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Enterprise Viability & Sustainability Diagnostic Toolkit

Understand Current Performance | Profit & Loss Statement Preparation

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Enterprise Viability & Sustainability Diagnostic Toolkit Modules

1. **Preliminary research**
2. **Understand current performance**
3. **Identify factors to improve viability**
4. **Assess sustainability**

Analytical activities

Enterprise Mapping

Select diverse enterprises based on their market context and sales performance for in-depth research

Exploratory Research

Understand enterprises' contexts and operations to customize tools and research questionnaires

Profit & Loss Statement Preparation

Prepare profit & loss (P&L) statements with revenues, costs, and resulting profits to support analyses

Profit & Loss Statement Analysis

Analyze P&L statements using financial ratios to enable inter-enterprise comparisons

Enterprise Classification

Categorize enterprise based on revenue and profit

Gross Margin Variance analysis

Identify the profit drivers that differentiate performance among enterprise categories

Strategy Identification

Identify the strategies that improve profit of enterprises in different contexts

Financial Independence Assessment

Assess enterprises' ability to meet recurring future financial investments independently

Operational Independence Assessment

Assess enterprises' ability to operate independently in future market conditions

Return on Capital Employed Analysis

Compute returns from sanitation relative to other opportunities available to the entrepreneur

Focus of this document

Table of Contents

- Introduction
- Preparation of a Profit & Loss statement

Objective of this document

Intended outcomes

This document is intended to help MBS programs:

- Appreciate the need for a profit & loss (P&L) statement to compute profits of sanitation enterprises
- Understand the various components of a P&L statement and computation methods for each component
- Learn the preparation of a P&L statement using the accompanying template

Value for MBS programs

- Offers **insights on an enterprise's financial performance**, which differs across enterprises due to variations in the underlying product types, volumes sold, prices charged, and costs incurred; few MBS programs track enterprise performance metrics beyond sales volumes
- Enables **comparative evaluation** across enterprises, **identification of causes for variations** in performance, and recommendations for **corrective strategies** to improve profitability
- Required for **accurate analysis** since sanitation enterprises rarely maintain records of financial data and entrepreneurs' overall estimates of revenues, costs, and profits are prone to error

Additional references

This document is meant to be used along side two other documents that are part of this module:

- **Profit & Loss Statement Template:** A Microsoft Excel template that allows MBS programs to enter financial data of sanitation enterprises to generate a P&L statement; this document refers to the template at several instances to explain the preparation of the P&L statement
- **Profit & Loss Statement Analysis:** A PDF guide which helps MBS programs analyze the information that is generated by constructing a P&L statement

Note: The methods in this document are intended to offer practitioners with guidance rather than a strict model to follow. Practitioners are encouraged to adapt the methods or consider other approaches for their contexts.

Legend

Legend for information on slides

Definition and concepts

Calculation and formulas

Tips for users

P&L statement template screenshots

Sanitation enterprise related icons

Sanitation enterprise

Electricity

Customer

Manual cart

Sales agent

Delivery vehicle

Labor

Repair

Money

Pit digging

Input supplier

Lending agency

Business lines icons

Sanitation

House construction

Brick manufacturing

Toilet component icons

Cement rings

Pit covers

Pan

Pipe

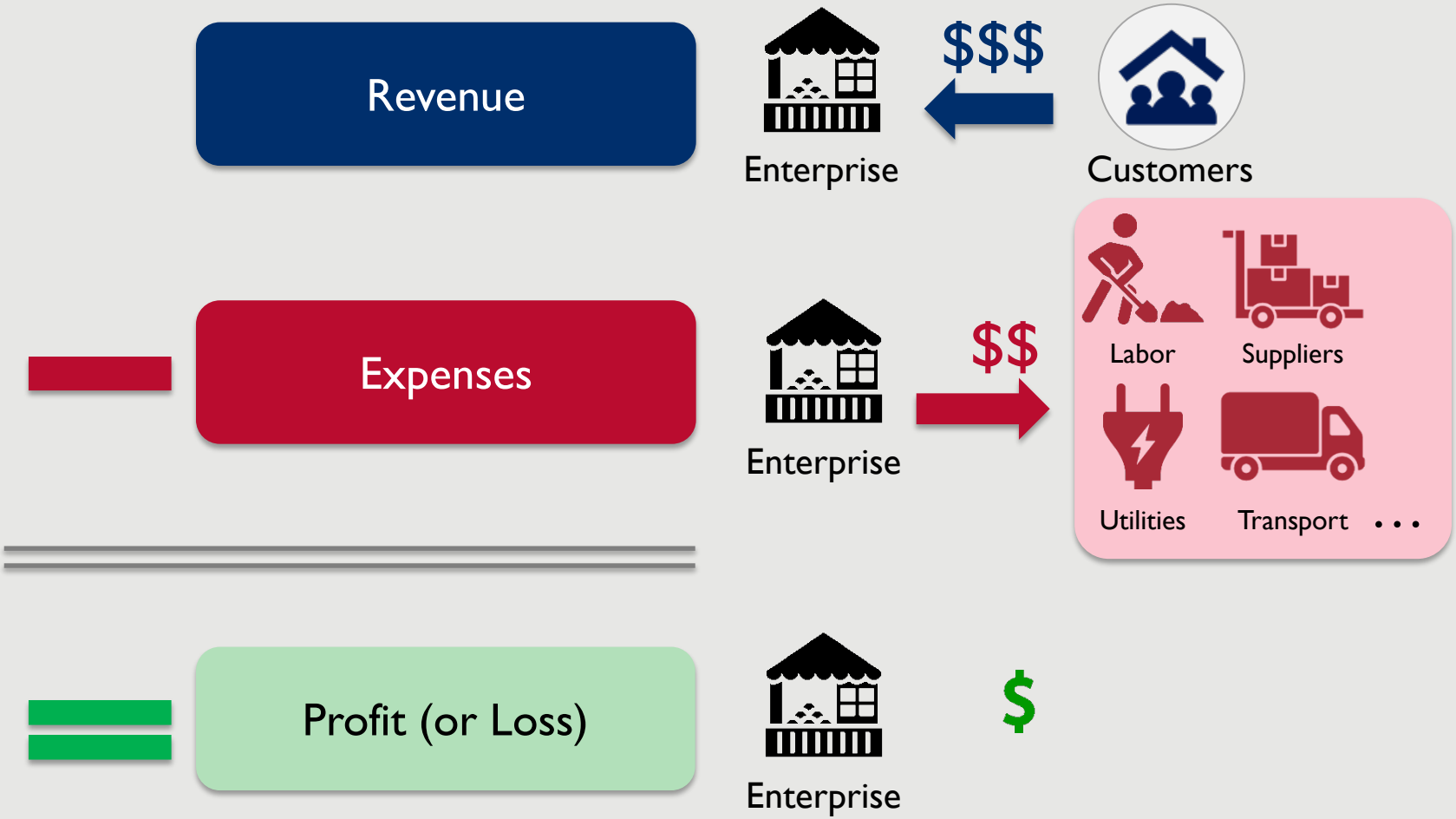
How to use this document?

MBS programs interested in constructing P&L statements for sanitation enterprises are recommended to use this guide and the accompanying materials as follows:

- Read this document to get familiar with the components required to prepare a P&L statement
- Refer to the *Data Requirements* document of this module for a comprehensive list of data required to prepare P&L statements
- If some or all of the data required is unavailable, refer to
  - The *Enterprise Mapping* document of the *Understand Current Performance* module for guidance on selecting enterprises for interviews
  - The *Sample In-Depth Research Interview Guide for Entrepreneurs* of this toolkit for questions to ask entrepreneurs to gather data for constructing P&L statements
- Conduct field research by interviewing entrepreneurs
- Use the guidelines provided in this document and the associated template to prepare P&L statements for the enterprises interviewed

Profit & Loss Statement – Basic structure & concepts

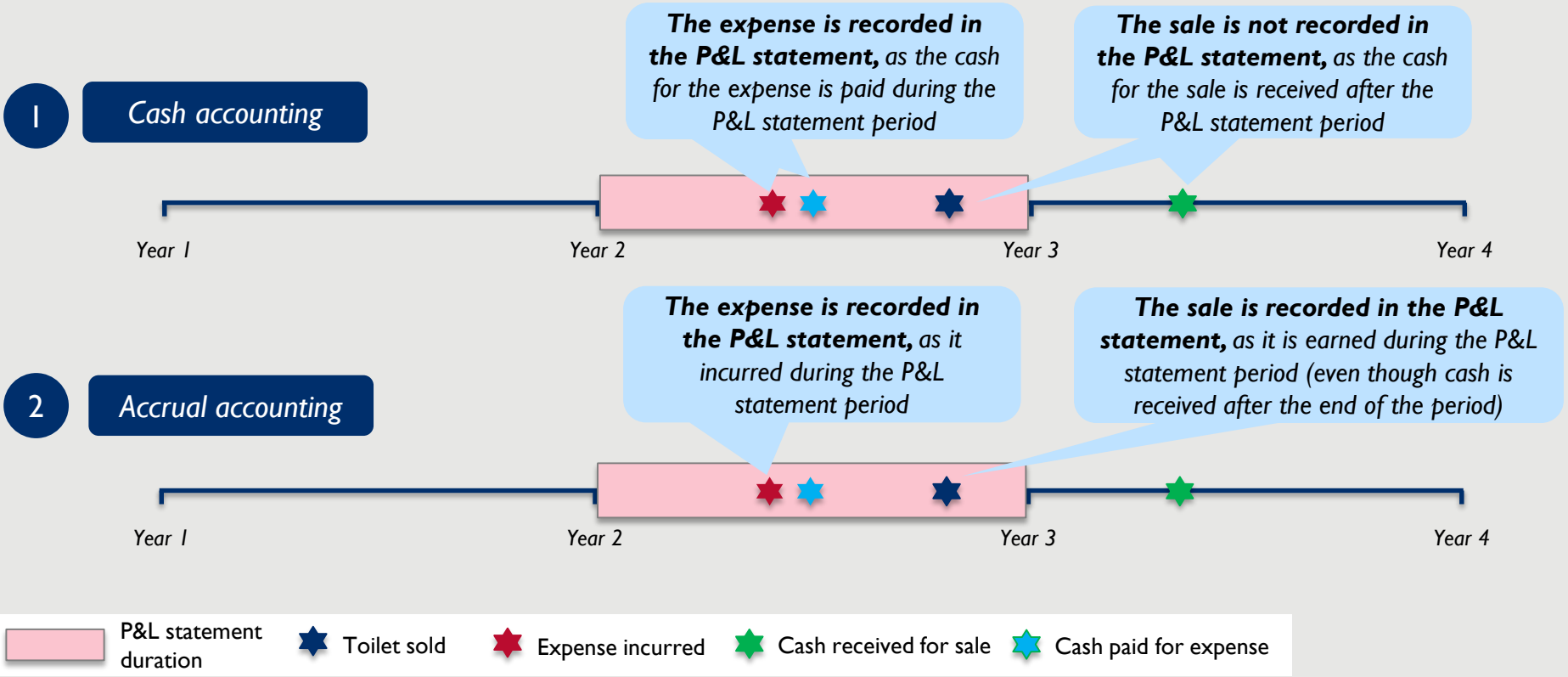
Profit and loss statement subtracts expenses from revenue to arrive at a profit or loss for the enterprise.



Profit & Loss Statement – Accrual accounting

The P&L statement as described is based on accrual accounting – the conventional accounting system in which revenue is recognized during the period when it is earned and expenses are recognized during the period when they are incurred, irrespective of cash received or disbursed during the same period. By contrast, cash accounting helps understand an enterprise's financial liquidity whereas accrual accounting determines profitability—the primary metric of viability.

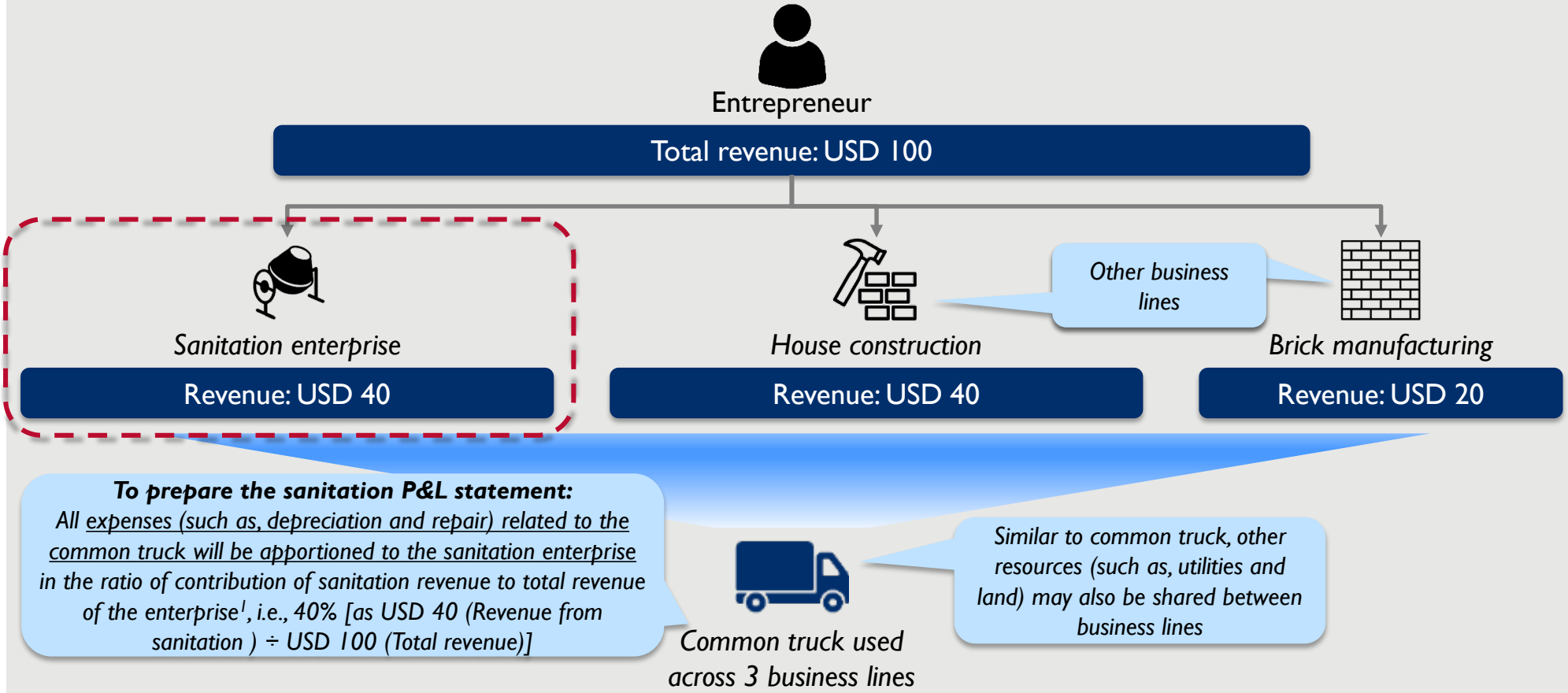
Illustrative cash accounting vs. accrual accounting calculation



