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The consulting service business requires a different format for its profit and loss statement. The usual profit and loss statements focus on the sale of products and its prices to find out the gross margin, but the service companies need a profit and loss statement to be prepared based on the key factors of all-around productivity and the cost of the services. These templates help to formulate that kind of a format based on the information like the income related to the services provided, the cost of the support staff, etc. which will help to determine the contribution or value addition of the support staff of the business. It also helps to understand the revenues generated against any services given and the cost of that service. Here are 9+ consulting profit and loss examples and templates. Consulting Profit and Loss Examples & Templates 1. Sample Consulting Profit and Loss Example oracle.com Size: 289 KB Download This template is a good example that gives a detailed account structure of the annual business report and the operations of a services company together. It will be helpful for the service industry people who want to prepare a similar statement and will also help to make a comparison between the profit and loss statements of two similar service providing companies. 2. Consulting Profit and Loss in PDF Profit and loss statements can be difficult to interpret sometimes. This template is a guide on how to interpret the statements, giving a detailed description of all the aspects involves in the statements. It helps in deciphering the statements by breaking them down into 3 parts: Income, expense, and profit. This guide can help a layman understand the profit and loss statements to ensure that such study can benefit the benefit, especially if such analysis is done at the beginning of the year instead of at the end of it. 3. Simple Consulting Profit and Loss Example mastek.com Size: 678 KB Download This template is a good example of the format of an annual financial statement of a consultation service dealing in the IT space, so that the management can come to sensible conclusions, and evaluate the effect of the accounting policies that they have taken up and report on the number of assets and liabilities, revenue and expenses. Understanding the basics of this type of accounting will prove to be useful to understand the accomplishment of the aim of a firm or the reasons for its failure. 4. Basic Consulting Profit and Loss Template polarisft.com Size: 115 KB Download This template is a hands-on example of a basic consulting profit and loss statement and will help in monitoring different ways of expenses, income sources and the profit and loss over a period of time. Here the calculations are done at the end of each quarter and at the end of the financial year. This gives a good idea of the exact position of the company in the market. Good ratio analysis will further augment one's understanding of the statements better. 5. Consulting Profit and Loss Template mindtree.com Size: 117 KB Download This template gives an idea regarding the significant accounting policies that have been taken up by an Information Technology consulting company, on the basis of which it has prepared its financial statement, the investments it has made, etc., which will prove beneficial to other consulting firms to prepare a similar statement based on these. 6. 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It gives the report of the general meetings as well as the Audit reports of the company based on which the annual report of similar companies can be made as well as prepared in a definite pattern. It can help you get complete knowledge as to what points are given in this kind of report preparation. For more such examples, you can refer to Income Statement Examples. 9. Standard Consulting Profit and Loss Example coffeeday.com Size: 3 MB Download This template is a good example of the financial statement report, management's responsibility for the preparation of the financial statement, auditor's responsibility, etc., where a person can gain a definite idea as to how these reports are generated and what kind of financial projection we can gather or get from this format which can be immensely helpful for the people in the same service company. It has an Auditor's declaration at the beginning which is also a mandatory step. 10. Consulting Profit and Loss Format cathedralconsulting.com Size: 234 KB Download This template is a format where we can see that one consultation firm has researched that small businesses struggle with the profit and loss statement along with product mix. Through this template, one can find out how one can utilize the profit and loss statement to understand which products and services will last or not, the ones which are profitable, and ones that will have the chances of best turnover only if the profit and loss are set up correctly. All companies require an accounting Profit and loss statement (P&L) or Income statement for their accounts. There are several reasons why you need the financial report, including:If