

# PROFIT AND LOSS STATEMENT PROJECTIONS

The Profit and Loss Statement Projection is a valuable planning and a management tool. It helps you to use estimates of expected monthly and yearly income (based on reasonable predictions of monthly sales, costs, and expenses), as goals for controlling your business operation.

Record your estimates on one copy of the Profit and Loss Statement. As actual operating results become known, record them on a second copy of the statement. Comparing these two pages will allow you to identify discrepancies between the estimated and actual figures, and take action to correct any problems.

*A blank Profit and Loss Statement appears on page 3 of this handout. You may find it helpful to refer to the form as we discuss each of these items.*

**Total Net Sales (Revenues):** Determine the total number of units of products or services you believe you will sell each month in each department, at the prices you expect to get. (As you create the estimates, you should review your pricing practices.) Subtract from this any returns or discounts allowed.

**Costs of Sales:** For products, this is the cost of inventory items sold to customers. It can consist of the cost of purchasing items, freight, manufacturing costs, modification costs, packaging, etc. For services, this is the cost of providing services, including labor, material used, transportation, etc. The key to calculating your cost of sales is to be sure that you don't overlook **any** costs that you incurred. Calculate the cost of sales for all products and services to determine Total Net Sales.

**Gross Profit:** Subtract the Total Costs of Sales from the Total Net Sales to obtain this figure.

**Gross Profit Margin:** Your Gross Profit expressed as a percentage of Total Net Sales (revenues), or:  $\frac{\text{Gross Profits}}{\text{Total Net Sales}}$

**Controllable Expenses** (expenses that generally vary with your sales volume):

# **Salaries/wages:** base pay plus overtime

# **Benefits:** paid vacations, sick leave, health insurance, unemployment insurance, social security ,  
unemployment and workers compensation taxes (insurance premium expense)

# **Legal/accounting:** outside professional services

# **Advertising:** include advertising expenses by type --e.g., yellow pages, radio, brochures, TV

# **Automobile:** charge if personal car is used in business, including parking, tools, buying trips

# **Office Supplies:** services and items purchased for use in the business

# **Dues/subscriptions:** include Chamber of Commerce dues, professional society dues, etc.

# **Utilities:** electric, gas, water, telephone, etc.

# **Taxes:** personal property taxes, excise taxes, and real estate taxes (if land and building additions are optional) .

# **Repairs & maintenance:** regular maintenance /repair, including periodic large expenditures like painting

# **Miscellaneous:** small items not belonging in any of the other categories

**Fixed Expenses** (expenses that will be incurred whether you have any sales or not):

# **Rent:** list only real estate used in business

# **Depreciation:** amortization of capital assets

# **Utilities:** electric, gas, water, telephone, etc. (minimums only)

# **Insurance:** fire or liability on property or products. Include workers ' compensation here.

# **Licenses/permits:** county business licenses, liquor licenses, building permits, etc.

# **Loan payments:** interest on outstanding loans

# **Miscellaneous:** small expenditures without separate accounts

**Net Profit (loss) Before Taxes:** Subtract Total Expenses (controllable and fixed) from Gross Profit

**Taxes:** Federal State and local income taxes

**Net Profit (loss) After Taxes:** Subtract Taxes from Net Profit Before Taxes.

**Annual Total:** For each of the sales and expense items in your income projection statement, add all the monthly figures across the table and put the result in the Annual Total column.

**Percent:** In the last column, put the percentage of each item to Total Net Sales. This percentage is key to detennining whether any cost item is out of line.

**NOTE: Do not show cents on the Income Projection Statement. Indicate whether you are preparing the statement in hundreds or thousands of dollars.**

When comparing current profit and loss statements with prior year profit and loss statements, the percentage of sales are a quick guide to changes in costs, gross profit, expenses and net income.

The information was excerpted from a 48-page U.S. Small Business Administration publication entitled *The Business Plan- Road Map To Success* .

## Profit and Loss Statement

(in hundreds \_\_\_\_\_ or thousands \_\_\_\_\_ of dollars)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total	Percent %
Total Net Sales														
Costs of Sales														
Gross Profit														
Gross Profit Margin														
Controllable Expenses:														
Salaries/wages														
Benefits														
Legal/accounting														
Advertising														
Automobile														
Office Supplies														
Dues/Subscriptions														
Utilities														
Taxes														
Repairs & maintenance.														
Miscellaneous														
Total Control. Expenses														
Fixed Expenses:														
Rent														
Depreciation														
Utilities														
Insurance														
Licenses/permits														
Loan payments														
Miscellaneous														
Total Expenses														
Net Profit (loss) Before Taxes														
Taxes														
Net Profit (loss) After Taxes														