Profit & Loss Statement – Apportioning expenses to sanitation

Since sanitation enterprises are often run alongside entrepreneurs' other business lines, some resources are shared among the business lines. In such cases, shared expenses are apportioned to the sanitation enterprise based on its percentage contribution to the entrepreneur's overall revenue.[1]

Illustrative apportioning calculation

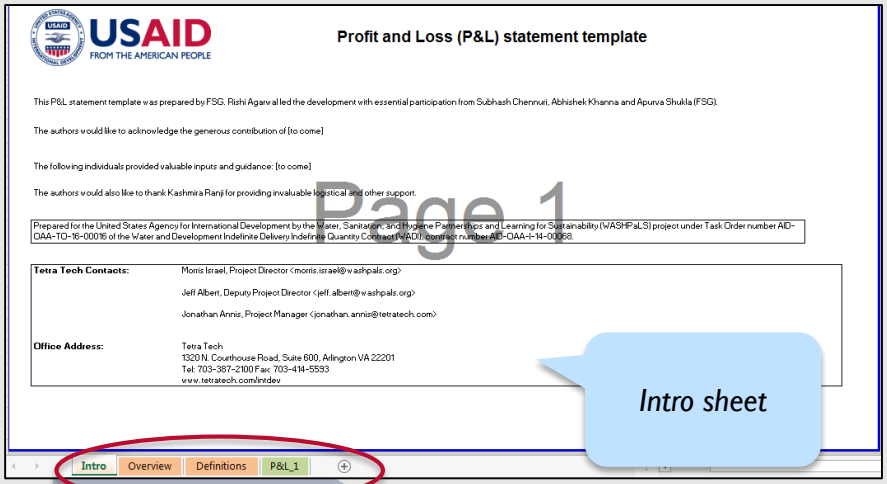


1. *While there are other methods of apportioning shared resources, such as using asset utilization by various business lines. However, gathering data on utilization is often challenging.*

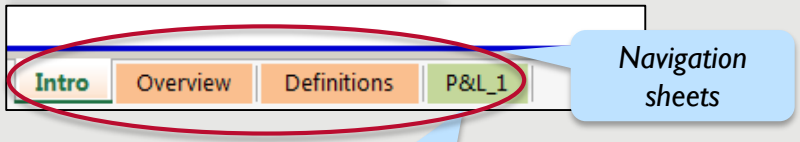
How to use the P&L statement template?

This document should be read with the Microsoft Excel template that allows MBS programs to enter the financial and operational data of a sanitation enterprise to generate a P&L statement. The template is included in the *Understand Current Performance* module.

Intro sheet of P&L statement template



Intro sheet

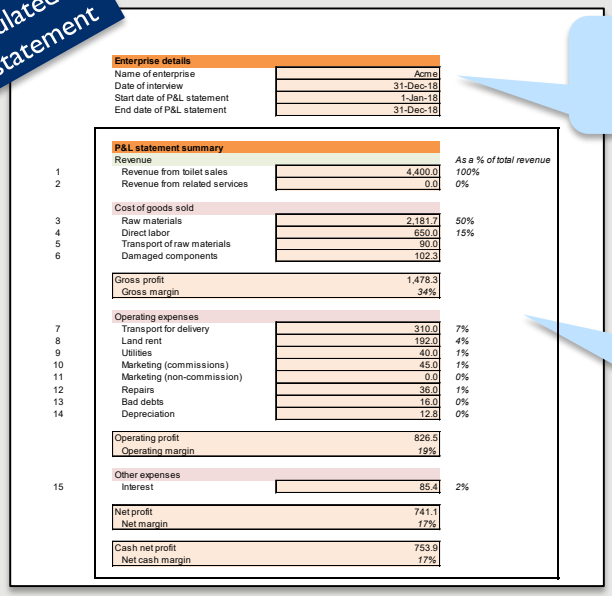


Navigation sheets

P&L statement template

P&L statement template for each enterprise

Calculated P&L statement



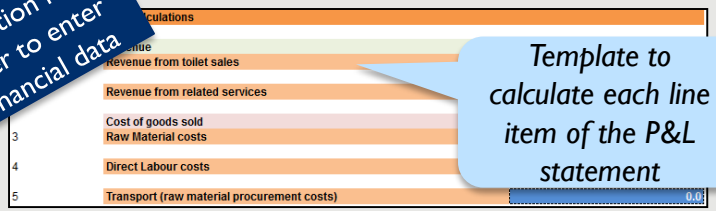
Enterprise details	
Name of enterprise	Acme
Date of interview	31-Dec-18
Start date of P&L statement	1-Jan-18
End date of P&L statement	31-Dec-18

	P&L statement summary		As a % of total revenue
	Revenue		
1	Revenue from toilet sales	4,400.0	100%
2	Revenue from related services	0.0	0%
	Cost of goods sold		
3	Raw materials	2,181.7	50%
4	Direct labor	650.0	15%
5	Transport of raw materials	90.0	
6	Damaged components	102.3	
	Gross profit	1,478.3	
	Gross margin	34%	
	Operating expenses		
7	Transport for delivery	310.0	7%
8	Land rent	192.0	4%
9	Utilities	40.0	1%
10	Marketing (commissions)	45.0	1%
11	Marketing (non-commission)	0.0	0%
12	Repairs	36.0	1%
13	Bad debts	16.0	0%
14	Depreciation	12.8	0%
	Operating profit	826.5	
	Operating margin	19%	
	Other expenses		
15	Interest	85.4	2%
	Net profit	741.1	
	Net margin	17%	
	Cash net profit	753.9	
	Net cash margin	17%	

Enterprise details

Calculated P&L statement

Section for user to enter financial data

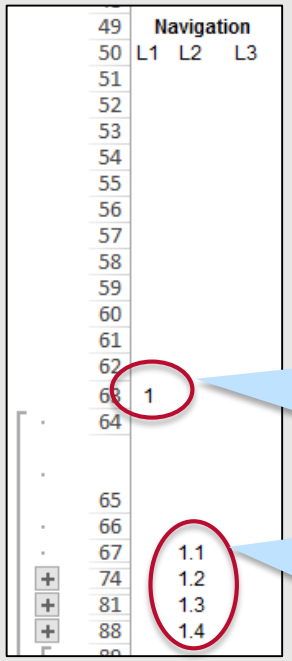


Template to calculate each line item of the P&L statement

How to use the P&L statement template?

Headings

- In the section for user to enter financial information, all P&L statement line items have been organized at different heading levels to make the template easier to use

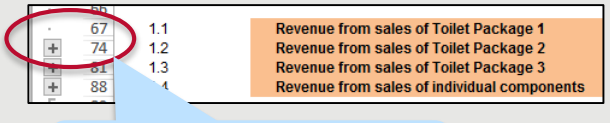


1 indicates that it is the first line item of the P&L statement

Level 1.1-1.14 are sub-headings within the No. 1 line item

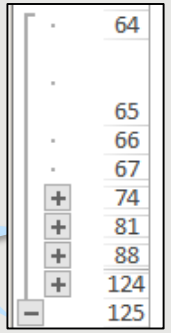
Grouped rows

- Certain rows in the template have been grouped together to make the template easier to use



Example of Grouped Rows from Number 67-74

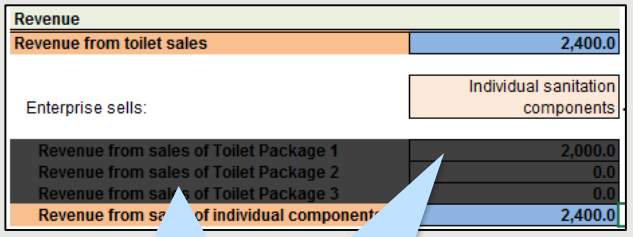
- These rows can be grouped / ungrouped by clicking the + or - button on the left side of the screen



'+' and '-' buttons

Conditional formatting

- The section for user to enter financial information has been designed to offer the user multiple methods of computation for a line item
- In some cases, selecting a computation method grays the irrelevant areas of the P&L statement



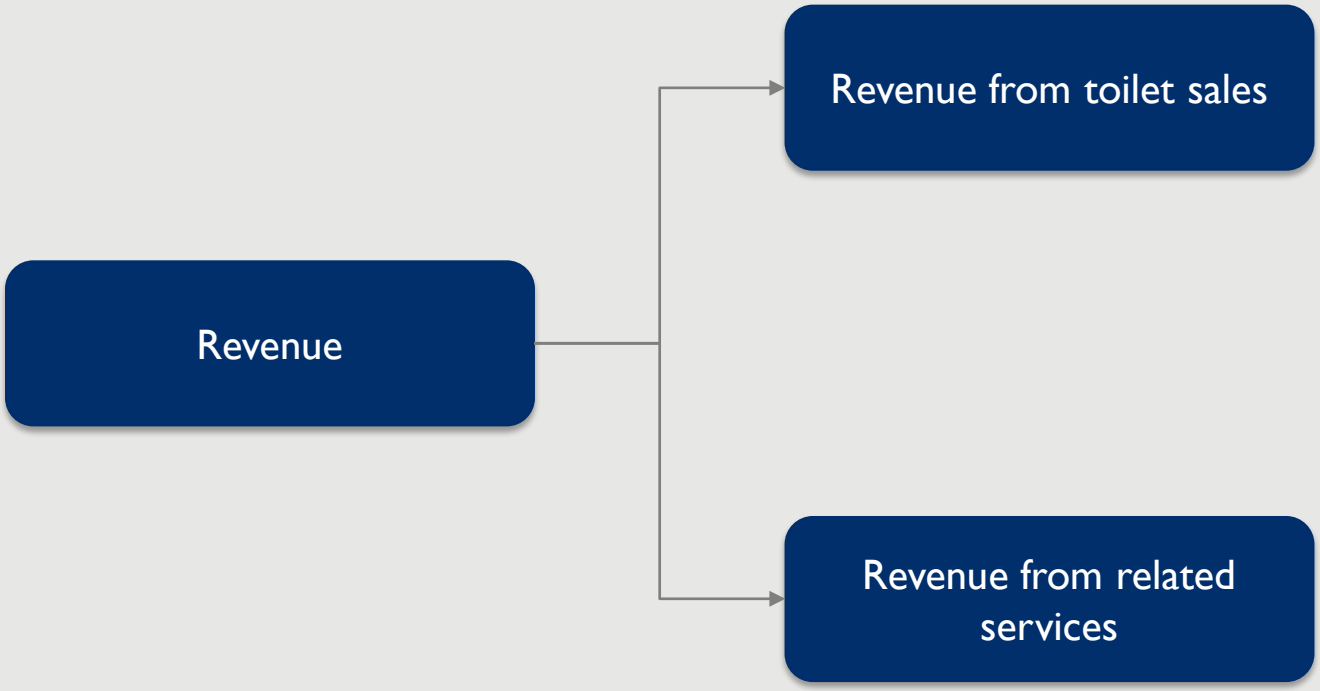
Irrelevant sections have been grayed out due to an option selected by the user

Table of Contents

- Introduction
- Preparation of a Profit & Loss statement
  - Revenue
  - Expenses

