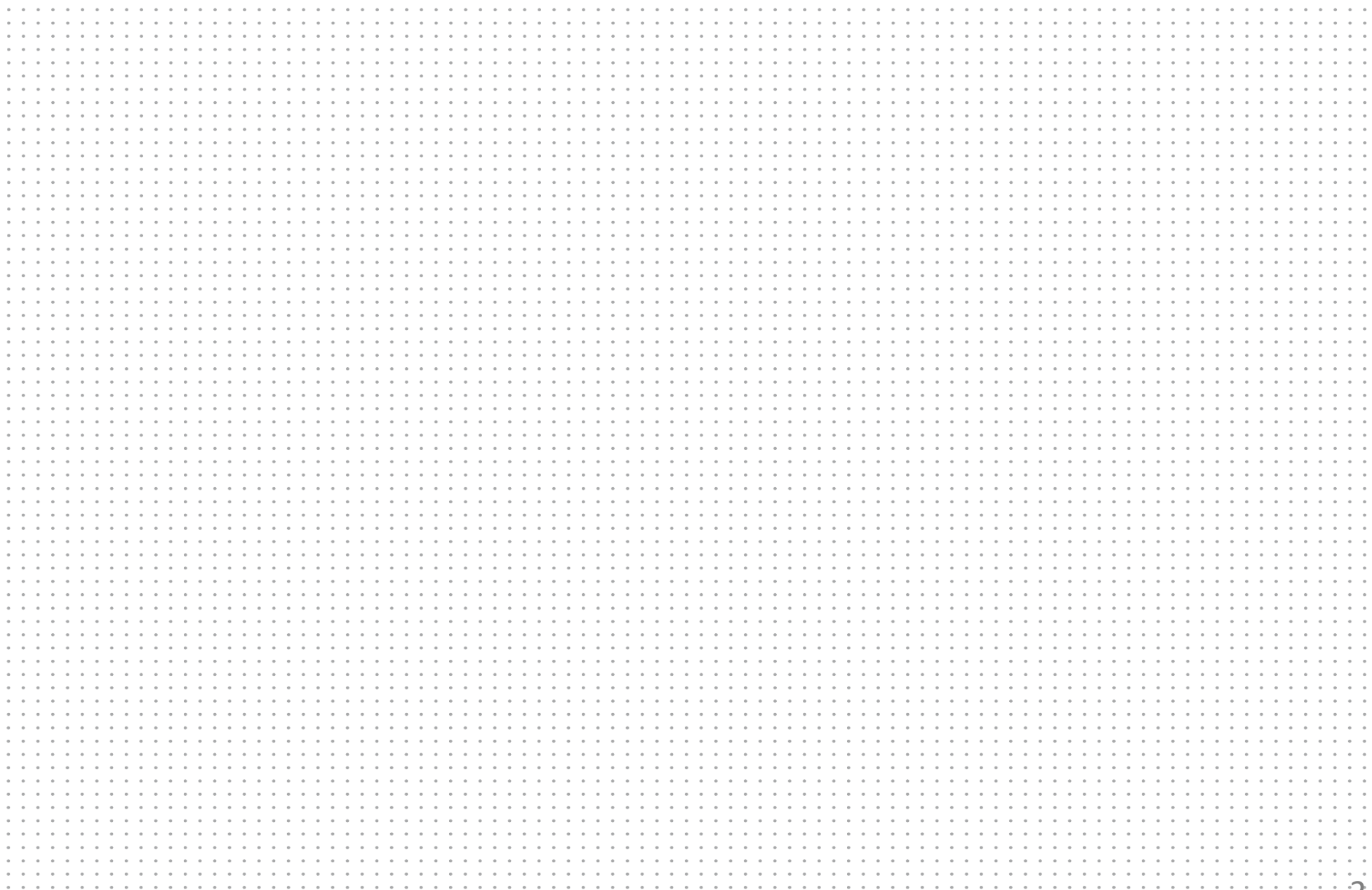


Mastering The Profit & Loss Statement

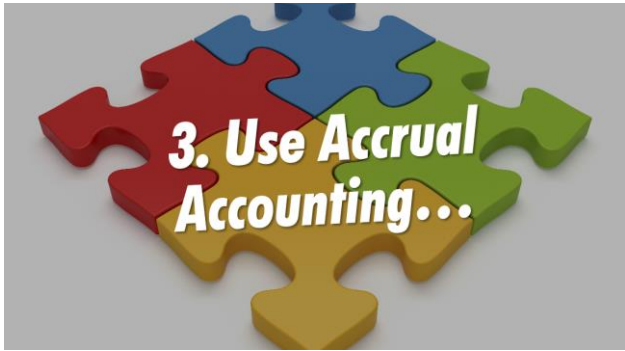
