**المحاضرة الثانية**

**What is an Income Statement?**

**An income statement is one of the important**[**financial statements**](https://www.investopedia.com/terms/f/financial-statements.asp)**used for reporting a company's**[**financial performance**](https://www.investopedia.com/terms/f/financialperformance.asp)**over a specific accounting period**

|  |  |  |  |
| --- | --- | --- | --- |
| Total |  | Partial | Details |
|  |  |  |  |
|  | Xx |  | Total Sales |
|  |  | Xx | Sales Return- |
|  |  | Xx | -Discount Permitted |
|  | Xx |  |  |
| Xx |  |  | Net Sales |
|  |  |  | Cost of Sales:- |
|  | Xx |  | Beginning inventory  |
|  |  | Xx | Purchases+ |
|  |  | Xx | Purchases Return- |
|  |  | Xx | Earned Discount- |
|  | Xx |  | Net purchases= |
|  |  | Xx | +Purchases Expenses |
|  | Xx |  | * Ending inventory
 |
| Xx |  |  |  |
| Xx |  |  | **Gross Income =** |
|  |  |  | Operating Expenses:- |
|  |  | Xx | Administrative Expenses |
|  |  | Xx | Marketing Expenses |
| Xx |  |  |  |
| Xx |  |  | **Net Operating Income=** |
|  |  |  | Other Revenues:+ |
|  | Xx |  | Real Estate Revenue |
|  | Xx |  | Gain on Sale Of Securities |
|  | Xx |  | Gain on Sale Of Fixed Assets |
| Xx |  |  |  |
|  |  |  | Other Expenses:- |
|  | Xx |  | Losses on Sale Of Securities |
|  | Xx |  | Losses on Sale Of Fixed Assets |
|  | Xx |  | Debit Benefits |
| Xx |  |  |  |
| Xx |  |  | **=Net Income Before Tax** |
| Xx |  |  | Income Tax |
| Xx |  |  | **Net Income After Tax=** |

**Example (1):**

The following data is extracted from the books of Al-Noor Company for the year 2009 (amounts in dinars):

Net sales 300000 , Cost of Sales 180000 , Salaries50000 , Rent 20000 , Other Revenues 10000 , Other Expenses 10000 , Tax percentage 10%

Required : Prepare The Income Statement for The year ended 31/12 /2009

**Al-Noor Company**

**Income Statement for The year ended 31/12 /2009**

|  |  |  |
| --- | --- | --- |
| Total | Partial | Details |
| 300000 |  | Net Sales |
| 180000 |  | Cost of Sales -  |
| 120000 |  | **Gross Income =** |
|  |  | Operating Expenses:- |
|  | 50000 | Salaries |
|  | 20000 | Rent |
| 70000 |  |  |
| 50000 |  | **Net Operating Income=** |
| 10000 |  | Other Revenues+ |
| 10000 |  | Other Expenses- |
| 50000 |  | **=Net Income Before Tax**  |
| 5000 |  | Income Tax (10%) |
| 45000 |  | **Net Income After Tax=** |

Example 2

The following data is extracted from the books of Al-Rajaa Company for the year 2010 (amounts in dinars):

Total Sales12000 , Sales Return 500 , Discount Permitted 1000 , Purchase 6000 , Purchase Return 200 , Earned Discount 800 , Purchase Expenses 5000 , First Term Goods 8000 , Last Term Goods 9000 , Administration Expenses 300 , Marketing Expenses 200 , Real Estate Revenue 500 , Gain on Sale of Securities 2000 , Gain on Sale of Fixed Assets 1000 , Losses on Sale of Securities 500 , Losses on Sale of Fixed Assets 500 , Debit Benefits 1200 , Tax 20% .

