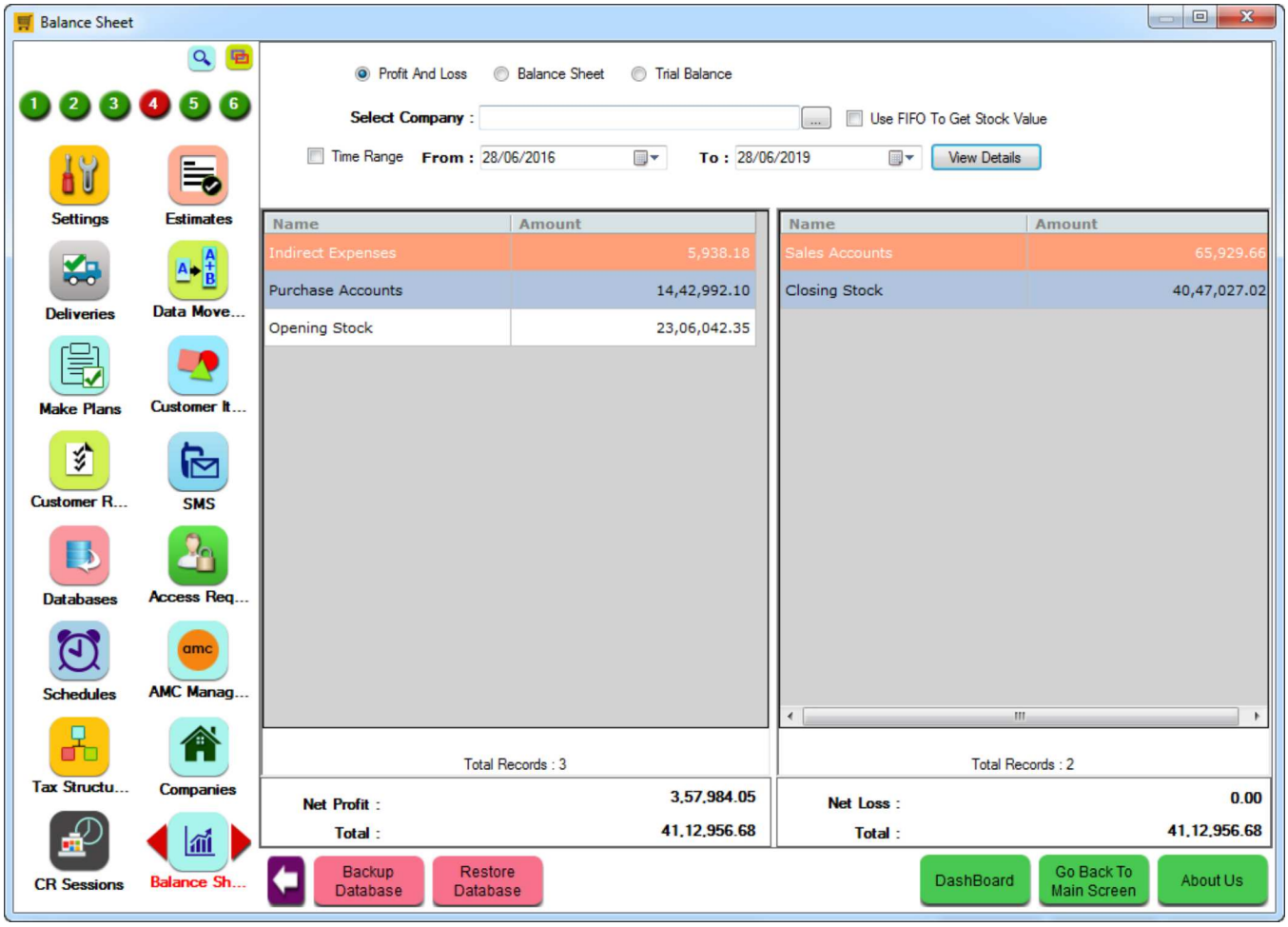
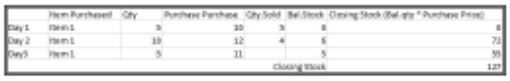
Profit & Loss Financial Statement

Profit and Loss is a financial statement that summarizes the revenues, costs and expenses incurred during a specific period of time.

- All the expenses are recorded in the debit side (left side) of the profit and loss account and all the incomes except sales and closing stocks are recorded in the credit side (right side) of the profit and loss account.
- In profit and loss account if debit side is excess the credit side, the difference is called net loss.
- If the credit side of profit and loss account is excess than the debit side, the difference is called net profit.

Here are a few things your profit and loss would include:



Left side	Right Side
Purchase Account This will show you the total of all purchase made for the selected date range. Purchases not made in the selected date range will not reflect in the purchase Account Total.	Closing Stock Closing stock is the value of goods unsold at the end of the accounting period or the date range selected. Here the goods unsold will be multiplied with its purchase value to arrive at the closing stock value. Here is an e.g. of how your closing stock value is arrived at. Assume your purchases are as follows.  Note: It is assumed that the stock purchased first is what is sold out first.
Opening Stock **Opening stock** is the value of goods available for sale in the beginning of an accounting period/ date range selected. The opening stock will be calculated at the price at which it was purchased. Here it will be assumed that the goods purchased first were sold first and the stock remaining is the stock that was purchased later.	**Sales Account** This will show the total value of stock sold for the selected period. Here sales value is calculated as **'quantity sold' * price at which it was sold.**
Direct/ Indirect expenses This will show all your expenses incurred in your business for the period selected. For e.g. Salaries, rent, depreciation of fixed assets, tax paid, discounts given etc.	**Direct/ Indirect Income** This will show all your income earned in your business for the period selected. For e.g. Discount received, interest earned.
Net Profit This will display any profit earned after deducting all the expenses shown on the left side with the income earned on the right side. If the income is more than the expense, you will see a net profit.	**Net Loss** This will display any loss incurred after deducting all income earned on the right side with the expenses shown on the left side. If the expense is more than the income you will see a net loss

Read our tutorials on Profit & Loss:

How to check Profit and Loss account drill down in HDPOS smart?