registered at Companies House, annual accounts are submitted. An accountant typically prepares the reports.The Profit and Loss (p&l) Statement figures are required to complete your self-assessment return if you are self-employed.The report may also be required monthly or weekly to assist in financial business decisions.When creating a business plan, it is one of the financial reports.The other main financial reports are Balance Sheet and Cash Flow forecast.Below is a link to our free Profit and Loss Template download, which is easy to use and suitable for small businesses. Full instructions are available.It shows all the company's income and expenses incurred over a given period. The final figure will show the financial performance and whether the business has made a profit or loss. Create the report either annually, quarterly, monthly or even weekly.There are two accounting principles that small business uses to produce a P&L; accruals and cash accounting.Cash Accounting is when the business enters the figures for revenue or expenditure on the transaction date. Accruals adjust the figures for when the transaction takes place.An example of accruals is when a business sells a stock item; you record the cost of goods sold when the transaction takes place, not when stock arrives and is invoiced.Small businesses produce an Income statement either through bookkeeping software, in Excel or manually. The easiest method is to use the best accounting software, including QuickBooks and Xero.QuickBooks – 90% discount for 7 months. The basic formula for a Profit and loss statement is:Revenue – Expenses = ProfitsBelow is our introduction video to the Profit and Loss Account.A profit and loss account is a valuable tool for financial decisions, as it looks at the costs related to revenue during the period. You may be selling your goods at 50% higher than you are buying them, but you are making a loss when considering all the overheads.It is worth reviewing the pricing, revenue and costs to see how you can improve future figures.Management will compare two periods to see how the business is doing over time. The P&L statement is one of the three financial statements. The others are the balance sheet and cash flow forecast.Each report shows different figures for the business:The Profit and Loss shows the revenue and expenditure for a given periodThe Balance Sheet shows a snapshot of the accounts on any date and used by business owners, investors and banks. It includes all the assets, liabilities and equity of a business. The Cash Flow statement looks forward to when the business expects to receive or spend cash.Below are some of the terms found on the profit and loss account.Income or Turnover – This is the figure for total sales. If you sell several different categories, they are listed separately and then a total. Another term for it is total revenueCost of Sales – The total of the direct goods relating to the sales. An example might be a product or direct labour.Gross Profit – The total income of the business minus the cost of goods sold.Operating Expenses – These are the general running expenses of a business and include admin costs, stationery, insurance, rent, interest and rent. Operating expenses also include the depreciation of assets.Net Profit – When you take off the expenses from the gross profit, the balance is the Net Profit. It is the actual profit of a business.Trial Balance – A trial balance shows all the figures from both the p&l and balance sheet. It is a useful report for accountants and bookkeepers. The profit and loss statement will show the business name and the period the statement is for; this can be a week, month, quarter, year, or any period you require.The figures posted to the P&L account may not be the same as the transactions in your bank account. Instead, they are the figures that relate to the period in connection with the sale or expense.An example of this: during a month, a business made sales of £1000, but you purchased no goods; instead, they used the existing stock of £500. Post the figure of £500 as a cost of sale on the profit and loss account.There are several other differences between the bank account and the profit and loss account:Revenue – Includes the sales when they occur; this may not be the same month as when payment is received. It will also include non-operating income; an example is interest received. It is broken down to earnings before interest and interest.Cost of Sales – Include all the costs that relate to the sales which have taken place.Accruals – Include any expense related to the month for which no invoice is received.Prepayments – You may receive an invoice for a period, like a year or a future date, and post the correct amount in the correct month it relates.Depreciation – If you own fixed assets, they are depreciated over a period of time; include a monthly figure in your accounts.The account includes turnover and less cost of sales, which will give you a gross profit figure. You then deduct all the overhead expenses and dividend payments to provide you with a Profit or Loss figure.Below is an accounting profit and loss example. The