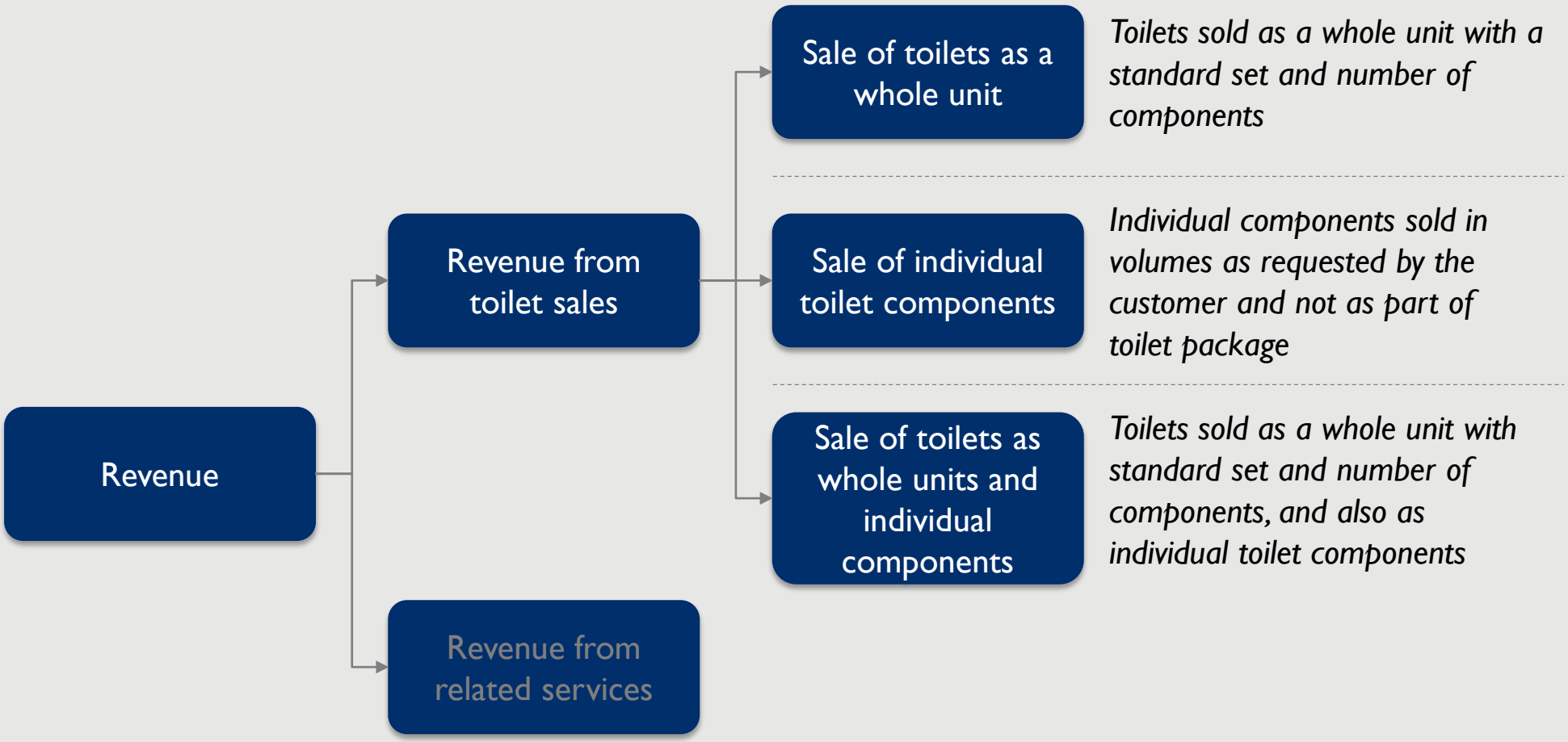
Revenue for sanitation enterprises

Revenue for sanitation enterprises is the money received by selling toilets, providing related services, or both.



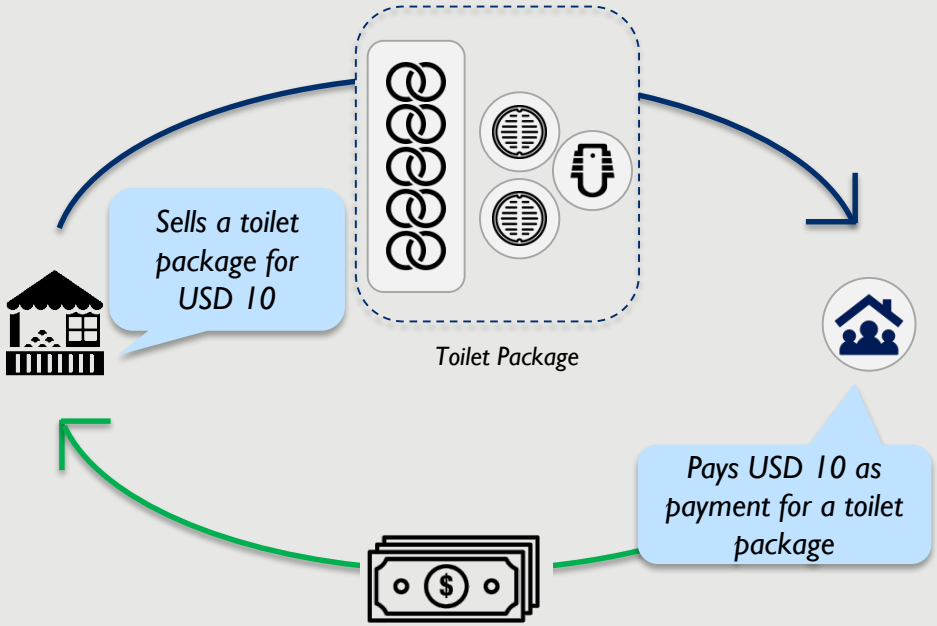
Revenue from toilet sales

Sanitation enterprises typically sell toilets as whole units (i.e., sell toilets as a full package), or individual toilet components (e.g., only cement rings), or both.

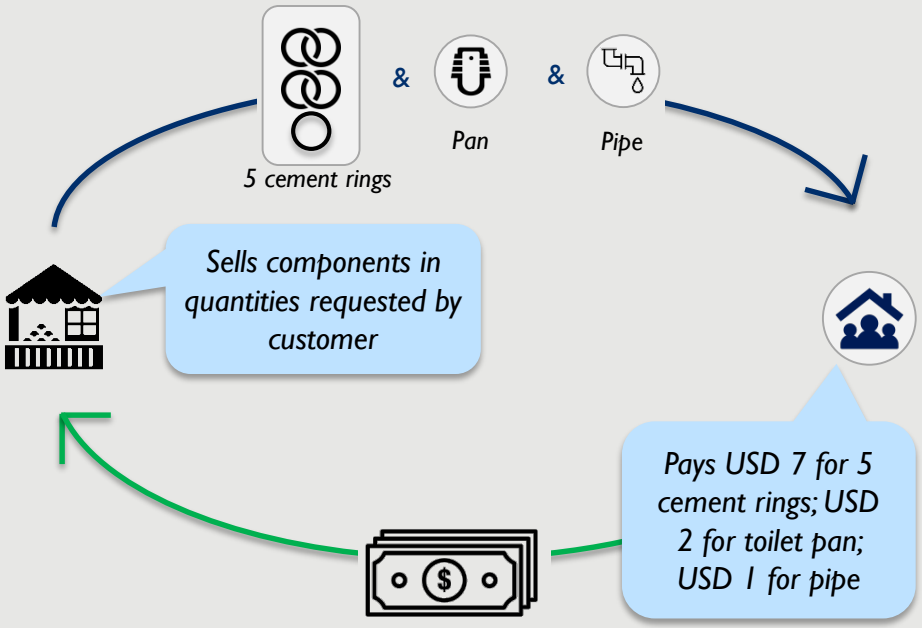


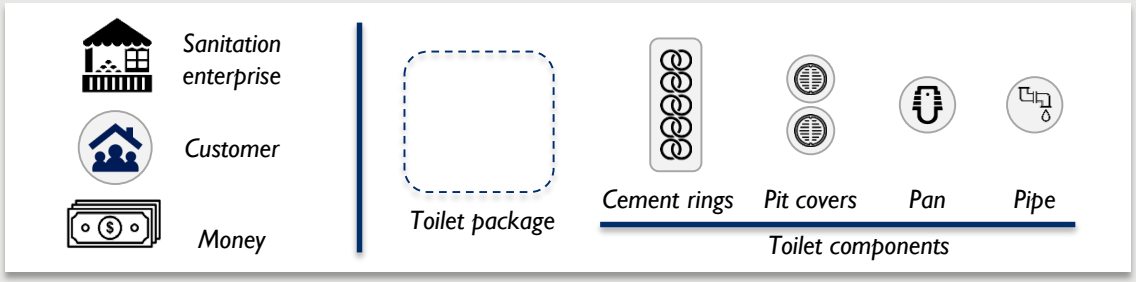
Revenue from toilet sales

Illustrative revenue from sale of a toilet package

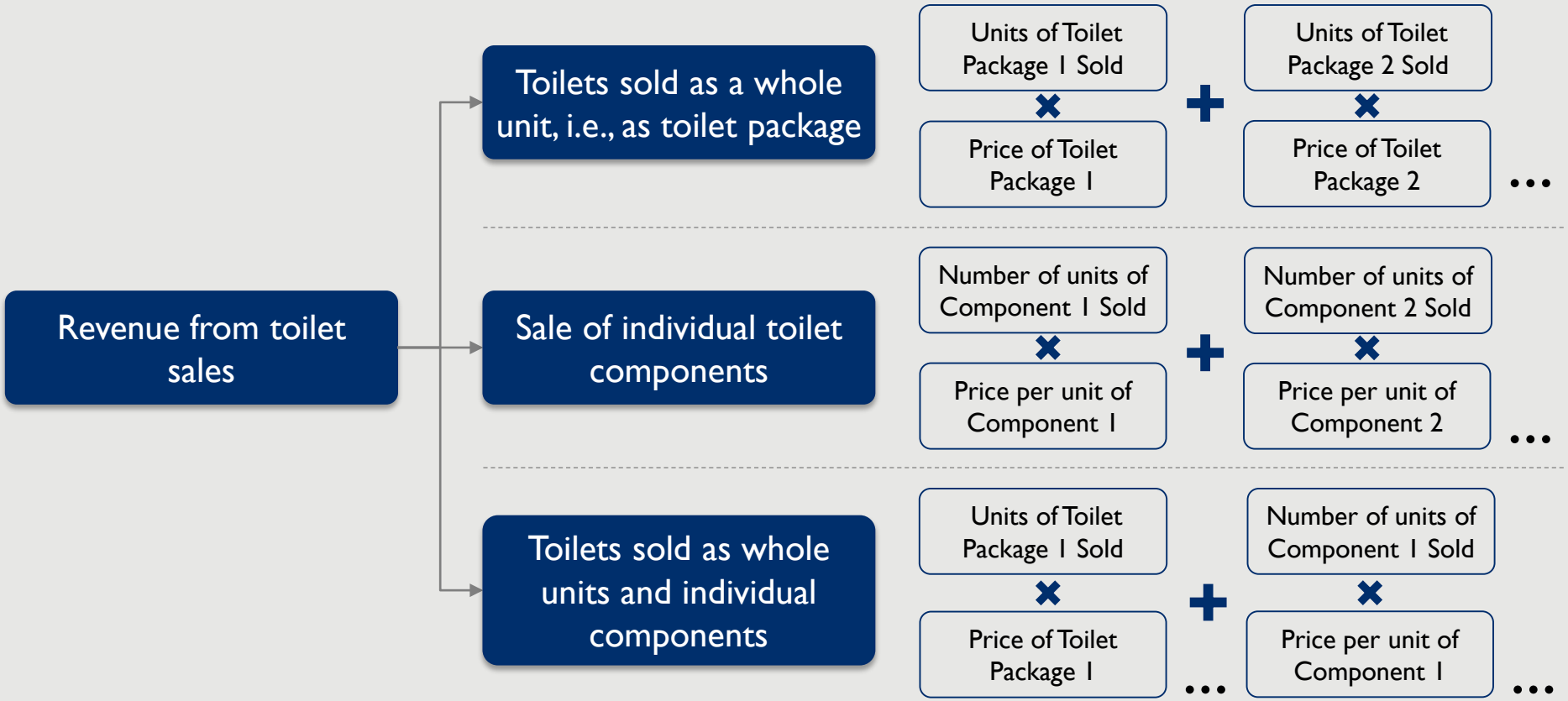


Illustrative revenue from sale of individual toilet components





Revenue from toilet sales



... **Implies additional units**

Recording revenue from toilet sales in the P&L statement template

- Revenue from sales of toilets sold as toilet packages, i.e., whole units

Screenshot of Heading 1.1 of the P&L statement template

Navigation L1	L2	L3		
			General business information	
			Number of shared businesses	2
			% revenue breakdown of business lines	
			Sanitation enterprise	80%
			Other business line 1	20%
			Other business line 2	
			Other business line 3	
			Other business line 4	
			Total	**100%**
			Revenue	
1			**Revenue from toilet sales**	**4,400.0**
			Enterprise sells:	Combination of toilet packages and individual sanitation components
	1.1		**Revenue from sales of Toilet Package 1**	**2,000.0**
			Name of Toilet Package 1	Dual-Set
			Units of Toilet Package 1 sold (annually)	20
			Price of Toilet Package 1 (per unit)	100.0
			Revenue from sales of Toilet Package 1 (annually)	**2,000.0**

Grayed out as irrelevant when enterprise sells toilets packages

Sub-total of 1.1 to 1.4

1. Enter the number of business lines of enterprise
2. Enter the revenue breakdown of various business lines
3. Select products that the enterprise sells, i.e., combination of toilet packages and individual sanitation components in this case
4. Enter name of toilet package, the units sold annually, the price of each unit

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Recording revenue from toilet sales in the P&L statement template

- Revenue from sales of individual components

Screenshot of Heading 1.1 to 1.4 of the P&L statement template

Sub-total of 1.1 to 1.4

	Revenue	
1	**Revenue from toilet sales**	**4,400.0**
	Enterprise sells:	Combination of toilet packages and individual sanitation components
1.1	**Revenue from sales of Toilet Package 1**	**2,000.0**
1.2	**Revenue from sales of Toilet Package 2**	**0.0**
1.3	**Revenue from sales of Toilet Package 3**	**0.0**
1.4	**Revenue from sales of individual components**	**2,400.0**
1.4.1	**Component 1**	**2,100.0**
	Name of Component 1	Rings
	Units of Component 1 sold (annually)	300.0
	Price of Component 1 (per unit)	7.0
	Revenue from sales of Component 1 (annually)	**2,100.0**
1.4.2	**Component 2**	**300.0**
	Name of Component 2	Pan
	Units of Component 2 sold (annually)	30.0
	Price of Component 2 (per unit)	10.0
	Revenue from sales of Component 2 (annually)	**300.0**

Sub-total of 1.4.1 to 1.4.5

1 Select products that the enterprise sells, i.e., combination of toilet packages and individual sanitation components in this case

