

# Accounting I



## 3<sup>RD</sup> CLASS INCOME STATEMENT




## Financial Flow



### 1 – Related with the Financial position (Balance Sheet)


- **Obligation to pay:** acquisition of goods and services regardless of their payment or use (recognition in the Balance Sheet as a liability);
- **Right to receive:** sales of goods and services regardless of their receipt or production (recognition in the Balance Sheet as an Asset).



## Economic Flow

2 – Related with Performance (Income Statement)


- **Expenses:** consumption and use of goods and services regardless of their acquisition and payment (recognition in the Income Statement as expenses)
- **Revenues:** production of goods and services regardless of their sale and receipt (recognition in the Income Statement as revenues)



## Monetary Flow


3 – Related with cash flows (Cash Flow Statement)

- **Cash out flow:** corresponds to exits of cash in the company regardless of the period of acquisition and use of goods and services
- **Cash in flow:** corresponds to entries of cash in the company regardless of the period of the sale and production



## The Income Statement

- An **income statement** is a report of all revenues and expenses pertaining to a specific time period
- **Net income** = revenues minus all expenses
- A **net loss** occurs if expenses exceed revenues




## The Income Statement



Vertical display


Revenues

Expenses

Net Income

 **The Income Statement**

- **Income Statement by Nature:**
  - Expenses are grouped according to its nature, independently of the department or function that supported them 
- **Income Statement by :**
  - The results are grouped having into account the department or function that had them 

 **Net Income statement – by nature**

- Expenses are grouped according to its nature, independently of the department or function that supported them
  - Cost of good sold (cost of sales);
  - External Services;
  - Wages
  - Impairments;
  - Amortizations and Depreciations;
  - etc

Goal: **Net income** (= Balance sheet)



## Net Income statement – by functions

The results are grouped having into account the department or function that had them

- Cost of sales and services;
- Distribution costs
- Administrative costs
- I&D costs
- Financing costs;

**Net income** (= Balance sheet)



## Net Income statement – by nature

Sales and service revenue  
 Cost of sales and services  
 External Supplies and Services Expenses  
 Staff expenses  
 Impairments  
 Provisions  
 Other revenues and gains  
 Other expenses and losses

**EBITDA** – *Earnings Before Interest, Taxes, Depreciation & Amortization*



## Net Income statement – by nature



Depreciation and amortization expenses

**Operational Result**

Financial revenues and gains

Financial expenses and losses

**Result before taxes**

Income Tax

**Net Income (of the period)**