

**PROFIT & LOSS STATEMENT**

Date:

**Revenue**

Sales Revenue (Less sales returns and allowances)

Service Revenue

Other Revenue

**Total Revenue****Cost of sales**

Cost of Goods Sold

**Total Cost of Sales****Gross Profit (Loss)****Other Income**

Other Income (e.g., Interest)

**Total Other Income****Expenses**

Bank fees

Entertainment

Freight &amp; courier

Insurance

Utilities

Vehicle expenses

Office expenses

Rent

Payroll

Travel

General expenses

**Total Expenses****Profit (Loss) Before Tax**

## PROFIT & LOSS STATEMENT

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

If you are completing this document from existing data, use your bank accounts, ledgers or how you track sales and revenue each month to calculate the numbers. If you are projecting ahead, then use estimates based on what you think will happen. If you use accounting software, you should be able to download a Profit and Loss 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 1st. Most often they are created at the end of your financial year.

### 1. Calculate revenue

Estimate 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 wages and salaries here (and not in the expenses column).

### 3. Determine gross profit

Subtract the cost of sales from revenue to get your gross profit. Gross profit is 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 one-off sales or interest from investments.

### 5. Calculate expenses

Add up all of your operating expenses such as rent, travel, payroll, utilities, internet, marketing etc.

### 6. Subtract expenses from gross profit

Once your operating expenses have been calculated, subtract that total to get your operating net profit.

#### How 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 labor 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.

#### 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.