2 Enter name of component, the units sold annually, the price of each unit

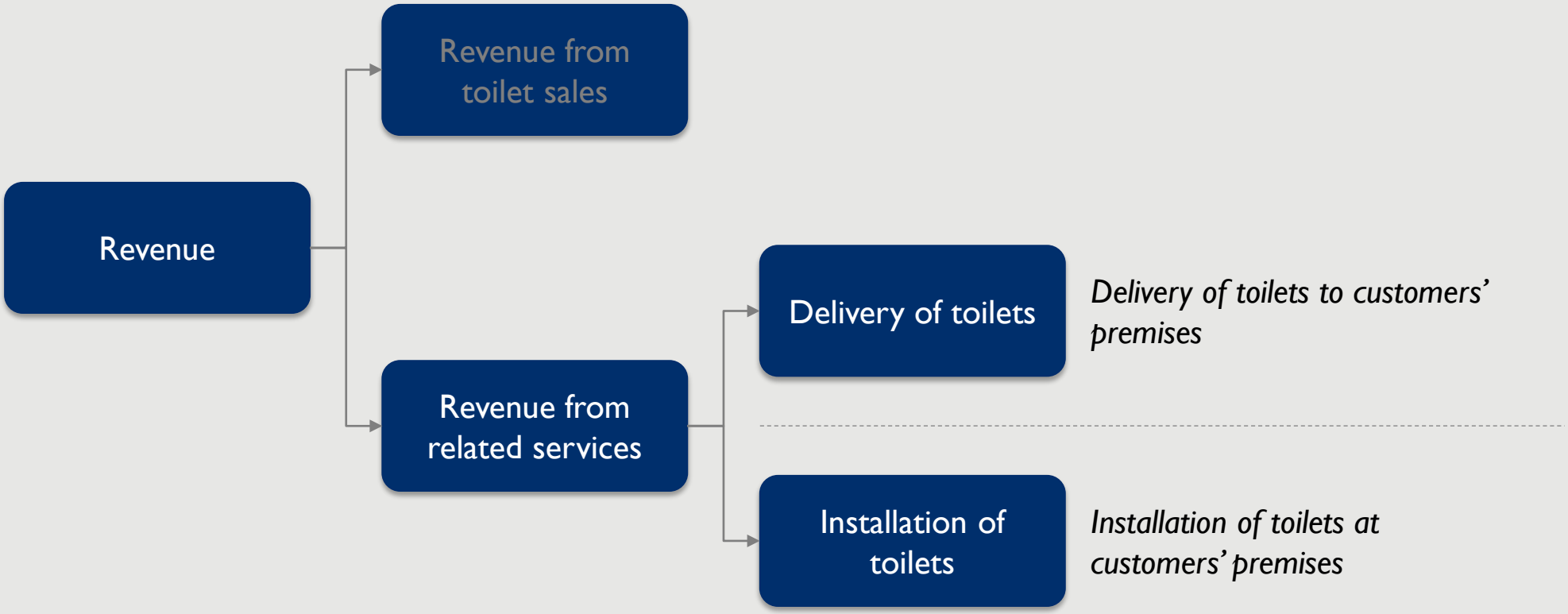
3 If the enterprise sells more than one kind of components, enter details of additional components

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

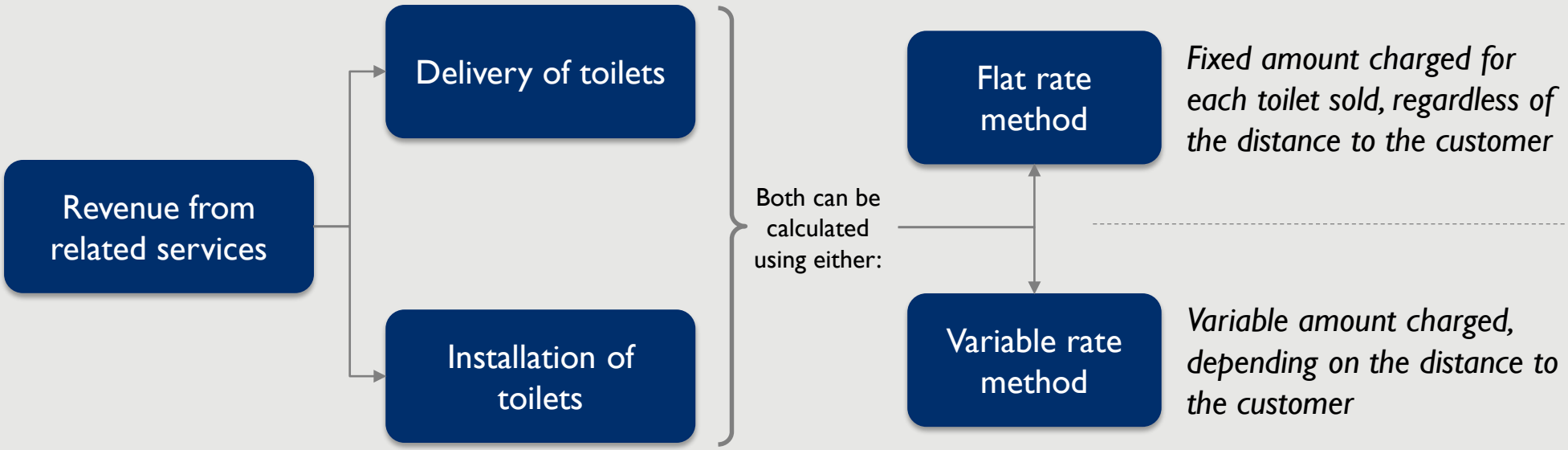
Revenue from related services

Sanitation enterprises typically provide two related services to customers—delivery and/or installation of toilets—and either charge separately or include them in the price of the toilet (in which case this line item should be ignored).

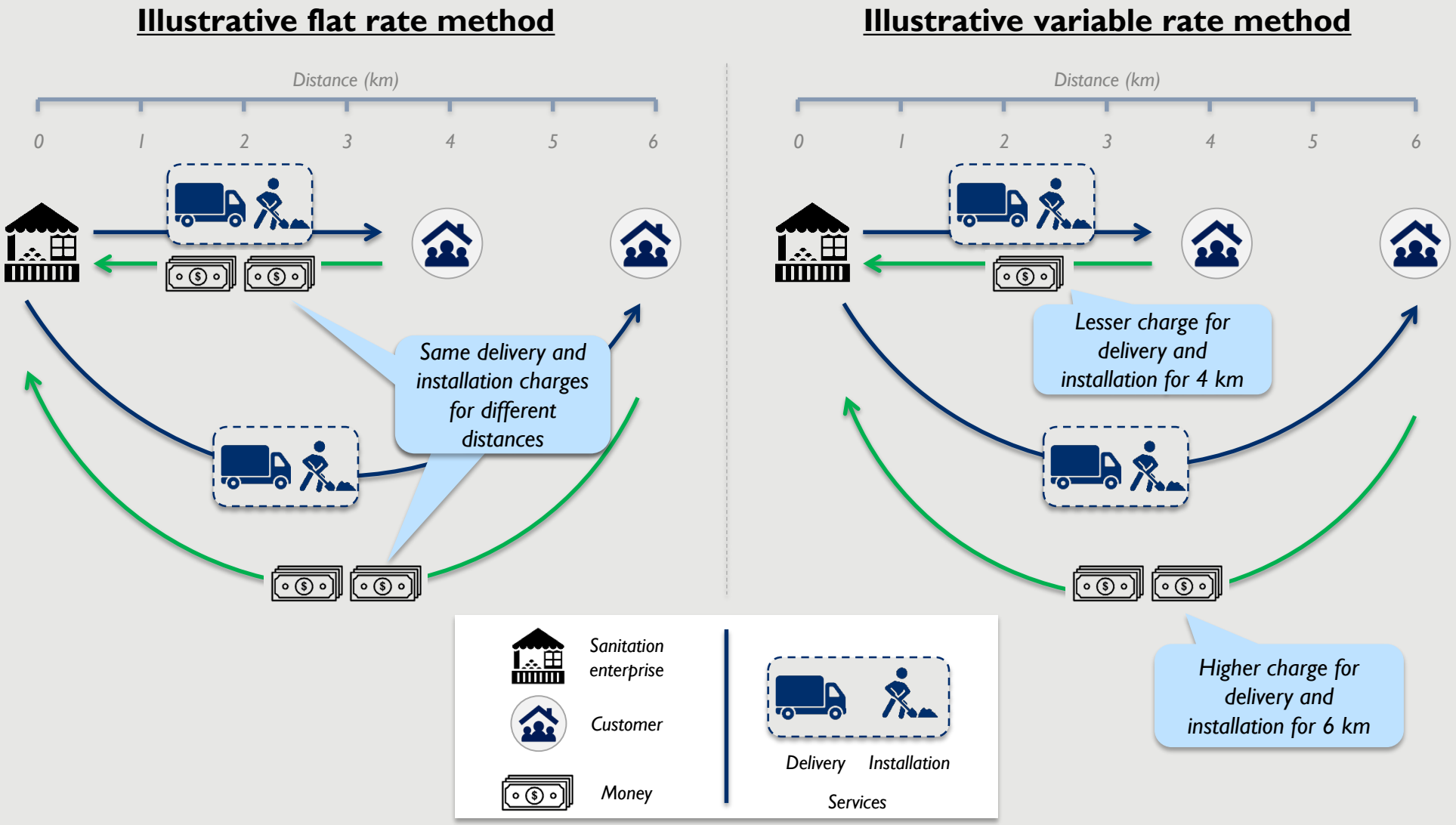


Revenue from related services

Sanitation enterprises that charge separately for related services, price the services using either a flat rate per toilet or a variable rate per toilet sold, with the variable rate depending on the distance to the customer.



Revenue from related services



Revenue from related services

Revenue from related services

Delivery of toilets

Flat rate method

% of toilet packages/components delivered
✖
Total toilet packages/components sold
✖
Charge per delivery

Variable rate method

% of toilet packages/components delivered
✖
Total toilet packages/components sold
✖
% of deliveries in Range 1
✖
Delivery charge for Range 1

+

% of toilet packages/components delivered
✖
Total toilet packages/components sold
✖
% of deliveries in Range 2
✖
Delivery charge for Range 2

...

Installation of toilets

Flat rate method

% of toilet packages/components delivered that are also installed
✖
Total toilets sold
✖
Charge per delivery

Variable rate method

% of toilet packages/components delivered that are also installed
✖
Total toilet packages/components sold
✖
% of deliveries in Range 1
✖
Installation charge for Range 1

+

% of toilet packages/components delivered that are also installed
✖
Total toilet packages/components sold
✖
% of deliveries in Range 2
✖
Installation charge for Range 2

...

... **Implies additional units**

Recording revenue from related services in the P&L statement template

- Calculated as a flat rate per delivery/installation

Screenshot of Heading 2.1 of the P&L statement template

2	**Revenue from related services**	**0.0**
	Related services (delivery & installation of toilets) charged separately from price of toilet?	Yes
	Method of charging for related services	Flat rate method
2.1	**Method 1: Flat rate method**	**0.0**
	% of all Toilet Packages 1 delivered	
	% of all Toilet Packages 2 delivered	
	% of all Toilet Packages 3 delivered	
	% of all Component 1 delivered (component sol	
	% of all Component 2 delivered (component sold individually, not as part of toilet package)	
	% of all Component 3 delivered (component sold individually, not as part of toilet package)	
	% of all Component 4 delivered (component sold individually, not as part of toilet package)	
	% of all Component 5 delivered (component sold individually, not as part of toilet package)	
	% of all Toilet Packages 1 delivered that are also installed	
	% of all Toilet Packages 2 delivered that are also installed	
	% of all Toilet Packages 3 delivered that are also installed	
	% of all Component 1 delivered that are also installed (component sold individually, not as part of toilet package)	
	% of all Component 2 delivered that are also installed (component sold individually, not as part of toilet package)	
	% of all Component 3 delivered that are also installed (component sold individually, not as part of toilet package)	
	% of all Component 4 delivered that are also installed (component sold individually, not as part of toilet package)	
	% of all Component 5 delivered that are also installed (component sold individually, not as part of toilet package)	
	Delivery charge per Toilet Package 1	
	Delivery charge per Toilet Package 2	
	Delivery charge per Toilet Package 3	
	Delivery charge per Component 1 (sold individually, not as part of toilet package)	
	Delivery charge per Component 2 (sold individually, not as part of toilet package)	
	Delivery charge per Component 3 (sold individually, not as part of toilet package)	
	Delivery charge per Component 4 (sold individually, not as part of toilet package)	
	Delivery charge per Component 5 (sold individually, not as part of toilet package)	
	Installation charge per Toilet Package 1	
	Installation charge per Toilet Package 2	
	Installation charge per Toilet Package 3	
	Installation charge per Component 1 (sold individually, not as part of toilet package)	
	Installation charge per Component 2 (sold individually, not as part of toilet package)	
	Installation charge per Component 3 (sold individually, not as p	
	Installation charge per Component 4 (sold individually, not as p	
	Installation charge per Component 5 (sold individually, not as p	
	Units of Toilet Package 1 sold	20.0
	Units of Toilet Package 2 sold	0.0
	Units of Toilet Package 3 sold	0.0
	Units of Component 1 sold (individually, not as part of toilet package)	300.0
	Units of Component 2 sold (individually, not as part of toilet package)	30.0
	Units of Component 3 sold (individually, not as part of toilet package)	0.0
	Units of Component 4 sold (individually, not as part of toilet package)	0.0
	Units of Component 5 sold (individually, not as part of toilet package)	0.0
	Delivery income from sales of Toilet Package 1	**0.0**
	Delivery income from sales of Toilet Package 2	**0.0**
	Delivery income from sales of Toilet Package 3	**0.0**
	Delivery income from sales of individual components	**0.0**
	Installation income from sales of Toilet Package 1	**0.0**
	Installation income from sales of Toilet Package 2	**0.0**
	Installation income from sales of Toilet Package 3	**0.0**
	Installation income from sales of individual components	**0.0**

