

What is Business?

2.4 The Measure of Profit

In this class we looked at Financial Accounting: how companies measure money over time. After learning about the three main financial statements (the Income Statement, Balance Sheet, and Cash Flow Statement) we dug deeper into the Income Statement to better understand how companies measure profits and losses.

Practice Exercise

Publicly traded companies (i.e. companies whose stock is sold on the open market) publish their financial statements regularly. This is a great way to practice reading an income statement. Search for any public company's "P&L" or Income Statement and fill out the simple version below with what you find. Always remember: check the date range!

Company Name _____

Date range _____

| Income Statement | |
|---------------------------|----------|
| Revenue | \$ _____ |
| Cost of goods sold | \$ _____ |
| Gross profit | \$ _____ |
| Operating expenses | \$ _____ |
| Operating profit | \$ _____ |
| Interest and taxes | \$ _____ |
| Net profit | \$ _____ |

Extra Credit| Calculate the Profit Margin

To calculate how profitable the company is, divide the Net Profit by the company's Revenue. How does this profit margin compare to Walmart or Google?

| | |
|---------------|----------|
| Net Profit | \$ _____ |
| Revenue | \$ _____ |
| Profit Margin | % _____ |