

## APPROVED

by Resolution No. 1 of 18 December 2003  
of the Standards Board of the Public  
Establishment the Institute of Accounting  
of the Republic of Lithuania

### 3 BUSINESS ACCOUNTING STANDARD „INCOME STATEMENT”

*Version effective as from 5 January 2007 (“Valstybės žinios” (Official Gazette), 2004, No. 20-616; No. 180-6697; 2005, No. 130 (correction); 2006, No. 127-4881; 2007, No.1-46).*

#### I. GENERAL PROVISIONS

1. The objective of this Standard is to set out how information about an entity’s income earned, expenses incurred and its operating performance during a reporting period shall be presented, classified and disclosed.

2. This Standard establishes a procedure of preparing an income statement, classifying income and expenses into ordinary and extraordinary items and provides standard forms of the income statement, except for consolidated statement. Standard income statement forms are presented in the Annexes to this Standard:

2.1. income statement forms for all entities, except for those specified in paragraphs 2.2 and 2.3, are in Annexes 1 and 2;

2.2. form for entities, whose typical activities are cultivation of biological assets, production and treatment of agricultural produce, processing of agricultural produce of own production and treatment, thereafter referred to as agricultural entities, is in Annex 3;

2.3. form for state and municipal enterprises is in Annex 1.

3. In exceptional cases income statement forms other than those established in this Standard may be presented if it is necessary in order to present fairly the performance of an entity.

#### II. KEY DEFINITIONS

**Costs** - outflows of assets or services and decreases in the value of assets during the reporting period.

**Ordinary activities** - recurring economic transactions related to the entity’s activities.

**Extraordinary items** - items that include results of extraordinary, accidental and non-recurring events.

**Untypical activities** – economic transactions that cannot be classified as operating activities, but are related to ordinary activities.

**Sales revenue** – an increase in economic benefits arising from sales of goods or rendering of services during the reporting period in the form of inflows of an entity’s assets or decreases in liabilities, which results in an increase in equity, other than that relating to additional owners’ contributions.

**Cost of sales** - costs incurred during the reporting or earlier periods and related to services rendered and goods sold during the reporting period.

**Operating activities** - economic transactions related to activities which generate the largest portion of income during several reporting periods and which are considered as principal by an entity.

**Operating expenses** - costs incurred during the reporting period and related to ordinary activities of an entity that are carried out irrespectively of its sales volume, except for financing, investing and other activities.

### **III. STRUCTURE OF INCOME STATEMENT**

4. In the income statement information about the activities of an entity during the reporting period is classified into items related to ordinary activities and extraordinary items

5. Ordinary activities of an entity cover recurring economic transactions related to all its activities. Data related to ordinary activities is further grouped into operating and untypical activities items.

6. Data on operating activities of an entity comprises sales revenue, cost of sales and operating expenses.

7. Data on untypical activities of an entity comprises other, financial and investing activities.

8. Extraordinary items consist of extraordinary gains and losses. These items shall be presented separately.

9. Data on activities of an entity is grouped in accordance with the criteria specified in this Standard and in reference to the particular nature of its operations. The selected classification shall be applied continuously or for a sufficiently long time, unless some significant events or circumstances lead to a change of classification.

### **IV. PRESENTATION OF DATA IN INCOME STATEMENT**

10. Data on income earned and expenses incurred by an entity during the reporting period can be presented in a complete or condensed form.

11. The following items shall be presented on the face of an income statement:

- 11.1. I. Sales revenue;
- 11.2. II. Cost of sales;
- 11.3. III. Gross profit (loss);
- 11.4. IV. Operating expenses;
- 11.5. V. Operating profit (loss);
- 11.6. VI. Other activities;
- 11.7. VII. Financing and investing activities;
- 11.8. VIII. Profit (loss) from ordinary activities;
- 11.9. IX. Extraordinary gains;
- 11.10. X. Extraordinary losses;
- 11.11. XI. Profit (loss) before tax;
- 11.12. XII. Income tax;
- 11.13. XIII. Net profit (loss).

12. Items included in standard income statement forms, other than those specified in paragraph 11, may be skipped, if they have zero totals in the reporting and previous periods. It is also allowed to include additional items into the income statement if it is necessary to fairly present the performance of an entity.

### **V. EXPLANATION OF INCOME STATEMENT ITEMS**

13. Sales revenue item shall present net income from sales. Accounting requirements for sales revenue earned during a reporting period are established by 10 Business Accounting Standard "Sales Revenue".