Sub-total of 2.1 and 2.2

1 Select Yes/No depending on whether enterprise charges for services

2 Select method of calculation of revenue from related services

Sub-total of 2.1

3 Enter % of toilet packages/individual components delivered, and delivered and installed

4 Enter delivery and installation charges for toilet packages/individual components sold

Sourced from L1 – Revenue from toilet sales

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Recording revenue from related services in the P&L statement template
- Calculated as a variable rate

Screenshot of Heading 2.2 of the P&L statement template

2.2	Method 2: Variable rate method	1,445.0	
	% of all Toilet Packages 1 delivered	100%	
	% of all Toilet Packages 2 delivered		
	% of all Toilet Packages 3 delivered		
	% of Component 1 sold delivered (sold individually, not as part of toilet package	80%	
	% of Component 2 sold delivered (sold individually, not as part of toilet package)	100%	
	% of Component 3 sold delivered (sold individually, not as part of toilet package)		
	% of Component 4 sold delivered (sold individually, not as part of toilet package)		
	% of Component 5 sold delivered (sold individually, not as part of toilet package)		
	% of all Toilet Packages 1 delivered that are also installed	100%	
	% of all Toilet Packages 2 delivered that are also installed		
	% of all Toilet Packages 3 delivered that are also installed		
	% of all Component 1 delivered that are also installed (component sold individually, not as part of toilet package)	80%	
	% of all Component 2 delivered that are also installed (component sold individually, not as part of toilet package)	80%	
	% of all Component 3 delivered that are also installed (component sold individually, not as part of toilet package)		
	% of all Component 4 delivered that are also installed (component sold individually, not as part of toilet package)		
	% of all Component 5 delivered that are also installed (component sold individually, not as part of toilet package)		
	Typical ranges to which deliveries are performed		
		Min (in km)	**Max (in km)**
	Range 1	0.0	5.0
	Range 2	5.0	10.0
	Range 3	10.0	15.0
	% of deliveries in each range (as % of all deliveries)		
	Range 1	50%	
	Range 2	25%	
	Range 3	25%	
	Sum	**100%**	

Sub-total of 2.2

1 Enter % of toilet packages/individual components delivered and delivered and installed

2 Enter the ranges to which enterprise delivers/installs products

3 Enter the split of deliveries across ranges

Note

Split of deliveries for different ranges been assumed same for all products (all toilet packages and individual components) as often, the delivery ranges and delivery split remains constant across products

Contd. on next slide

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Recording revenue from related services in the P&L statement template

- Calculated as a variable rate

Screenshot of Heading 2.2 of the P&L statement template

Contd. from previous slide

Delivery charge per delivery range (per unit of toilet package sold)	
Delivery charge per Range 1	5.0
Delivery charge per Range 2	6.0
Delivery charge per Range 3	7.0
Installation charge per delivery range (per unit of toilet	
Installation charge per Range 1	5.0
	6.0
	7.0
e (per unit of individual component sold)	
	5.0
nstallation charge per delivery range (per unit of individual component sold)	
Installation charge per Range 1	5.0
Installation charge per Range 2	
Installation charge per Range 3	
Units of Toilet Package 1 sold	20.0
Units of Toilet Package 2 sold	0.0
Units of Toilet Package 3 sold	0.0
Units of Component 1 sold (individually, not as part of toilet package)	300.0
Units of Component 2 sold (individually, not as part of toilet package)	30.0
Units of Component 3 sold (individually, not as part of toilet package)	0.0
Units of Component 4 sold (individually, not as part of toilet package)	0.0
Units of Component 5 sold (individually, not as part of toilet package)	0.0
Delivery income from sales of Toilet Package 1	**115.0**
Delivery income from sales of Toilet Package 2	**0.0**
Delivery income from sales of Toilet Package 3	**0.0**
Delivery income from sales of individual components	**675.0**
Installation income from sales of Toilet Package 1	**115.0**
Installation income from sales of Toilet Package 2	**0.0**
Installation income from sales of Toilet Package 3	**0.0**
Installation income from sales of individual components	**540.0**

Note
Charges for a given range assumed to be the same for all toilet packages

Note
Typically, installation charges will not vary by range. The template has the flexibility if such a situation exists.

Note
Charges for a given range assumed to be the same for all individual components

Sourced from L1 –Revenue from toilet sales

1 Enter delivery and installation charges for toilet packages sold

2 Enter delivery and installation charges for individual components sold

Legend

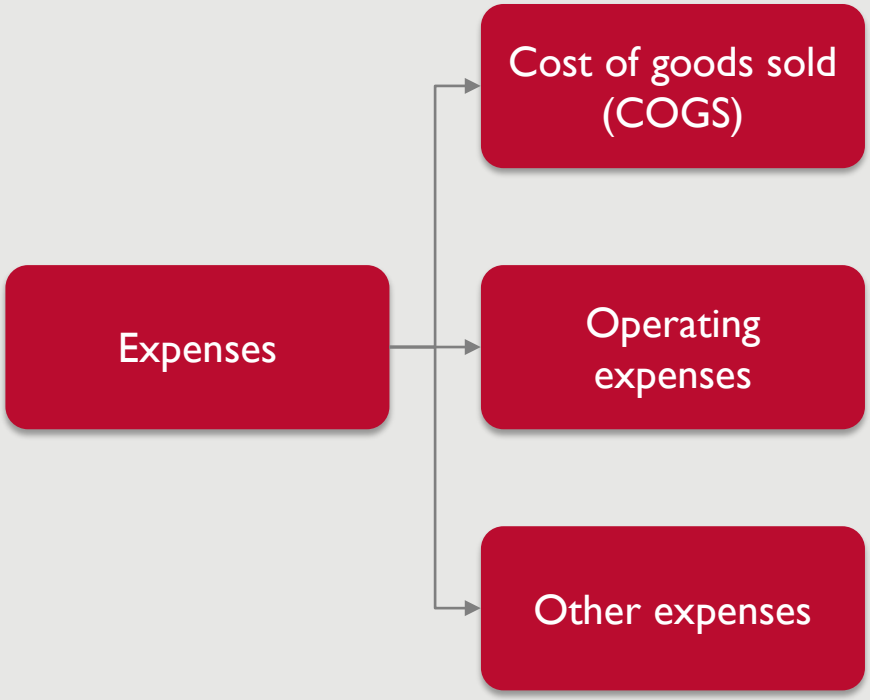
- User inputs
- Totals
- Calculations
- Grayed Section

Table of Contents

- Introduction
- Preparation of a Profit & Loss statement
  - Revenue
  - Expenses

Expenses for sanitation enterprises

The expenses incurred by sanitation enterprises comprise of costs directly related to manufacture toilets and/or provide related services, and other indirect costs not linked to the manufacture of each toilet, but required to operate the business.



Costs directly linked to the manufacture of toilets and only recorded when a toilet is sold

Costs towards overheads that are linked to the operations of the business

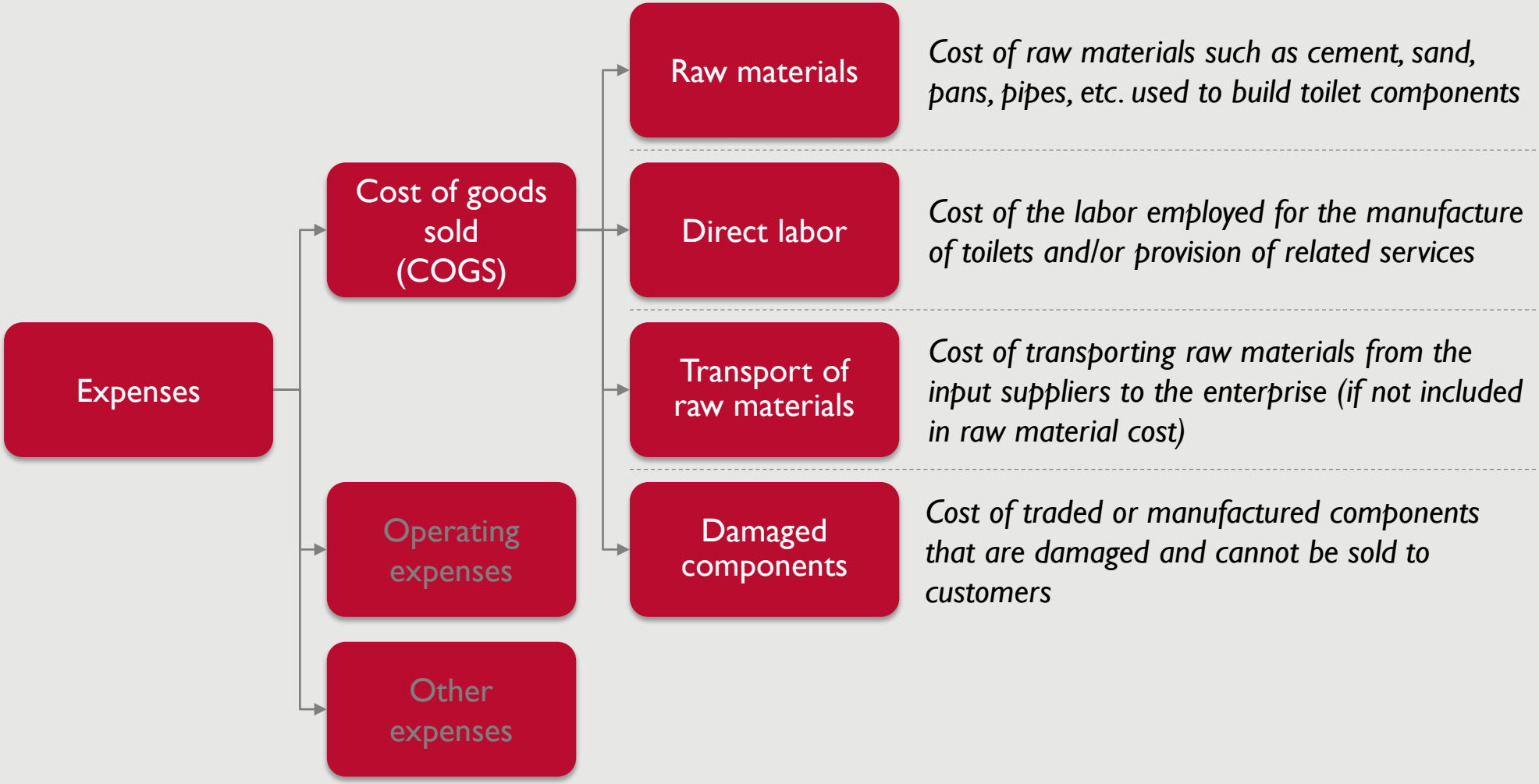
Costs unrelated to the core business of the enterprise (such as financing costs)

Table of Contents

- Introduction
- Preparation of a Profit & Loss statement
  - Revenue
  - Expenses
    - Cost of goods sold
    - Operating expenses
    - Other expenses

Cost of goods sold

Sanitation enterprises typically incur four costs under COGS—raw material costs, direct labor costs, transport of raw material costs and cost of damaged components.



Raw materials

Cost of raw materials that are used in manufacturing toilets. Typically, sanitation enterprises either trade components to manufacture toilets, or manufacture the components themselves.

Raw materials

- Traded components

  Cost of components (e.g., pipes, pans) purchased from suppliers and built into the toilet or retailed to customers without any processing

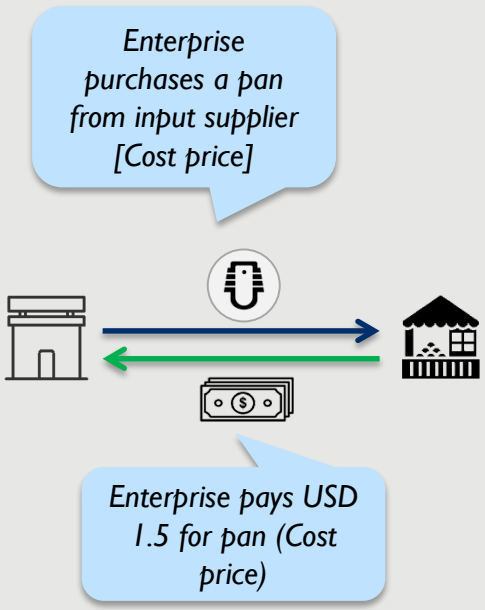
- Manufactured components

  Cost of components manufactured (e.g., cement rings, pit covers) by the sanitation enterprise using raw materials (e.g., cement, sand)

