



A Closer Look at an Income Statement

Your income statement answers the question, “Am I taking in more money than I am spending?” (See “Net Profit or (Loss),” at bottom of the example.) It measures the profit performance of your business for a specific period of time, such as a year, quarter, or month.

This report is very important in assessing the viability of your operation and in determining if the operation will be able to meet its financial obligations. To be useful, the report must be based on complete and accurate information. Tax returns alone are not always a good substitute for an income statement due to variances caused by tax management strategies such as pre-paying expenses or holding inventory for sale in the next tax year.

This report can also help you assess how you are doing against your expectations (your budget). Careful monitoring of income and expenses allows you to spot and correct any deviations before they turn into major problems.

By monitoring your income statement, you can keep a close watch on your targets, to avoid surprises and to make necessary adjustments.

For example, if you expect freight expenses to be \$8,000.00 and you see they are \$14,000.00 you will question the difference. You may find that you paid the same bill twice, or that operational changes increased costs by more than expected. By monitoring your actual income and expenses versus your budget, you can take steps to correct problems and understand their causes. You can also make other adjustments to your operation to try to compensate for the increased costs or decreased revenue.

To complete an income statement using Western AgCredit’s template, go to “Tools” “Financials” and download the “Income Statement.”

Mid-County Farms		
Income Statement (Cash)		
February, Ending: 02/28/2009, FY: 2009		
	Current	Year-to-Date
BUSINESS INCOME		
Milk Sales	5,251.00	10,103.12
Crop Sales	3,895.20	7,245.20
Livestock Sales	940.00	2,792.12
TOTAL BUSINESS INCOME	10,086.20	20,140.44
BUSINESS EXPENSES		
Purchased	4,000.00	7,510.00
Freight & Truck	734.00	1,061.00
Fuel	22.00	22.00
Labor	750.00	2,110.00
Supplies	0.00	5,497.16
Liabilities	171.31	364.09
Cost	0.00	241.60
Bank Charges	6.50	13.00
TOTAL BUSINESS EXPENSES	5,683.81	16,818.85
BUSINESS PROFIT OR LOSS	4,402.39	3,321.59
OTHER INCOME		
Personal Income	200.00	450.00
TOTAL OTHER INCOME	200.00	450.00
OTHER EXPENSES		
Personal Exp.	171.06	320.32
TOTAL OTHER EXPENSES	171.06	320.32
OTHER PROFIT OR LOSS	28.94	129.68
NET PROFIT OR LOSS	4,431.33	3,451.27