

Profit & Loss Statement

Directions:

Fill out the Profit & Loss Statement on the following page based on the information below. Once you have completed the Profit & Loss Statement, answer the questions on page three.

Sample T-Shirt Company, INC. needs help with their profit loss statement for their fourth quarter which lasts between October 1st and December 31st. They have sold 14,320 t-shirts this quarter at \$20 a shirt. These shirts cost \$3 to make. Of all of the shirt orders, 80 percent are shipped to customers. The company offers free shipping, so they must pay an average of \$4 in postage per shirt shipped. The company has three employees who each make \$80,000 a year. The company has general liability insurance which costs \$600 a year, with equal payments every month. The company rents out a small production space for \$600 a month. Each month the company pays \$300 for web advertising, \$200 for print advertising and \$500 for television advertising. The company pays 15 percent of their profit in taxes.

Profit & Loss Statement

Sample T-Shirt Company, INC

Quarter ending in **December 31st**

		Amount	% of Total Revenue
Less	Total Revenue	\$286,400	100%
	Cost of Goods Sold	\$42,960	15%
	GROSS REVENUE	\$243,440	85%
Less	EXPENSES		
	Fixed Costs		
	Wages	\$60,000	20%
	Insurance	\$150	.1%
	Rent	\$1800	.6%
	Total Fixed Costs	\$61,950	22%
	Variable Costs		
	Advertising	\$3,000	1%
	Postage	\$45,824	16%
	Total Variable Costs	\$48,824	17%
	TOTAL EXPENSES	\$110,774	39%
Equals	Profit Before Taxes	\$132,666	46%
	Tax Expense	\$19,899.90	7%
	Net Profit	\$112,766.10	39%

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Calculations

Total Revenue = $14,320 \times \$20 = \$286,400$

Cost of Goods Sold = $14,320 \times \$3 = \$42,960$

Gross Revenue = $\$286,400 - \$42,960 = \$243,440$

Wages = $(\$80,000 \times 3) / 4 = \$60,000$

Insurance = $(\$600 / 12) \times 3 = \150

Rent = $\$600 \times 3 = \1800

Total Fixed Costs = $\$1800 + \$150 + \$60,000 = \$61,950$

Advertising = $(\$300 + \$200 + \$500) \times 3 = \$3,000$

Postage = $(14,320 \times .8) \times \$4 = \$45,824$

Total Variable Costs = $\$3,000 + \$45,824 = \$48,824$

Total Expenses = $\$61,950 + \$48,824 = \$110,774$

Profit Before Taxes = $\$243,440 - \$110,774 = \$132,666$

Tax Expense = $\$132,666 \times .15 = \$19,899.90$

Total Profit = $\$132,666 - \$19,899.90 = \$112,766.10$

Profit & Loss Statement

1. A new company attempting to grow should allot 7 percent of their revenue to marketing. Assuming Sample T-Shirt Company, INC. is a new company attempting to grow, are they spending enough money on marketing? If not, how much should they be spending based on this quarter's revenue?

No. They should be spending \$20,048.

$$\$286,400 \times .07 = \$20,048$$

2. Wages for a business should be about 32 percent of gross revenue. Does the Sample T-Shirt Company, INC make enough revenue to hire another employee?

Yes, they can afford to pay a new employee \$71,604 a year.

$$\$243,440 \times .32 = \$77,901$$

$$\$77,901 \times 4 = \$311,604$$

$$\$311,604 - (\$80,000 \times 3) = \$71,604$$

3. Sample T-Shirt Company, INC has a huge profit margin, but very slow growth. What do you suggest they spend money on to improve their growth?

Answers will vary.