calculation shows a Gross Profit of 60,000 and a Net profit of 17,200.The report starts with sales and then deducts the cost of sales (the cost of goods and services sold during the period) to arrive at gross profit. From there, expenses are deducted to arrive at net income.Below is a Profit and Loss account example in the UK for a period of a year.Using the above P&L example, we can make the following calculations:Turnover or total revenue – the total of hardware and consultancy of 120,000Cost of Goods Sold – includes hardware and direct labour of 60,000Gross Profit – Sales 100,000 less cost goods sold 60,000 giving a total of 60,000Overheads of 42,800 are deducted to leave a profit of 17,200We have produced and free Excel accounting P&L template for a year. There are times when you want to view the whole year's figures in one place, allowing you to see variations during the year.The Profit and Loss template will enable you to set up your company's name and enter sales, expenses, dates, and categories. It is suitable for both individuals and Limited companies. The template is also known as an Income Statement.The Profit and Loss statement template is easy to set up and use. There are five sales and fifteen expense categories that you can name to suit your business. If you have more categories, you can join some together.You can use the figures from the report to calculate the net profit margin. You use the figure to see how successful the business is. Use our net profit margin calculator to find out further information and an example.If you are a Limited company, you will need to submit a P&L statement to Companies House. A small self-employed business will need the figures for your tax return, but you can use a cash book for a simple set of figures.The best way is to use good bookkeeping software, such as QuickBooks, Xero or FreshBooks. The software includes Profit and Loss templates and filters to adjust the report to give the information required. You can also use Excel and our free P&L template.The P&L shows the income and expenditure for a given period. It will show if the business has made a profit or loss. The Balance Sheet shows a snapshot of the business at any given time. It lists all the assets, liabilities and equity.For further reading, read the article from Accounting Coach.Return from the Profit and Loss Statement to the Accounting Basics page or look at the balance sheet and cash flow forecast to further read about management accounts and financial reports. February 9, 2024An income statement is a powerful tool that shows you how profitable your business is. It summarizes your revenues and expenses for a specific period, and reveals the net profit or loss at the end.You may also hear it called a profit and loss account or a statement of operations.However, not all income statements are the same.Depending on your business needs and goals, you can choose from different types of income statements that present the information in different ways.In this article, we will explain the different types of income statements and how they can help you manage your business functions and profits more efficiently.By the end of this article, you will be able to create the perfect income statement for your business's needs.This example of the Profit and Loss account is based on the functions of the service company.As such, it contains few profit levels. The profit levels shown in this income statement are:gross margincommercial marginEBITDAand net profit.in EUR k20172018201920212022 Service line 1150180200220250Commercial Margin69120140150200Service line 3504634411100Service line 46080104131169Service line 52020253070Service line 61515152025Total Revenues364461518592814 Subconsultancy Fees1720362550 Net Revenues346441482567764 Salaries110140180200250Bonuses5060402050Salaries total160200220220300 Gross Margin186241262347464 Rent20,025,025,025,030,0Agency fees5,05,05,05,05,0Database15,315,418,221,022,0Software4,04,04,04,04,0Marketing7,49,611,810,625,0Education6,06,06,06,06,0Direct Costs5865707292 Commecial Margin129176192275372 G&A5,54,78,17,58,0Car4,73,06,07,77,6Bed Debt5,05,07,09,49,0Bed Debt Reversal-20,1-1,3-9,8-8,4-7,0Representation & Gifts1,04,01,45,00,6Insurance & Health1,51,03,01,02,0Donation1,00,51,01,61,0Provisions1,01,01,02,011,9Provisions Reversal0,00,00,00,00,0General Costs018182633 EBITDA129158175250339Service Company Income Statement The file includes:Income statement with basic calculationsAll important components of the income statementHistorical presentation through our 5 years (separate columns)Contribution to growth analysisVertical analysis – ratio numbersKPIs calculation based on the Income statementAn income statement is like a puzzle that shows you how your business is doing. The management decides how many pieces to include in the puzzle.But there is a catch: if the puzzle has too many pieces, it can be hard to put it together and see the big picture. This is called analysis paralysis syndrome.On the other hand, if the puzzle has too few pieces, it can be too vague and miss important details. This can lead to poor decision making and missed opportunities.We