

What is a Profit and Loss Statement?

A Profit and Loss Statement (P&L) is a financial statement that summarizes the total income and total expenses of a business in a specific period of time. The goal of a P&L is to measure a company's profits by subtracting expenses from income and provide an overview of the financial health of the business.

Terms to Know:

1. Revenue / Income
Also called sales or income, revenue includes any money received for the sale of your products or services.
2. COGS (Cost of Goods Sold)
The cost of goods sold (COGS) is the sum of all direct costs associated with making a product. It appears on an income statement and typically includes money mainly spent on raw materials.
3. Gross Profit
Gross profit, also called gross income, is calculated by subtracting the cost of goods sold (COGS) from revenue/income.
4. Expenses
Expenses include all your outgoings, such as:
 1. Cost of goods sold (COGS)
 2. Overheads such as rent and wages
 3. Debts
 4. Marketing and advertising expenses
 5. Supplies
 6. Utilities
5. Net profit/income
Net profit is a company's total earnings after subtracting all expenses. Calculate your net profit by subtracting all your expenses from your revenue.

Links to Profit and Loss Templates:

[Profit and Loss Template](#)

[Plantilla Pérdidas y Ganancias](#) (Versión español)

Example:

Income	
Sales of Items bought for resale	33,465
Cost of Items bought for resale	(23,000)
Products and Services	59,750
Total Income	70,215
Expenses	
Wages	26,531
Admin., Cert.s/Fees, Dntn, Insur. & Tax	18,760
Fertilizer/Lime	4,060
Fuel	1,689
Repairs/Maintenance	1,100
Seed	2,677
Special Projects	1,950
Supplies	4,000
Utilities	6,984
Total Expenses	67,751
Profit	2,464

How to Fill Out Farm Profit and Loss:

1. Start by gathering all relevant financial records related to the farm, including income and expenses from all sources such as crop sales, livestock sales, government subsidies, and other farm-related activities.
2. Calculate the farm's income. This can include sales of crops, livestock, eggs, milk, or any other agricultural product. If you've taken a loan that should be indicated clearly.
3. Determine the expenses. This may include seed costs, feed costs, fertilizer expenses, or any other inputs used in the farming operation, costs relating to labor, utilities, repairs and maintenance, insurance, taxes, and other expenses incurred in running the farm.
4. Consider any non-operating expenses or income which might include interest paid on loans, rental income from leased land or equipment, or any other financial transactions not directly related to the farm operations.
5. Subtract expenses from the income profit to calculate the net profit or loss of the farm. Review the completed profit and loss statement for accuracy and make any necessary adjustments.

Other helpful information:

[What is a profit and loss statement, and how do I create one?](#)