



Student Name: _____

Class: _____

Due Date: _____

Introduction

Welcome to this homework sheet on understanding income statements! In this activity, you will learn about the key components of an income statement, how to prepare a basic income statement, and how to analyze financial performance.

Match the following terms with their definitions:

1. Revenues
2. Expenses
3. Net Income
4. Gross Profit
5. Operating Expenses

Definitions:

- The total amount of money earned by a business from its operations
- The costs incurred by a business to generate revenues
- The profit earned by a business after deducting total expenses from total revenues
- The difference between revenues and the cost of goods sold
- The costs associated with the day-to-day operations of a business

Complete the following income statement:

Revenues	Cost of Goods Sold	Operating Expenses	Net Income
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\$100,000	\$30,000	\$20,000	?
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Read the following case study and answer the questions:

XYZ Inc. has revenues of \$500,000, cost of goods sold of \$200,000, and operating expenses of \$150,000. What is the net income of XYZ Inc.?

Analyze the following income statement and answer the questions:

Revenues	Cost of Goods Sold	Operating Expenses	Net Income
\$1,000,000	\$400,000	\$300,000	\$300,000

What is the gross profit margin?

What is the operating profit margin?

Prepare a basic budget for a hypothetical business with the following information:

Revenues	Cost of Goods Sold	Operating Expenses
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\$200,000	\$80,000	\$50,000
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What is the projected net income?

Read the following scenario and answer the questions:

A company has two products, A and B. Product A has a revenue of \$100,000 and a cost of goods sold of \$40,000. Product B has a revenue of \$80,000 and a cost of goods sold of \$30,000. Which product is more profitable?

Reflect on what you have learned about income statements and answer the following questions:

What is the purpose of an income statement?

How do revenues and expenses affect the net income?

Work in groups to prepare an income statement for a hypothetical business. Present your findings to the class.

Complete the following quiz to test your understanding of income statements:

1. What is the difference between revenues and expenses?
2. What is the formula for net income?
3. What is the purpose of an income statement?

Congratulations on completing this homework sheet! You have learned about the key components of an income statement, how to prepare a basic income statement, and how to analyze financial performance. Remember to apply these concepts to real-world scenarios and continue to practice and refine your skills.