How to Read Your P&L

Your Profit & Loss statement, decoded line by line

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Your Profit & Loss (income statement) tells you whether you made money over a period, and where it went. Read it top to bottom — each line builds on the one above.

	Line	What it means
+	**Revenue (Sales)**	All income earned from your core business during the period.
−	**Cost of Goods Sold (COGS)**	Direct costs to deliver what you sold — materials, direct labor, subcontractors.
=	**Gross Profit**	Revenue − COGS. What's left to cover overhead. Watch the % — it's your pricing health.
−	**Operating Expenses (OpEx)**	Overhead to run the business — rent, software, marketing, admin salaries, insurance.
=	**Operating Income (EBIT)**	Gross Profit − OpEx. Profit from operations, before interest and taxes.
−	**Other Income / Expense**	Interest, taxes, one-off items outside normal operations.
=	**Net Income (Bottom Line)**	What you actually kept. The number that flows to your equity and tax return.

4 Numbers to Watch Every Month

Gross Margin %	Gross Profit ÷ Revenue. Falling margin means rising costs or soft pricing.
Net Margin %	Net Income ÷ Revenue. Your true profitability after everything.
Revenue trend	This month vs. last month and vs. the same month last year.
Biggest expense lines	The 3–4 costs that move the most — that's where leverage lives.

Pro tip: A P&L; shows profit, not cash. You can be profitable and still short on cash (money tied up in receivables or inventory). Read your P&L; next to your cash balance — and pair this with the *Budget vs. Actual* template to see plan vs. reality.