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STRATFORD FINANCIAL SOLUTIONS, INC. TM

STRATFORD FINANCIAL SOLUTIONS INC. P&L INFORMATION SHEET

(SMALL, OR MEDIUM BUSINESS)

P.E.A.R.L.S. ACCOUNTING

This statement uses the P.E.A.R.L.S. rule, which emphasizes debits for Purchases, Expenses, and Assets. Every accounting transaction is made up of two parts; a credit and a debit. Expenses are credits, Revenues are debits. The pearls rule is an easy way to remember which part of the transaction is a debit, and which is a credit.

- **Purchases, Expenses, Assets – Debit**
- **Revue (sales), Liabilitys, Source of funds (capital) – Credit**

PROFITS (CREDITS)

1. Sales Revenue (Credit)

Income generated from the sale of goods or services.

2. Capital Contributions (Credit)

Funds invested by owners or shareholders.

3. Liabilities (Credit)

Loans or credit extended to the business.

4. Other Income (Credit)

Interest income, grants, or miscellaneous revenue.

EXPENSES (DEBITS)

1. Purchases (Debit)

Costs of goods or raw materials bought for production.

2. Operating Expenses (Debit)

Wages, rent, utilities, and administrative costs.

3. Assets Purchased (Debit)

New equipment, vehicles, or real estate bought.

4. Depreciation (Debit)

Non-cash expenses for wear and tear on assets.

NET PROFIT

Net Profit = Sales Revenue – Total Expenses

This reflects the remaining earnings after accounting for purchases, operating expenses, and asset depreciation.

D.E.A.L.E.R. ACCOUNTING

The D.E.A.L.E.R. rule ensures correct classification of debits and credits for Dividends, Expenses, Assets, Liabilities, Equity, and Revenues.

Dealer is an acronym:

Debit accounts: **D**ividends, **E**xpenses, **A**ssets

Go on “left”

Debits increase these balances, Credits decrease them

Credit accounts: **L**iabilitys, **E**quity, **R**evenue

Go on “right”

Credits increase these balances, and Debits decrease them

PROFITS (CREDITS)

1. Revenues from Sales (Credit)

Earnings from regular business operations.

2. Liabilities (Credit)

Bank loans or lines of credit to finance operations.

3. Equity Contributions (Credit)

Owner or shareholder investments.

4. Retained Earnings (Credit)

Profits reinvested into the business.

EXPENSES (DEBITS)

1. Dividends/Drawings (Debit)

Withdrawals by owners or shareholders.

2. Operating Expenses (Debit)

Day-to-day expenses like salaries, rent, and utilities.

3. Asset Purchases (Debit)

Acquisition of equipment, property, or technology.

4. Debt Repayments (Debit)

Payments toward loans or other liabilities.

NET PROFIT

Net Profit = Revenues – Total Expenses

This shows the final profitability after accounting for dividends, asset purchases, and operating costs.

NAME OF BUSINESS:

TAX YEAR:

PROFIT & LOSS STATEMENT

PROFIT (INCOME)

SALES:

SERVICES:

OTHER:

TOTAL INCOME:

LOSS (EXPENSES)

ADVERTISING:

EQUIPMENT RENTAL/LEASE

INSURANCE

LICENSE / PERMITS

OFFICE SUPPLIES

RENT -OFFICE / STORAGE

SALARIES & WAGES

TRAVEL & ENTERTAINMENT

UTILITIES

VEHICLES

OTHER:

TOTAL EXPENSES:

NET PROFIT: