Income Statement

Name of the Writer

Name of the University

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**Introduction**

Financial statements have a special role in every day workings of multinational conglomerates, small businesses and even individuals. These statements help in identifying areas of improvement in terms of finances that the individuals and corporations can employ in order to further improve their day to day workings. There are three main financial statements, the Income statement, the Balance Sheet and the Cash flow Statement. For the purpose of this essay, the focus would be on the income statement and its purpose. Furthermore, its importance regarding the financial status of the company and finally an analysis of the income statement of Ford Motor Company would be conducted.

**Discussion**

The main purpose of the financial statement is to provide information regarding the level of profit that a company earns within a reporting period. Furthermore, when such information is coupled from different quarters within a year or on a yearly basis (Minnis and Sutherland, 2017). This way trends between the levels of profit over different periods can be used to analyze their performance within that selected time. Furthermore, it also helps in identifying how a certain loss or profit was generated in the first place. This is achieved because the income statement also helps in summarizing results related to the operations of any given company for a period of time.

Income statement of the company provides a great understanding of the financial status of the company. For an investor, an income statement would provide the data regarding the level of consistency in the profit of any business. This way an investor is able to see the financial viability of a company and evaluate its worthiness as a possible form of investment (Minnis and Sutherland, 2017). Moreover, the level of profit availability in order to cover the expenses related to debt is also represented from it. This way the firm financial status is reflected upon very thoroughly through the use of the income statement.

Furthermore, for the primary focus of financial statement analysis, analyst focus on the financial data both from the past and present. This way the company’s performance is estimated in order to assess future risks related to the company itself. The information for the analysts comes from the data provided by financial statements such as the income statement (Williams and Dobelman, 2017). Financial analysis is mostly important for investors and even more for creditors as well. They focus mostly on the trends related to the expenses, net income and the sales. It allows them to understand the performance of the management and their future performance.

Keeping the above information in mind, the income statement of Ford Motor Company shows that it has had a decreasing trend in revenue from 2010 till 2012. In 2012, both its revenues from its automotive and financial services sector has had a lower rate of return since the last year (Ford Motor Company, 2012). However, its expenses and costs have increased vividly from 2010 to 2011 but it did drop somewhat lower in 2012 compared to 2011. The effect of these values went onto the income before taxes interest which was again lower in 2012 till 2011. Lastly, in the year 2012, it has witnessed the lowest level of net income compared to 2011 when it had the highest level of profit from 2010 till 2012 (Ford Motor Company, 2012).

**Conclusion**

Income statements are an important tool to analyze the financial health of the company. It is also an important tool for investors and creditors for it being a true indicator of the trends in profits of a certain company that it has witnessed over the years. In this way, Ford Motor Company’s income statement shows that the company’s performance has been the lowest since the past three years. Only with a deep further analysis the reason can be found regarding why the performance was low during this year.

References

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