shall explain the basic components below.These are the basic incomes – the ones you make by selling your services.In some cases, the income statement only contains this item. However, if your business has multiple service lines, you can display each sales revenue per service line within the income statement.Companies usually don't calculate these revenues, which can affect the income statement's accuracy.Usually, you only record your services as income when you send the invoice to the customer. But what if your project takes several months to finish and you invoice at the end?For example, you start a project in September and complete it in March of the next year.You shouldn't recognize all revenues within the following year (invoicing period). Instead, a part of the revenue should be recognized in the year in which expenditures were made for a specific project.This is backed by the principle of causality in accounting.The revenues in the current year should be recognized in the amount of the change in the cost price of the unfinished services.These are the most direct costs you need for the production of a service, project, or product. Such costs are:SalariesOther expenditures to employeesBonusesPayment to subcontractors directly involved in the production of servicesDirect material costsCost of goods sold (COGS – relevant for trading business only)RentalsSoftware useStaff education (this can be presented in the general cost as well)Sales costs reflect the effort for selling your services. Here are some examples to keep in mind:Marketing costsNetworking costsReferral feesSales costsCar costs for sales staffOther costs related to sales staffInsurance and HealthInternetCourier, post office, phonesCar costs (for general and admin staff)Office costsDonation and social responsibility costsDepreciationDepreciation is the process of measuring how much value fixed assets lose over time. Fixed assets are long-term assets that a business uses, such as buildings, equipment, or vehicles.Depreciation helps a business set aside money to replace or repair fixed assets when they wear out or become obsolete. Depreciation also affects the selling price of the products or services that the business offers.The basis for this calculation is the purchase value of the fixed asset.For example, the cost of a piece of equipment is $5000, and its estimated useful life is 10 years.The depreciation rate is 10% per year. So, the annual depreciation expense is $500.This cost is related to the loss of value of an asset.Sometimes, you may not be able to collect the money that your customers owe you. When this happens, you need to reduce the value of your receivables and record the loss in your income statement.The operating profit represents the difference between all operating incomes and operating expenses. It is the company's income before interest and taxation.EBIT and EBITDA are both ways to measure a company's profitability. The difference is that EBITDA adds back the cost of amortization, a non-cash expense that reduces the value of intangible assets.This means that EBITDA shows the company's earnings before deducting depreciation, taxes, amortization, and interest.The corporate tax represents the expenses coming from taxes. This expenditure depends on the corporate income tax rate applicable in the specific country. For example, this rate is 33% in some US states while it's 19% in the UK.Net profit is the difference between total revenues and total expenses that have been reported in accordance with the generally accepted accounting principles for a certain period.Net profit shows how efficient and profitable a business is, and it is also known as net income or the bottom line. Net profit must follow the rules and standards of accounting that are widely accepted and used by businesses.Technically, anyone can make an income statement if they have a basic understanding of calculations via tables (in Excel, for example).The income statement preparation is based on accounting data.If your accountant provides you with a trial balance or an accounting general ledger you can create an income statement fairly easily.However, ensuring that the figures that form the basis for the preparation of the income statement are aligned with the generally accepted accounting standards (GAAP) is a challenge.You will need some accounting knowledge for that.A good accounting system should let you assign a cost, profit, or organization center to each general ledger account. A general ledger account is a record of all transactions related to a specific type of account, such as cash, sales, or expenses.A center is a way to group transactions by a certain criterion, such as a product, a department, or a location. If you set up a center to include only one item from the income statement, you can easily export the statement from the accounting software.An income statement is a document that is usually submitted to the state authorities in all countries.It lists the revenues, expenses, and net income or loss of the business. Most countries require businesses to submit an income statement to the government every year.Some