With Tony Fraser-Jones



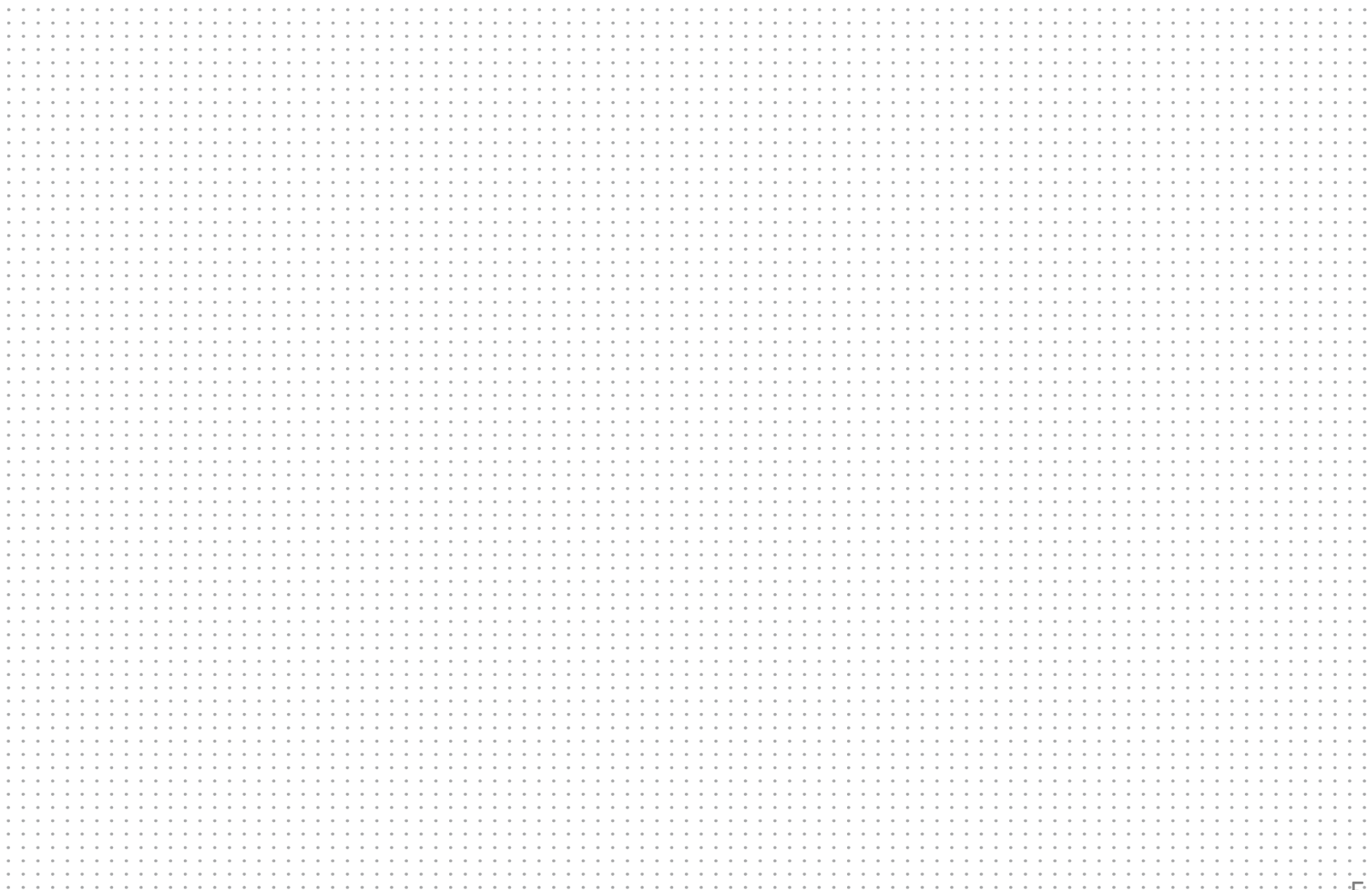
5 Key Principles...