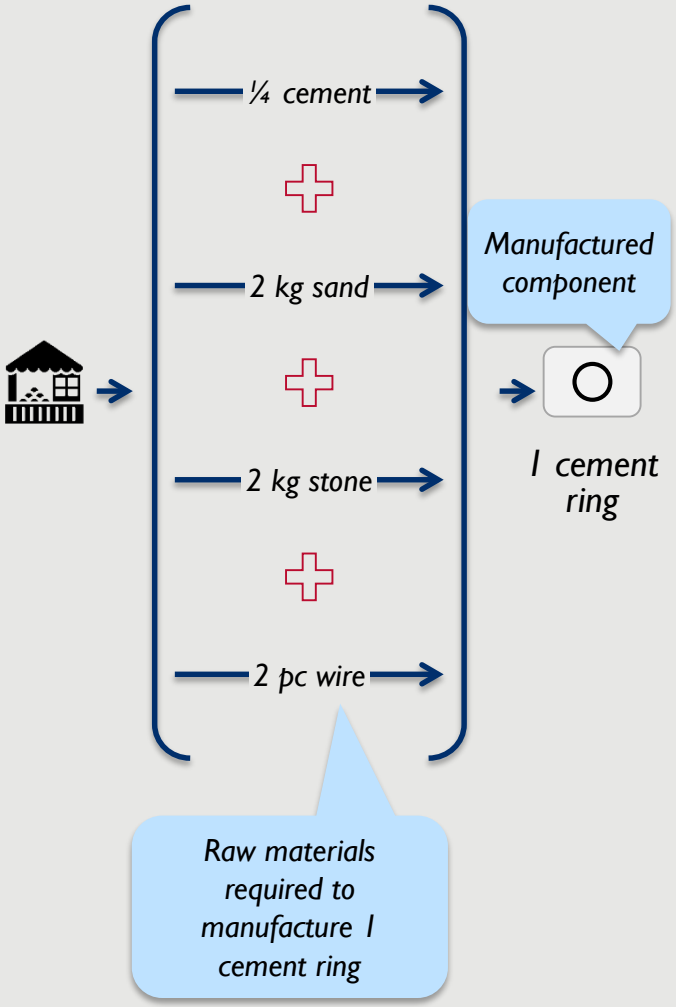
Raw materials

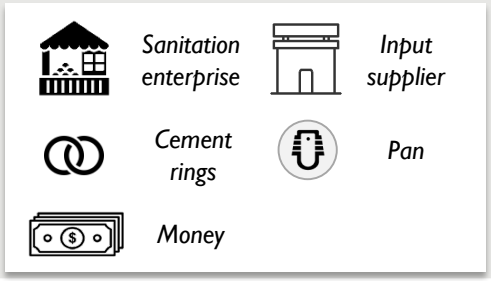
Illustrative raw material expense by:

Traded components

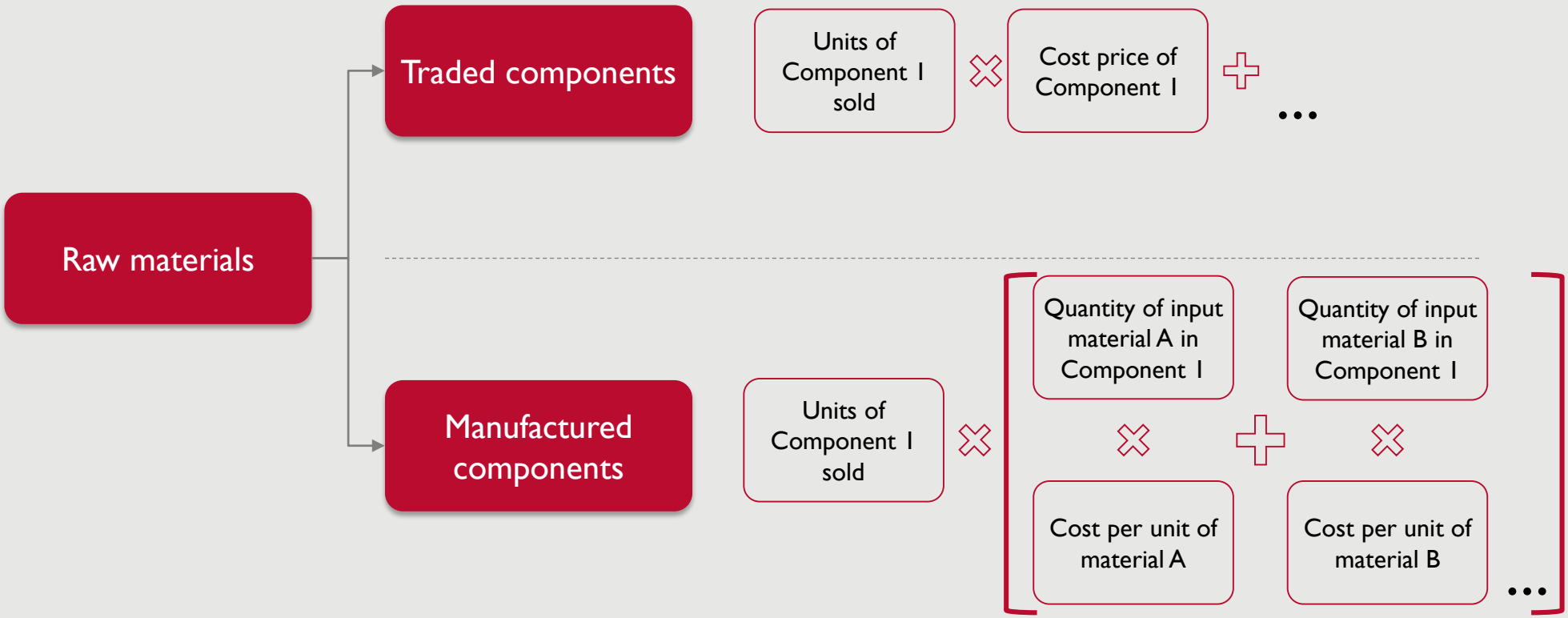


Manufactured components





Raw materials



... **Implies additional units**

Recording raw materials cost in the P&L statement template

- Cost of raw materials of toilet packages

Screenshot of Heading 3.1 of the P&L statement template

	Cost of goods sold	
3	**Raw materials**	**3,345.0**
	3.1: Cost of raw materials of Toilet Package 1: Dual-Set	1,390.0
	3.2: Cost of raw materials of Toilet Package 2:	0.0
	3.3: Cost of raw materials of Toilet Package 3:	0.0
	3.4: Cost of raw materials of individual components sold	1,955.0
3.1	**Cost of raw materials of Toilet Package 1: Dual-Set**	**1,390.0**
	Cost of raw materials of Toilet Package 1 (per unit)	69.5
	Units of Toilet Package 1 sold (annually)	20.0
	Component 1	**58.2**
	Name of Component 1	Cement rings
	Units of Component 1 in Toilet Package: Dual-Set	10.0
	Component 1: Traded or manufactured?	Manufactured
	If Component 1 is traded:	
	Cost price (per unit)	

Sub-total of 3.1 to 3.4

1 Enter name and units of component sold in each Toilet Package

2 Choose if component in Toilet Package is a traded or manufactured component

3 In case of traded component, enter cost price (per unit)

If Component 1 is manufactured:

Raw materials of Component 1	Quantity of raw material in Component	Unit of measure?	Cost of raw material per unit of measure	Cost of raw material per Component 1
Cement	0.3	Bags	5.0	1.7
Stone chips	2.0	Container	1.0	2.0
Sand	2.0	Container	1.0	2.0
Wire	0.1	Kg	1.5	0.2
				5.8

4 In case of manufactured component, enter details of raw materials used

Component 2	**11.3**
Name of Component 2	Pit cover
Units of Component 2 in Toilet Package: Dual-Set	2.0
Component 2: Traded or manufactured?	Manufactured
If Component 2 is traded:	
Cost price (per unit)	

-> Selection will gray irrelevant sections of the P&L

5 Enter details of other components in Toilet Package

If Component 2 is manufactured:

Raw materials of Component 2	Quantity of raw material in Component	Unit of measure?	Cost of raw material per unit of measure	Cost of raw material per Component 2
Cement	0.3	Bags	5.0	1.7
Stone chips	2.0	Container	1.0	2.0
Sand	2.0	Container	1.0	2.0
Wire	0.0	Kg	1.5	0.0
				5.7

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Recording raw materials cost in the P&L statement template

- Cost of raw materials of individual components sold

Screenshot of Heading 3.4 of the P&L statement template

	Cost of goods sold	
3	**Raw materials**	**3,345.0**
	3.1: Cost of raw materials of Toilet Package 1: Dual-Set	1,390.0
	3.2: Cost of raw materials of Toilet Package 2:	0.0
	3.3: Cost of raw materials of Toilet Package 3:	0.0
	3.4: Cost of raw materials of individual components sold	1,955.0
3.1	**Cost of raw materials of Toilet Package 1: Dual-Set**	**1,390.0**
3.2	**Cost of raw materials of Toilet Package 2:**	**0.0**
3.3	**Cost of raw materials of Toilet Package 3:**	**0.0**
3.4	**Cost of raw materials of individual components sold**	**1,955.0**
	Component 1	**1,745.0**
	Name of Component 1	Rings
	Units of Component 1 sold (annually)	300.0
	Is Component 1 traded or manufactured?	Manufactured
	If Component 1 is traded:	
	Cost price (per unit)	

Pre-filled, but please verify

Pre-filled, but please verify

-> Select

s manufactured:

f Component 1	Quantity of raw material in Component	Unit of measure?	Cost of raw material per unit of measure	Cost of raw material per Component 1
Cement	0.3	Bags	5.0	1.7
Stone chips	2.0	Container	1.0	2.0
Sand	2.0	Container	1.0	2.0
Wire	0.1	Kg	1.5	0.2
				5.8

Sub-total of 3.1 to 3.4

1 Verify name and units of individual components sold

2 Choose if component is a traded or manufactured component

3 In case of traded component, enter cost price (per unit)

4 In case of manufactured component, enter details of raw materials used

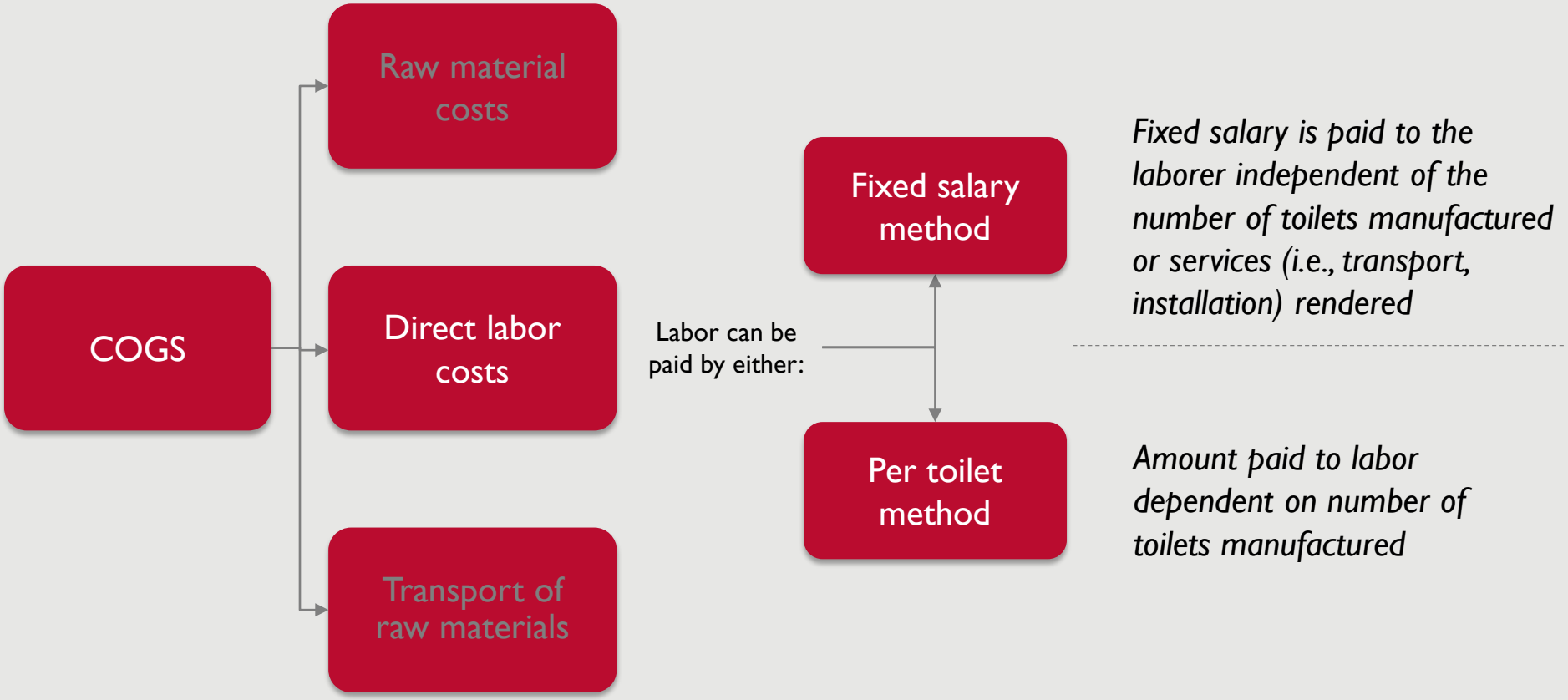
5 Enter details of other individual components sold

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

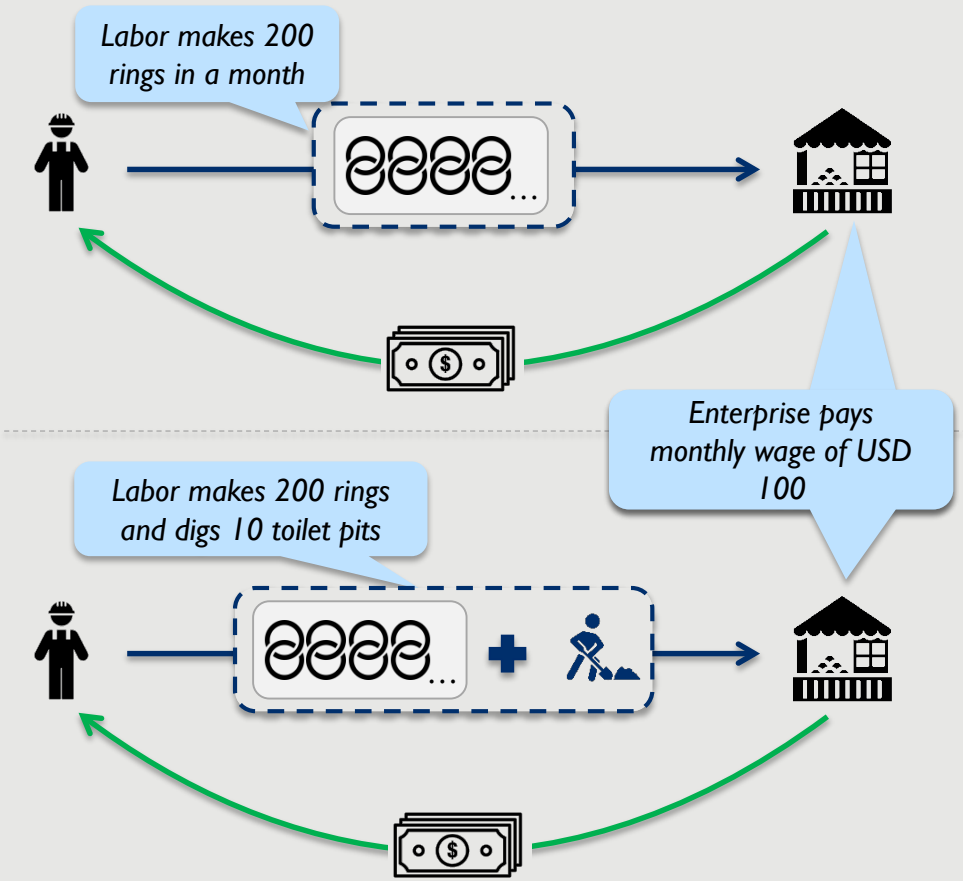
Direct labor

Sanitation enterprises can employ (and pay) labor either on a fixed salary, or on a per toilet package/component basis (i.e., per-piece work basis linked to number of toilet packages or components manufactured).

