

Revenue

In accounting, **revenue** is the income that a business has from its normal business activities, usually from the sale of goods and services to customers. Revenue is also referred to as **sales** or **turnover**. Some companies receive revenue from interest, royalties, or other fees.^[1] Revenue may refer to business income in general, or it may refer to the amount, in a monetary unit, earned during a period of time, as in

"Last year, Company X had revenue of \$42 million". Profits or net income generally imply total revenue minus total expenses in a given period. In accounting, in the balance sheet it is a subsection of the Equity section and revenue increases equity, it is often referred to as the "top line" due to its position on the income statement at the very top. This is to be contrasted with the "bottom line" which denotes net income (gross revenues minus total expenses).^[2]

In general usage, revenue is income received by an organization in the form of cash or cash equivalents. Sales revenue is

income received from selling goods or services over a period of time. Tax revenue is income that a government receives from taxpayers. Fundraising revenue is income received by a charity from donors etc. to further its social purposes.

In more formal usage, revenue is a calculation or estimation of periodic income based on a particular standard accounting practice or the rules established by a government or government agency. Two common accounting methods, cash basis accounting and accrual basis accounting, do not use the same process for

measuring revenue. Corporations that offer shares for sale to the public are usually required by law to report revenue based on generally accepted accounting principles or International Financial Reporting Standards.

In a double-entry bookkeeping system, revenue accounts are general ledger accounts that are summarized periodically under the heading Revenue or Revenues on an income statement. Revenue account names describe the type of revenue, such as "Repair service revenue", "Rent revenue earned" or "Sales".^[3]

Non-profit organizations

For non-profit organizations, revenue may be referred to as **gross receipts, support, contributions**, etc.^[4] This operating revenue can include donations from individuals and corporations, support from government agencies, income from activities related to the organization's mission, income from fundraising activities, and membership dues. Revenue (income and gains) from investments may be categorized as "operating" or "non-operating"—but for many non-profits must (simultaneously) be categorized by fund (along with other accounts).

Association dues revenue

...

For non-profits with substantial revenue from dues of its voluntary members: non-dues revenue is revenue generated through means besides association membership fees. This revenue can be found through means of sponsorships, donations or outsourcing the association's digital media outlets.

Business revenue

Money income from activities that is ordinary for a particular corporation, company, partnership, or sole-

proprietorship. For some businesses, such as manufacturing or grocery, most revenue is from the sale of goods. Service businesses such as law firms and barber shops receive most of their revenue from rendering services. Lending businesses such as car rentals and banks receive most of their revenue from fees and interest generated by lending assets to other organizations or individuals.

Revenues from a business's primary activities are reported as **sales, sales revenue** or **net sales**.^[1] This includes product returns and discounts for early payment of invoices. Most businesses

also have revenue that is incidental to the business's primary activities, such as interest earned on deposits in a demand account. This is included in revenue but not included in net sales.^[5] Sales revenue does not include sales tax collected by the business.

Other revenue (a.k.a. non-operating revenue) is revenue from peripheral (non-core) operations. For example, a company that manufactures and sells automobiles would record the revenue from the sale of an automobile as "regular" revenue. If that same company also rented a portion of one of its buildings, it would record that

revenue as “other revenue” and disclose it separately on its income statement to show that it is from something other than its core operations. The combination of all the revenue generating systems of a business is called its revenue model.^[6]

Accounting terms

...

Net sales = gross sales – (customer discounts, returns, and allowances)

Gross profit = net sales – cost of goods sold

Operating profit = gross profit – total operating expenses

Net profit = operating profit – taxes – interest

Net profit = net sales – cost of goods sold – operating expense – taxes – interest rate

Financial statement analysis

...

Revenue is a crucial part of financial statement analysis. The company's performance is measured to the extent to which its asset inflows (revenues) compare with its asset outflows (expenses). Net income is the result of this equation, but revenue typically enjoys equal attention during a standard earnings call. If a company displays solid "top-line

growth”, analysts could view the period’s performance as positive even if earnings growth, or “bottom-line growth” is stagnant. Conversely, high net income growth would be tainted if a company failed to produce significant revenue growth. Consistent revenue growth, if accompanied by net income growth, contributes to the value of an enterprise and therefore the stock price.

Revenue is used as an indication of earnings quality. There are several financial ratios attached to it:

- The most important being gross margin and profit margin; also, companies use revenue to determine bad debt expense using the income statement method.
- Price / Sales is sometimes used as a substitute for a Price to earnings ratio when earnings are negative and the P/E is meaningless. Though a company may have negative earnings, it almost always has positive revenue.
- Gross Margin is a calculation of revenue less cost of goods sold, and is used to determine how well sales cover direct variable costs relating to the production of goods.

- Net income/sales, or profit margin, is calculated by investors to determine how efficiently a company turns revenues into profits.

Government revenue

Government revenue includes all amounts of money (i.e., taxes and fees) received from sources outside the government entity. Large governments usually have an agency or department responsible for collecting government revenue from companies and individuals.^[7]

Government revenue may also include reserve bank currency which is printed.

This is recorded as an advance to the retail bank together with a corresponding currency in circulation expense entry, that is, the income derived from the Official Cash rate payable by the retail banks for instruments such as 90-day bills. There is a question as to whether using generic business-based accounting standards can give a fair and accurate picture of government accounts, in that with a monetary policy statement to the reserve bank directing a positive inflation rate, the expense provision for the return of currency to the reserve bank is largely symbolic, such that to totally cancel the currency in circulation provision, all

currency would have to be returned to the reserve bank and cancelled.

See also

Look up [revenue](#) in Wiktionary, the free dictionary.

- [List of companies by revenue](#)
- [Legal tender#Demonetization](#)

References

1. *Joseph V. Carcello (2008). Financial & Managerial Accounting. McGraw-Hill Irwin. p. 199. ISBN 978-0-07-299650-0. This definition is based on IAS 18.*

2. *Williams, p.51*
3. *Williams, p. 196*
4. *2006 Instructions for Form 990 and Form 990-EZ , U.S. Department of the Treasury, p. 22*
5. *Williams, p. 647*
6. *"Revenue models" . Dr. K.M.Popp.*
7. *HM Revenue & Customs (United Kingdom) Office of the Revenue Commissioners (Ireland) Internal Revenue Service bureau, Department of the Treasury (United States) Missouri Department of Revenue Louisiana Department of Revenue*

Retrieved from

["https://en.wikipedia.org/w/index.php?title=Revenue&oldid=966766590"](https://en.wikipedia.org/w/index.php?title=Revenue&oldid=966766590)

Last edited 2 days ago by ZimZalaBim

Content is available under CC BY-SA 3.0 unless otherwise noted.