



# General Accounting

Ankara University  
Faculty of Pharmacy

# Income Statement

Income Statement is the table showing the revenues obtained from a certain period of the enterprise and the expenses made for obtaining these revenues and the profit or loss (activity results) resulting from them.

Income - Expenses = Profit or Loss

If the balance sheet is compared to the monetary photo of the business at a certain moment, the income statement is like the monetary film of the business for a certain period.



# Income Statement

The income statement helps financial statement users and managers by showing the income and expense items related to the period playing a role in the formation of the net profit or loss of the period in detail.



# Key Features of the Income Statement

- The national currency is taken as a basis in the presentation of income and expenses in the income statement.
- Arranging the income statement in accordance with certain accounting concepts and generally accepted accounting principles.
- Acceptance of income statement as a historical document like other financial reports.



# Title of Income Statement

There is information that should be formally found in the header of the income statement:

- Name or title of the business to which the income statement belongs
- The word “Income Statement”
- The accounting period in which the income statement is related
- The currency unit that is the basis for the regulation of income statement



# Formats of Income Statement

Two types of income statements:

- Account Type Income Statement
- Report Type Income Statement

In Türkiye, the format of income statement is multi-stage report type income statement. Therefore, multi-stage report type income statement will be explained in the following slides.



# Report Type

## Income Statements

- It displays the activities of the business in a period.
- Not only does it show items that are not covered by sales profit or loss and costs; it also covers sales revenue, costs and other expenses.
- Gives information about the activities carried out by various departments of the business.



# Multi-stage Report Type Income Statements

- It is an effective management tool suitable for financial analysis.
- Revenues, revenues and expenses are shown in groups according to operating activities.
- Instead of a single profit or loss figure, there are more than one profit or loss figures in terms of operating activities.





# Multi-stage Report Type Income Statement

The income statement envisaged by the Uniform Accounting System envisages reporting the business activities in three parts:

- The main activities of the business
- Other operations
- Extraordinary operations



# Main Activities

Whatever business was set up to perform, these are the activities carried out to achieve this goal. For example, the establishment purpose of a pharmacy is to sell medicines and to prepare medicines. It is the most important part for the users of financial statements; because the success of the business and the results of its core activities, which it specializes in, are reported in this section.



# Other Operations

It is the part where the repeatable transactions performed by the company along with its main activities are reported. This section mainly includes the income that the enterprise derives from its assets that it does not use and make available to others and the expenses incurred in obtaining these revenues. For example, the results of renting a warehouse that the business will not use for a while are reported among other activities.



# Extraordinary Operations

It is the part where the results of the transactions performed outside the control of the enterprise and the transactions that are not reproducible and carried out in addition to the main activities of the enterprise are reported. When evaluated by periods, it generally does not show a certain trend.



# Multi-stage Report Type Income Statement

There are a total of five profit or loss items in the multi-stage income statement stipulated by the Uniform Accounting System. These profit or loss items:

- Gross Sales Profit or Loss
- Operating Profit or Loss
- Ordinary Profit or Loss
- Current Period Profit or Loss
- Current Period Net Profit or Loss



# Multi-stage Report Type Income Statement

Gross Sales Profit or Loss is the difference between the net sales of a business over a period and the cost of sales. It shows roughly the result of sales of goods and services within the scope of the entity's core business. Gross Sales Profit or Loss increases and decreases in direct proportion with the sale of goods and services.



# Multi-stage Report Type Income Statement

Operating Profit or Loss shows the result (profit or loss) of the business from its main activity. The gross sales profit or loss is calculated by subtracting the expenses (operating expenses) that cannot be avoided from folding even if no sales are made (personnel expenses, rental expenses, etc.).



# Multi-stage Report Type Income Statement

Ordinary Profit or Loss is calculated by adding ordinary income and profits from other activities to the main activity result (operating profit or loss), subtracting ordinary expenses and losses and financial expenses from other activities. It shows the result of the business's continuing business transactions.





# Multi-stage Report Type Income Statement

Period Profit or Loss is calculated by adding extraordinary income and profits to the ordinary profit or loss of the enterprise and subtracting unusual expenses and losses. If the result of the calculation is a positive number, it is also called profit before tax.



# Multi-stage Report Type Income Statement

Net Profit or Loss for the Period is the profit or loss incurred after the payment of the Corporate Tax and other liabilities from the profit of the enterprise. The profit that investors pay attention to is the Net Profit or Loss of the Period, which is the final result of the operating activities.

ABC TİCARET İŞLETMESİ  
INCOME STATEMENT  
01.01.2019 – 31.12.2019  
(Million TL)

A. Gross Sales	210
B. Sales Discounts (-)	(10)
C. Net Sales	200
D. Cost of Sales (-)	(130)
Gross Sales Profit or Loss	70
E. Operating Expenses (-)	(25)
Operating Profit or Loss	45
F. Income and Profit from Other Operations	5
G. Expense and Loss from Other Operations (-)	(3)
H. Financial Expenses (-)	(7)
Ordinary Profit or Loss	40
I. Extraordinary Income and Profit	1
J. Extraordinary Expense and Loss (-)	(1)
Current Period Profit or Loss	40
K. Current Period Provision for Tax and Other Legal Liabilities (-)	(15)
Current Period Net Profit or Loss	25