

Profit & Loss Statement

The profit and loss (P&L) statement, also known as an income statement, is a key financial statement of a company. It shows the revenues and expenses during a particular period, indicating how revenues translate into net profit or loss.

Metrics

Reading a P&L statement means understanding the various metrics that summarize the company's financial performance. Below are a brief definitions of each metric, followed by an example P&L statement on page two.

Sales Revenue	<p>Amount realized by a business from the sale of goods or the rendering of services; used to define the size of a business.</p> <ul style="list-style-type: none"> • Gross Revenue: all receipts and billings from the sale of goods or services; does not include any subtractions for sales returns and allowances. • Net Sales Revenue: subtracts sales returns and allowances from the gross sales revenue figure.
Cost of Goods Sold (COGS)	Accumulated total of all costs used to create a product or service (i.e. direct labor, materials, and overhead), which has been sold.
Gross Profit	Net Sales - COGS = Gross Profit; presented on a multiple-step income statement prior to deducting selling, general and administrative expenses and prior to non-operating revenues, non-operating expenses, gains and losses.
Selling, General and Administrative (SG&A)	Operating expenses incurred to promote, sell, and deliver a company's products and services, and manage the overall company; reported on the income statement in the period in which the expenses occur.
Depreciation & Amortization Expenses	Used to account for decreasing value of assets over time. Amortization occurs when the depreciation of an intangible asset is split up over time, and depreciation occurs when a fixed asset loses value over time.
Operating Income	Operating Revenues - Operating Expenses = Operating Income; shown as a subtotal on P&L statements. The amount of operating income is shown before the provision for income tax and before investment income, interest expense, or other non-operating income or expense items.
Interest Expense	Cost of borrowing money during a specified period of time. Occurs daily, but interest is likely to be paid monthly, quarterly, semiannually, or annually.
Earnings Before Tax (EBT)	Last subtotal found in the P&L statement before the net income line item. EBT metric is calculated after all deductions, except taxes, have been made against sales revenue.
Tax Expense	Effective Tax Rate x Taxable Income = Tax Expense; amount of tax owed for a given period. For a P&L statement, this is a one-year period.
Net Income/Net Earnings	Residual amount of earnings after all expenses have been deducted from sales (i.e., the final amount of profit or loss after all expenses are included).

P&L Statement Example

[Company Name]						
Profit and Loss (P&L) Statement						
[USD \$ millions]						
	JAN	FEB	MAR	APR	MAY	JUN
Revenue stream 1	-	-	-	-	-	-
Revenue stream 2	-	-	-	-	-	-
Returns, Refunds, Discounts	-	-	-	-	-	-
Total Net Revenue	•	•	•	•	•	•
Cost of Goods Sold	-	-	-	-	-	-
Gross Profit	•	•	•	•	•	•
Expenses						
Advertising & Promotion	-	-	-	-	-	-
Depreciation & Amortization	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-
Office Supplies	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Salaries, Benefits & Wages	-	-	-	-	-	-
Telecommunication	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Other Expense 1	-	-	-	-	-	-
Other Expense 2	-	-	-	-	-	-
Total Expenses	-	-	-	-	-	-
Earnings Before Interest & Taxes	•	•	•	•	•	•
Interest Expense	-	-	-	-	-	-
Earnings Before Taxes	•	•	•	•	•	•
Income Taxes	-	-	-	-	-	-
Net Earnings	•	•	•	•	•	•