Required : Prepare The Income Statement for The year ended 31/12 /2010

**Al-Rajaa Company**

**Income Statement for The year ended 31/12 /2010**

|  |  |  |  |
| --- | --- | --- | --- |
| Total |  | Partial | Details |
|  | 12000 |  | Total Sales |
|  |  | 500 | Sales Return- |
|  |  | 1000 | -Discount Permitted |
|  | 1500 |  |  |
| 10500 |  |  | Net Sales |
|  |  |  | Cost of Sales:- |
|  | 8000 |  | First Term Goods |
|  |  | 6000 | Purchases+ |
|  |  | 200 | Purchases Return- |
|  |  | 800 | Earned Discount- |
|  | 5000 |  | Net purchases= |
|  |  | 5000 | +Purchases Expenses |
|  |  (9000) |  | -Last Term Goods |
| 4000 |  |  |  |
| 6500 |  |  | **Gross Income =** |
|  |  |  | Operating Expenses:- |
|  |  | 300 | Administrative Expenses |
|  |  | 200 | Marketing Expenses |
| (500) |  |  |  |
| 6000 |  |  | **Net Operating Income=** |
|  |  |  | Other Revenues:+ |
|  | 500 | 500 | Real Estate Revenue ايرادات العقارات |
|  | 2000 | 2000 | Gain on Sale Of Securities |
|  | 1000 | 1000 | Gain on Sale Of Fixed Assets |
| 3500 |  |  |  |
|  |  |  | Other Expenses:- |
|  | 500 |  | Losses on Sale Of Securities |
|  | 500 |  | Losses on Sale Of Fixed Assets |
|  | 1200 |  | Debit Benefits |
| 2200 |  |  |  |
| 7300 |  |  | **=Net Income Before Tax** |
| 1460 |  |  | Income Tax(20%) |
| 5840 |  |  | **Net Income After Tax=** |

**What Is a Balance Sheet?**

The term balance sheet refers to a financial statement that reports a company's assets, liabilities, and shareholder equity at a specific point in time

**Objectives Of Balance Sheet**

**The main objectives of preparing balance sheet can be described as follows:**

**1. To show The Financial Position**

The main purpose of preparing balance sheet is to know the short term and long term financial position of the firm.

**2. To Show The Picture Of Assets And Liabilities**

Balance is prepared to know the value of assets and liabilities of the company at the end of the year.

**3. Information About Debtors And Creditors**

Balance sheet provides true picture of trade debtors and creditors  for the specific period.

**4. To show Liquidity Position**

Balance sheet shows the liquidity position of the firm.

**5. To Calculate Ratios**

**6. To Provide Financial Information**

**Financial statement Trade company in 31/12**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Liabilities and Owners equity  |  |  | Assets |
|  |  | Current Liabilities |  |  | Current Assets  |
|  | Xx | Short Term Loans |  | Xx | Cash  |
|  | Xx | Creditors |  | Xx | Debitors |
|  | Xx | Payment Paper  |  | Xx | Bank  |
|  |  |  |  | Xx | Capture papers |
|  |  |  |  | Xx | Inventory |
| Xx |  |  | Xx |  | Total Current Assets |
|  |  | Long Term Liabilities |  |  | Fixed Assets  |
|  | Xx | Long Term Loans |  | Xx | Lands |
|  |  | Long Term Bonds  |  | Xx | Buildings |
|  | Xx | Long Term Payment Paper  |  | Xx | Machinery and equipment |
|  |  |  |  | Xx | Cars |
|  |  |  |  | Xx | Furniture |
| Xx |  | Total Long Term Liabilities | Xx |  | Total Fixed Assets |
| Xx |  | Total Liabilities |  |  |  |
|  |  | Owners Equity |  |  | Intangible Assets |
|  | Xx | Capital  |  | Xx | Goodwill |
|  | Xx | Reserves |  | Xx | Patented |
|  | Xx | Retained Earnings |  | Xx | Copyrights |
| Xx |  | Total Owners Equity | Xx |  | Total Intangible Assets |
| Xx |  | Total liabilities and Owners Equity | Xx |  | Total Assets |

**Example (1) :**

The following data is extracted from the books of Al-Amal Company for the year 2013 (amounts in dinars):

Cash 10000 , Debtors 5000 , Bank 8000 , Capture papers 7000 , Inventory 90000 , Lands 8000 , Buildings 20000 , Machinery and equipment 2000 , Cars 4000 , Furniture 5000 , Goodwill 3000 , Copyrights 2000 , Patented 1000 , Short Term Loans 5000 , Creditors 4000 , Payment Paper 20000 , Long Term Loans 10000 , Long Term Bonds 6000 , Long Term Payment Paper 5000 , Capital 100000 , Reserves 6000 , Retained Earnings 9000.

