

Income statement



Presented By:

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Topics to be covered:-

- **What Is Financial Statement ?**
- **Overview Financial Statement**
- **What Is Income Statement?**
- **Why Income Statement ?**
- **Usefulness**
- **Limitation**
- **Proforma of income statement**
- **Contents of income statement**
- **Sum solving**
- **Presentation of actual income statement (Wipro)**

What is Financial Statement?

- Financial Statement is a group of reports that tell a company's financial status
- From company owners to potential investors everyone in between are interested
- People are interested because they want to know how much money they made or how much money they spent
- Some want to know how much money was reinvested in the company
- There are three financial reports that are created during the accounting cycle

Financial Statements

Income Statement

Revenue

Expenses

Profit

Balance Sheet

Assets

Current

Non Current

Liabilities

Current

Non Current

Equity

Paid-in Capital

Retained earnings

Cash Flow Statement

Operation

Investment

Financing

What is Income Statement?

- Income Statement is the member of Financial Statement that tell us whether or not a company made a profit or incurred a loss.
- It is something refers to Profit & Loss statement, Statement of Income
- Important because it shows the profitability of a company during the time interval
- It varies from company to company:
 - ✓ Three months
 - ✓ Four weeks
 - ✓ Fiscal years (1st April – 31st March)

➤ In income statement all you have to know are two simple things:

1. Revenue (Money that company takes in)

2. Expenses (Money that company pays out)

➤ Use this simple formula:

Revenue – Expenses = Net Income

(Amount of money that is left)

Why income statement ?

- The **Income Statement** is one of the major financial statement used by accountants and business owners
- It shows the Profitability of a company during the time interval specified in its heading
- It helps in Identifying Risk And Opportunities and forecast future performance for :-
 - *Owners*
 - *Creditors*
 - *Competitors*
 - *Investors*

Usefulness

- Income statement should help investors and creditors of financial statement predict future cash flow in numbers of ways
- Evaluate the past performance of the enterprise
- Provide a basis for predicting future performance
- Help assess the risk of uncertainty of achieving future cash flows

Limitations

- Its is based on various assumptions & estimates. Therefore the net income measured by preparing an income statement is not absolutely accurate
- Items that might be relevant but cannot be easily measure
- Income numbers are affected by accounting methods
- Income measurement involves judgments

Limitations

- While preparing income statement we take into account only those activities whose value can be objectively measured
- A manipulation in net income is possible by using a particular inventory valuation method

PART II – STATEMENT OF PROFIT AND LOSS

Name of the Company.....

Statement of Profit and Loss for the period ended

(Rupees in.....)

	Particulars	Note No.		Figures for the current reporting period		Figures for the previous reporting period
I	Revenue From Operations			xxx		xxx
	Other Income			Xxx		xxx
	Total Revenue (I)			xxx		Xxx
II	EXPENSES					
	Cost of materials consumed			xxx		xxx
	Purchases of Stock-in-Trade			xxx		Xxx
	Changes in inventories of finished goods, Stock-in -Trade and work-in-progress			xxx		Xxx
	Employee benefits expense			xxx		xxx
	Finance costs			xxx		Xxx
	Depreciation and amortization expense			xxx		Xxx
	Other expenses			xxx		xxx
	Total expenses (II)			xxx		xxx

III	Profit before exceptional items and tax (I-II)			xxx		xxx
IV	Exceptional Items			xxx		xxx
V	Profit/(loss) before tax (III-IV)			xxx		xxx
VI	Tax expense: (1) Current tax (2) Deferred tax		xxx xxx xxx	xxx	xxx xxx xxx	Xxx
VII	Profit (Loss) for the period from continuing operations (V-VI)			xxx		Xxx
VIII	Profit/(loss) from discontinued operations			xxx		Xxx
IX	Tax expense of discontinued operations			xxx		Xxx
X	Profit/(loss) from Discontinued operations (after tax) (VIII-IX)			xxx		Xxx
XI	Profit/(loss) for the period (VII+ X)			xxx		Xxx