14. Cost of sales item shall include the net cost of sales. Requirements for the cost of sales accounting are established by 11 Business Accounting Standard "Cost of Sales and Operating Expenses".

15. Operating expenses item includes selling as well as general and administrative expenses. Requirements for operating expenses accounting are established by 11 Business Accounting Standard "Cost of Sales and Operating Expenses".

16. Other activities item includes the result of untypical activities (except for financing and investing activities).

17. The item of income from other activities comprises income or profit arising from ordinary but untypical activities, except for financing and investing activities. Income from other activities includes: income from output of untypical activities, income from goods held for resale and rendering services; income from using the entity's non-current assets; royalties (for example, patents, trade marks, copyrights, computer software, etc.); profit from transfer of non-current assets (except for financial assets), etc.

18. The item of expenses for other activities comprises expenses and losses related to income from other activities. Expenses for other activities include: cost of sold output of untypical activities, sold goods held for resale or services; losses from transfer of non-current assets (except for financial assets), etc.

19. The item of income from financing and investing activities presents income earned from financing and investing activities during the reporting period. This income includes: interest on loans granted to clients or employees of the entity, interest on cash deposits in the bank, profit from changes in foreign currency exchange rates, recognised fines and interest on overdue payments, dividend income, profit from transfer and revaluation of non-current investments, etc., unless other Business Accounting Standards establish otherwise.

20. The item of expenses for financing and investing activities consists of expenses for financial and investing activities incurred during the reporting period. These expenses include: losses from changes in foreign currency exchange rates, imposed fines and interest on overdue payments, losses from transfer and revaluation of non-current investments (unless other Business Accounting Standards establish otherwise), interest on assets acquired by lease, loan interest expenses, etc.

21. Extraordinary items comprise the results of non-recurring economic events, which cannot be attributed to ordinary activities. Whether or not an event is attributable to ordinary activities of an entity, is determined on the basis of its substance, compared to the ordinary activities of the entity, rather than on the basis of the frequency of such event. Frequency of the event is only one of criteria used when designating an item as extraordinary. Complete explanatory notes shall disclose the substance and amounts of extraordinary gains and losses, except for the case when their amounts are not significant for evaluating the performance on the entity.

22. Income tax is calculated on the accrual basis of accounting.

## **VI. PRESENTATION OF RESULTS IN THE INCOME STATEMENT**

23. The results of operating, ordinary and all activities of an entity of the reporting period as well as extraordinary items shall be computed and presented in the income statement. For this purpose the ratios of gross profit (loss), operating profit (loss), profit (loss) from ordinary activities, profit (loss) before tax and net profit (loss) are used.

24. Gross profit (loss) ratio is calculated as the difference between sales revenue and cost of sales.

25. Operating profit (loss) ratio is calculated as the difference between gross profit and operating expenses.

26. Profit (loss) from ordinary activities ratio shows the result of ordinary activities of the entity (operating and untypical) during the reporting period. This profit ratio is calculated by summing up the operating profit (loss) and the results of other, financing and investing activities.

27. Profit (loss) before tax ratio shows the result of ordinary activities of the entity and extraordinary items. It is calculated by summing up the profit (loss) from ordinary activities and extraordinary gains less extraordinary losses.

28. Net profit (loss) ratio shows the final result of the entity's activities, i.e. the remaining profit of the entity, available for distribution, or the remaining losses. Net profit ratio is calculated as the difference between profit (loss) before tax and income tax expenses.

## VII. INCOME STATEMENT OF AGRICULTURAL ENTITIES

29. The following items shall be included in the income statement:

29.1. I. Sales revenue;

29.2. II. Increase (decrease) in the carrying amount of produce, work in progress, livestock and other biological assets;

29.3. III. Produce consumed for entity's needs;

29.4. IV. Purchases of livestock and other biological assets (-);

29.5. V. Gross produce;

29.6. VI. Variable expenses;

29.7. VII. Gross profit (loss) from production;

29.8. VIII. Fixed expenses;

29.9. IX. Operating profit (loss);

29.10. X. Grants related to income;

29.11. XI. Other activities;

29.12. XII. Financing and investing activities;

29.13. XIII. Profit (loss) from ordinary activities;

29.14. XIV. Extraordinary gains;

29.15. XV. Extraordinary losses;

29.16. XVI. Profit (loss) before tax;

29.17. XVII. Income tax;

29.18. XVIII. Net profit (loss).

30. Items of the income statement of agricultural entities specified in item 29 of this Standard are compulsory, i.e. they have to be presented even if they have zero totals. Other items presented in the standard income statement form may be skipped, if they do not provide significant information. It is also allowed to include additional items into the income statement if it is necessary to fairly present the performance of an entity.

