The Income Statement

Business & Management

From revenue down to net profit, and what each subtotal means.

The standard structure, top to bottom.

Line	Means
Revenue	Sales, recognised when earned
Cost of sales	Direct cost of what was sold
Gross profit	Revenue – cost of sales
Operating expenses	Overheads, salaries, marketing
Operating profit (EBIT)	Before interest and tax
Interest	Cost of debt
Tax	On profit
Net profit	What is left for shareholders

Gross margin shows pricing power; operating margin shows efficiency. They move independently and should be read separately.