

REVENUE

Revenue is the total amount of money received from the sale of goods and services. It is the primary source of funds for a business and is used to cover operating expenses, pay taxes, and provide for future growth. Revenue is typically reported on the income statement and is a key indicator of a company's financial health.

EXPENSES

Expenses are the costs incurred by a business in the process of generating revenue. These costs can be categorized into fixed expenses, which remain constant regardless of the level of production, and variable expenses, which vary directly with the volume of output. Examples of expenses include salaries, rent, utilities, and raw materials. Expenses are reported on the income statement and are subtracted from revenue to determine net income.

NET INCOME

Net income is the profit remaining after all expenses have been deducted from revenue. It represents the total amount of money that a business has earned and is a key indicator of its financial performance. Net income is typically reported on the income statement and is used to calculate earnings per share (EPS).

CONTRIBUTION MARGIN

Contribution margin is the amount of revenue left over after variable expenses have been deducted. It represents the portion of revenue that is available to cover fixed expenses and contribute to net income. Contribution margin is typically expressed as a percentage of revenue and is a key indicator of a company's operating leverage.

Contribution margin is calculated by subtracting variable expenses from revenue. It is a useful tool for analyzing the profitability of different products and services and for determining the break-even point.

Contribution margin is also used to calculate the break-even point, which is the level of sales at which total revenue equals total expenses. This is the point at which a business begins to generate a profit. Contribution margin is a key factor in determining the break-even point and is used to analyze the impact of changes in sales volume and prices on a company's profitability.

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