

The Ministry of Education of Azerbaijan Republic

Profits or losses and other comprehensive income statement and increasing its analytical feature

Names
Irada Mustafayeva

UNEC SABAH
Azerbaijan State Economic University



JUNE 2017

Acknowledgements

Firstly, I would like to thank to Hafis Hacıyev for his valuable advice that he helped me to write my dissertation and gave direction on how I must write my dissertation.

And also I would like to thank to my mother and my friends because they motivated me during my dissertation process, and I think without their motivation I couldn't complete my work.

Abstract

The financial statements of a firm afford a representation of the firm's present performance to stockholders. This data is used to assess the total value of a firm and its share value. The earnings statement is the main financial document because of its symptom of profits, its well-timed reporting, and its categorization of returns and costs.

The earning statement is major financial statement used to examine a firm. There are some other important financial documents which used for representing financial profitability of company. For example, balance sheet which is the main, and also statement about cash flow of company, and there are other statements which represent stockholders equity. The earning statement of organization provides a review of the firm's returns and costs over a period of time. This data determines the overall revenue or loss to the firm over the identified accounting period.

The earning statement of firm is essential as it obviously indicates whether a firm is creating a return. Earning statement of organization record the overall returns and expenditures of a firm. Deducting the expenditures from returns affords the overall return during the particular accounting period, typically a year or else a term of a year. A firm must reliably be creating a long-standing return to be a suitable investment option. This data can merely be obtained on the organization's statement of earnings.

The statement of earnings is essential as it explains the various returns and expenditures of a firm. Returns and expenditures are recorded in relation to the industry part from that they came. Non-business-

associated returns and investing returns and expenditures are recorded too. This contributes supervisors a outlook of how every sector is carrying out. It provides stockholders a healthier idea of a firm's position by insulating its corporation returns from returns on savings. This data permits for a more completed financial analysis of company.

Contents

1	INTRODUCTION.....	1
1.1	INTRODUCTION.....	1
2	THEORETICAL BASES FOR THE PREPARATION OF THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3
2.1	THE NATURE OF THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME, ITS STATUS AND PURPOSE	3
2.2	PRINCIPLES OF ESTABLISHING PROFIT OR LOSS STATEMENT AND OTHER COMPREHENSIVE INCOME STATEMENTS	6
3	METHODOLOGY FOR GENERATING PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT AND ENHANCING ITS ANALYTICS.....	17
3.1	INFORMATION WHICH USED IN PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT.....	17
3.2	REVENUES AND GAINS	18
3.3	EXPENSES AND LOSSES	20
3.4	SINGLE STEP AND MULTIPLE STEP INCOME STATEMENT	21
4	WAYS OF INCREASING THE ANALYTICS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT.....	28
4.1	ANALYSIS OF EARNINGS STATEMENT AND THE MAIN INCOME STATEMENT RATIOS	28
4.2	IMPORTANCE OF FINANCIAL, PROFIT AND LOSS FORECASTING.....	33
4.3	INCREASING EFFECTIVENESS OF INCOME STATEMENT	35
5	CONCLUSION AND IMPLICATIONS.....	41
5.1	RESULTS AND SUGGESTIONS	41
6	BIBLIOGRAPHY	44

1 Introduction

1.1 Introduction

Accounting has become an integral part of real life. Firms use financial documents to really reflect their financial position. An arrangement of money related proclamations is an organized portrayal of the budgetary execution and monetary position of a business and how its money related position changed after some time. It is a definitive yield of a accounting data framework and has following four parts:

1. Income Statement
2. Balance Sheet
3. Statement of Cash Flows
4. Statement of Changes in Equity

The most important of these documents is the benefit and misfortune statement. The main purpose of the thesis is to analyse statement of organization about loss or profit. So, first of all, the essence and theoretical basis of statement of organization about profit or loss will be explained. In order to have a more in-depth analysis, separate parts of the profit and loss report will be analysed. As mentioned in the thesis, there are several principles and methods for preparing report of the organization's profit or loss. Each of these methods will be analysed in the thesis, and each one will be prepared and reported on report about loss or profit as an example. So in general, in this thesis, you will get all

the information about the earnings and loss report, and in the future you'll be able to answer questions such as how to analyse it.

2 Theoretical bases for the preparation of the statement of profit or loss and other comprehensive income

2.1 The nature of the statement of profit or loss and other comprehensive income, its status and purpose

Everybody is attempting to deal with their work. Notwithstanding, various businesspersons have deficiency of data of understanding their budgetary proclamations. In this way, contemplating monetary proclamations is crucial data for individuals who are worried about business.

Money related investigation manages imperative information about a company's monetary frame, in light of key budgetary proclamations. The most essential proclamation is balance sheet that demonstrates a company's monetary condition over some stretch of time. The other one is a earning statement of organization that demonstrates a company's monetary execution over given time period. Estimation of the company's yield and receipts is a statement which is about of cash flow. In point of fact, budgetary examination is need of loads of money related controlling decisions of a firm. But in this dissertation I shall mostly focus on the statement which is about of company's general gains .

In financing, analysts also called statement of income as P&L statement or earning statement that demonstrates the monetary execution for a specific time in the salary proclamation

Dislike the asset report, the income statement demonstrates a company's business development after some time. Moreover, it changes its income

and deducts the expenses caused to calculate net benefit or misfortune for a specific announcing period.

The statement of earnings together with balance sheet of firm is a crucial financial report that demonstrates the income-generating capacity and financial situation of a organization.

A benefit and misfortune explanation (P&L) is a monetary proclamation that outlines the incomes, expenses and costs brought about amid a particular timeframe, as a rule a financial quarter or year. These records give data about an organization's capacity – or scarcity in that department – to produce benefit by expanding income, lessening costs, or both statement of loss or profit alluded to as "explanation of benefit and misfortune", "wage articulation," "proclamation of tasks," "explanation of budgetary outcomes," and "pay and cost articulation."