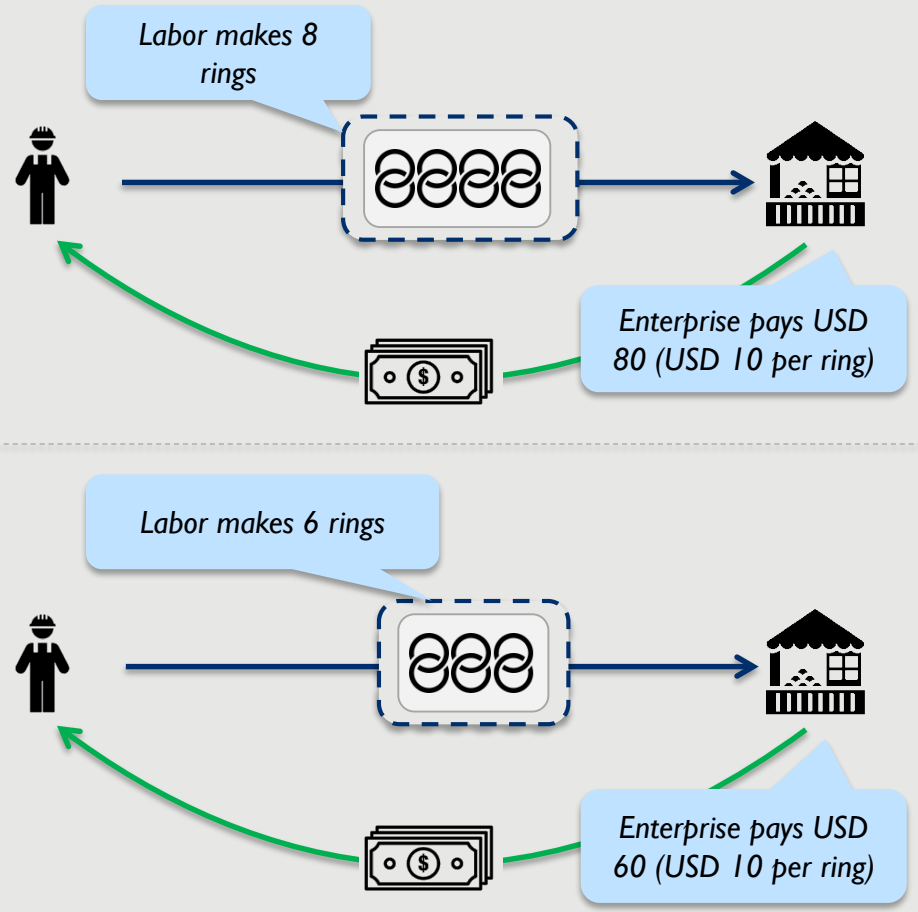


Direct labor

Illustrative direct labor costs by fixed salary method

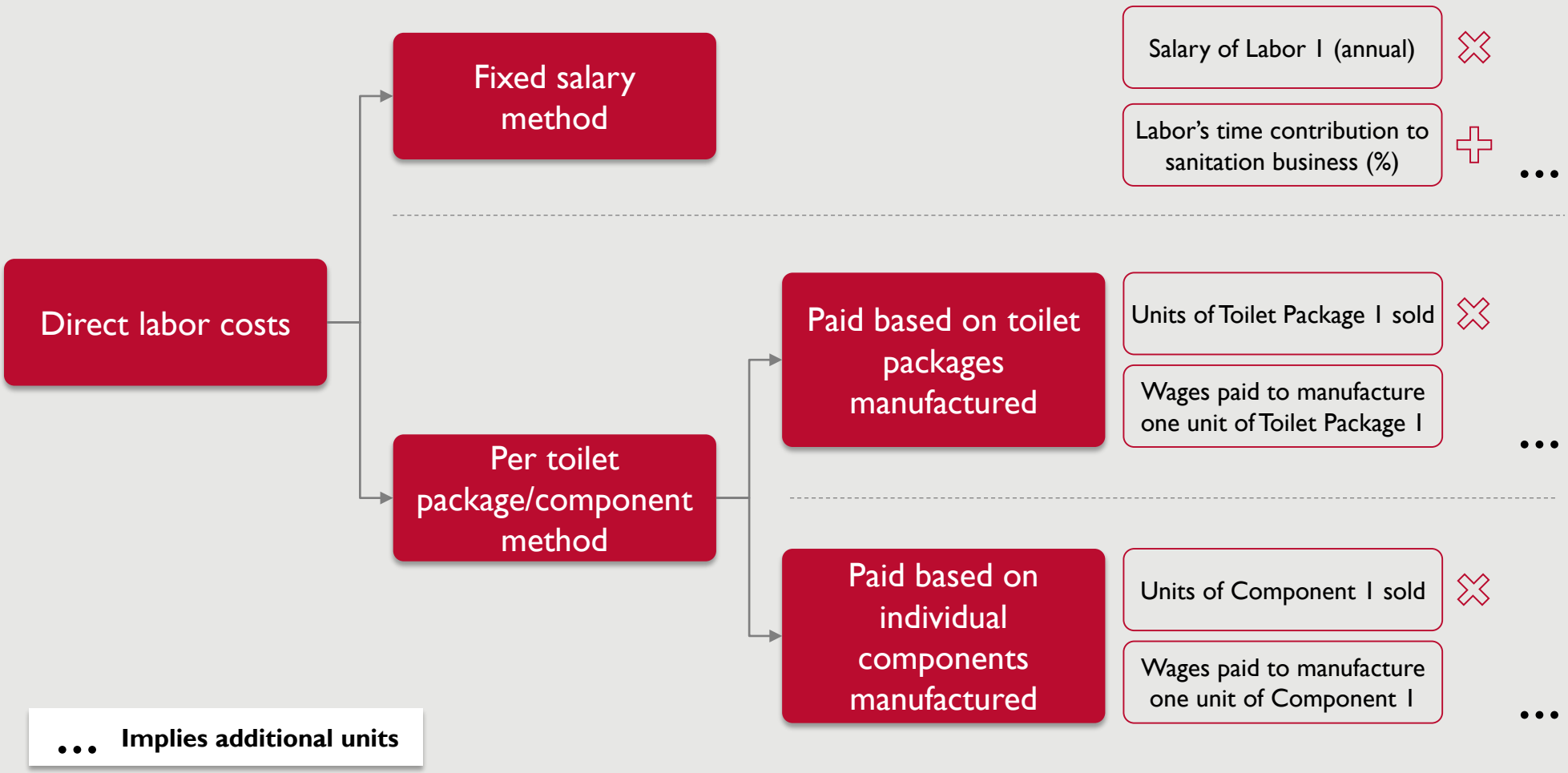


Illustrative direct labor costs by per toilet package/component method



Sanitation enterprise | Labor | Money | Pit digging | Cement rings

Direct labor



... **Implies additional units**

Recording direct labor costs in the P&L statement template
- Fixed salary method for direct labor

Screenshot of Heading 4.1 of the P&L statement template

Sub-total of either 4.1 or 4.2 or both

4	**Direct labor**	**1,110.0**
	Direct labor paid using:	Combination of fixed salary and per toilet package/individual component method
4.1	**Method 1: Fixed salary method**	**650.0**
	Salary of Laborer 1	**650.0**
	Salary of Laborer 1 (annual)	650.0
	Time contribution of Laborer 1 to sanitation business (%)	100%
	Salary of Laborer 2	**0.0**
	Salary of Laborer 2 (annual)	
	Time contribution of Laborer 2 to sanitation business (%)	
	Salary of Laborer 3	**0.0**
	Salary of Laborer 3 (annual)	
	Time contribution of Laborer 3 to sanitation business (%)	
	Salary of Laborer 4	**0.0**
	Salary of Laborer 4 (annual)	
	Time contribution of Laborer 4 to sanitation business (%)	
	Salary of Laborer 5	**0.0**
	Salary of Laborer 5 (annual)	
	Time contribution of Laborer 5 to sanitation business (%)	

Sub-total of 4.1.1 to 4.1.5

1. Select method for payment of direct labor, i.e., combination of fixed salary and per toilet package/individual component method in this case

2. Enter details of each laborer, including their annual salary and time contribution to sanitation business (%)

3. If the enterprise employs more than one person, enter details of additional laborers

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Recording direct labor costs in the P&L statement template

- Per toilet package/individual component method for direct labor

Screenshot of Heading 4.2 of the P&L statement template

Method 2: Per toilet package/individual component method	**460.0**
Direct labor paid on basis of:	Combination of toilet packages and individual sanitation components manufactured
Labor cost (paid on basis of toilet packages manufactured)	**160.0**
Units of Toilet Package 1 manufactured	20
Wages paid to manufacure one unit of Toilet Package 1	8.0
Direct labor cost to manufacture all units of Toilet Package 1	**160.0**
Units of Toilet Package 2 manufactured	0
Wages paid to manufacure one unit of Toilet Package 2	
Direct labor cost to manufacture all units of Toilet Package 2	**0.0**
Units of Toilet Package 3 manufactured	0
Wages paid to manufacure one unit of Toilet Package 3	
Direct labor cost to manufacture all units of Toilet Package 3	**0.0**
Labor cost (paid on basis of individual components manufactured)	**300.0**
Units of Components 1 manufactured (individually, not as part of toilet package)	300
Wages paid to manufacture one unit of Component 1	1.0
Direct labor cost to manufacture all units of Component 1	**300.0**
Units of Components 2 manufactured (individually, not as part of toilet package)	30
Wages paid to manufacture one unit of Component 2	0.0
Direct labor cost to manufacture all units of Component 2	**0.0**

Sub-total of 4.2

Sourced from L1 – Revenue from toilet sales

1. Select the products manufactured by labor (which will typically be the same as Step 3 of slide 16)

2. In case labor is paid based on toilet packages manufactured, enter wages paid to manufacture each unit of toilet package

3. In case labor is paid based on individual components manufactured, enter wages paid to manufacture each unit of individual component

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Transport of raw materials

Cost incurred by sanitation enterprise to transport raw materials from input suppliers. Enterprises incur this cost using either their own vehicle, or hiring transport from the input supplier or a transporter. Input suppliers either charge separately or bundle it in the price of raw materials (in which case this line item should be ignored).