XII	<p>Other Comprehensive Income</p> <p>A (i) Items that will not be reclassified to profit or loss</p> <p>(ii) Income tax relating to items that will not be reclassified to profit or loss</p> <p>B (i) Items that will be reclassified to profit or loss</p> <p>(ii) Income tax relating to items that will be reclassified to profit or loss</p>		xxx	xxx	xxx	xxx
XIII	<p>Total Comprehensive Income for the period (XI + XII) (Comprising Profit (Loss) and Other Comprehensive Income for the period)</p>			xxx		xxx
XIV	<p>Earnings per equity share (for continuing operation):</p> <p>(1) Basic</p> <p>(2) Diluted</p>			xxx xxx		xxx xxx
XV	<p>Earnings per equity share (for discontinued operation):</p> <p>(1) Basic</p> <p>(2) Diluted</p>			xxx xxx		xxx xxx
XVI	<p>Earnings per equity share (for discontinued & continuing operations)</p> <p>(1) Basic</p> <p>(2) Diluted</p>			xxx xxx		xxx xxx

See accompanying notes to the financial statements

CONTENTS OF PROFIT AND LOSS / INCOME STATEMENT

1) Revenue From Operation :

PARTICULARS	AMT	AMT
Gross Sale (If Sale Not Given Then Gross Profit) Less : Returns		

Note :

In respect of company other than a financial finance company revenue from operation shall disclose separately in the notes revenue from

- Sale of products
- Sale of services
- Other operating revenues

Less:

Excise duty

while , in respect of a finance company revenue from operation shall include from

- **Interest and**
- **Other financial services**

Revenue under each of above heads shall be disclosed separately by way of notes to accounts to extent applicable

2) Other Income

PARTICULARS	AMT	AMT
Rest Income		
Dividend Received		
Rent Received		
Transfer fees		
Profit on sale of fixed assets		

3) Cost Of Material Consumed , Purchase Of Stock In Trade :

PARTICULARS	AMT	AMT
Opening Stock		
Add: Purchase		
Less: Closing Stock		

4) Changes In The Inventories of Finished Goods , Stock In Trade ,Work-in-progress :

PARTICULARS	AMT	AMT
Opening Stock		
Less: Closing Stock		

5) Employee Benefits Expenses:

PARTICULARS	AMT	AMT
Salaries And Wages		
Staff Welfare Expenses		
Contribution To Provident Fund		
Managing Directors Remuneration		

6) Finance Cost:

PARTICULARS	AMT	AMT
Interest On Debentures		
Interest From Borrowings From Banks/Financial Institution		
Interest By Tax Department		
Discount on issue of debentures w/off		

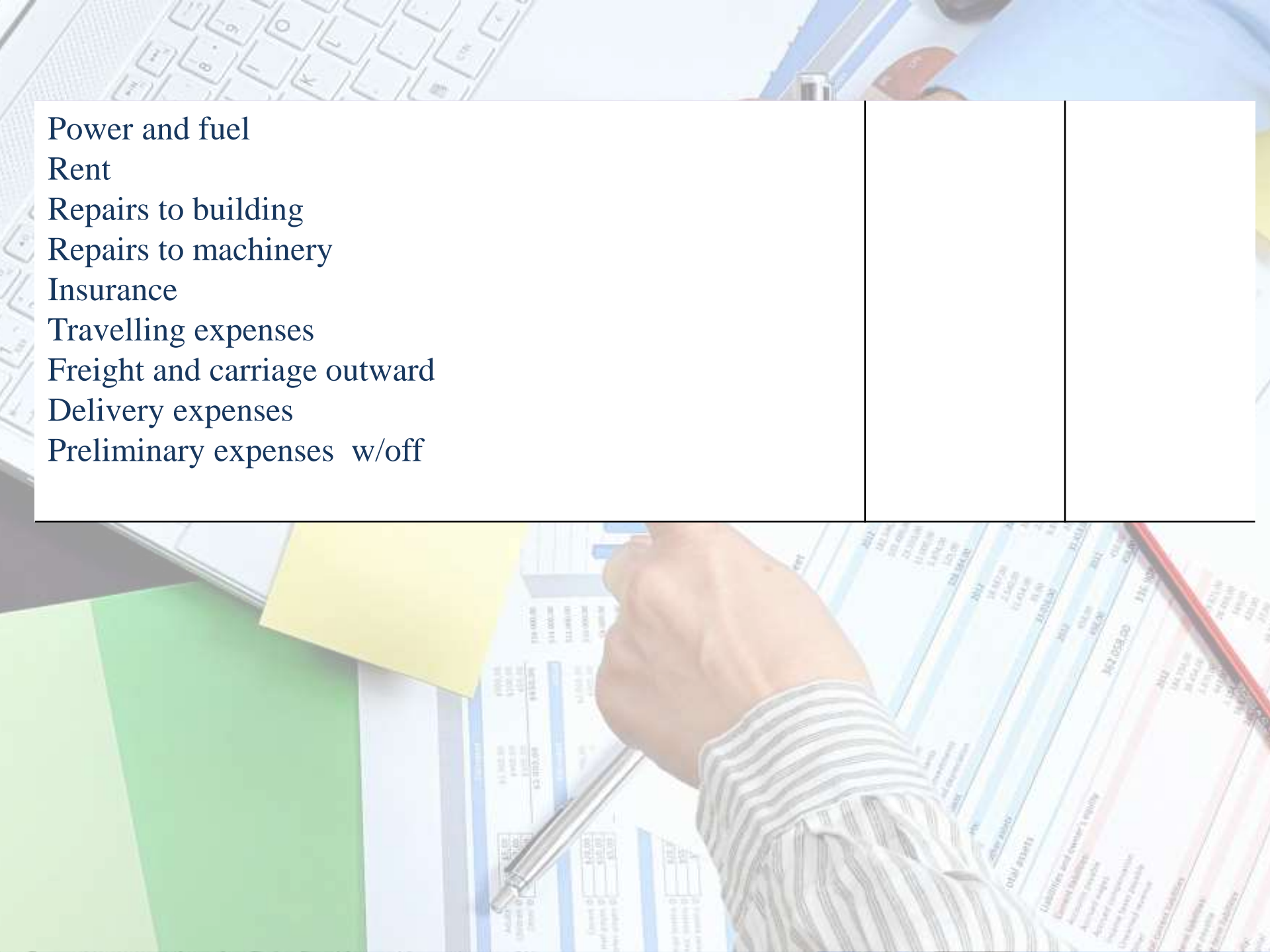
7) Depreciation And Amortization Expense:

