

Trade Finance in Ten Podcast: Episode 2 Summary

Profit and Loss Report / Income Statement

1. Why Today's Topic Is Important

Your Profit & Loss (P&L) statement is the core report that shows whether your business is making money over a specific period. It tracks revenue, job costs, overhead, and the bottom line. Lenders, buyers, and your CPA all rely on it to judge stability and performance. When you understand how to read it yourself, you can spot underpriced work, rising costs, and overhead creep long before they turn into cash problems. The P&L won't tell you everything about cash, but it's the primary tool for understanding profitability and diagnosing where money is being made—or lost.

---

2. Key Takeaways

- The P&L is not cash flow. It shows income and expenses, not loan payments, owner draws, or equipment purchases.
- Income and expenses should all be recorded in the right month — all finished work should be invoiced. If possible, bill larger jobs as they are completed (e.g. 30%, 30%, 40% phases etc) and as they incur costs to keep margins true to life
- Cost of Goods Sold (COGS) should include only direct job costs: field labor, payroll taxes/benefits tied to that labor, materials, shipping, subs, and job-specific rentals.
- Gross profit (revenue minus COGS) tells you how much is left to cover overhead and profit; if gross profit is low, you may have pricing, labor, or material issues.
- Operating expenses are your overhead: admin pay, rent, utilities, insurance, software, phones, marketing, vehicle costs, etc. that aren't billed directly to jobs
- Net profit is what remains after all expenses — it shows whether the business is truly profitable for that period. P&Ls can also include other expenses/income. We will discuss these at another time.

© 2026 HVAC Office Solutions, LLC. Mainstreet MEP™ Visit us online at myHVACoffice.com
For educational use only; not legal, financial, or accounting advice; use at your own risk.

- You can't judge performance from one month alone; look for patterns and trends over time. Goal is typically consistent growth.
- Misclassifying job costs, or missing expenses entirely, can make the P&L look better than reality or lead to bad decisions.

3. Action Steps to Consider

- ☐ Print and review your P&L for last month in accrual.
- ☐ Scan revenue and expenses for any unusual dips or spikes .
- ☐ Review COGS and confirm direct labor, materials, subs, and job-specific costs are included there—not buried in overhead.
- ☐ Look at gross profit and ask whether it feels right for your type of work; if it's low, dig into pricing, labor efficiency, equipment rentals, or materials.
- ☐ Review operating expenses and highlight anything that looks new, higher than normal, or no longer necessary.
- ☐ Look at net profit for the month and ask: "If this result repeated all year, will I be happy with it? Are we turning a profit and growing?"
- ☐ Write down action items, or one or two changes you'll make this month based on what you saw in the P&L (e.g. pricing, costs, overhead, contracts, customer types).
    - _____
    - _____
    - _____
    - _____
    - _____

© 2026 HVAC Office Solutions, LLC. Mainstreet MEP™ Visit us online at myHVACoffice.com
For educational use only; not legal, financial, or accounting advice; use at your own risk.