

How to Read Your Profit & Loss Statement

A simple guide for business owners who want to understand what their numbers are really saying.

1. Revenue (Money Coming In)

This is the total income your business earned during the reporting period. Start here. If revenue is growing, your business is generating more sales.

2. Cost of Goods Sold (COGS)

These are the direct costs associated with delivering your product or service. Revenue minus COGS equals Gross Profit.

3. Gross Profit

This shows how much money remains after covering the direct costs of your products or services. Think of it as the money available to run the business.

4. Operating Expenses

These are the costs of running your business: software, office expenses, marketing, subscriptions, insurance, payroll, and more.

5. Net Profit

This is the number most business owners care about. It's what's left after all expenses have been paid.

Jennifer's Tip

Don't just look at your bottom-line profit. Compare your Profit & Loss report month-to-month and watch for trends. Trends tell a much bigger story than a single month ever will.

Questions Every Business Owner Should Ask

- Is revenue increasing or decreasing?
- Are expenses growing faster than revenue?
- Which expenses have increased significantly?
- Am I consistently profitable?
- Do I have enough profit to pay myself and save for taxes?
- What trends do I see over the last 3–12 months?

Not Sure What Your P&L; Is Telling You?

A Profit & Loss report is only helpful if you know how to interpret it. If you're looking at your numbers and still have questions, you're not alone.

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- ✓ Clear action plan moving forward

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