**THE INCOME STATEMENT (Intro)**

The income statement for ABC Corp lists revenues and gains as well as expenses and losses over a period of time. A year or a quarter of a year are common accounting periods.

Net income (NI) is calculated by subtracting expenses and losses—the wealth outflows—from revenues and gains—the wealth inflows. NI is also known as earnings or profit.

The opposite of net income is net loss. Whether profit or loss, this is the company’s bottom line.

|  |  |
| --- | --- |
| ABC Corp.  Statement of Operations  (Income Statement)  For the year ended December 31, 2016 | |
|  |  |
| Revenues | $xxxx |
| Expenses | (xxx) |
|  |  |
| Gains | xx |
| Losses | (x) |
|  |  |
| Net earnings | $xx |

**Ongoing vs. One-time Inflows and Outflows**

Accountants tend to use the terms “revenues” and “expenses” for ongoing inflows and outflows, and “gains” or “losses” for more temporary one-time inflows or outflows. The latter are non-recurring items and generally not taken into account when evaluating a business.

The ongoing selling of goods and services generates revenue. The ongoing payment of salaries is an expense.

The one-time sale of a piece of land is a gain. The one-time cost of recovering from a natural disaster such as a flood is a loss.

To understand the health of a business and to assess trends, a reporter can compare current period results with prior results, with management’s previously announced goals, with investor expectations and with competitors’ results.