

# Understanding the Profit and Loss Report



This is also known as the **Income Statement**

## What it tells you

Your business **income and expenses** for a specific period in time.



## There are 3 components:

(in order of top to bottom of the report)

### Income

Revenue from selling your goods or services to customers

#### Example



Consulting



Group Coaching



Event Speaking

### Cost of Goods Sold (COGS)

The actual cost to buy the goods or services you sold to your customers

#### Example



Books

(In a scenario where someone is offering a coaching session and they give everyone a book they recommend)



Not all businesses will have COGS

### Expenses

The money you spent to run your business

#### Example



Advertising



Rent



Software

## How to read the report

JAN 1, 20XX - MARCH 31, 20XX

The report is based on a data range the user selects / identifies / chooses

<b>INCOME</b>	
Consulting Income	\$5,000
Group Coaching	\$7,500
Speaking Income	\$20,000
<b>TOTAL INCOME</b>	<b>\$32,500</b>
<b>COGS</b>	
Cogs - Books	\$1,000
<b>TOTAL COGS</b>	<b>\$1,000</b>
<b>EXPENSES</b>	
Advertising	\$500
Office Expense	\$750
Meals Expense	\$100
Rent Expense	\$1,500
<b>TOTAL EXPENSES</b>	<b>\$2,850</b>
<b>NET PROFIT</b>	<b>\$28,650</b>

The very bottom of the profit and loss statement is the **net income or net loss**

The report can be generated on a cash or accrual basis



## But... Why is it important?



You need to understand the profitability of your business



Understanding this report will help you measure success and make informed decisions going forward