

Lesson 1: Understanding Profit & Loss (Made Simple)

What a Profit & Loss Shows

Your Profit & Loss shows how much money came in (sales), how much you spent to make those sales (costs), and what was left over after paying all your bills (profit).

Key Parts of a Profit & Loss

- Sales (Money In): All the money your business earned.
- Costs: The money you spent to make your product or deliver your service.
- Expenses: Rent, phone bill, software, gas, etc.
- Profit: What's left after all costs and expenses.

What Your Profit & Loss Does NOT Show

Just because you have profit doesn't mean you can spend it all. You still need to pay loans, credit cards, and save money for future bills. If you spend every dollar of profit, you may run out of money later.

■ When to Call Your Accountant

When you're not sure what counts as a business expense
When your P&L shows profit but your bank account is empty
When your numbers look "off" and you can't figure out why
When you need help setting up your bookkeeping the right way

Key Takeaway: Profit is not the same as money in your pocket. Always check what bills you still need to pay before taking money out for yourself.

Try It Yourself

Step 1: Write down how much money came in and what you spent last month.

Money In (Sales): _____

Money Out (Costs): _____

Money Out (Expenses): _____

Profit (What's Left): _____

Check What You Owe

Step 2: Write down the bills, credit cards, or loans you still need to pay this month.

Bills/Loans: _____

Credit Cards: _____

Safe Amount to Take

Step 3: Decide how much you can take for yourself without running out of money later.

Safe Owner Draw: _____

Reflection

Think about what you learned from this exercise.

- Did you have enough money left after paying bills? _____
- What will you do differently before taking money out next time?

■ **Action Step:** Make it a habit to check your bills before paying yourself every month.

■ Download a simple profit tracker at jnbservice.com/resources.