



Questions directors should ask about the Profit and loss statement

Accounting basis

Have the management accounts (internal reports) been prepared using the cash basis or accruals basis of accounting?

Income

What are the corporation's main sources of income?

- Have they increased or decreased since the last reporting period (and year to date)?
- What were the main reasons for the increases or decreases in revenue?

How does our actual income for the period (month and year-to-date) compare with the budgeted income?

- What are the main reasons for any significant differences (material variances)?

Expenses

What are our major expenses?

- Have they increased or decreased during the last two reporting periods?
- What were the main reasons for the increases or decreases in expenses?

How does our actual expenses for the period (month and year-to-date) compare with the budgeted expenses?

- What are the main reasons for any significant differences?

Profit or loss?

What is our net profit (or net surplus) at the end of the reporting period?

- Is it higher or lower than the previous reporting period and year-to-date?
- What were the main reasons for any significant change?

Is our net profit for the reporting period and year-to-date on track with the budget?

