$ (3,750)Depreciation\$ (10,000)Gain/(Loss) on Sale of Assets\$ (3,000)Total\$ (16,000) | | |
| Administrative Marketing and Advertising Business Insurance Office Supplies Legal/Accounting Services Total Supplies \$ 2,000 \$ 4,000 Total Supplies \$ 178,000 Non Operating Profit (EBITDA) Non Operating Income/Expenses Interest Income Interest Expense Depreciation Gain/(Loss) on Sale of Assets Total \$ (16,000) | Utilities | |
| Marketing and Advertising\$ 9,000Business Insurance\$ 5,500Office Supplies\$ 2,000Legal/Accounting Services\$ 4,000Total\$ 178,000Operating Profit (EBITDA)\$ 127,000Non Operating Income/Expenses\$ 750Interest Income\$ 750Interest Expense\$ (3,750)Depreciation\$ (10,000)Gain/(Loss) on Sale of Assets\$ (3,000)Total\$ (16,000) | · | \$ 3,000 |
| Business Insurance \$ 5,500 Office Supplies \$ 2,000 Legal/Accounting Services \$ 4,000 Total \$ 178,000 Operating Profit (EBITDA) \$ 127,000 Non Operating Income/Expenses \$ 750 Interest Income \$ 750 Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | | |
| Operating Profit (EBITDA)\$ 127,000Non Operating Income/Expenses\$ 750Interest Income\$ 750Interest Expense\$ (3,750)Depreciation\$ (10,000)Gain/(Loss) on Sale of Assets\$ (3,000)Total\$ (16,000) | - | |
| Operating Profit (EBITDA)\$ 127,000Non Operating Income/Expenses\$ 750Interest Income\$ 750Interest Expense\$ (3,750)Depreciation\$ (10,000)Gain/(Loss) on Sale of Assets\$ (3,000)Total\$ (16,000) | Business Insurance | \$ 5,500 |
| Operating Profit (EBITDA)\$ 127,000Non Operating Income/Expenses\$ 750Interest Income\$ 750Interest Expense\$ (3,750)Depreciation\$ (10,000)Gain/(Loss) on Sale of Assets\$ (3,000)Total\$ (16,000) | Office Supplies | \$ 2,000 |
| Operating Profit (EBITDA)\$ 127,000Non Operating Income/Expenses\$ 750Interest Income\$ 750Interest Expense\$ (3,750)Depreciation\$ (10,000)Gain/(Loss) on Sale of Assets\$ (3,000)Total\$ (16,000) | | \$ |
| Non Operating Income/Expenses Interest Income \$ 750 Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Total | \$ 178,000 |
| Interest Income \$ 750 Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Operating Profit (EBITDA) | \$ 127,000 |
| Interest Expense \$ (3,750) Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Non Operating Income/Expenses | |
| Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Interest Income | \$ 750 |
| Depreciation \$ (10,000) Gain/(Loss) on Sale of Assets \$ (3,000) Total \$ (16,000) | Interest Expense | (3,750) |
| | Depreciation | (10,000) |
| | Gain/(Loss) on Sale of Assets | \$ (3,000) |
| Net Profit/(Loss) before Taxes \$ 111,000 | Total | \$ (16,000) |
| | Net Profit/(Loss) before Taxes | \$ 111,000 |