1. Make Profit A Priority...

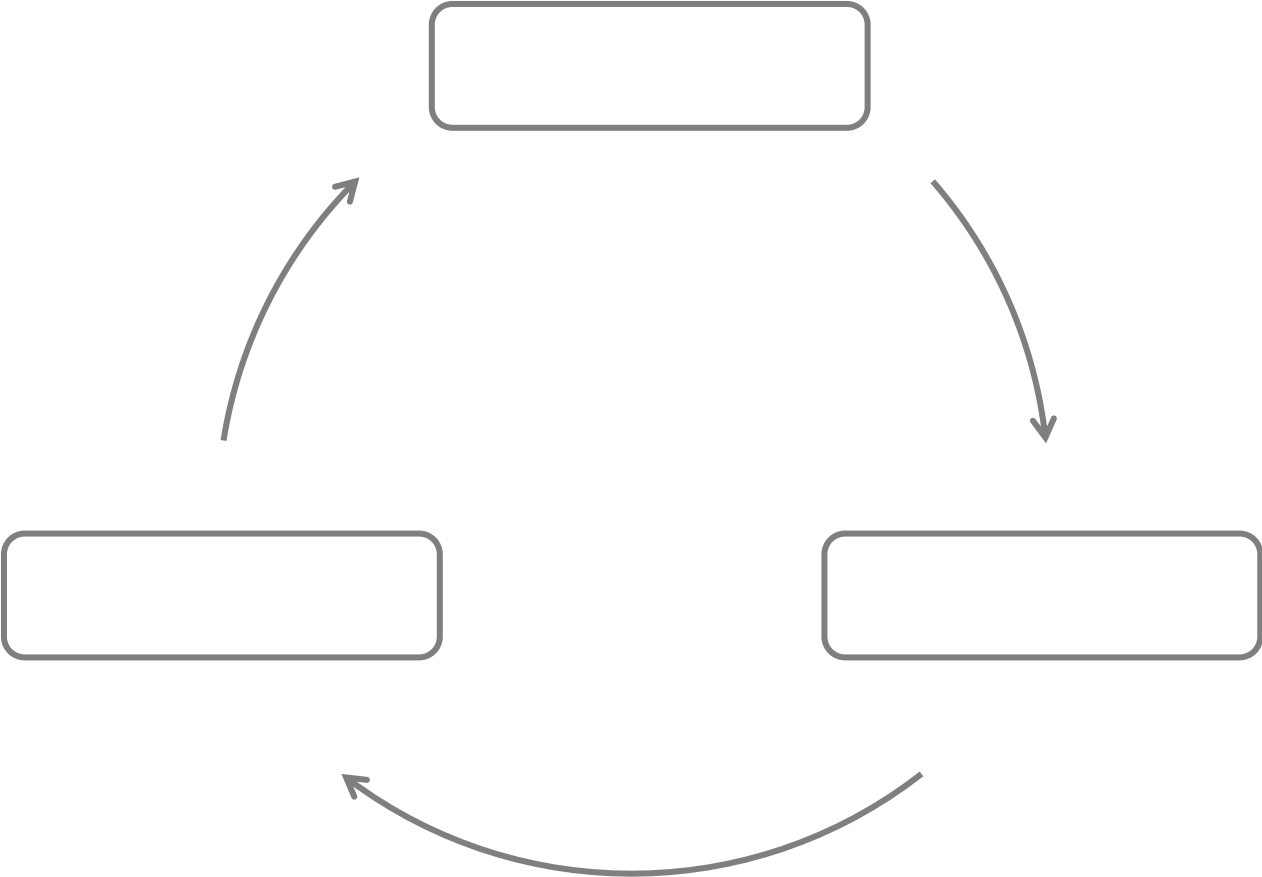
2. You Manage What You Measure...

