

Income Statement

Some points to remember when completing your Income Statement:

- Beside **revenue/sales**, include your sales or your projected sales. If you are projecting for a new business, consider how your sales are likely to fluctuate from quarter to quarter.
- On the line labelled **cost of goods and services sold**, calculate how much it will cost to produce enough of your product or service to reach the level of sales indicated in the first row. This should include the cost of materials and manufacturing labour. Remember that many of your costs will vary with your sales.
- Subtract your **cost of goods and services** from **revenues** to arrive at your **gross profits**.
- **Selling expenses** include advertising and promotion costs.
- **Payroll expenses and deductions** include wages and salaries for staff. Don't include payments to business owners.
- **Office expenses** include rent but not the principle portion of mortgage payments. Mortgage interest should be included in the **interest expenses** category.
- **General expenses** include automobile and travel expenses and costs not included in other categories.
- Subtract all expenses from **gross profit** to arrive at your **operating profit**.
- Subtract **business taxes** and **owner(s) drawings** to arrive at your **net income**, or profit.

Your Income Statement is a very valuable tool with which to measure the success of your business. Remember, there is more information in this document than 'sales' and 'net profit'. Monitor your Income Statement for fluctuations in your expenses or declining sales volumes. Use the Income Statement and the Balance Sheet together to manage your business effectively.

Projected Income Statement

The income statement is designed for existing and start-up businesses. If yours is an existing enterprise, please provide historical details for the years that you have been in business and indicate the appropriate dates in the first row. Supply five years of information if possible.

If you are starting a new venture, estimate your quarterly revenues and expenses for the first year. Please provide yearly totals in the fifth column.

Time period	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	20__
Revenue/sales					
<i>Less</i>					
Cost of goods & services sold					
GROSS PROFIT					
<i>Less</i>					
Selling expenses					
Payroll expenses and deductions					
Office expenses					
Interest expenses					
General expenses					
OPERATING PROFIT					
<i>Less</i>					
Business taxes payable					
Owner(s) drawings					
NET INCOME					