## Accounting / Income statement overview / Transcript

Hello, today I am going to discuss the purpose of an income statement. An income statement is one of the financial statements that owners and outside investors may look at to measure how a company is doing financially.

There are two other financial statements they may also look at, which is the balance sheet and the statement of cash flows. But just for today, I'm only going to go over briefly the basic income statement.

The income statement is revenue or cash minus the cost of goods produced or your services sold. That gives you your gross profit. And then you will take out any expense or costs that you incur during this process. That in the bottom line will give you your net profit or net loss.

If you have plenty of income to cover all of your expenses and some left over, then the company would be operating in a net profit.

If, on the other hand, you have more expenses than you have income coming in, the company is going to... be operating at a loss.

Depending upon the time frame that you are looking at the income statement, it can vary from month to month. One month you may show that you have a loss on the company and the next month you may show you have a gain you can also look at an Income statement for the entire year, which is going to better show you how the company looks as a whole because sometimes in one month you may have income coming in but you pay all your expenses in a different month. So if you just look at per month, it's not going to look really well if you've got one month, all your revenue coming in, the next month all your expenses going out so it's better to look through for the whole year to make better judgments.

And also, several people run them for all different sorts of date frames. Typically, companies usually like to run them monthly, quarterly, and on a yearly basis.

This is an example of just a basic income summary. It's this one I just got online, it shows for five months, and it’s just a generic income statement. And you can see at the top that it shows you know all the revenues that you might incur during that time or any gains that you might have gotten from a sale of an asset from your company. And then here's the total and then after that you're gonna list all of your expenses or losses so anything that you use to in our case any services that we provided or anything that we had to buy in order to, you know, put up the turbines or, you know, to service them, anything like that. Any expenses that you may have, then you list those, total those, and then take your gains minus your expenses and that will give you your net income or loss.

I have a couple examples here. This was just a short one to show you. Many companies run them all different ways. There's no one set way. It just depends on how a company wants what they want to show. I know on our income statement might be a little more detailed because Jereme may want to see something more highlighted or something like that. So ours is more detailed. I know I have in the next slide, one that is from January 1st through the end of the year.

And this one is a little bit more detailed. So then again, it has your gross sales. And this one, they netted out the sales and then took away anything that you had for the cost of goods sold. And then that gives you your sales and then you take out your all of your expenses and this is your income from up your operations and then they take out like your interest expense and the income tax expense and the end to come down to your net income.

So this is another form of income statement that someone might produce.

And then the last one this one is probably ours looks like here at One Energy obviously not exactly but you know we have the revenue at the top and then we have some direct job costs and then we go into our expenses and we have a lot of the expenses broken out you know we have the small projects, the skunk takes more projects, bank charges, finance charges, computer expenses.

Depreciation is one that you might see on an income statement and depreciation is when you take like say a building like a building or new building. We're gonna depreciate that building over a certain amount of period.

 So depreciation you will put in your expenses and that'll be however much you figure out that you're going to depreciate that building every month or year and how that will show on here also. Office expenses, employee benefits, insurance, legal, meals and entertainment, postage, payroll, I'm not sure if I said that one, rent, utilities. tools, yard expenses, those are more of the expenses that we have listed on our income statement here at One Energy.So you can see how they have their operating expenses. We'd have all those listed under there.

And then we have some other like management fee, miscellaneous expenses, and things like that that also will go under other income or expenses and then will give us our net income or loss.

Keep in mind that not only a financial statement is not only the way to determine if a company is profitable. Since this report is not meant to show dollar for dollar the income that like I said came in one month more than likely is from a service from last month. And then the expenses that you incurred that month more than likely have already been paid for.

So it just depends on the money On when the money comes in when your expenses are due but more than likely they may incur in different months from each other. Therefore, a whole year can give you a better picture of what it is income statement in the company, how they're looking financial.

These reports however may be one way for a manager to describe if they need to consider cutting costs for the month, or you know to look at whether they're over budget, or if we have the extra money there that they might need to purchase some software that will make someone's job or the company work better in a certain process.

 Not every company's income statement, like I said, looks the same. Each one will differ depending upon the different aspects that the company want to point out. But all of the income statements basically come up with the same information. It's just, like I said, how each one wants to point it out.

So that is just a small overview of what the income statement might look like and the purpose of it.

 I hope this helps you out. Thank you