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INNOVATION CELL
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UNDERSTANDING PROFIT & LOSS STATEMENT FOR START-UP

Turning Numbers into Strategy

**Financial Literacy
for Founders
Begins Here**

**Decode Profits,
Avoid Pitfalls**

Revenue is vanity, profit is sanity, cash is reality.

WHY P/L MATTERS FOR STARTUPS?

- A P/L Statement = Health Report of your startup
- Essential to know if you are making profit or burning cash
- Used by investors, banks, incubators for decision-making

- Helps detect financial red flags early

- Drives pricing, hiring, marketing, and growth decisions



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WHAT IS A PROFIT & LOSS STATEMENT?

- A financial report that shows revenue, costs, and profits/losses for a given time period.
- Evaluate financial performance and plan for the future.

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TIME FRAMES:

- ▶ **Monthly:**
Track short-term performance
- ▶ **Quarterly:**
Tracks medium term
- ▶ **Annually:**
Gives full-year view

Profit & Loss Statement		
Income		
Expense		
Net Profit		

A layered P/L diagram
(Revenue → COGS → Expenses → Profit)

MAIN COMPONENTS OF A P/L STATEMENT

1 Revenue (Sales):

Total money earned from products/services.

2 Operating Profit:

It is profit from main business before taxes.

3 Interest

Loans or credit-based finance cost.

4 Profit Before Tax

Profit Before Tax (PBT) is profit earned before paying taxes

5 Net Profit

It is the profit left after all expenses and taxes.

6 Operating Expenses

These are the daily costs of running a business.

SAMPLE STARTUP P/L STATEMENT

Particular	Year 20XX	Year 20XY
Sales	81,809	94,684
Expenses	56,657	70,167
Operating Profit	25,153	24,482
OPM%	31%	26%
Other Income	1,637	3,720
Interest	39	104
Depreciation	1,349	1,799
Profit Before Tax	25,402	26,298
Tax%	24%	24%
Net Profit	19,332	20,060

A clear P&L helps you see not just what you earn, but what you keep.

COMMON MISTAKES STARTUPS MAKE

- Common Mistakes Startups Make
- Mixing personal and business expenses
- Not tracking recurring or hidden costs
- Using Excel with no backups or versioning
- No regular reviews of P/L – wait till tax filing
- Not differentiating between fixed and variable costs

Example:

A startup spends ₹3L on influencer marketing without tracking if it increases sales – wasteful due to lack of P/L review



BENEFITS OF REGULAR P/L TRACKING

- Clear view of financial health.
- Helps forecast and plan growth.
- Understand cash burn rate – how fast you're spending.
- Know when to pivot or raise more capital.
- Makes business more compliant and transparent.