countries have a fixed format for the income statement that businesses must follow. This is called a statutory income statement.However, businesses may also create their income statements for internal use. These income statements can have different formats depending on the needs and goals of the management.They can show how well different parts of the business are performing and what factors affect the income and expenses of the business. These income statements are customized to the type of business and its activities. This is called a functional income statement.The income statement shows how much money a business makes or loses in a certain period. Vertical analysis is a way of comparing the income statements of different periods by using percentages.Each line item on the income statement is shown as a percentage of sales or revenue. Then, you can see how much each item has increased or decreased from one period to another.For example, you can have a column on the income statement that shows the percentage change of each item from the previous year. For example, the cost of salaries may have gone up by 14%.But percentages are not enough. You also need to look at the actual amounts of money. Sometimes, a big percentage change may not mean a big difference in money. And sometimes, a small percentage change may mean a lot of money.Vertical analysis in EUR k20212022LY Var% Service line 122025030.014%Service line 215020050.033%Service line 34110058.8143%Service line 413116938.429%Service line 5307040.0133%Service line 620255.025%Total Revenues592814222.238% Subconsultancy Fees255025.0100% Net Revenues567764197.235% Salaries20025050.025%Bonuses205030.0150%Salaries total22030080.036% Gross Margin347464117.234%Income Statement Vertical Analysis (variance analysis)Horizontal analysis is a way of comparing the financial statements of different periods to see how they change over time.It helps you understand the trends and patterns of a company's performance. It calculates the percentage change of each item from one period to another.For example, you can use horizontal analysis to compare the net profit and sales revenue of a company for two years.The net profit is the money that the company earns after paying all the expenses. The sales revenue is the money that the company makes from selling its products or services. You can divide the net profit by the sales revenue to get the net profit margin. This is a measure of how profitable the company is.For example, if the net profit is $1,000 and the sales revenue is $100,000, the net profit margin is 1%. This means that for every dollar of sales, the company keeps 1 cent as profit. You can compare the net profit margin of different years to see if the company is becoming more or less profitable over time.Some other examples of ratios in the horizontal analysis are:Share of wages in incomeShare of EBITDA in incomeShare of rentals in incomeHorizontal analysis in EUR k20172018201920212022 Structure (% in Revenues) % Salaries total44.0%43.4%42.4%37.2%36.8%% Total Costs66.2%67.0%68.4%59.7%60.9%% Direct Costs15.9%14.1%13.5%12.1%11.3%% General Costs-0.1%3.9%3.4%4.4%4.1%% Subconsultancy Fees4.8%4.3%6.9%4.2%6.1%% Rent5.5%5.4%4.8%4.2%3.7%% Marketing2.0%2.1%2.3%1.8%3.1%% Bad Debt net1.4%1.1%1.4%1.6%1.1%% Database in TP10.2%8.6%9.1%9.5%8.8% Profitability Gross Margin Rate51%52%51%58.6%57.0%Commercial Margin Rate35%38%37%47%46%EBITDA Rate35.4%34.3%33.7%42.2%41.7%Net Result Rate28.7%28.0%26.9%34.3%33.2%Effective tax rate15.0%15.0%15.0%15.0%15.0% Time based KPIs FTE6.56.59.011.513.5Total Hours11,79811,79816,33516,74319,640Billable Hours8,2008,20011,00011,12012,962Time Utilization69.5%69.5%67.3%66.4%66.0%Gross hourly rate3139323541Billable hourly rate4456475363Average Cost rate2026222125Revenue per employee5671585160Income Statement Horizontal AnalysisAs a rule, you should calculate the budget in the same form as your income statement.If you have a monthly budget for every item in the income statement, you can see how far behind the budget you are at any time and take appropriate action.Actual vs Budget in EUR k2022 2022 BUD BUD Var% Service line 1250 251 -1.00%Service line 2200 220 -20.0-9%Service line 3100 95 5.05%Service line 4169 180 -10.8-6%Service line 570 72 -2.0-3%Service line 625 28 -3.0-11%Total Revenues814 846 -31.8-4% Analysis Concerning the BudgetThis analysis is utilized for performance monitoring. It is used on a specific service line or product group level.in EUR k20212022 Service line 1220250Service line 2150200Service line 341100Service line 4131169Service line 53070Service line 62025Total Revenues592814Contribution to Growth AnalysisHere we list some specifics about the appearance of the income statement example, depending on the type of businessWith law firms, it is important to monitor income in all branches of law.Thus, the income statement should include income from, for example:LitigationReal EstateBanking and FinanceLabor lawCommercial LawWhen it comes to expenses, it is most important to track the salaries.The law firm's gross margin is the amount of money left after paying the salaries of its employees. This is calculated