31. Sales revenue item shall present net income from sales in accordance with the requirements of 10 Business Accounting Standard "Sales Revenue"

32. Item of increase (decrease) in the carrying amount of produce, work in progress, livestock and other biological assets shall present the difference in the fair value or actual cost of these types of assets at the beginning and at the end of the reporting period.

33. Produce consumed for entity's needs item shall present the value of agricultural produce and products (processing result) used for the specified needs.

34. Purchases of livestock and other biological assets item shall present the acquisition cost of such assets purchased from other entities and residents.

35. Gross produce item shall present the scope of agricultural activities in terms of money. It is calculated by adding up the items of sales revenue, changes in the carrying amount of produce, work in progress, livestock and other biological assets, produce consumed for entity's needs and subtracting the item of purchases of livestock and other biological assets.

36. Variable expenses item shall include such expenses, the amount of which depends on the scope of operations.

37. Item of gross profit (loss) from production shall present the difference between the gross produce and variable expenses.

38. Fixed expenses item shall present such expenses, the amount of which conditionally does not depend on the scope of operations.

39. Operating profit (loss) item shall present the difference between the gross profit (loss) from production and fixed expenses.

40. Item of grants related to income shall present used direct and compensatory payments as well as other payments granted to agricultural entities in order to maintain their income level or compensate the loss of income.

**VIII. FINAL PROVISIONS**

41. This Standard shall be effective for financial statements covering periods beginning on or after 1 January 2004. A standard income statement form presented in Annex 1 to this Standard shall be used by state and municipal enterprises for financial statements covering periods beginning on or after 1 January 2006.

Annex 1  
to 3 Business Accounting Standard  
“Income Statement”

**(Standard Form of Complete Income Statement)**

\_\_\_\_\_  
(entity name)

\_\_\_\_\_  
(entity identification number, address, other information)

APPROVED  
Minutes No.....  
of ... ..... 20 ....

**INCOME STATEMENT** \_\_\_\_\_  
(reporting period)

..... No. ....  
(reporting date)

\_\_\_\_\_  
Reporting currency, specify degree of accuracy

No.	Items	Com ment No.	Financial Year	Previous financial year
<b>I.</b>	<b>SALES REVENUE</b>			
<b>II.</b>	<b>COST OF SALES</b>			
<b>III.</b>	<b>GROSS PROFIT (LOSS)</b>			
<b>IV.</b>	<b>OPERATING EXPENSES</b>			
IV.1.	Selling			
IV.2.	General and administrative			
<b>V.</b>	<b>OPERATING PROFIT (LOSS)</b>			
<b>VI.</b>	<b>OTHER ACTIVITIES</b>			
VI.1.	Income			
VI.2.	Expenses			
<b>VII.</b>	<b>FINANCING AND INVESTING ACTIVITIES</b>			
VII.1.	Income			
VII.2.	Expenses			
<b>VIII.</b>	<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES</b>			
<b>IX.</b>	<b>EXTRAORDINARY GAINS</b>			
<b>X.</b>	<b>EXTRAORDINARY LOSSES</b>			
<b>XI.</b>	<b>PROFIT (LOSS) BEFORE TAX</b>			
<b>XII.</b>	<b>INCOME TAX</b>			
<b>XIII.</b>	<b>NET PROFIT (LOSS)</b>			

\_\_\_\_\_  
(title of the head of entity administration)

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(name, surname)

Annex 2

to 3 Business Accounting Standard  
“Income Statement”**(Standards Form of Condensed Income Statement)**\_\_\_\_\_  
(entity name)\_\_\_\_\_  
(entity identification number, address, other information)

APPROVED

Minutes No.....

..... 20 .....

