

Profit and Loss/Income Statement Analysis

The profit and loss (P&L) statement, detailing revenue and costs, is a key component of certain SEC filings and is also a useful tool for understanding the health of a business. Executives and managers continually monitor P&L actuals versus budgets and forecasts to ensure their business is operating on plan. Automatically generated P&L reports allow managers to see current period revenue, costs, and profitability, period over period and business unit to business unit comparisons, and actuals to plan. Business intelligence also permits development of more accurate and timely quarterly and yearly performance analysis, allows navigation to detailed revenue and cost components, and enables more refined margin and contribution assessment.

Sample Report: Abbreviated Profit & Loss Summary by Region

Region: Latin America

Month: Sep-02

Account Type	Actual YTD (\$)	YTD Budget Through Current Month (\$)	YTD Budget Variance (\$)	YTD Budget Variance %
TeleSales Revenue	8,947,825	9,256,340	(308,515)	(-3%)
Store Revenue	10,589,423	10,245,675	343,748	3%
Internet Revenue	2,456,812	3,012,500	(555,688)	(-18%)
Other Revenue	56,892	0	56,892	100%
Total	22,050,952	22,514,515	(463,563)	-2%
Salaries & Commissions	3,256,425	3,385,500	10,075	0%
T&E	245,987	250,000	4,013	2%
Communications	66,487	65,000	(1,487)	(-2%)
Shipping, Printing, Supplies	51,987	50,000	(1,987)	(-4%)
Marketing	1,356,789	1,350,000	(6,789)	(-1%)
Depreciation	215,874	225,000	9,126	4%
Rent and Related Office Exp	103,452	103,475	23	0%
Total	5,416,001	5,428,975	12,974	0%
Contribution	16,634,951	17,085,540	(485,589)	-3%

This example of a P&L highlights a company's Latin American business for the year to date. With built-in security filters, the General Manager for Latin America can see only the financial data related to her region. Negative variances are highlighted in red. By monitoring this report monthly, the Regional Manager can see that she's managed costs effectively but revenue is trailing plan. A next step would be to drill on the Internet and Telesales Revenue, which have the highest negative variance, at the country level to determine if the problem is due to one country or the entire region.

COMMON BUSINESS QUESTIONS

- What is the profit margin of each business unit and/or geographic region?
- How have margins changed month-to-month over the past year?
- Which business units are hitting their margin targets? Which are falling short?
- Which business units are more than 10% above/below their contribution targets?
- Which units or regions are over budget by more than 5%?
- Which departments have the highest contribution per employee?
- Are there trends underlying any revenue or expense categories that need immediate attention?

Key Performance Indicators

- Gross Profit Margin
- Income
- Net Operating Income
- Net Operating Loss
- Operating Expense To Sales
- Contribution per Employee
- Payout Ratio
- Operating Margin
- Earnings per Share