by subtracting the salaries from the revenues. The gross margin shows how profitable the law firm is before considering other costs.Some of the other costs that the law firm has to pay are rent, internet, and utilities. These costs are also part of the income statement.The difference between revenues and salaries represents the law firm's gross margin. Other expenses that should be included in the income statement are rent, internet and utility bills, etc.If you have a functional income statement, you can track law firm metrics very efficiently.In an accounting business, it is important to monitor revenues by service lines. These are, for example:BookkeepingPayrollTax advisory and complianceFinancial reportingThe key expenses in the income statement are salary expenses, bonuses, software expenses, and rent. Marketing and sales costs are no less important.A segmented income statement is a detailed version of the income statement that shows the profitability of different parts of the business, such as service lines.This helps you understand how much money each segment contributes to the overall profit of the company (i.e organic profit).You can segment the income statement by business units, service lines, or projects, depending on your needs. You can also track the income statement by employee, which shows you how much revenue and cost each employee generates. Hence, it can help you assess employee performances.To create a segmented income statement, you need to allocate some general expenses and incomes to specific projects and employees. Time tracking tools are very efficient in tracking time per individual service line, and provide good directions for the allocation, i.e. creating a segmented income statement.In a nutshell – yes. It is the same financial report, but the terminology is different.The term Income statement is more prevalent in the US, while the term Profit and Loss Account is used in Europe for the most part.The statement is usually compiled once a year when it comes to statutory reporting.For management purposes, the income statement is prepared either every month or every quarter. The periods depend on the size and complexity of the indicators.One way to analyze the income statement of a company is to use ratio analysis. Ratio analysis involves calculating and comparing various ratios that indicate the profitability, efficiency, liquidity, solvency, or growth of the company.Some common ratios that can be derived from the income statement are the gross profit margin, the operating profit margin, the net profit margin, the return on sales, the return on assets, and the return on equity.These ratios can help you evaluate the performance of the company over time or against its competitors.This depends on the type of KPI you want to calculate.The income statement gives you the data to calculate KPIs related to profitability and structure.Here are some KPIs you can determine through an:– EBITDA Margin– Net profit margin– Gross profit margin– Wage costs share in total revenues– Revenues per FTEThe income statement should contain revenue, expenses, and profit, at least.Gross profit is the amount of money left after subtracting the cost of goods sold from the sales revenue. Net income is the amount of money left after subtracting all other expenses, such as taxes, interest, depreciation, and amortization, from the gross profit.To put it differently, gross profit shows how profitable the business is before considering other costs, while net income shows how profitable the business is after considering all costs.Operating activities are the main activities that generate revenue and expenses for the business, such as selling products or services, paying salaries, or buying materials.Non-operating activities, on the other hand, are activities that are not directly related to the main operations of the business, such as investing, borrowing, or paying dividends. Operating activities affect the operating income, while non-operating activities affect the net income.EBITDA stands for earnings before interest, taxes, depreciation, and amortization. It is a measure of the profitability of the business before considering the effects of financing, taxation, and depreciation.EBITDA is important because it can be used to compare the performance of different businesses, regardless of their capital structure, tax rate, or depreciation method. EBITDA can also be used to estimate the cash flow of the business, as it excludes non-cash expenses. Bojan Radojicic, Master Degree in Economics, is a financial performance consultant with more than 15 years of experience. He is responsible for adding value services based on innovative solutions. Service related businesses require a different format than the traditional profit and loss statement AKA the income statement. The traditional profit and loss focuses on sales of products and a corresponding cost of goods sold section to help the reader evaluate the gross margin. But in service, the owner needs a profit and loss statement formatted to key in on overall productivity and costs of that productivity. To get results that are usable