

Measuring business success

Learning Aim C:

Understand how businesses measure success

Financial statements

Businesses can use **financial statements** to measure success.

Financial statements are documents that record the financial activities of a business:

- ▣ Income statement
- ▣ Balance sheet

Some financial statements are required by law

Income statement

Income statements show how a business performed over a period of time (usually a year)

AKA **profit and loss account**

Income statement

Income statements include:

- Revenue (**turnover**)
- Cost of sales
 - ▣ Used to calculate gross profit
- Expenses (**overheads**)
 - ▣ Used to calculate net profit

Top section

Bottom section

Income statement

	£	£
Income from sales		50,000
Cost of sales	15,000	
Gross profit		35,000
Expenses/overheads		
Wages	25,000	
Utility bills	5,000	
Net profit		5,000



Gross profit – **total** expenses