

How to complete a Profit & Loss Statement in Pennsylvania

Itemized P&L; (income statement) with revenue, COGS, operating expenses and net income calculation.

What this form is for

Banks require a Profit & Loss Statement to evaluate your business's profitability over a specific period, typically monthly, quarterly, or annually. This form shows whether your business generates enough income to cover expenses and service debt, making it central to loan approval decisions.

Before you start

- Sales records, invoices, and payment receipts for all revenue streams during the reporting period
- Cost of Goods Sold documentation including inventory purchases, direct labor, and materials used in production or service delivery
- Operating expense receipts and statements covering rent, utilities, payroll, insurance, marketing, professional fees, and other overhead costs
- Prior year P&L statements if available, to maintain consistent category naming and formatting
- Chart of accounts from your bookkeeping system to ensure proper expense classification

Step-by-step

1. Enter your business legal name, reporting period dates, and preparation date at the top of the form. Pennsylvania lenders expect monthly statements for businesses under two years old and quarterly or annual statements for established firms.
2. List all revenue sources in the income section, broken down by product line or service category if your business has multiple streams. Total all revenue lines to calculate gross sales or gross receipts.
3. Itemize Cost of Goods Sold including direct materials, direct labor, freight, and beginning and ending inventory values. Subtract total COGS from gross revenue to arrive at gross profit.
4. Record operating expenses in standard categories such as salaries and wages, rent, utilities, insurance, advertising, professional services, office supplies, vehicle expenses, and depreciation. Group similar expenses together and maintain consistent categories across reporting periods.
5. Separate fixed expenses like rent and insurance from variable expenses like advertising and supplies, as lenders analyze both.
6. Add all operating expenses to determine total operating expenses, then subtract this figure from gross profit to calculate operating income.
7. List non-operating income and expenses separately, including interest income, interest expense, and any one-time gains or losses.

8. Calculate net income before taxes by combining operating income with non-operating items. If you're filing as a C-corporation in Pennsylvania, note that state corporate net income tax applies.

What lenders look for

- Banks scrutinize your gross profit margin (gross profit divided by revenue) and compare it to industry benchmarks; margins that deviate significantly from your sector norms raise red flags and require explanation.
- Avoid lumping miscellaneous or catch-all expense categories above five percent of total expenses, as underwriters interpret this as poor bookkeeping or potential hidden problems.
- Consistency matters more than perfection; use identical category names and formatting across all periods so lenders can easily track trends in revenue growth and expense control.