

STEP BY STEP WITH MONEY

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Last week in our series on 'Saving Money' a Balance Sheet was presented. Following the Balance Sheet, we will this week (19) focus on the Profit and Loss Statement.

A Profit and Loss Statement shows us how much our business has earned and spent over a certain time period, usually 12 months. It is simple, we add all our income over 12 months and deduct our expenses over the same 12 months. If our income exceeds our expenses then we made a profit, which is great. If our expenses are greater than our income then we made a loss and we need to find out why. At the basic level, losses are never good. We want to be in profit as soon as possible.

The Profit and Loss Statement can be used to monitor our progress. A profit and loss statement does not only have to be produced every 12 months, it can be produced monthly or quarterly. Upon a review of the quarterly statement, we may notice that certain expense items have increased since preparing the last statement. Alternatively, the statement may show that more sales are made through parties than showing products at local markets.

Our Profit and Loss Statement consists of three sections, Income, Fixed Expenses and Variable Expenses. Income from our business usually comes from commissions, however, increasingly we are also generating income from sales through make up parties or market stalls. We could divide our income section into three parts, namely, commissions, party sales and market sales. Over time our profit and loss statement will show us where we get most of our income. Once we have determined where we get most of our income, we may consider spending more time in that area. However, that decision should be made with our Upline as they are best placed to share about the best area to obtain leverage over time.

Fixed Expenses represent fixed costs to our business. For example, rent expenses remain constant over 12 months. Variable Expenses as the name implies are expenses which vary month to month and include travel costs. For example, in one month we may do presentations in Nelson and Christchurch and we may drive to both cities. The following month we may only drive to Nelson. Thus, our travel costs vary. It is easier to control Fixed Costs because you know they will not change, however, Variable Costs are difficult to control. This is because we may travel to Christchurch and not sign anyone up. We have still incurred the costs. Below is a basic Profit and Loss Statement

MONEY STUDENT LIMITED – PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED 30 MAY 2017	
Income	Value
Commissions	\$2,260.00
Make up party sales/sign ups	\$1,800.00
Market sales/sign ups	\$1,240.00
Total Income	\$5,300.00
Fixed Expenses	
Rent/ interest on home loan – apportioned	\$800.00
Laptop insurance	\$400.00
Total Fixed Expenses	\$1,200.00
Variable Expenses	
Motor Vehicle expenses	\$2,000.00
YGY Products	\$450.00
Total Variable Expenses	\$2,450.00
Total Expenses	\$3,650.00
Profit and Loss before Income Tax and Depreciation expenses	\$1,650.00