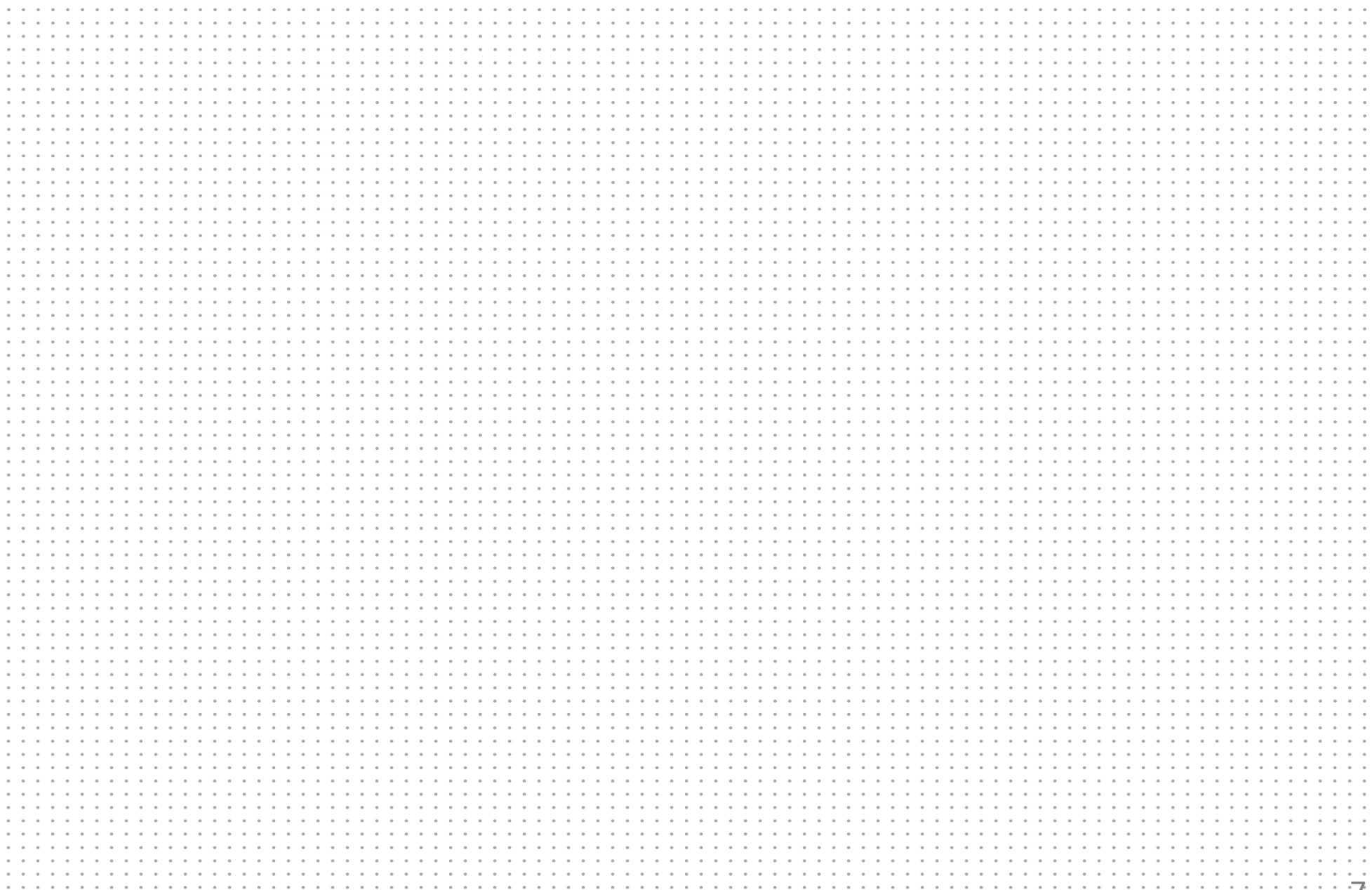


A large rectangular area with a light grey background and a grid of small white dots, serving as a workspace for notes.