Required : Prepare The Financial Statement for The year ended 31/12 /2010

**Al-Amal Company**

**Financial Statement for The year ended 31/12 /2013**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Liabilities and Owners equity |  |  | Assets |
|  |  | Current Liabilities |  |  | Current Assets |
|  | 5000 | Short Term Loans |  | 10000 | Cash |
|  | 4000 | Creditors |  | 5000 | Debtors |
|  | 20000 | Payment Paper |  | 8000 | Bank |
|  |  |  |  | 7000 | Capture papers |
|  |  |  |  | 90000 | Inventory |
| 29000 |  |  | 120000 |  | Total Current Assets |
|  |  | Long Term Liabilities |  |  | Fixed Assets |
|  | 10000 | Long Term Loans |  | 8000 | Lands |
|  | 6000 | Long Term Bonds |  | 20000 | Buildings |
|  | 5000 | Long Term Payment Paper |  | 2000 | Machinery and equipment |
|  |  |  |  | 4000 | Cars |
|  |  |  |  | 5000 | Furniture |
| 21000 |  | Total Long Term Liabilities | 39000 |  | Total Fixed Assets |
| 50000 |  | Total Liabilities |  |  |  |
|  |  | Owners Equity |  |  | Intangible Assets |
|  | 100000 | Capital |  | 3000 | Goodwill |
|  | 6000 | Reserves |  | 1000 | Patented |
|  | 9000 | Retained Earnings |  | 2000 | Copyrights |
| 115000 |  | Total Owners Equity | 6000 |  | Total Intangible Assets |
| 165000 |  | Total liabilities and Owners Equity | 165000 |  | Total Assets |

 **Important Questions**

* Explain financial statements analyzing and their goals?
* Explain the elements of the financial statements?
* Explain in detail the income statement?
* Explain the financial position list and its importance?

Exercises (1) :

The following data is extracted from the books of Al-Hassam Company for the year 2012 (amounts in dinars):

Total Sales15000, Debit Benefits 1200 , Administration Expenses 600 , Purchase Expenses 8000 , Losses on Sale of Securities 800 , Marketing Expenses 500, Sales Return 800 , Discount Permitted 1300 , Purchase Return 500 , Earned Discount 1100 , First Term Goods 11000 , Last Term Goods 12000, Real Estate Revenue 800 , Gain on Sale of Securities 5000 , Gain on Sale of Fixed Assets 4000 , Losses on Sale of Fixed Assets 800 , Purchase 9000 , Tax 20% .

Required : Prepare The Income Statement for The year ended 31/12 /2012

 Exercises (2) :

The following data is extracted from the books of Al-Noor Company for the year 2014 (amounts in dinars):

Net sales 500000, Other Revenues 12000 , Salaries70000 , Other Expenses 12000, Rent 40000 , Cost of Sales 200000 , Tax percentage 10%

Required : Prepare The Income Statement for The year ended 31/12 /2014

Exercises (3)

The following data is extracted from the books of Al-hassan Company for the year 2015 (amounts in dinars):

Cash 10000 , Machinery and equipment 4000 , Short Term Loans 5000 , Debtors 5000 , Long Term Bonds 6000 , Cars 4000 , Lands 8000 , Payment Paper 5000 , Retained Earnings 9000 , Inventory 90000 , Capital 100000 , Patented 3000 , Buildings 20000 , Copyrights 2000 , Capture papers 7000 , Goodwill 3000 , Long Term Payment Paper 20000 , Bank 8000 , Long Term Loans 10000 , Furniture 5000 , Creditors 9000 , Reserves 6000 .

Required : Prepare The balance sheet for The year ended 31/12 /2015

Exercises(4)

The following data is extracted from the books of Al-nahrain Company for the year 2008 (amounts in dinars):

Cash 11000 , Machinery and equipment 4000 , Short Term Loans 7000 , Debtors 7000 , Long Term Bonds 8000 , Cars 6000 , Lands 10000 , Payment Paper 7000 , Retained Earnings 10000 , Inventory 100000, Capital 120000 , Patented 5000 , Buildings 22000 , Copyrights 4000 , Capture papers 9000 , Goodwill 5000 , Long Term Payment Paper 22000 , Bank 10000 , Long Term Loans 12000 , Furniture 7000 , Creditors 6000 , Reserves 8000 .

Required : Prepare The balance sheet for The year ended 31/12 /2008