

10 The income statement – Part 1

Name: _____ Class: _____ Date: _____

Vocabulary

Write each word three times.

English	Write it 3 times (English)		
Financial state-ments	_____	_____	_____
income statement	_____	_____	_____
revenue	_____	_____	_____
cost of sales	_____	_____	_____
gross profit	_____	_____	_____
expenses	_____	_____	_____
operating profit	_____	_____	_____
net profit	_____	_____	_____

Recall

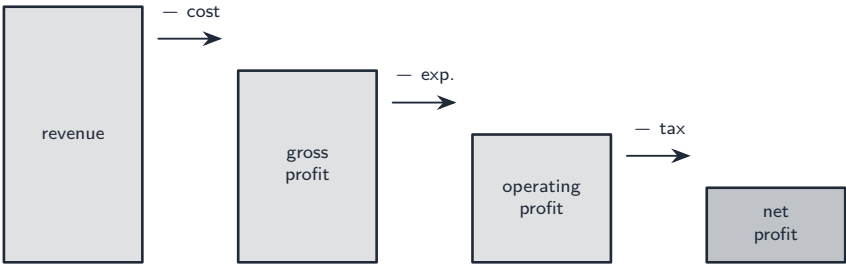
Financial statements are the official records of how a business is doing with money. The first one is the income statement.

New ideas

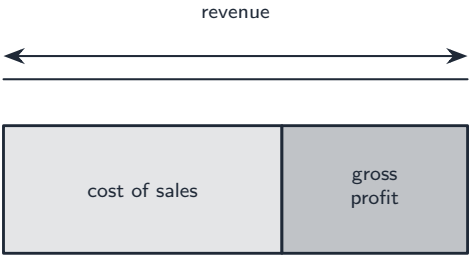
Read these first, then do the Practice.

■ 1 The income statement

The **income statement** shows the **revenue** and costs over a year, and the profit left at each stage:



■ 2 From revenue to profit



- **cost of sales** is the direct cost of the goods sold;
- **gross profit** = revenue – cost of sales;
- take off **expenses** to get **operating profit** ;
- take off interest and tax to get the **net profit** .

Watch out: gross profit = revenue – cost of sales; then take off expenses → operating profit; then interest and tax → net profit. The income statement covers a *period* (a whole year), not a single moment.

Practice

Try these in order.

10.1 What does the *income statement* show?

10.2 Write the formula for *gross profit*. [1]

10.3 Revenue is £500 and cost of sales is £300. What is the gross profit? [1]

10.4 What do you take off gross profit to get *operating profit*? [1]

10.5 Which profit is left right at the end, after interest and tax? [1]

10.6 Challenge. Revenue is £800, cost of sales is £500 and expenses are £200. Work out the gross profit and the operating profit. [2]