



## Understanding Your Profit & Loss (P&L)

### What Is a P&L?

A Profit & Loss (P&L) statement shows how much money your business earned and spent during a specific period. It answers one key question:

- Did the business make or lose money?**
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### What Your P&L Shows

#### Income

- All money earned during the period, such as sales, services, or rental income.

#### Expenses

- The costs required to operate your business, including supplies, software, marketing, repairs, and professional services.

#### Net Profit (or Loss)

- What remains after expenses are subtracted from income.

**Income – Expenses = Net Profit (or Loss)**

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### What to Watch Each Month

- Changes in income (growth, dips, or seasonality)
- Rising or unusual expenses
- Consistency in profits
- Spending increasing faster than revenue

Reviewing monthly helps you catch issues early and stay in control.

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## How to Spot Trends

- Compare multiple months together (3–6 months)
- Watch for steadily increasing expenses
- Identify high-cost categories
- Monitor profit margins, not just revenue

Trends help you understand where your business is headed.

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## Why Your P&L Matters

Your P&L helps you:

- Understand your business's financial health
  - Make informed spending decisions
  - Plan for taxes and cash needs
  - Measure progress toward your goals
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**Helpful Tip:** Review your P&L monthly and ask questions about changes. Clear numbers lead to confident decisions.