The 3 T's





Profit and Loss Statement for July 2019

SALES

\$268,460

LESS COST OF GOODS SOLD

Opening Stock	\$10,000
Opening WIP	\$20,000
Wages (on the tools)	\$62,509
Materials	\$87,572
Sub Contractors	\$7,563
Less closing stock	\$10,000
Less Closing WIP	\$20,000

\$157,644

GROSS PROFIT

\$110,816

LESS FIXED COSTS

Bank fees	\$856
ACC Levies / Workers Comp	\$1,258
Marketing	\$2,485
Power	\$502
Phone	\$810
Telephone	\$1,854
Business Coaching	\$1,995
Repairs & Maintenance	\$2,965
Fuel	\$4,856
Road user charges	\$851
Accounting	\$850
Insurance	\$1,595
Rent & Outgoings	\$3,350
Interest	\$917
Stationery	\$386
Office Wages	\$16,985
Depreciation	\$1,859
Salaries	\$8,333
Subscriptions	\$1,452
General Expenses	\$1,023

\$55,182

NET PROFIT (PRE-TAX)

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Notes



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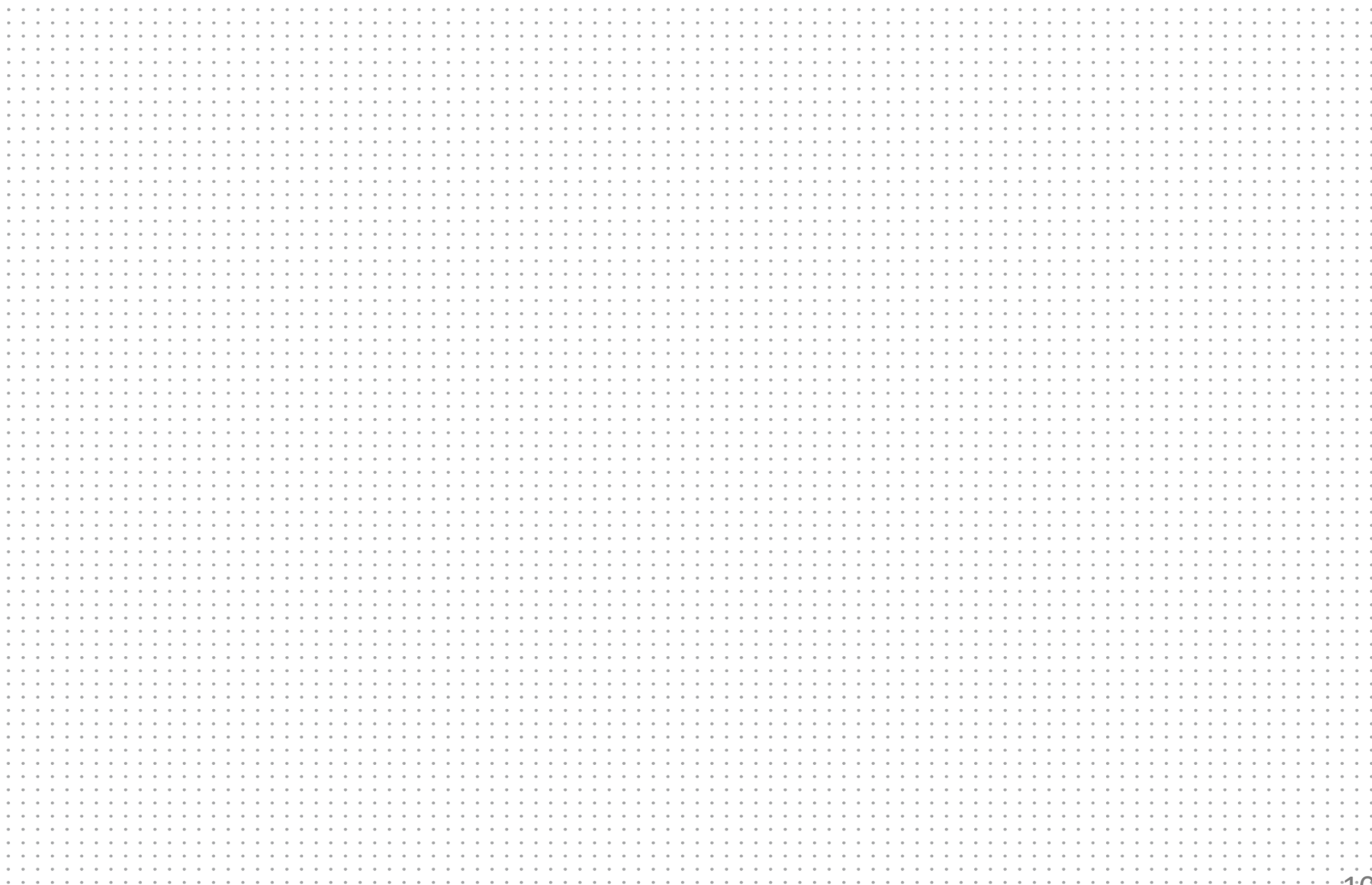


Chart of Accounts Template

A chart of accounts is a numbered list of the accounts that make up a business's general ledger. The chart of accounts is basically a filing system for categorizing all of a company's accounts. Think of the chart of accounts as a set of buckets that we use to classify where transaction should go. For instance, Sales, Costs of Good Sold, Expenses, Assets, Liabilities and Owners Equity. Within each area you have a number of sub codes (or buckets). For example, under Expense you would find Insurance, Fuel, Rent, Power, Phone etc.

Your Bookkeeper or Accountant will help you set up your chart of accounts. There are a couple of key points to ensure your Bookkeeper or Accountant has covered.

Sales:

You can break the sale into different categories for more detailed analysis. For example:

- Maintenance
- Drain Laying
- Construction

Creating codes to this level of detail is not a must but it helps analyse which type of jobs are most profitable.

Cost of Goods Sold:

The basic codes needed are:

- Labour or Wages (on the tools only)
- Materials
- Subcontractors
- Equipment Hire

Chart of Accounts Template

You can break these codes down into different categories as above for more detailed analysis. For example:

- Labour Maintenance
- Materials Maintenance
- Subcontractors Maintenance

You will also need to create a Work in Progress (WIP P & L) code for your Profit and Loss Statement and a Work In Progress (WIP Bal) for your balance sheet.

If you carry large amounts of stock in your workshop you will also need a Stock (P & L) for your Profit and Loss Statement and a Stock (Bal) for your balance sheet

Fixed Costs:

All other expenses are included in the fixed costs. Note the following are included in fixed costs:

- Administration / Office Wages
- Salaries (for people off on the tools e.g. Operations Manager and Business Owner)

Please note that if you take drawings this will not show on your Profit and Loss Statement. You simply add the drawings back once you're completed the monthly Profit and Loss by hand to get a realistic monthly performance. Your Accountant will tidy up your Shareholders Salary at the end of the financial year.

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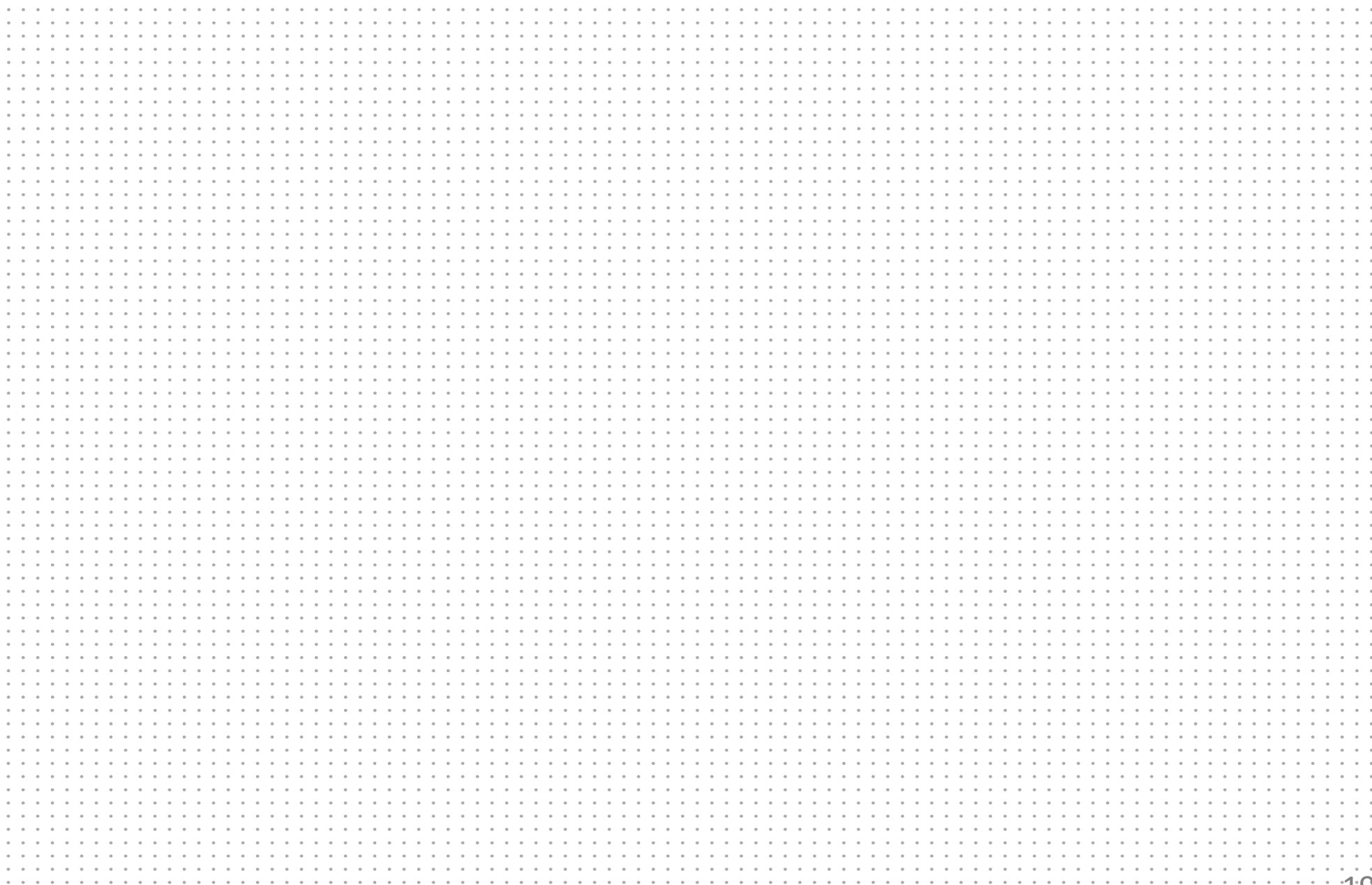
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Profit and Loss Example with Ratios

