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Daily P/L

Profit & Loss Account

Profit and Loss Account is the first financial statement prepared before preparing the Balance Sheet. It is also known as the P&L account or Income Statement.

The Income Statement provides a complete summary of revenue generated and expenses incurred by a company, which in turn gives an insight into a company's financial status. It helps us to define whether the company is making profits or incurring losses.

In simple terms, the profit and loss statement provide a detailed look into the financial health of a company during the accounting year.

Generally, all of units are calculating monthly P/ L on or before 7th of next month. In this case we have only 12 chances to take corrective action. Hence, we suggest to work out daily Gross P/L statement with certain assumptions so that we have minimum 350 chances to take corrective action. If properly panned daily P/L is matching 95% to monthly P/L.

Methods to Prepare Profit & Loss Account

You can prepare the Profit and Loss Account or Income Statement by two methods:

- 1. Single Step Statement*
- 2. Multiple-Step Statement.*

Single-Step Method

Generally, small companies prepare the Income Statement using the Single Step statement. It is a simple method and widely used.

In this method, you just take the total amount of Revenues and subtract them from the total expenses to find the gain or loss made by any business.

The formula to calculate Profit/Loss by Single-step method is as follows:

$$*Net Revenues - Total Expenses = Net Profit or Loss.*$$

Multiple-Step Method

Big volume companies use a Multi-Step method. To prepare this statement, Generally following steps are followed :-

- Calculate gross profit.*
- Make a total of Operating expenses.*
- Deduct them from the gross profit.*
- You will get the income from operating activities.*
- Deduct Expenses from Income from operations. This is your Earnings Before Investments & Taxes.*
- The final step is to deduct taxes.*
- This gives you the net income/loss for the period.*

The formula to calculate Profit/Loss by Multiple-Step Method is as follows:

Revenues - Expenses - Taxes = Net Profit or Loss

Revenues = Sales Revenue - Sales Returns + Service Revenue + Wastage Revenue + Other Revenue

Expenses = All operating expenses + Cost of goods sold + Research and Development + Salaries and Wages + Administrative Expenses + Travel + Utilities + Other Expenses.

Purpose of preparing Profit and Loss Account

- 1. It provides a brief understanding of the financial health of a company.*
- 2. It helps to project revenues.*
- 3. Forecast Expenditures.*
- 4. Compare actual performance with projection.*
- 5. Maintain provision and reserves depending on the financial health of the company.*
- 6. It gives us to take corrective action.*
- 7. It should be reviewed with operation staff for improvements.*

The daily P/L is called as Padta in Textile Industry & customised formats can be created. We can assist you online to create such formats provided all necessary details are provided to us.

It is very essential for CEO OR Business Head for taking prompt corrective action.

Similarly, we can monitor daily with person concern for taking corrective actions immediately to avoid further losses.

It is preventive statement for making your business grow with sound financial Health,