

9.18: Introduction to Income Statements

What you'll learn to do: Explain how an income statement is used to evaluate a profit management path

In the next sections, we'll focus on accounting tools, which help decision-makers better understand what is happening within the business. The income statement, also known as the profit and loss statement or statement of operations, is the foundation for this financial analysis. It provides a snapshot of a company's financial performance over a specified period of time: a month, a quarter, year-to-date, and annually.

In using the income statement, managers are equipped to make decision targeted at improving the firm's profitability. There are four components that make up this profit management path:

- Net Sales
- Cost of Goods Sold (COGS)
- Gross Margin
- Operating Profit Margin

These are all components of the income or profit and loss statement.

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