Profit and Loss

For the month ended 31 May 2019

	MAY 2019	MAY 2019 % OF TRADING INCOME
Trading Income		
Interest Received	4.24	0.00%
Sales	278,460.35	98.97%
	2,896.26	1.03%
Total Trading Income	281,360.85	100.00%
Cost of Sales		
Contractors	205.91	0.07%
	4,091.23	1.45%
	2,272.43	0.81%
Purchases - Material/Stock	87,571.88	31.12%
Wages - Plumber	51,770.61	18.40%
Wages	10,739.52	3.82%
Total Cost of Sales	156,651.58	55.68%
Gross Profit	124,709.27	44.32%

Profit and Loss Example with Ratios

Operating Expenses

Advertising	1,024.33	0.36%
Bank Charges	109.05	0.04%
Business Development	2,559.71	0.91%
Cleaning	180.00	0.06%
Consultancy Fees	319.10	0.11%
EFTPOS Fees	409.41	0.15%
Electricity	298.57	0.11%
Entertainment	1,178.80	0.42%
Entertainment Director	15.91	0.01%
Insurance	2,421.33	0.86%
Interest	112.99	0.04%
Kitchen	145.63	0.05%
Life Insurance	345.11	0.12%
Marketing	1,425.35	0.51%
Motor Vehicle Expenses	90.90	0.03%
Motor Vehicle Maint	1,557.31	0.55%
Office Expenses	162.50	0.06%
Postage	16.04	0.01%
Printing & Stationery	349.30	0.12%
Protective Clothing	138.31	0.05%
Rent & Rates	2,500.00	0.89%
Repairs And Maint	130.43	0.05%
Rubbish Removal	220.00	0.08%
Software	545.46	0.19%
Sponsorship	1,574.85	0.56%

Profit and Loss

Profit and Loss Example with Ratios

Profit and Loss

	MAY 2019	MAY 2019 % OF TRADING INCOME
Staff Meetings	56.62	0.02%
Staff Training & Welfare	526.50	0.19%
Staff Uniform	151.00	0.05%
Subscription	2,156.88	0.77%
Telephone	2,207.58	0.78%
Travel Expense	2,799.05	0.99%
Vehicle Lease Charges	4,349.19	1.55%
Wages - Administration	31,322.72	11.13%
Workshop Expenses	29.00	0.01%
Total Operating Expenses	61,428.93	21.83%
Net Profit	63,280.34	22.49%

