What Is an Income Statement?

Worksheet

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

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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?

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Answer Key

1. B) $50,000 - Net Income = Revenue Expenses = 200,000150,000 = 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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