

Profit & Loss Statement

Date: From

to

Revenue

Sales revenue (product and services)

Other Revenue

Total Revenue

Cost of Sales

Cost of goods sold (net inventory, direct labor, sales tax, freight, packaging)

Gross Profit (loss)

Other Income

Other Income (e.g., Interest income on deposits or investments)

Expenses

Legal/accounting/bank fees

Marketing

Freight & courier

Insurance

Utilities (power, etc)

Technology and subscriptions

Office expenses

Rent

Payroll and employee related expenses

Contract labour

Vehicle and travel

General expenses

Depreciation on assets

Sales tax

Interest

Total Expenses

Profit (Loss) Before Tax

Profit & Loss Statement

To complete your Profit and Loss Statement, follow these steps.

Use your bank accounts, ledgers or other reports you use to track sales and revenue each month to calculate the numbers. If you use accounting software, you should be able to download a Profit and Loss Statement – sometimes called an Income Statement.

Whichever method you use, note that Profit and Loss Statements record what happened in your business between two dates, such as January 1st to December 31st, or January 1st to the latest month end.

1. Calculate revenue

Input all the revenue your business has received for the period. When calculating revenue, be sure to include all revenue received, whether it's from selling products and services or other business activity.

2. Calculate cost of sales

Your cost of sales is what you spend on inventory or raw materials, to make or produce your product. If you are a pure service business and have no physical inventory, either leave this at \$0, or you may wish to include the cost of contract labour here (and not in the expenses column).

3. Determine gross profit

Gross profit is calculated in this form and shows the profit your business has earned from selling your products and/or services.

4. Add other revenue

At times the business may receive revenue from sources that are not part of business as usual, such as sale of an asset, rebates from suppliers or sales or interest from investments.

5. Calculate expenses

Include expenses such as rent, travel, payroll, utilities, internet, marketing etc.

Note.

Don't include large purchases like equipment, land or buildings as an expense, as these items are depreciated each year. For example, if you buy an asset for \$100,000 and it lasts 10 years, you'd add \$10,000 in the depreciation column every year for 10 years. Not \$100,000 in year one.

6. Subtract expenses from gross profit

Once your operating expenses have been entered you get your operating net profit.

Tips to improve net profit

Improving net profit involves increasing revenue or decreasing expenses, or both. Here are some ways you can improve net profit:

- › Increase sales revenue by expanding your customer base, improving your marketing efforts, launching new products or services, or increasing your prices.
- › Reduce costs by renegotiating contracts with suppliers, finding cheaper suppliers, automating processes to reduce labour costs, reducing waste, or implementing energy-efficient practices.
- › Improve the efficiency of your business operation to do more with less. This can involve streamlining processes, reducing downtime, and optimizing your supply chain.
- › Identify the products or services that provide the highest profit margins and focus on selling more. This can help increase your overall profitability.
- › Review your expenses and identify any non-essential expenses that can be cut.
- › Reduce inventory levels by reducing waste, recycle, buy just in time and automate re-ordering to be as efficient as possible.