

Sample Income Statement (Profit and Loss Statement)

Sales
- Cost of goods sold (COGS)
= Gross profit

Gross profit
- General and administrative expenses (G&A)
= Net operating profits or net profit before taxes (PBT)

Net operating profits
- Other Income or Expense
= Profit before taxes

Profit before taxes
- Taxes
= Net Profit

Note: Cost of goods sold must include direct labor, material expenses, and other costs incurred because you sold something. General and administrative expenses can be divided into two categories: labor related and non-labor related overhead. Labor related could include unapplied labor, training labor, worker's compensation, vacations, holidays, health insurance, etc.