Lesson 2: Adjusting Your Profit for Reality

Why Net Profit Isn’t the Whole Story

Your Profit & Loss shows what you earned and spent — but it doesn’t include everything that affects your bank balance. Before you spend that profit, check what still has to be paid and what’s already been taken out.

Adjust Your Profit Step by Step

1. Start with your Net Profit (from your P&L).
2. Subtract money you still owe this month (loans, credit cards, big bills).
3. Subtract any owner draws already taken this month.
4. Add back non■cash expenses (like depreciation) that reduced profit but didn’t use cash.
5. Result = Adjusted Profit (the real money you can use).

Example

Net Profit: $5,000
– Loan Payment: $1,200
– Credit Card: $800
Adjusted Profit = **$3,000** (this is what’s safe to spend)

■ When to Call Your Accountant

• You’re not sure if a payment belongs in “expense” or “bill to pay”
• Your profit is positive but your bank balance feels low
• You’re unsure how to treat owner draws or credit card payments
• You want a simple system to set aside money for taxes

Key Takeaway: Adjusted Profit is the number that matters for decisions. Calculate it before you pay yourself or commit to new spending.

Try It Yourself

Use this worksheet to adjust your Net Profit and see what you really have available.

Net Profit: ______________________________

– Loan Payments: _______________________

– Credit Cards: ________________________

– Other Big Bills: _____________________

– Draws Already Taken: ________________

+ Add Back Non■Cash Expenses: _________

Adjusted Profit: ________________________

Reflection

Think about how your adjusted profit compares to the number on your P&L.;

• Was your adjusted profit higher or lower than expected? ___________

• Did you have enough left to safely pay yourself? ___________

• What will you change next month before spending profit?

■ **Action Step:** Make adjusting your profit a monthly habit before paying yourself.

■ Download an Adjusted Profit template at jnbservice.com/resources.