The earnings statement is historical record of a business at a certain time, usually 1 year. Income statement expressions the gain or damage earned by the firm – that is the variance between the organisation's overall gain and its overall expenditure.

There is lots of data in the statement of earnings. Everyone that is well-informed in examining all financial statements can obtain data from statement of earnings such as danger, financial elasticity, working potentials of a firm.

The present outlook of the statement of earnings is that the income statement should reflect all the profit and loss items realized during the reporting cycle, excluding for a few items that can be directly entered into the directly accumulated earnings, especially from the corrections in the previous period.

Income statement reflect all the gain and loss items accepted during reporting period excluding some items which directly represent under retain earnings of company's balance sheet.

The earnings statement has different key purposes:

The most important target of statement of earnings is to exhibit company's shareholders how firm is profitable. Because everybody can see how corporation is beneficial from statement of organization's earnings. But the statement has also following purposes:

- Supports to determine whether the earnings generated by the firm are continual
- Let the boards of a organization to satisfy their allowed obligations to provide information about the business financial report
- Permits stakeholders / vendors to notice how the organization has carry out , whether there is a reasonable return (gain)
- Allows confrontation with the same businesses (opponents) and as a whole industry
- Enables suppliers of finance to notice whether the business can make enough incomes

2.2 Principles of Establishing Profit or Loss Statement and Other Comprehensive Income Statements

There are two techniques for representing incomes and costs. The key contrast between them needs to do with how every record exchanges—money coming into and leaving the organization.

Cash Basis

Accounting files and explanations arranged utilizing the cash basis perceive revenue and costs as indicated by constant income. Revenue is endless supply of assets, instead of in light of when returns is truly earned; expenditures are noted as they are paid, as opposed to as they are really acquired. Under this accounting strategy, in this way, it is conceivable to concede assessable wage by deferring charging with the goal that instalment isn't gotten in the present year. Moreover, it is conceivable to quicken costs by paying them when the bills are gotten, ahead of time of the due date.

Preferences of method which called cash basis

For assess purposes, there are positive favorable circumstances to the cash basis reason for accounting. The method which is Cash basis guarantees that duties are not paid on monies that have not yet been gotten; this enhances income and guarantees that assets are accessible for charge uses. This can be particularly critical for people and private companies where income might be limited at specific circumstances. For organizations that complete a lot of money business and don't keep up vast inventories, cash basis is an advantageous and solid method for following costs and benefits without requiring a lot of accounting.

Straightforward: Cash premise bookkeeping has a tendency to be less complex to comprehend than other bookkeeping strategies. In the event that you execute the money strategy for your independent company, it may not be important to look for the assistance of an expert bookkeeper.

Shows Cash Flow: The money technique most takes after an income proclamation. It gives a punctual view of how much money your business really has close by.

Single-Entry Manner: The money technique should be possible with a straightforward single-passage framework, so a perplexing bookkeeping program isn't generally fundamental. This is, in any case, likewise one of its disadvantages, which is plot beneath.

This basis works with the method which is called single step. We will give information about single step format in the previous pages of dissertation.

Single-passage frameworks, additionally, function admirably with money premise bookkeeping, where inflows and surges are recorded just when money really streams. Single-passage frameworks can't without much of a stretch help the elective approach, collection accounting—as utilized by far most of organizations around the world. At the point when the conveyance of merchandise and enterprises comes at an alternate time from money installment for those products and ventures, for example, gathering accounting gives the systems to actualizing the coordinating idea, the act of perceiving incomes and the costs that acquired them a similar reporting period.

Weaknesses

Single-Entry Manner: While the effortless of the single-passage framework required for the money technique is leverage, it is likewise a disservice. The gathering technique requires the utilization of a twofold passage framework, which depends on bookkeeping conditions. This framework gives far more noteworthy control of exchange posting, and diminishes the possibility of mistakes.

Here and now Indicator: While it indicates the income of a business, it might offer a deceptive picture of longer-term benefit. The money technique doesn't indicate salary that has been invoiced however not gotten. Besides, it doesn't consider future costs. It can likewise be misdirecting. For instance, your books may indicate one month as being to a great degree beneficial. Notwithstanding, more profound understanding may uncover that deals were in reality moderate, yet various clients paid their exceptional bills.

Confinements: According to the IRS, you can't utilize the money technique if your business looks after stock, is a company, or has net receipts more than five million dollars for each year. These are the general tenets, however there are exemptions — so on the off chance that you feel that your business can be categorized as one of these classifications, you ought to counsel an expert.

Accrual Basis

An organization utilizing an this basis for accounting perceives both revenue and costs at the time they are earned or brought about, paying

little heed to when money related with those exchanges changes hands. Under this framework, income is recorded when it is earned instead of when compensation is gotten; costs are recorded when they are acquired as opposed to when compensation is made. At any time, an organization's announcements will look altogether different contingent upon which accounting strategy was utilized as a part of their readiness. After some time, in any case, these distinctions lessen since all costs and incomes are in the end recorded.

Organizations utilizing the for the most part favored collection technique for accounting use what is known as the revenue recognition standard. Rule of Financial Accounting Standards for the most part requires that income be perceived in the budgetary articulations when:

- 1) earned
- 2) acknowledged

Incomes are acknowledged when items or different resources are traded for money or cases to money or when administrations are rendered. Incomes are feasible when resources got or held are promptly convertible into money or cases to money. Incomes are viewed as earned when the element has considerably achieved what it must do to be qualified for the advantages spoke to by the incomes. Acknowledgment through deals or the giving (execution) of administrations gives a uniform and sensible trial of acknowledgment. Constrained special cases to the essential income guideline incorporate perceiving income amid creation, toward the fruition of generation (for some products), and

consequent to the deal at the season of money accumulation (on portion deals).

In perceiving costs, an exertion must be made to coordinate the expenses with any incomes for which they are connected. This is known as the coordinating rule since cost and incomes are "coordinated". For instance, coordinating, or partner, the expenditure of commodities sold with the incomes that came about specifically and mutually from a similar exchange is sensible and reasonable. To perceive costs for which it is hard to receive some relationship with incomes, bookkeepers utilize a judicious and efficient distribution arrangement that appoints costs to the periods amid which the related resources are relied upon to give benefits, for example, deterioration, amortization, and protection. A few expenses are charged to the present time frame as costs (or misfortunes) only in light of the fact that no future advantage is expected, no association with income is clear, or no portion is sound and methodical considering the present situation.

The current working idea of income would incorporate just those esteem changes and occasions which are controllable by administration and that are acquired in the present time frame from conventional, ordinary, and repeating activities. Any surprising and nonrecurring things of revenue or cost would be perceived specifically in retain earnings. According to this idea, speculators are fundamentally inspired by proceeding with gain from activities.

The comprehensive idea of pay incorporates the aggregate changes in value perceived amid a particular period, with the exception of profit conveyances and capital exchanges. Under this idea, strange and

nonrecurring salary or misfortune things are a piece of the winning history of an organization and ought not be ignored. Presently, the comprehensive idea is for the most part perceived; nonetheless, certain material earlier period modifications ought to be reflected alterations of the opening held income adjust.

Preferences of method which we called accrual basis

The method which we called accrual basis is better known than cash basis since it creates more exact, more reliable monetary explanations that constitute preferred portrayals of genuine conditions over its primary rival. Since the method of accrual basis records incomes and costs together in similar eras in light of their causal connections, it creates more precise measures of elements' execution in whenever period. By differentiate; the utilization of cash basis can prompt mutilations because of the accumulation of money and money counterparts not lining up with the real planning of offers.

1. It concedes more valuable business investigation.

The coordinating of costs and income utilizing this strategy enables you to direct more helpful business investigation. For example, when you buy costly apparatus to be utilized throughout the following decade, its cost will be spread over such a period. During this process some advantages of equipment will be seen, every year in the period will likewise get a portion of the costs through the income picked up from offering items the machine has created.

2. It considers simple arranging.

One process that will end up less demanding with gathering premise bookkeeping is arranging, particularly that it enables you to represent the greater part of your costs and income inside the correct period. This involves you will have the capacity to make spending plans for your costs and foresee deals, which is fundamental to inventories, staffing and different zones of activity. Beside less demanding arranging, this bookkeeping technique can help with decreasing your taxation rate by issuing solicitations toward the begin and the finish of the year.

3. It is agreeable with GAAP.

With costs and income coordinated, gathering bookkeeping takes into account money related proclamations that are unaffected with trade timing out business transactions. Essentially, this will put forth intermittent money related expressions to wind up more illustrative of your business' wellbeing, instead of what the checkbook appears. While not all independent company are required to be consistent with GAAP, they will be later on the off chance that they intend to extend to outside speculators.

Weakness of accrual basis

1. It represents a few troubles.

Trouble is one immense disadvantage of accrual, where runs in the acknowledgment of income and costs can be extremely confused. Presently, on the off chance that you need to completely and record

exchanges in your independent company as per GAAP, you should look for the assistance of an accountant

2. It can prompt trickery.

Note that the perplexity accompanying this accounting practice can lead individuals to trickiness of money related explanations. For instance, a few organizations have abused the strategy to shroud shortcomings and missteps inside their budgetary reports. Basically, it can be utilized to conceal misrepresentation.

3. It is hard to switch costs.

On the off chance that you have begun with another technique for accounting, it can be hard to change to the accumulation premise. This is on the grounds that you may as of now be experiencing issues with income toward the begin, which is the reason most new organizations go for cash accounting.

Obviously, accumulation premise accounting can be useful when executed appropriately. By understanding the focal points and impediments that accompany it and talking about them with your accountant, you can decide if it is best to execute in your business or not.

No matter what the principle is established, the statement of earnings of organization shall comprise the data involved for the entity. We can shortly describe them like follows.

Net Selling (income): These terms allude to the estimation of an organization's offers of products and ventures to its clients. Despite the fact that an organization's main concern (its net pay) gets the majority of the consideration from financial specialists, the best line is the place the income or salary process starts. Additionally, over the long haul, overall revenues on an organization's current items have a tendency to in the long run achieve a greatest that is troublesome on which to move forward. Along these lines, organizations regularly can become no quicker than their incomes.

Cost of Vending (cost of merchandise/items sold or in short COGS): For a producer, cost of offers is the cost brought about for work, crude materials, and assembling overhead utilized as a part of the generation of products. While it might be expressed independently, deterioration cost has a place in the cost of offers. For wholesalers and retailers, the cost of offers is basically the buy cost of stock utilized for resale. For benefit related organizations, cost of offers speaks to the cost of administrations rendered or cost of incomes.

Net Profit (net pay or gross edge): An organization's gross benefit accomplishes more than just speak to the contrast between net deals and the cost of offers. Net benefit gives the assets to cover the greater part of the organization's different costs. Clearly, the more prominent and more steady an organization's gross edge, the more noteworthy potential there is for positive primary concern (net pay) comes about.

Offering, Overall and Managerial Expenditures: Habitually alluded to as SG&A, this record involves an organization's operational costs. Money related experts by and large expect that administration practices a lot of control over this cost classification. The pattern of SG&A costs, as a

level of offers, is observed intently to identify signs, negative and also positive, of administrative proficiency.

Working Income: Deducting SG&A from an organization's gross benefit produces working salary. This figure speaks to an organization's profit from its ordinary tasks previously any alleged non-working wage as well as costs, for example, intrigue cost, charges and unique things. Wage at the working level, which is seen as more dependable, is regularly utilized by money related investigators instead of net pay as a measure of productivity.

Intrigue Expense: This thing mirrors the expenses of an organization's borrowings. Infrequently organizations record a net figure here for premium cost and premium wage from contributed reserves.

Pretax Income: Another painstakingly watched pointer of benefit, profit earned before the salary charge cost is a critical projectile in the wage explanation. Various and different systems are accessible to organizations to maintain a strategic distance from as well as limit charges that influence their announced pay. Since these activities are not some portion of an organization's business tasks, investigators may utilize pretax salary as a more precise measure of corporate productivity.

Pay Taxes: As expressed, the wage impose sum has not really been paid – it is a gauge, or a record that has been made to cover what an organization hopes to pay.

Unique Items or Extraordinary Expenses: Assortments of occasions can event charges against pay. They are regularly recognized as rebuilding charges, strange or nonrecurring things and ceased tasks. These benefits should be one-time occasions. Financial specialists need to consider

these extraordinary things when making between yearly benefit examinations since they can contort assessments.

Net Income (net benefit or net income): This is the main issue, which is the most ordinarily utilized marker of an organization's productivity. Obviously, if costs surpass wage, this record subtitle will read as a net misfortune. After the installment of favored profits, assuming any, net salary turns out to be a piece of an organization's value position as held income. Supplemental information is likewise introduced for net pay based on shares remarkable (fundamental) and the potential change of investment opportunities, warrants and so on (weakened).

Thorough Income: The idea of exhaustive wage, which is generally new, thinks about the impact of such things as remote money interpretations changes, least benefits risk modifications and undiscovered additions/misfortunes on specific interests in the red and value. The speculation group keeps on concentrating on the net wage figure. The previously mentioned modification things all identify with unstable market as well as financial occasions that are out of the control of an organization's administration. Their effect is genuine when they happen, yet they have a tendency to try and out finished a broadened time-frame.

3 Methodology for generating profit or loss and other comprehensive income statement and enhancing its analytics

3.1 Information which used in profit or loss and other comprehensive income statement

Information disclosed in statement of organization about other comprehensive income is significant. Because organizations which prepare income statement use this data. So, in this part of dissertation we show information which disclosed in statement of earnings.

Revenue

The main thing recorded on your earnings statement is your total receipts or revenue (gain). This incorporates all cash your business gains amid the period secured by the announcement. The essential wellspring of your wage is from the offer of your items and administrations, yet you may have different wellsprings of business salary, for example, premium earned on speculations or rental pay from property the organization possesses and rents. On the off chance that you have a pick up from the offer of any business resources, you'll report the net pick up on your announcement as salary. The net pick up rises to the sum you get from the deal less your cost premise in the advantage.

Costs

After gains are revealed, earnings statement records all the working costs paid amid the detailed period. Working costs incorporate wages, charges, lease, utilities and protection costs, in addition to provisions and

stock you buy to create your great or administration. On the off chance that you have non-working costs, for example, intrigue costs or misfortunes on the offer of advantages, salary articulation additionally unveils these things in this area.

Gain or Loss

The benefit or misfortune for business for the period is the most fundamental central purposes of the earnings statement. After costs are deducted from gain, earnings statement demonstrates whether you have a benefit or a misfortune. In spite of the fact that you should represent pay explanation things in any event once every month, you can utilize the announcement to decide whether you have day by day, month to month, quarterly or yearly benefits or misfortunes. In the event that your business is occasional, the earnings statement can indicate which months are more gainful for you and which are definitely not. This encourages you settle on choices about your financial plan and investment funds so you have reserves accessible for working costs amid intense months.

3.2 *Revenues and Gains*

1. Gains from essential exercises are frequently alluded to as working incomes. The essential exercises of a retailer are acquiring stock and offering the stock. The essential exercises of a maker are delivering the items and offering them. For vendors, producers, traders, and merchants the incomes coming about because of their essential exercises are alluded to as deals incomes or deals. The essential exercises of an organization that gives administrations include getting mastery and pitching that skill to customers. For organizations giving

administrations, the incomes from their essential administrations are alluded to as administration incomes or expenses earned.

It's important that you don't mistake incomes for receipts. Under accrual basis, benefit incomes and deals incomes are appeared at the highest point of the wage proclamation at the time they are earned or conveyed, not at the time when the money is gathered. More basically, incomes happen when cash is earned, receipts happen when money is gotten.

2. Gains which earned from secondary activities are frequently alluded to as non-operating incomes. These are the sums a business procures outside of buying and offering merchandise and ventures. For instance, when a retail business acquires enthusiasm on some of its sit still money, or procures lease from some empty space, these incomes result from a movement outside of purchasing and offering stock. Thus the incomes are accounted for on the pay articulation isolate from its essential action of offers or administration incomes.

As is valid with working incomes, non-working incomes are accounted for on the benefit and misfortune proclamation amid the time when they are earned, not when the money is gathered.

3. Gains which get from long term asset's sale or claims result from an exchange which is outside of the essential exercises of generally organizations. Revenue is accounted for on earning statement as the net of two sums: the returns got from long term asset's sale less the sum recorded for that thing on the organization's books. Revenue happens if the returns are higher than the book esteem.

3.3 Expenses and Losses

1. Costs engaged with essential exercises are costs that are brought about so as to win ordinary working incomes. According to accrual basis principle of accounting deals commissions cost ought to show up on earning statement in a similar period which the related deals are accounted for, paying little heed to when the commission is really paid. Similarly, the cost of products sold is coordinated with the related deals on the earning statement, paying little mind to when the provider of the stock is paid.

Expenses which company occur in the accounting time frame appeared in the top of the earning statement. For instance, the utilities utilized as a part of a retail location in February ought to show up on the February statement, regardless of whether the function's meters are not perused until Mart 1 and the check is paid on April 1.

It is regular for costs to happen before the organization pays for them (e.g., compensation earned by representatives, worker rewards and excursions, deals commissions, and utilities). In any case, a few costs happen after the organization has paid for them.

A few costs are coordinated against deals on the earning statement in light of the fact that there is a circumstances and end results linkage—the offer of the stock caused the cost of products sold and the business commission cost. Different costs are not straightforwardly connected to deals and subsequently they are coordinated to the accounting time frame when they are devoured or utilized—cases incorporate utilities cost, office pay rates cost, and devaluation cost. A few costs, for example, publicizing cost and innovative work cost cant connected with

neither deals nor a particular bookkeeping period and subsequently, they are accounted for as costs when they happen.

The earning statement or benefit and misfortune articulations of merchandisers and producers will utilize a different line for the cost of products sold. Alternate costs associated with their essential exercises will either be gathered together as working costs or subdivided into the classes "administrative" and "selling."

2. Costs from optional exercises are alluded to as non-working costs. For instance, intrigue cost is a non-working cost since it includes the fund capacity of the business, instead of the essential exercises of purchasing/delivering and offering.

3. Misfortunes, for example, the misfortune from the offer of long haul resources, or the misfortune on claims result from an exchange that is outside of a business' essential exercises. A misfortune is accounted for as the net of two sums: the sum recorded for the thing on the organization's books (book esteem) less the returns got from the deal. A misfortune happens when the returns are not as much as the book esteem.

3.4 Single Step and Multiple Step Income Statement

Income Statement of corporation which prepared as single-step

There are two formats for arranging statement of earnings: Single Step or Multiple Step. First, we will explain single step. Statement of earnings which prepared principle in single step just utilizes single subtraction to find net income of company. So earning statement that prepared in

single step offer extremely direct accounting for companies. All incomes and additions are included at the highest point of the earning statement, while the majority of the misfortunes and costs are totalled below them. Equation is like this :

$$\text{Net income} = (\text{Revenues} + \text{Gains}) - (\text{Expenses} + \text{Looses})$$

Although it is simple to organization inspectors to comprehend, single-step statements are plainly thin on data, and financial specialists are left with no genuine idea of gainfulness. Earning statement that presented in the principle of single-step configuration would resemble this:

Brand Co	
Income Statement	
For six month ended June 31 2018	
Revenues& Gains	110,000\$
Expenses& Loses	20,000\$
Net Income	90,000\$

So, in single step earning statement company show firstly name of organization, then title of statement, and then show accounting time frame for statement.

So we can show sample earning statement of corporation which prepared under this principle:

Brand Co	
Income Statement	
For six month ended June 31 2018	
Revenues& Gains	
Sales	50,000\$
Interest Revenue	60,000\$
Total revenue& sales	110,000\$
Expenses& looses	
COGS	10,000\$
Interest expense	5000\$
Commission expense	1000\$
Suppliers	2000\$
Advertising	2000\$
Total Expenses& looses	20,000\$
Net Income	90,000\$

Preferences of Statement of earnings that prepared under principles of single-step

Organizations with a straightforward structure, for example, sole proprietorships and associations, frequently observe various points of interest in utilizing statement which prepared under rules of single step. The disentangled explanation demonstrates costs in a solitary line for net salary, instead of separating the outcomes by working and gross profit. This format helps accountants who prepared earning statement. Also customers who want to get information about company profitability can get data easily from single step earning statement.

Disadvantages of Statement of earnings that prepared under principles of single-step

So we paraphrased that earning statement prepared under principles of single step has advantages, but this statement also has disadvantages. Of course, the most important disadvantages of single step earning statement is its shortage of data, because investor who interested in company can only get data of revenue from corporation's statement of earnings which arranged under single step. But they as often as possible look at such factors as gross edge and working edge to figure out where most costs begin from and if the organization can manage its gainfulness. Without providing this information, independent ventures can pass up a great opportunity for advising potential financial specialists or banks of their practicality and miss out on chances to acquire working capital.

Statement of earnings which prepared under principles of Multiple Step

Besides, another format called multiple-step. Although statement of earnings which arranged under principles of single step offer less information about company's productivity-, statement of earnings which arranged under principles of multiple step represent more detailed information. So you can see more information about gross profit and operation profit of organization. This format consists of two parts: non-working or working section. Working part of statement involves information about company revenue and expenses of company, but non-

operating part of statement represent information about gain and losses of company from indirect activities.

The organization's particular wellsprings of income and cost are separated and exhibited as various details, making it simpler for speculators to process execution and assess monetary wellbeing. The conspicuous exchange off to displaying point by point accounting is that it is more confounded and tedious to assemble. Bookkeepers record each exchange independently and keep up a watchful isolation of income or cost writes.

So we can show sample earning statement of corporation which prepared under this structure:

Brand Co Income Statement For six months ended in June 31 2018			
Sales	50,000\$		
COGS	<u>10,000\$</u>		
Gross Profit	<u>40,000\$</u>		
Operating expenses			
Selling expenses			
Advertising expenses	2000\$		
Commission expenses	<u>1000\$</u>	3000\$	
Administrative expenses			
Suppliers expenses	<u>2000\$</u>	2000\$	
Total operating expenses		5000\$	
Operating income			35,000\$
Non- operating			
Interest revenue	60,000\$		
Interest Expenses	(5000\$)		
Total Non-Operating			55,000\$
Net Income			90,000\$

So we can examine multiple earning statement step by step according to example.

Stage 1

Firstly, for finding gross profit we use sales and expenditure of commodities sold.

$$\begin{aligned}\text{Gross profit} &= \text{Net sales} - \text{COGS} \\ \text{Gross profit} &= 50,000\$ - 10,000\$ \\ \text{Gross profit} &= 40,000\$\end{aligned}$$

Stage 2

In step 2, for finding operating income we must subtracted working expenditures from organization's gross profit.

$$\begin{aligned}\text{Operating income} &= \text{Gross profit} - \text{operating expenses} \\ \text{Operating income} &= 40,000\$ - 5000\$ \\ \text{Operating income} &= 35,000\$\end{aligned}$$

Stage 3

Finally, for finding net income we must combined working earnings and non- working things.

$$\begin{aligned}\text{Net income} &= \text{Operating income} + \text{non-operating} \\ \text{Net income} &= 35,000\$ + 55,000\$ \\ \text{Net income} &= 90,000\$\end{aligned}$$

Preferences of Statement of earnings that prepared under principles of multiple-step

In spite of the statement that arranged under principles of single step, statement which arranged under principles of multiple step represents more detailed information about company. So we point that, multiple income statement record gross profit, sales revenue, cost of goods sold, operating profit and operating expenses. That's why financial analysis who wants to get information about the organization profitability prefers using multiple standards to single step standard.

Disadvantages of Statement of earnings that prepared under principles of multiple-step

In spite of multiple earning statement gives some broad data on the organization's activities, the procedures associated with delivering subtle elements in these announcements can be perplexing and tedious. Accountants must indicate classes for each sort of income and cost at that point record every exchange and place the correct sums in every classification. On the off chance that an exchange is gone into an uncalled for class, the mix-up could influence how the salary proclamation shows its outcomes. Mistaken information on earning statement can lead speculators into making defective presumptions about the organization's prosperity.

4 Ways of increasing the analytics of profit or loss and other comprehensive income statement

4.1 Analysis of earnings statement and the main income statement ratios

Analysis of organization's financial statements is a noteworthy business action on the grounds that a corporation's budgetary proclamations give valuable data on its monetary standing and benefit levels. These announcements likewise help a financial specialist, a controller or an organization's best administration comprehend working information, assess money receipts and installments amid a period and evaluate proprietors' interests in the organization.

Capacity

Analysis of organization's financial statement enables a company to survey working information and assess occasional business execution. For example, Company X may dissect levels of money, inventories and records receivable to assess here and now resources. X company additionally may break down monetary explanations to check levels of money streams and proprietor speculations. On the other hand, a controller may survey an organization's held profit explanation to evaluate corporate investors' records.

Time period

An organization's accounting division may perform budgetary proclamation investigation consistently or at a particular point in time. For instance, Mrs. X., an accountant at an extensive retail location, may

audit the organization's money related position toward the finish of the year to check money accessible and stock amounts close by. On the other hand, Mrs. X. may audit levels of offers and costs every month to comprehend whether the organization's costs are proper in view of offers.

Sorts

Sound accounting guidelines (GAAP) and administrative rules, for example, SEC standards, require an organization to set up a full arrangement of monetary explanations on a quarterly or yearly premise. A full arrangement of money related articulations incorporates an asset report, an announcement of wage, an announcement of money streams and an announcement of held profit.

Viable arranging and budgetary administration are the keys to maintaining a monetarily effective private company. Ratio analysis is basic for helping you comprehend money related proclamations, for distinguishing patterns after some time and for estimating the general budgetary condition of your business. Furthermore, banks and potential financial specialists frequently depend on proportion investigation when settling on loaning and contributing choices.

Ratios are basic quantitative investigation devices. The most critical capacities of ratios lies in their ability to go about as slacking markers in distinguishing positive and negative monetary patterns.

Ratio Analysis additionally gives approaches to you to look at the budgetary condition of your business against different organizations inside your industry or between your business and organizations in different enterprises. The sheer quantities of accessible budgetary proportions make it critical to investigate and pick ratios most material to your business.

So, in this side, we will examine ratios which are used in analysing income statement of organization. For comparing different companies in the same industry, we will use following ratios which you can get from statement of earnings:

Gross Margin

Financial predictors consider that the most crucial ratio is gross margin because gross margin shows profitability of organization and represent successful of organization. Gross margin is calculated:

$$\text{Gross Margin} = \frac{\text{Gross profit}}{\text{Net Sales}}$$

This financial ratio demonstrates the level of sales income accessible for benefit or reinvestment after COGS is deducted.

Profit Margin

After finding gross margin, we can find profit margin of company. This financial ratio is calculated by:

$$\text{Profit Margin} = \frac{\text{Net income}}{\text{Net Sales}}$$

This financial ratio represents company profit per sale after all expenses deducted.

Operating Margin

This financial ratio represents organisation's revenue after paying expenses (such as raw materials, wages, variable costs and etc.)

Calculated as:

$$\text{Operating Margin} = \frac{\text{Operating income}}{\text{Net Sales}}$$

Margins are valuable for looking at plans of action and productivity between organizations of various sizes. They are likewise valuable for following productivity of a solitary firm crosswise over years, as the association's business develops. Crosswise over long time periods, changes in benefit figures just demonstrate that benefits are developing, holding relentless, or contracting. Margin's changing, in any case, demonstrate how the company's gainfulness is developing, holding unfaltering, or contracting. Differences in margins, as such, demonstrate that the association's plan of action is evolving.

Margins as Performance Indicators

Margins, along these lines, are essential markers of an organization's execution since they measure profit as far as the association's plan of action. They are accordingly of distinct fascination to securities exchange examiners, financial specialists, board of executives, and the association's own administration.

Experts contrast the company's margins straightforwardly and contenders' margins and industry "best in class" models. They will think about current margins, yet additionally period-to-period drifts in margins.

Investors and management of organization will mostly focus on margins of company because of different reasons:

1. Margins show that how and how much firms earns money.
2. They always examine margins of company from time to time, because margins are sensitive for changes in company, so with keeping margins in observation company can reach easily its goal and objectives.
3. Margins for singular items and product offerings are fundamental to item arranging and overseeing item portfolios. As such, singular item Gross edges are fundamental for dealing with the item portfolio successfully.

For increasing enterprise's gross margin company can use 2 ways:

1. To change prices
2. To reduce costs

Both of these ways will increase the amount of margins. Normally, if company's costs are increasing, organization will raise prices. But, if the prices are high, customers will give up buying this product or item. So, if an ascent underway cost isn't the reason, at that point the organization must slice costs keeping in mind the last object to keep up piece of the overall industry and increase a few incomes.

Price-earnings Ratio

This financial ratio also called as P/E ratio. And this ratio represents how much stockholders give per dollar of returns. Equation for P/E ratio is like this:

$$\text{P/E ratio} = \frac{\text{Market Value per share}}{\text{Earnings per share}}$$

Times Interest Earned

This financial ratio represents company capability to paying debts. And calculated as:

$$\text{TIE} = \frac{\text{EBIT}}{\text{Interest Expenses}}$$

Return on Stockholders' Equity

This financial ratio is more essential for organization's stockholders and investors. This ratio represent percentage of profit which earned by organization after all taxes paid. And calculated :

$$\text{Return on stockholder's equity} = \frac{\text{Net income}}{\text{weighted average equity}}$$

4.2 Importance of financial, profit and loss forecasting

Monetary estimating is a fundamental piece of business arranging. Albeit numerous occasions influencing your business are eccentric, it is

as yet conceivable to utilize gauges to control your basic leadership, misuse patterns and give your business a focused edge.

With the end goal for figures to work for your business, they should be reasonable. You can utilize existing budgetary proclamations as a guide. On the off chance that you are another business, you might need to work with a business consultant to build up your monetary gauges.

A benefit and misfortune gauge demonstrates the normal income and costs for your business over some undefined time frame. It demonstrates how much benefit is likely from an anticipated level of exchanging.

Delivering a benefit and misfortune conjecture includes posting your arranged costs and ascertaining the business targets expected to achieve your benefit objectives. You would then be able to check your estimate frequently to guarantee your business is running as per design.

You can assemble your benefit and misfortune conjecture in an indistinguishable configuration from your benefit and misfortune articulation. This will enable you to think about them later and refine your projections for what's to come.

It's vital to take note of that a benefit and misfortune estimate does not mirror your liquidity. It contains non-money things, for example, deterioration, loan bosses you have not paid, and solicitations raised but rather for which no money has been gotten. It additionally bars any installment of credits.

To get a thought of your business' probable money position, you should make an income estimate.

Income Projections

The benefit and misfortune table spreads two noteworthy segments of the general wellbeing of a business. The first of these segments is the computation of the organization's income. A built up organization can make projections on its future income in view of its past deals and expected wage. New businesses must make these projections in light of components, for example, client request, advertise size and rivalry for their item or administration. An organization that makes implausible income projections should either modify its desires or enhance its business forms.

Costs Forecast

The other significant segment is the projection of future costs. Costs can incorporate building rent, pay rates, gear buys and other overhead expenses. As an independent company starts and develops, it might find that its costs move at a quick pace. These costs can include contracting and preparing specialists, purchasing supplies and advancing the business. The proprietors should likewise make exact cost projections to abstain from having the business slow down before it can dispatch.

4.3 Increasing effectiveness of income statement

For right making decision, investors and other financial analysts interested in financial statements of organization. So, effectiveness of any report is important for analysts. There are some principles to report effective financial statement. Some of them:

1. The effective income statement must represent the information which need by creditors, investors and other merchants.
2. When preparing earning statement of company, you must consider the view of investor in the equity issued by organization.
3. Information which is shown in the earning statement must be relevant and fair.
4. All exchanges and occasions must be perceived as they happen in the statement.
5. All reports and statements must be neutral
6. To report effective income statement you must consider all changes in the organization's net assets and their market values.
7. Changes influencing every one of the statements ought to be accounted for and clarified on a disaggregated premise.

And for reporting effective income statement and for enhancing its effectiveness there are some criteria:

1. Norms for acknowledgment and estimation of monetary explanation things and their related revelations must be produced simultaneously.
2. Approach decisions, suppositions, judgments, and strategies must be completely and obviously unveiled.

3. Exposures ought to give adequate disaggregated data to speculators to have the capacity to completely comprehend and translate the outline data in the budgetary articulations.
4. Financial specialists require clear and finish revelation of an organization's hazard exposures, its systems for overseeing dangers, and the viability of those procedures.
5. Speculators must have clear and finish divulgence of all cockeyed sheet resources, liabilities, and other monetary courses of action and duties.
6. Speculators require clear and finish data about impalpable resources held by an organization.
7. Financial specialists require clear and finish data about an organization's possibilities and duties.

There are various ways you can better the planning and introduction of your financials, and I assembled a short rundown of some prescribed procedures and tips you may discover helpful. Regardless of whether you actualize the accepted procedures sketched out underneath, remember that little enhancements and support to your monetary articulations can be a remunerating approach to convey an incentive to your association.

1. Survey peer associations' budgetary articulations for best practices

An audit of other associations' money related articulations is an extraordinary place to begin when refreshing your own. Invest some energy inspecting peer associations' money related proclamations and search for best practices you can actualize and consolidate. The AICPA

likewise delivers aides and instruments to help with distinguishing best practices in money related explanation introduction and divulgences.

2. Analyze the organization of your monetary articulations

Despite the fact that it might appear like a minor detail, the organization of your monetary articulations is basic to the simplicity with which they're devoured and utilized. A few associations utilize a multi-segment articulation of budgetary position (monetary record) while others incline toward a solitary segment; be that as it may, we have discovered that most associations utilize a solitary segment approach. This approach has developed to a great extent to serve the necessities of board individuals who normally see a business organization's financials in this configuration.

While this is by all accounts the best decision for most associations, a considerable lot of you may have had discussions with brokers and other people who jump at the chance to bore down into the liquidity position of the element. On account of the announcement of exercises, we have discovered that associations overwhelmingly utilize a multi-segment approach. A few associations likewise utilize a "stack" approach where the progressions in unlimited, briefly limited and for all time confined net resource classes are truly set beneath every one of alternate classifications. Despite the fact that less normal, this configuration may be worth considering in deciding if there are any convincing purposes behind a change.

3. Incorporate a working/non-working presentation

However another region of adaptability is in the utilization of a working/non-working introduction inside your announcement of exercises. Numerous associations as of now utilize this with incredible outcomes. This approach is more typical among associations with gifts; be that as it may, that isn't the main thing you can show in the non-working area. Estates, capital crusade exercises (the two incomes and costs), non-repeating things, for example, increases or misfortunes from resource deals or retirements and a large group of different things can be reflected in the non-working area. On the off chance that associations pick this introduction, they should reveal inside the commentaries what they put in the working/non-working areas — a little cost to pay if this makes straightforwardness on the financials.

4. Revise your commentaries

On this footnote, looking at your commentaries can be a basic method to refresh your money related articulations and guarantee decipherability and straightforwardness. Various territories inside your references ought to be analyzed for development:

Language: Sometimes verifiable data may not be as imperative for the years the budgetary explanation is being displayed. Audit your references for phrasing that alludes to a time allotment more established than the previous two years and rephrase or evacuate any data that is never again applicable to the financials being displayed.

Order and Sequencing: New exposures are regularly added to the finish of your divulgences. Analyze the request and stream of your center

monetary articulations to your references and guarantee that your commentaries take after a reliable and consistent stream of arrangement. Do likewise for the request of your authoritative approach note and change it in like manner.

Duplication: Common zones where duplication of data happens incorporate reasonable esteem, speculations, enrichments and net resources divulgences. Survey these regions, and if there is duplication, figure out where the data is best introduced.

Authoritative Description Disclosure: Review your present divulgence to decide whether it precisely reflects what your association as of now does. Contrast the rundown you have unveiled with your association's present exercises and refresh the authoritative portrayal divulgence to mirror the present areas of the tasks, automatic movement and real wellsprings of income.

Income Recognition Policy: Revenue sources may develop and turn out to be more material to your association, so you ought to occasionally audit your income acknowledgment approach for precision and culmination. Audit each critical income line thing on the announcement of exercises and contrast it with the relating income acknowledgment arrangement exposure to decide whether the current revelation is enough portraying the present movement. Include any extra data important to your strategy divulgences.

5 Conclusion and Implications

5.1 Results and Suggestions

For any organization or investors financial statements are most essential documents. Because these documents represent financial profitability of organization. So, preparing these statements accurately is the most significant duty of accountants. The purpose of this dissertation is analysing statement of earnings of organization which is one of the most significant financial statement of firms, and finding ways to enhance its effectiveness. So as a result we find that, for preparing effective income statement and improving its analytics we can use several ways:

1. Rundown your desires and objectives with respect to your organization's budgetary exercises. Set income targets in light of the rate at which you need your business to grow, and in addition the ventures you will make on promoting and framework enhancements. Set overall revenue objectives in view of gauges and midpoints for your specific industry. Set an objective for net salary in light of your own way of life, and in addition the sum you contributed to get your organization off the ground. In the event that you intend to apply for a credit or on the off chance that you are keen on offering your business, set your benefit objectives at an adequate however sensible level to awe potential moneylenders, financial specialists or purchasers.

2. Think about the number on your money related proclamation with the objectives you have sketched out. Consider whether your organization is getting enough income, monitoring spending and winning adequate benefit for you to understand your destinations. Utilize these examinations and figures to recognize territories where your organization can progress. Assess your rundown of consumptions to decide if a particular classification of spending, for example, finance, is unsustainable high. Investigate your classes of pay to decide if you are missing chances to build deals in a specific territory.
3. Separation your cost classes into settled and variable expenses. Settled expenses incorporate costs, for example, lease and protection, which remain generally stable paying little mind to the measure of business you execute. Variable expenses incorporate uses, for example, materials and finance, which have a tendency to change in an immediate relationship to your business volume. In the event that your settled expenses are manageability high, search for approaches to expand your business volume and lower the settled cost in respect to every individual deal. On the off chance that your variable expenses are too high, search for more affordable materials that won't trade off the nature of your item, or tinker with your frameworks to enhance efficiency.

Conclusion

In summary, the essence and importance of the report in our society can be summarized as summarized above. The objective, simple, clear and timely compilation of the report by all enterprises and organizations is the most important process. The accounting report incorporates a set of grouped indicators.

At the beginning of the thesis, we noted the significance of financial statements for the company and tried to explain each financial statement. As the subject of the thesis is a profit statement, we have focused more on this report. The significance of income statement for the enterprise has been highlighted and substantiated in the course of the thesis. At the end of the thesis, we can make such a decision that financial statements reflect the firm's success rate. The earnings and loss report is the most important financial document that is directly linked to the net income of the company. One of the company's most humorous responsibilities is to report these reports and present them to the public. Any company that wishes to succeed should cooperate with successful accountants so that it complies with the financial documentation prepared and reflects the real situation of the company. For this, the company can get advice from experienced individuals or companies. At the same time, the entity or entity will determine its income or expense for a specified period by making the income statement accurate and straightforward. Thus, by determining revenue or expense, an entity or entity may make a number of decisions regarding its future activities. A company wishing to increase its revenue, by looking at its income statement, can determine what is spending more and can eliminate this problem for the future. Also, by looking at the income statement, we can determine whether the

entity is able to pay for its short- span or long- span benefits. Consequently, we have explained in detail the essence of the statement about organization's profit or loss report that is of great importance to the company, how it is prepared, what principles are used, and what ways to use analytical skills. By reading this thesis, you will have all the knowledge you need about the financial document mentioned.

6 Bibliography

1. A Guide for Managers - The Nature of Financial Statements (The Income Statement) - McGraw-Hill.
2. "The Framework for the Preparation and Presentation of Financial Statements" - IASB (24 June 2007)
3. V. Carcello, Mark , Jan R. Williams, S. Haka, Bettner, Joseph, Susan F, - Financial & Managerial Accounting (2008)
4. Gropelli, Ehsan Nikbakht, Angelico A. - Finance (2000)

5. Ashwinpaul C., Sondhi, Fried, Dov, Gerald I and White- (3rd ed)-
The analysis and use of financial statements
6. V.Quliyev, S.Səbzəliyev, Ə.Sadıqov, Q.Abbasov, Ə. Daşdəmirov
- "Mühasibat uçotu" Bakı (2003)
7. SH.Penman and D.Nissim - 'Equity valuation and Ratio analysis
(2001)