Finance and Risk Management

Handout 2C

An Example of a Typical Income Statement

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An example of a typical Income Statement as at a specific date

	Sales (turnover)		250 000
LESS	Cost of sales / (Variable costs)		
	(eg. Retail: Opening stock plus purchases - Closing stock)		
	(i.e. 0* + R80 000 - R10 000)		70 000
	= Gross Profit		180 000
LESS	Expenses (overheads or fixed costs)		85 996
	Rent	22 000	
	Telephone	2 000	
	Vehicle (travelling)	3 000	
	Owner's salary	28 000	
	Wages	20 000	
	Water and electricity	3 000	
	Interest	2 796	
	Advertising	400	
	Bank charges	300	
	Accounting fee	1 000	
	Insurance	1 000	
	Licence	250	
	Legal costs	250	
	Depreciation	2 000	
	= Net Profit before (income) tax		94 004
LESS	(Income) Tax (50%)		47 002
	+ Net profit after (income) tax		47 002 **

* No stock as this is the first trading period Income Statement presented for the business

** Breakeven point of turnover: $\frac{\text{Total expenses}}{\text{Gross Profit \%}} = \frac{\text{R 85 996}}{\text{72\% or 0.72}}$ $\boxed{\frac{\text{R 180 000}}{\text{R 250 000}} \times \frac{100}{1}}$

$= \text{R 119 439}$

NB: the cost of sales calculation for a manufacturing or service business will differ from the above example.
Consult your accountant for advice if required