

Got to Love Your P&L Statement

How often do you look at the Profit and Loss (P&L) statement for your business? Only once a year? It could be more useful to monitor it more often.

Your P&L statement gives you a great way to keep an eye on how your business is doing. Like the name suggests, it shows profit and loss for a given period. That might be monthly, quarterly or annually, as often as you like.

Your P&L statement charts revenue and expenses - incomings and outgoings - so that it can help you see what's actually happening with your cashflow. This is why it's also sometimes called an income and expenditure account or a statement of financial performance.

The basics

When you look over your P&L statement look for a few basics:

- | | |
|------------------------------|--|
| This year/last year? | How do this year's numbers compare with last year's |
| What's the margin? | What's the margin between revenue and expenses? After you've taken away all your expenses, the remainder is your profit. This will give you an idea of how much you can take out of the business and how much you are likely to need for your normal business costs. Is there room to factor in a buffer amount for unexpected costs? Do the numbers fit with what you know you need for upcoming tax payments? Should you be reinvesting in the business? |
| What are the trends? | Do revenues or costs rise or fall in a regular pattern from month to month? Can you see why the patterns occur? |
| What bucks the trend? | Can you see any incomings or outgoings that don't fit with the pattern? With windfall revenues, is there anything you could do to extend them so they become the norm rather than the exception? With sudden unpredictable spikes in your costs, are these easily explained or are they symptoms of emerging business risk? |

Take action

Regularly checking in with your P&L is a great risk management strategy. And if you're trying new marketing techniques or running new product lines, it's a good way to track whether they're performing well.

You know we love this stuff. We would be happy to talk you through how to gain more meaningful data from your P&L. Just give us a call, we're there to help.

This document is provided only as a guide. Users of this material are expected to seek advice with regards their own specific circumstances before acting on anything they read.