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G89-941 Financial Planning Form: Income Statement

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Financial Planning Form: Income Statement

This NebGuide provides step-by-step directions for completing the included income statement.

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What Is an Income Statement?

An income statement shows income and expenses over a period of time, usually a year. Like a motion picture, it also can show the movement of income expenses between net worth statements.

This income statement includes five categories of income (salaries, wages, bonuses; investment income; gifts; borrowed money; and other income), and three categories of expenses (taxes; fixed obligations and financing expense; and living expenses). A space to calculate net income (the amount left after all expenses) concludes this form.

Why Do an Income Statement?

An income statement helps determine what amount of money will be available for either savings or investment, or for additional expense during the time period considered. It also can provide the first step in outlining a more detailed budget or cash flow plan. Finally, an income statement can explain the changes between two net worth statements.

Time Period Being Planned

Begin your income statement by deciding just what period of time you want to cover. Enter the beginning and ending dates at the top of the form. While most income statements are done for a year at a time, doing an income statement for shorter or even longer periods of time can make sense in certain situations.

Income

The income section provides space for listing income received from any source. Included are salaries, wages, and bonuses from a job; investment income including cash dividends, interest, net realized capital gains, and rent; gifts; and other income. The line, *borrowed money*, is explained later under the

section of this publication entitled **Net Income**. Put down only income you are sure of receiving. Use blank lines for listing other types of income you may have.

Expenses

Expenses begin with *taxes*. Included here are all income taxes, Social Security payments, property taxes, and any other taxes. Use past records and current statements to get accurate figures.

Fixed obligations and financing expenses include payments for mortgage principal or rent payment, mortgage interest, automobile principal and interest, and all principal and interest payments on other debts. Payment amounts multiplied by the number of payments expected during the defined time period will give the amount to include.

Another subcategory of fixed obligations is *insurance premiums*. To project insurance payments, look at records for previous years and develop a figure for each premium, including a factor for inflation.

The next expense category is *living expenses*, including utilities, household operation and maintenance, equipment and furnishings, food, clothing, personal transportation, health and medical not covered by insurance, gifts and contributions, education, recreation and hobbies, entertainment, vacations, and miscellaneous expenses.

Be sure to include expenses specifically appropriate for your situation, such as child care and job-related expenses; support for someone who does not live with you; homeowner's association dues; care of clothing and household furnishings; parking fees; pet expenses; personal expenses such as grooming supplies or allowances for household members; and any irregular expenses such as equipment repair and replacement; fees for professional advisers; and pledges or subscriptions.

Past records of actual expenses plus an allowance for inflation can be used to develop actual numbers for the income statement.

Net Income

After finding both the total of income and of expenses, subtract expenses from income to get net income. If you end up with a negative net worth figure because your expenses total more than your income, you have two options:

1. Go back over all income and expense figures. Be sure you have been realistic.
2. If you find no more income nor find any expenses to reduce equal to the difference between the total income and total expenses, you will need to borrow money to get through the time period being planned. Enter that figure under the income category on the appropriate line.

You're Finished—Now What?

Study the income statement and use it to plan for the future. Your income statement will be helpful to anticipate income and expenses for the future, as well as to explain the difference between two net worth statements.

Other helpful worksheets for financial planning and decision making include the net worth statement and cash flow planning form. Examples of these worksheets are available from your Extension Service

office.

Income Statement

Beginning _____ and _____ ending

Income

Salaries, wages, and bonuses

_____	\$ _____	
_____	_____	
<i>Total salaries and bonuses</i>		\$ _____

Investment Income

----Cash dividends	\$ _____	
----Interest	_____	
----Net realized capital gains	_____	
----Rent (net)		_____
---- _____	_____	
---- _____	_____	
<i>Total Investment Income</i>		\$ _____

Gifts \$ _____	\$ _____	
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Borrowed Money	\$ _____	\$ _____
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Other

---- _____	\$ _____	\$ _____
<i>Total Gross Income (before taxes)</i>	\$ _____	\$ _____

Expenses

Taxes

----Incomes taxes (federal, state & local)	\$ _____	
----Social Security	_____	
----Property taxes	_____	
----Other taxes	_____	
<i>Total taxes</i>		\$ _____

Fixed Obligations and Financing Expenses

----Payments on mortgage note principal (or rent payment)	\$ _____
----Mortgage note interest	\$ _____
----Payments on automobile principal	_____
----Automobile note interest	_____

----Payments on other debt	_____	
Insurance Premiums:		
----Life insurance	\$ _____	
----Health and disability	_____	
----Automobile	_____	
----Property and liability insurance	_____	
<i>Total fixed obligations and financing expenses</i>		\$ _____
Living Expenses		
----Utilities	\$ _____	
----Household operation and maintenance	_____	
----Equipment and furnishings	_____	
----Food	_____	
----Clothing	_____	
----Personal	_____	
----Transportation	_____	
----Health and medical	_____	
----Gifts and contributions	_____	
----Education	_____	
----Recreation, entertainment, vacations	_____	
----Miscellaneous	_____	
----Other:		
---- _____	_____	
---- _____	_____	
<i>Total Living Expenses</i>		\$ _____
Total Expenses		\$ _____
Net Income (Amount available for savings and investment)		\$ _____

File G941 under: HOME MANAGEMENT

B-1e, Money Management, Budgeting

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