PARTICULARS	AMT	AMT
Depreciation Of Plant And Machinery		
Depreciation On Furniture, Building		

Amortization and depreciation are non-cash expenses on a company's income statement. **Depreciation** represents the cost of capital assets on the balance sheet being used over time, and **amortization** is the similar cost of using intangible assets like goodwill over time.

Other Expenses:

PARTICULARS	AMT	AMT
Rates		
Payment To Auditor		
Consumables		
Bad Debts		
Discount		
Commission		
Advertisement		
Trade Expenses		
Transit Expenses		
Transit Insurance		
Directors Sitting Fees		
Printing And Stationery		
Provision For Bad Debts		
Maintenance Of Motor Car		
General Expenses		
Loss No Sale Of Asset		
Establishment Expenses		
Selling Expenses		



Power and fuel
Rent
Repairs to building
Repairs to machinery
Insurance
Travelling expenses
Freight and carriage outward
Delivery expenses
Preliminary expenses w/off

❖ Exceptional items:

When items of income and expenses from ordinary activities are of such size, nature or incidence that their disclosure are relevant to explain the performance of the enterprise for the period, the nature and amount of such items should be disclosed separately. Eg, the disposal of items of fixed asset, provision for the costs of reconstruction.

❖ Extra ordinary items:

These are those incomes or expenses that arises from event or transaction that are clearly distinct from ordinary activities of the enterprise and therefore are not expected to recur frequently or regularly E.g. loss from earthquake.

Actual Income Statement



Statement of Profit and Loss

(₹ in millions, except share and per share data, unless otherwise stated)

	Notes	For the year ended March 31,	
		2015	2014
REVENUE			
Revenue from operations (gross)	24	412,100	387,651
Less: Excise duty		2	79
Revenue from operations (net)		412,098	387,572
Other income	25	24,990	16,112
Total Revenue		437,088	403,684
EXPENSES			
Cost of raw materials consumed	26	34	2,053
Purchases of stock-in-trade	27	24,564	22,858
Changes in inventories of finished goods, work-in-progress and stock-in-trade	27	(2,543)	9
Employee benefits expense	28	197,263	183,375
Finance costs	29	3,629	3,747

Depreciation and amortisation expense		7,784	7,367
Other expenses	30	100,787	88,193
Total Expenses		331,518	307,602
Profit before tax		105,570	96,082
Tax expense			
Current tax		23,766	21,684
Deferred tax		(127)	524
		23,639	22,208
Net Profit		81,931	73,874
EARNINGS PER EQUITY SHARE (Equity shares of par value ` 2 each)	41		
Basic		33.38	30.09
Diluted		33.28	30.01

