Invoices, Purchase Orders
Profit and Loss

Invoices

An invoice is a document created by the seller, sent to the buyer, documenting the transaction

It documents the products or services, quantities and agreed prices for the products or services the seller had provided the buyer

It acts to protect both the buyer and seller from error and fraud

Structure of an Invoice

- The word *Invoice* (or *Tax Invoice*)
- A unique reference number (in case of correspondence about the invoice)
- Date of the invoice
- Credit terms
- Tax payments if relevant (e.g. the Government Sales Tax or Value Added Tax)
- Name and contact details of the seller
- Tax or company registration details of seller (if relevant)
- Name and contact details of the buyer

Structure of an Invoice

- Date that the goods or services were sent or delivered

- Purchase order number or similar tracking numbers requested by the buyer to be mentioned on the invoice

- Description of the product(s)

- Unit price(s) and number of the product(s) to be provided (if relevant)

- Total amount charged (optionally with breakdown of taxes, if relevant)

- Payment terms including:
  - method of payment
  - date of payment
  - details about charges for late payment

Purchase Order

- It is the mirror image of an invoice: a document indicating what the buyer wants to purchase, sent to the seller

- It indicates the products or services requested, the number or amount of them, and the agreed upon price for them

- It acts to protect both the buyer and seller from error and fraud

Structure of a Purchase Order

- The words *Purchase Order*

- A unique reference number, the purchase order number

- Date of the purchase order

- Tax payments if relevant (e.g. the Government Sales Tax or Value Added Tax)

- Name and contact details of the buyer

- Tax or company registration details of seller, or tax-free status (if relevant)

- Name and contact details of the seller

Structure of a Purchase Order

- Date that the goods or service are agreed to be delivered or rendered

- Shipping method

- Description of the product(s)

- Unit price(s) of the product(s) (if relevant) and number desired

- Total cost of order (optionally with breakdown of taxes, if relevant)

- Payment terms including:
  - method of payment
  - date of payment

Profit and Loss
Definitions

- **REVENUE** is compensation received for your product or services
- **COST OF GOODS SOLD** are the variable expenses related to the sale of your product.
- **OPERATING EXPENSES** are fixed expenses, such as rent, and utilities
- **OPERATING INCOME** is profit after operating expenses are deducted.
- **EARNINGS BEFORE TAXES** is income including other income and expenses, but before taxes.
- **INCOME TAXES** are federal, state, and local taxes.
- **NET EARNINGS** is the profit earned by the business; it includes all expenses, including taxes

Profit and Loss

Net Earnings

- =Revenue – cost of goods sold

- = Gross Profit – Operating Expenses

- = Operating Income + Other Income - Expenses

- = Earnings Before Taxes – Income Taxes