to the reader, the profit and loss statement for a service related business should provide the following information: Revenues related to professional services rendered Revenues related to support staff Revenues related to non-service items Direct costs of professional services Direct costs of support staff Other direct costs Fixed and Variable Personnel Related Costs Overhead Profit Before Taxes A properly formatted profit and loss for a service related business helps the reader determine how much his professional staff contributes to the overall value of the business. In addition, it allows the reader to relate costs associated with the revenue generated by that respective cost. This format works well for the following service related industries: Medical Offices Nursing and Geriatric Care Legal and Accounting Consulting Firms Technology Services Cleaning/Maid Operations Hair Salons/Barbers/Personal Hygiene Operations Education Services Engineering/Surveying/Architecture Mental Health/Social Services/Child Care/Adult Care The following sections describe each of the above elements and illustrate the profit and loss statement to that point in format. [do_widget id=black-studio-tinymce-7] Professional Services Rendered (Revenue) In general, the professional services rendered are those billings associated with the professional staff. Simply put, any licensed or key individual in your organization is considered the professional. In most service related operations, a separate software used to track time and billings calculates the total revenue earned by professional and support staff. Even average time billing software can break out the information into these two groups. You can even subdivide the professional services rendered into subgroups for each revenue line. Support Staff Billings It is not uncommon for support staff to earn revenue or generate billings for the service related company. The key is to identify and separate the staff into the two fundamental groups of either professional or support. Support staff includes office personnel, assistants, researchers and/or aids. Examples include non-licensed nursing staff, non-degreed assistants, employees in training; field workers and general staff members. Do not include your administrative staff in this section as they track the information for the organization as a whole and do not provide any direct or indirect services to clients. Non-Service Fees Any item not requiring human labor to execute and is billed to the client is included here. Examples include: · Copying · Fax · Travel Costs · Pass-Through Costs (room rentals, court fees, technology fees) For the purpose of this article, the writer is using a medical practice (family practice) as the example to illustrate the proper format for the profit and loss statement. The revenue section of the profit and loss will look like this: Sunville Medical Practice Profit and Loss Statement Period Ending October 31, 2019 Medical Billings: Medical Practitioners $Z,ZZZ,ZZZ Medical Support (LPN, Physical Therapist) ZZZ,ZZZ Sub-Total Medical Billings $Z,ZZZ,ZZZ Non-Medical Fees: Weight Loss/Diabetic Program Subscriptions ZZ,ZZZ Copy/Fax/Report Fees ZZZ Sub-Total Non-Service Fees ZZ,ZZZ Total All Billings/Fees $Z,ZZZ,ZZZ Note how the revenue section is subdivided into the two major revenue generating departments, medical and non-medical. Each revenue generating department has sub-groups to clearly identify who earned fees for the service related operation. A reader of this format wants to be able to separate the professional fees and its associated costs from the non-medical related revenue and its corresponding costs. The next major section is referred to as the Costs of Services Rendered. This section is divided into two subgroups, the first are those costs directly related to the billings and fees earned. The second section includes the indirect costs associated with earning the revenues. The sections below describe and an illustration of the formatted report is provided to aid the reader in understanding. Direct Costs of Services Rendered This section of the report includes those salaries and wages paid to the professional and support staff to provide the service to the patients. In addition, a line of information associated with the non-medical fees is included. Here any direct costs, such as materials, supplies, etc. are identified to aid the reader of the report. The following illustrates the direct costs section. Direct Cost of Professional Services: Professional Provider Salaries $ZZZ,ZZZ Support Staff Salaries & Wages ZZZ,ZZZ Sub-Total Direct Labor ZZZ,ZZZ Medical Supplies (Pharmaceutical, kits, bandages) ZZ,ZZZ Weight Loss/Diabetic Program Supplies ZZ,ZZZ Sub-Total Supplies ZZZ,ZZZ Total All Direct Costs of Services Rendered $ZZZ,ZZZ Review and compare the direct costs line for line to the revenue section. There is an easy to identify process of comparing a line of revenue to the actual direct costs of that revenue. The only exception is the medicinal supplies cost. Here the reader has to infer that this cost is a function of total medical billings as the exemplified