

How to complete a Profit & Loss Statement in Texas

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 assess your business's profitability over a specific period, typically monthly, quarterly, or annually. This form shows whether your revenues exceed your costs and helps lenders evaluate your ability to service debt.

Before you start

- Sales records including all revenue streams, invoices issued, and payment receipts for the reporting period
- Cost of goods sold documentation such as inventory purchases, direct labor costs, and materials expenses
- Operating expense receipts covering rent, utilities, payroll, insurance, marketing, professional fees, and office supplies
- Previous P&L statements if available, to maintain consistent categorization and formatting
- Your business tax return (especially Schedule C for sole proprietors or Form 1120 for corporations) to cross-reference figures

Step-by-step

1. Enter the reporting period at the top of the form, using specific start and end dates that match your accounting cycle.
2. List all revenue sources in the income section, breaking out product sales, service income, and other revenue streams separately rather than entering one lump sum.
3. Subtract returns, refunds, and allowances from gross revenue to calculate net revenue or net sales.
4. Enter cost of goods sold, including only direct costs tied to producing your product or delivering your service—raw materials, manufacturing labor, and shipping costs belong here.
5. Calculate gross profit by subtracting total COGS from net revenue. This line is critical because it shows your fundamental business margin.
6. Itemize operating expenses in standard categories—payroll, rent, utilities, insurance, marketing, depreciation, interest, professional fees, and repairs. Use separate line items rather than combining categories.
7. Total all operating expenses and subtract from gross profit to determine operating income or EBITDA.
8. Add non-operating income or expenses such as interest income, investment gains, or one-time losses below the operating income line.

9. Calculate net income before taxes by combining operating income with non-operating items.
10. Subtract estimated or actual tax expense. Texas has no state income tax, but include federal tax liability and any applicable franchise tax.

What lenders look for

- Banks compare your gross profit margin and net profit margin against industry benchmarks, so consistent negative net income or shrinking margins raise red flags about business viability and repayment capacity.
- Avoid mixing personal and business expenses on this statement. Texas lenders scrutinize sole proprietors especially closely because commingling funds suggests poor financial controls.
- Double-check that your P&L total income matches what you report on tax returns. Discrepancies between bank documents and IRS filings will stall or kill your application.