

What Is an Income Statement?

Worksheet

An income statement shows Net Income = Revenue – Expenses over a period, revealing whether a business was profitable.

$$NI = R - E$$

NI = Net Income

R = Revenue

E = Expenses

Questions

1. Revenue is 200,000 and expenses are 150,000. Net income?

- A) \$350,000
- B) \$50,000
- C) \$150,000
- D) \$200,000

2. What does the income statement measure?

- A) A single point in time
- B) Performance over a period
- C) Only cash on hand
- D) Only assets owned

3. Gross profit equals...

- A) Revenue + COGS
- B) Revenue – COGS
- C) Revenue – all expenses
- D) COGS – Revenue

4. If expenses exceed revenue, the result is a...

- A) Net income
- B) Gross profit
- C) Net loss
- D) Balanced sheet

5. A company earns 150,000 in revenue and has 95,000 in total expenses. Find net income.

6. Revenue is 80,000, COGS is 30,000, operating expenses are \$25,000. Find operating income.

7. A startup has 40,000 revenue and 52,000 in expenses. Find the result.

8. Define: What is an income statement?

9. Define: What is the net income formula?

10. Define: What is gross profit?

Answer Key

1. B) $\$50,000$ — Net Income = Revenue – Expenses = $200,000 - 150,000 = 50,000$.
2. B) Performance over a period — It's a flow statement covering a period, unlike the balance sheet's snapshot.
3. B) Revenue – COGS — Gross Profit = Revenue – Cost of Goods Sold.
4. C) Net loss — Expenses greater than revenue produce a net loss (negative net income).
5. Net Income = Revenue – Expenses Net Income = $150,000 - 95,000$ Net Income = $\$55,000$
6. Gross Profit = $80,000 - 30,000 = 50,000$ Operating Income = Gross Profit – Operating Expenses Operating Income = $50,000 - 25,000 = \$25,000$
7. Net Income = Revenue – Expenses Net Income = $40,000 - 52,000$ Net Income = $-\$12,000$ (a net loss)
8. A financial statement showing revenue, expenses and net income/loss over a period of time.
9. Net Income = Revenue – Expenses.
10. Revenue minus the cost of goods sold (COGS), before operating expenses.

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