information of pharmaceutical, kits and bandages relate to medical billings and not the non-service fees function of revenue. The second section of the total costs of services rendered is indirect costs. Indirect costs are those costs incurred to provide services and non-services to the patients but cannot be directly identified to any individual or are fixed in nature. Examples include payroll taxes, health and benefits for the staff, training, licensing and laboratory fees. The section below illustrates the indirect costs section of the costs of services rendered: Indirect Cost of Professional Services Payroll Taxes $ZZ,ZZZ Medical Billing ZZ,ZZZ Professional Liability Insurance ZZ,ZZZ Gen Liability/Workmen's Comp ZZ,ZZZ Lab/Outside Services (Temp Staff) ZZ,ZZZ Payroll Benefits ZZ,ZZZ Retirement Matching Contributions ZZ,ZZZ Training/Accreditation/Compliance Z,ZZZ Medical Waste Removal Z,ZZZ Total Indirect Cost of Professional Services $Z,ZZZ,ZZZ Let's now take a look at the formatted profit and loss statement for a service related business at this point. Please see below: Sunville Medical Practice Profit and Loss Statement Period Ending October 31, 2019 Medical Billings: Medical Practitioners $Z,ZZZ,ZZZ Medical Support (LPN, Physical Therapist) ZZZ,ZZZ Sub-Total Medical Billings $Z,ZZZ,ZZZ Non-Medical Fees: Weight Loss/Diabetic Program Subscriptions ZZ,ZZZ Copy/Fax/Report Fees ZZZ Sub-Total Non-Service Fees ZZ,ZZZ Total All Billings/Fees $Z,ZZZ,ZZZ Direct Cost of Professional Services: Professional Provider Salaries ZZZ,ZZZ Support Staff Salaries & Wages ZZZ,ZZZ Sub-Total Direct Labor ZZZ,ZZZ Medical Supplies (Pharmaceutical, kits, bandages) ZZ,ZZZ Weight Loss/Diabetic Program Supplies ZZ,ZZZ Sub-Total Supplies ZZZ,ZZZ Total All Direct Costs of Services Rendered ZZZ,ZZZ Indirect Cost of Professional Services: Payroll Taxes ZZZ,ZZZ Medical Billing ZZ,ZZZ Professional Liability Insurance ZZ,ZZZ Gen Liability/Workmen's Comp ZZ,ZZZ Lab/Outside Services (Temp Staff) ZZ,ZZZ Payroll Benefits ZZ,ZZZ Retirement Matching Contributions ZZ,ZZZ Training/Accreditation/Compliance Z,ZZZ Medical Waste Removal Z,ZZZ Total Indirect Cost of Professional Services ZZZ,ZZZ Gross Profit $ZZZ,ZZZ From this point, overhead costs are subtracted to calculate the net profit before taxes. Overhead costs include several groupings. They are as follows: Occupancy – rent, utilities, cam fees, repairs and maintenance to the property Communications – internet, phone system, cell phones and pagers Office – office supplies, copier costs, charts, cleaning, reception area magazines, etc. Marketing – advertising, marketing, information pamphlets, website cost Professional Fees – legal, accounting, outside consultants Taxes & Licenses – local revenue taxes, state incorporation fees, state licensure fees, personal property taxes Other – any other costs not included above Depreciation and Amortization – equipment depreciation and start-up amortization, goodwill amortization With this information, the final formatted profit and loss statement will look like this: Sunville Medical Practice Profit and Loss Statement Period Ending October 31, 2019 Medical Billings: Medical Practitioners $Z,ZZZ,ZZZ Medical Support (LPN, Physical Therapist) ZZZ,ZZZ Sub-Total Medical Billings $Z,ZZZ,ZZZ Non-Medical Fees: Weight Loss/Diabetic Program Subscriptions ZZ,ZZZ Copy/Fax/Report Fees ZZZ Sub-Total Non-Service Fees ZZ,ZZZ Total All Billings/Fees $Z,ZZZ,ZZZ Direct Cost of Professional Services: Professional Provider Salaries ZZZ,ZZZ Support Staff Salaries & Wages ZZZ,ZZZ Sub-Total Direct Labor ZZZ,ZZZ Medical Supplies ZZ,ZZZ Weight Loss/Diabetic Program Supplies ZZ,ZZZ Sub-Total Supplies ZZZ,ZZZ Total All Direct Costs of Services Rendered ZZZ,ZZZ Indirect Cost of Professional Services: Payroll Taxes ZZZ,ZZZ Medical Billing ZZ,ZZZ Professional Liability Insurance ZZ,ZZZ Gen Liability/Workmen's Comp Ins ZZ,ZZZ Lab/Outside Services (Temp Staff) ZZ,ZZZ Payroll Benefits ZZ,ZZZ Retirement Matching Contributions ZZ,ZZZ Training/Accreditation/Compliance Z,ZZZ Medical Waste Removal Z,ZZZ Total Indirect Cost of Professional Services ZZZ,ZZZ Gross Profit ZZZ,ZZZ General and Administrative (Overhead) Occupancy ZZ,ZZZ Communications ZZ,ZZZ Office ZZ,ZZZ Marketing & Advertising Z,ZZZ Professional Fees Z,ZZZ Taxes & Licenses Z,ZZZ Other ZZZ Depreciation & Amortization Z,ZZZ Total G&A (Overhead) ZZZ,ZZZ NET PROFIT $ZZ,ZZZ From the above report the reader can evaluate the overall performance of the service related operation. The reader of this report can identify direct cost to the correlating revenue. Indirect costs can be evaluated against the overall revenue. Revenue is divided between medical and non-medical billings. Overhead is summarized for easy reading and understanding. The above example should be slightly modified to suit your service related company. It can be further refined to correlate with the business entity type too (partnership, corporation etc.). By having an easy to read and understandable formatted profit and loss, the reader of the report can quickly pinpoint any issues that may exist in the business operation. Act on Knowledge.