**INCOME STATEMENT** \_\_\_\_\_  
(reporting period)..... No. ....  
(reporting date)\_\_\_\_\_  
Reporting currency, specify degree of accuracy

No.	Items	Com ment No.	Financial year	Previous financial year
<b>I.</b>	<b>SALES REVENUE</b>			
<b>II.</b>	<b>COST OF SALES</b>			
<b>III.</b>	<b>GROSS PROFIT (LOSS)</b>			
<b>IV.</b>	<b>OPERATING EXPENSES</b>			
<b>V.</b>	<b>OPERATING PROFIT (LOSS)</b>			
<b>VI.</b>	<b>OTHER ACTIVITIES</b>			
<b>VII.</b>	<b>FINANCING AND INVESTING ACTIVITIES</b>			
<b>VIII.</b>	<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES</b>			
<b>IX.</b>	<b>EXTRAORDINARY GAINS</b>			
<b>X.</b>	<b>EXTRAORDINARY LOSSES</b>			
<b>XI.</b>	<b>PROFIT (LOSS) BEFORE TAX</b>			
<b>XII.</b>	<b>INCOME TAX</b>			
<b>XIII.</b>	<b>NET PROFIT (LOSS)</b>			

\_\_\_\_\_  
(title of the head of entity administration)\_\_\_\_\_  
(signature)\_\_\_\_\_  
(name, surname)

Annex 3  
to 3 Business Accounting Standard  
“Income Statement”

**(Standard Form of Income Statement for Agricultural Entities)**

(entity name)

(entity identification number, address, other information)

APPROVED  
Minutes No.....  
of ... ..... 20 ....

**INCOME STATEMENT** \_\_\_\_\_  
(reporting period)

..... No. ....  
(reporting date)

Reporting currency, specify degree of accuracy

No.	Items	Com ment No.	Financial Year	Previous financial year
<b>I.</b>	<b>SALES REVENUE</b>			
I.1.	From selling produce of plant growing			
I.2.	From selling livestock and other animals			
I.3.	From selling other produce of animal husbandry			
I.4.	From selling products (processing results of own agricultural produce)			
I.5.	From agricultural services			
<b>II.</b>	<b>INCREASE (DECREASE) IN THE CARRYING AMOUNT OF PRODUCE, WORK IN PROGRESS, LIVESTOCK AND OTHER BIOLOGICAL ASSETS</b>			
II.1.	Increase (decrease) in the carrying amount of produce			
II.1.1.	Agricultural produce			
II.1.2.	Other products			
II.2.	Increase (decrease) in the carrying amount of work in progress			
II.2.1.	Agricultural			
II.2.2.	Other work in progress			
II.3.	Increase (decrease) in the carrying amount of livestock and other biological assets			
II.3.1.	Livestock and other animals			
II.3.2.	Other biological assets			
<b>III.</b>	<b>PRODUCE CONSUMED FOR ENTITY'S NEEDS</b>			
III.1.	Agricultural produce			
III.2.	Other products			
<b>IV.</b>	<b>PURCHASES OF LIVESTOCK AND OTHER BIOLOGICAL ASSETS (-)</b>			



IV.1.	Livestock and other animals			
IV.2.	Other biological assets			
<b>V.</b>	<b>GROSS PRODUCE</b>			
V.1.	Agricultural produce			
V.2.	Other products			
<b>VI.</b>	<b>VARIABLE EXPENSES</b>			
<b>VII.</b>	<b>GROSS PROFIT (LOSS) FROM PRODUCTION</b>			
<b>VIII.</b>	<b>FIXED EXPENSES</b>			
VIII.1.	Non-current assets depreciation expenses			
VIII.2.	Other fixed expenses			
<b>VII.</b>	<b>FINANCING AND INVESTING ACTIVITIES</b>			
VII.1.	Income			
VII.2.	Expenses			
<b>IX.</b>	<b>OPERATING PROFIT (LOSS)</b>			
<b>X.</b>	<b>GRANTS RELATED TO INCOME</b>			
<b>XI.</b>	<b>OTHER ACTIVITIES</b>			
XI.1.	Income			
XI.2.	Expenses			
<b>XII.</b>	<b>FINANCING AND INVESTING ACTIVITIES</b>			
XII.1.	Income			
XII.2.	Expenses			
<b>XIII.</b>	<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES</b>			
<b>XIV.</b>	<b>EXTRAORDINARY GAINS</b>			
<b>XV.</b>	<b>EXTRAORDINARY LOSSES</b>			
<b>XVI.</b>	<b>PROFIT (LOSS) BEFORE TAX</b>			
<b>XVII.</b>	<b>INCOME TAX</b>			
<b>XVIII.</b>	<b>NET PROFIT (LOSS)</b>			

\_\_\_\_\_  
(title of the head of entity administration)

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(name, surname)