As per our report of even date attached

For and on behalf of the Board of Directors

for **BSR & Co. LLP**

Chartered Accountants

Firm's Registration No.: 101248W/W-100022

Supreet Sachdev

Partner

Membership No.: 205385

Bangalore

June 3, 2015

Azim H Premji

Chairman & Managing

Director

Jatin Pravinchandra Dalal

Chief Financial Officer

N Vaghul

Director

T K Kurien

Chief Executive Officer
& Executive Director

M K Sharma

Director

M Sanaula Khan

Company Secretary

24. Revenue from operations (gross)

	Year ended March 31,	
	2015	2014
Sale of products	27,492	32,386
Sale of services	384,608	355,265
	412,100	387,651

(A) Details of revenue from sale of products

	Year ended March 31,	
	2015	2014
Mini computers/micro-processor based systems including accessories, MS licenses	80	9,111
Networking, storage equipment, servers, software licenses	27,185	15,240
Others	227	8,035
	27,492	32,386
Less: Excise duty	(2)	(79)
	27,490	32,307

(B) Details of revenue from services rendered

	Year ended March 31,	
	2015	2014
Software services	356,576	328,610
IT enabled services	27,175	25,532
Others	857	1,123
	384,608	355,265

25. Other income

	Year ended March 31,	
	2015	2014
Income from current investments		
- Dividend on mutual fund units	224	354
- Profit on sale of investments, net	3,948	1,537
Interest income from banks and others	15,610	12,481
Other exchange differences, net	4,259	1,385
Miscellaneous income	949	355
	24,990	16,112

26. Cost of materials consumed

	Year ended March 31,	
	2015	2014
Opening stock	36	645
Add: Purchases	-	1,444
Less: Closing stock	(2)	(36)
	34	2,053

(A) Details of materials consumed

	Year ended March 31,	
	2015	2014
Memory, processors and hard disks	7	1,026
Monitors and cabinets	8	659
Operating systems	5	375
Motherboards and power supplies	4	373
Peripherals and add-on	8	342
Others	2	7
Less : Internal capitalization	-	(729)
	34	2,053

27. Changes in inventories of finished goods, work in progress and Stock-in-trade

	Year ended March 31,	
	2015	2014
Opening stock		
Work in progress	16	43
Traded goods	1,236	1,149
Finished products	65	134
	1,317	1,326
Less: Closing stock		
Work in progress	2	16
Traded goods	3,850	1,236
Finished products	8	65
	3,860	1,317
(Increase)/Decrease	(2,543)	9

Details of purchase of traded goods

	Year ended March 31,	
	2015	2014
Networking equipment's, storage devices and servers	16,415	13,992
Operating systems and software licenses	6,857	7,480
Desktops, laptops, printers and other peripherals	545	715
Others	747	671
	24,564	22,858

28. Employee benefits expense

	Year ended March 31,	
	2015	2014
Salaries and wages	188,024	175,523
Contribution to provident and other funds	3,727	3,504
Share based compensation	1,296	535
Staff welfare expenses	4,216	3,813
	197,263	183,375

29. Finance costs

	Year ended March 31,	
	2015	2014
Interest	511	732
Exchange fluctuations on foreign currency borrowings, net (to the extent regarded as borrowing cost)	3,118	3,015
	3,629	3,747

30. Other expenses

	Year ended March 31,	
	2015	2014
Sub-contracting / technical fees / third party application	52,076	44,197
Travel	19,662	15,314
Provision (Reversal) for diminution in the value of non-current investments	26	(1,875)
Repairs to building	343	279
Repairs to machinery	3,412	3,712
Power and fuel	2,426	2,468
Rent	2,682	3,040
Communication	4,011	4,329
Advertisement and sales promotion	1,567	1,407

Legal and professional	2,965	1,868
Staff recruitment	1,119	1,069
Carriage and freight	88	113
Consumption of stores and spares	(28)	574
Insurance	547	643
Rates and taxes	728	552
Auditors' remuneration		
As auditor	34	44
For certification including tax audit	3	2
Reimbursement of expenses	3	2
Miscellaneous expenses	9,123	10,455
	100,787	88,193

<http://www.wipro.com/microsite/annualreport/2014-15/financial-statements-notes-to-the-financial-statement-standalone.html>

Reference from :

- <http://accountingformanagement.org>
- **BOOKS OF CA FINAL**
- <http://www.wipro.com>

Thank You...