Transport of raw materials

- **Owned transport** — *Cost of transporting raw material by using transport vehicles owned by the sanitation enterprise*

OR

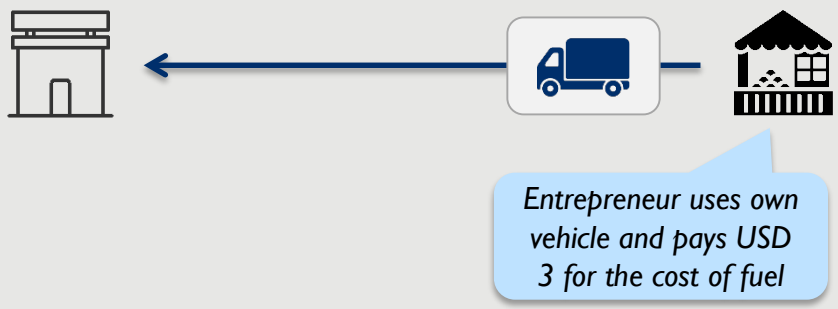
- **Hired transport from supplier / transporter**
  - Calculated either:
    - **Per trip** — *Cost of transporting raw material by using hired transport vehicles paid on a per trip basis*
    - **Per toilet package/ component** — *Cost of transporting raw material by using hired transport vehicles paid on a per unit of toilet package/component basis*

Tip

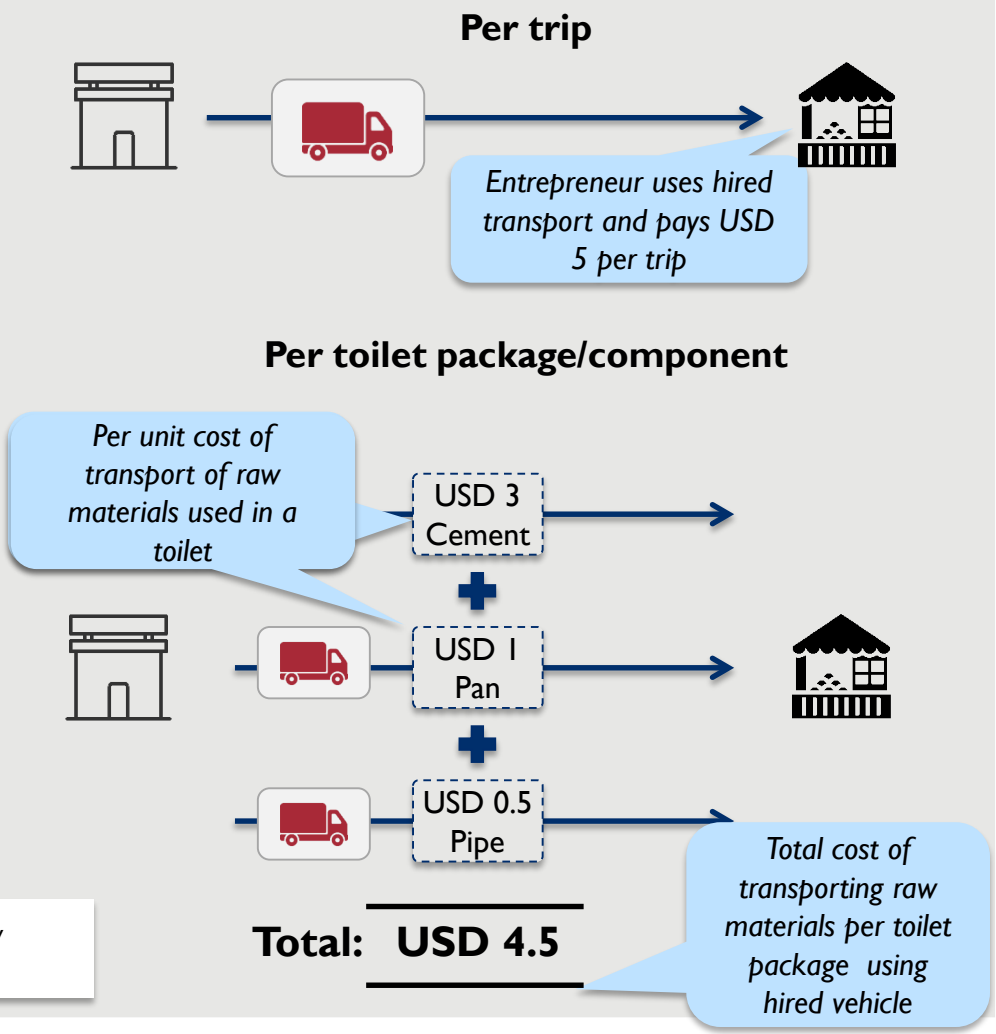
In some cases, cost of transport from input supplier may only be available at a raw material level (e.g., transport cost of procuring a cement bag is USD 0.5). In such a case, the user should calculate the number of cement bags used in manufacturing a toilet and enter the total transport cost of raw materials per toilet package/component by the necessary calculation.

Transport of raw materials

Illustrative transport of raw materials using owned transport

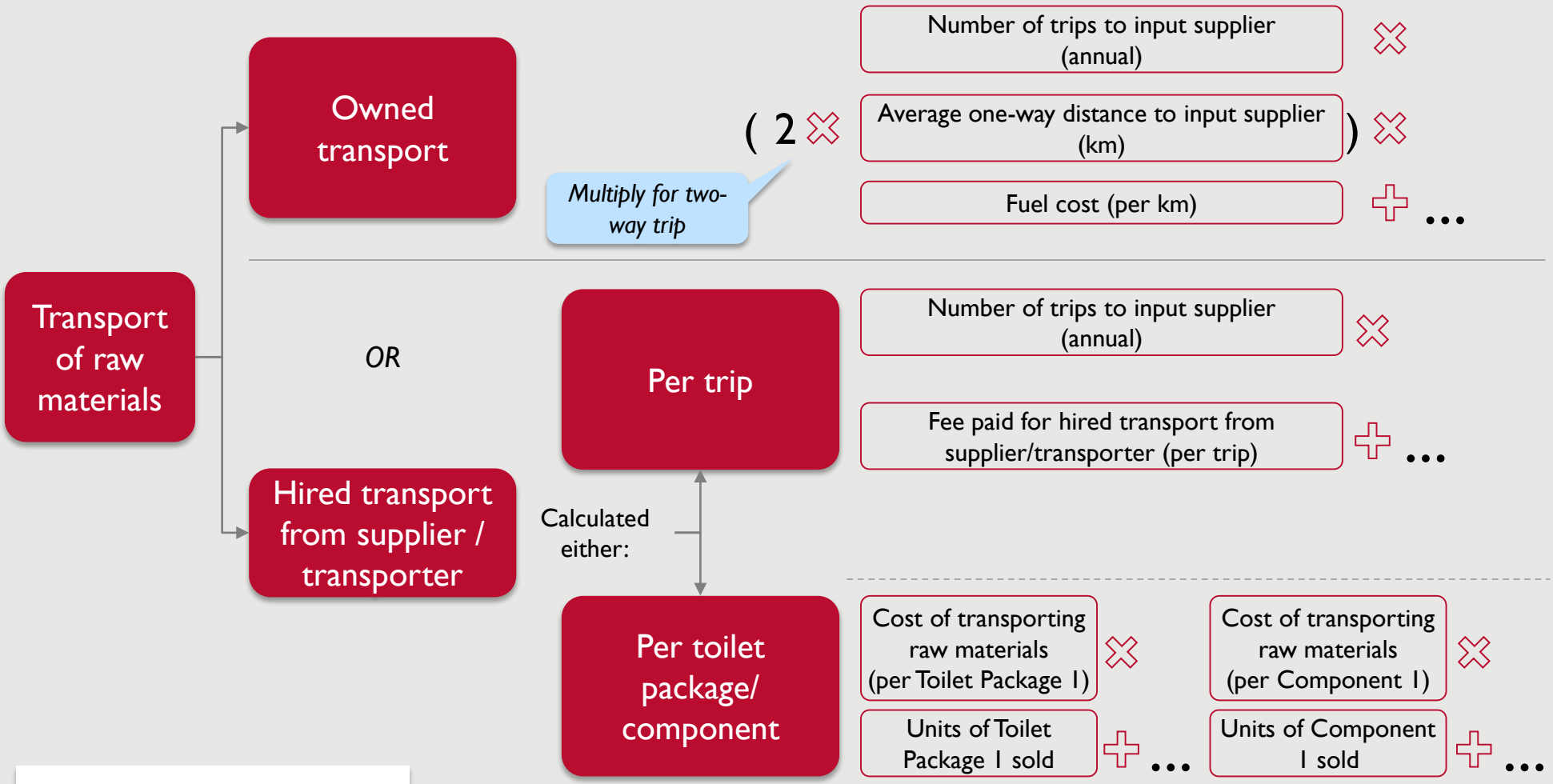


Illustrative transport of raw materials using hired transport from supplier/transporter



Sanitation enterprise | Input supplier | Owned delivery vehicle | Hired delivery vehicle

Transport of raw materials



... **Implies additional units**

Km = Kilometer

Recording transport of raw materials in the P&L statement template
- Using owned transport

Screenshot of Heading 5.1 of the P&L statement template

5	**Transport of raw materials**	**0.0**
	Transport of raw materials done using:	Owned transport
5.1	**Method 1: Owned transport**	**0.0**
	Number of trips to input supplier (annually)	
	Average one-way distance to input supplier (km)	
	Fuel cost (per km)	

1. Select method of transport of raw materials, i.e., either using owned transport or using hiring transport from input supplier/transporter

2. In case enterprise uses owned transport, enter number of trips to input supplier made annually, average one-way distance to input supplier (km) and fuel cost (per km)

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Recording transport of raw materials in the P&L statement template

- Using hired transport from input supplier/transporter

Screenshot of Heading 5.2 of the P&L statement template

5	**Transport of raw materials**	**90.0**
	Transport of raw materials done using:	Hired transport from supplier/transporter
5.1	**Method 1: Owned transport**	**0.0**
5.2	**Method 2: Hired transport from supplier/transporter**	**90.0**
	Hired transport paid	Per raw material
	Method 2.1: Hired transport from supplier / transporter paid per trip	**0.0**
	Number of trips to input supplier (annual)	
	Fee paid for hired transport from supplier / transporter (p	
	Method 2.2: Hired transport from supplier / transporter	**90.0**
	Cost of transporting raw materials (per unit of Toilet Package 1 sold)	3.0
	Cost of transporting raw materials (per unit of Toilet Package 2 sold)	
	Cost of transporting raw materials (per unit of Toilet Package 3 sold)	
	Cost of transporting raw materials (per unit of Component 1 sold individually, not as part of toilet package)	
	Cost of transporting raw materials (per unit of Component 2 sold individually, not as part of toilet package)	1.0
	Cost of transporting raw materials (per unit of Component 3 sold individually, not as part of toilet package)	1.0
	Cost of transporting raw materials (per unit of Component 4 sold individually, not as part of toilet package)	
	Cost of transporting raw materials (per unit of Component 5 sold individually, not as part of toilet package)	
	Units of Toilet Package 1 sold	20.0
	Units of Toilet Package 2 sold	0.0
	Units of Toilet Package 3 sold	0.0
	Units of Component 1 sold (individually, not as part of toilet package)	300.0
	Units of Component 2 sold (individually, not as part of toilet package)	30.0
	Units of Component 3 sold (individually, not as part of toilet package)	0.0
	Units of Component 4 sold (individually, not as part of toilet package)	0.0
	Units of Component 5 sold (individually, not as part of toilet package)	0.0

1. Select method of transport of raw materials, i.e., hired transport from input supplier/transporter in this case

2. Choose method of calculation of transport of raw materials using hired transport i.e. either payment calculated per trip or per toilet

3. In case of payment per trip, enter number of trips to input supplier and fee paid per trip

4. In case of payment per toilet package/component, enter cost of transporting raw materials (per toilet package/component)

Sourced from L1 – Revenue from toilet sales

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

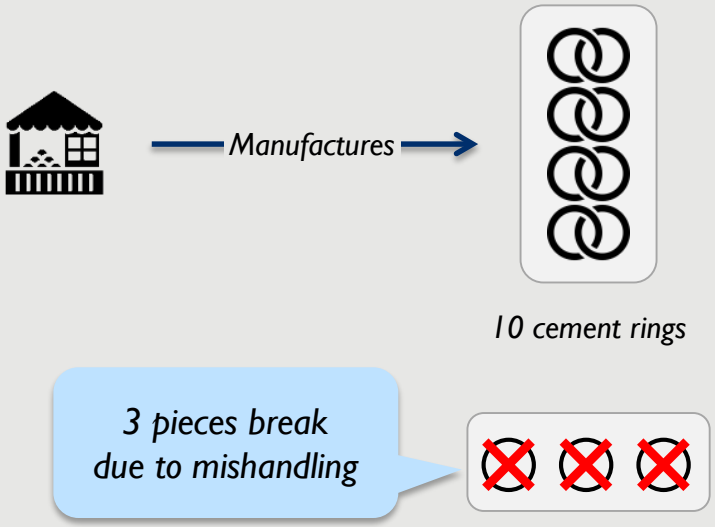
Damaged components

Cost of damaged components which cannot be sold to customers. Components typically get damaged either at the workshop of the entrepreneur or during delivery to customers.

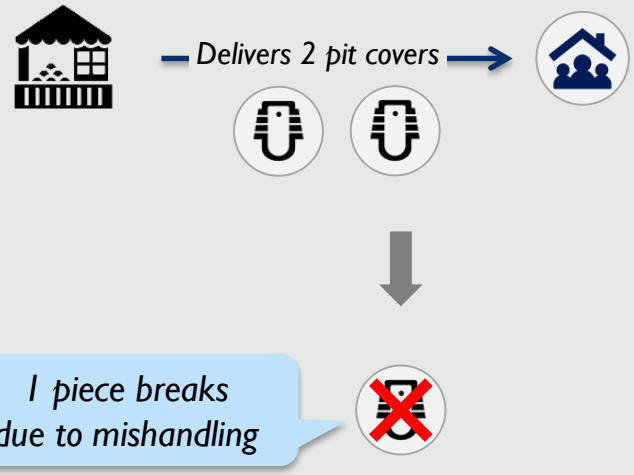
The cost of damaged components includes the cost of raw materials, direct labor and transport of raw materials incurred in manufacturing them.

Illustrative damaged components

Case 1: Damaged during delivery to customer



Case 2: Damaged during delivery to customer



Damaged components

Damaged components

Total units of component manufactured/traded

Total units of Component 1 sold (annually)

÷

{1 - % units of Component 1 manufactured/ traded that are damaged}

−

Total units of Component 1 sold (annually)

×

Cost of Component 1 (per unit)

...

The difference gives the total units of component damaged

... **Implies additional units**

Recording damaged components in P&L statement template

Screenshot of Heading 6 of the P&L statement template

6	**Damaged goods**	**102.3**
6.1	**Cost of damage of Component 1**	**102.3**
	Name of Damaged Component 1	Rings
	Total units of Damaged Component 1 sold (annually)	500
	Cost of Damaged Component 1 (per unit)	6.8
	% of Component 1 units manufactured/traded that are damaged	3%
6.2	**Cost of damage of Component 2**	**0.0**
	Name of Damaged Component 2	
	Total units of Damaged Component 2 sold (annually)	
	Cost of Damaged Component 2 (per unit)	
	% of Component 2 units manufactured/traded that aredamaged	
6.3	**Cost of damage of Component 3**	**0.0**
	Name of Damaged Component 3	
	Total units of Damaged Component 3 sold (annually)	
	Cost of Damaged Component 3 (per unit)	
	% of Component 3 units manufactured/traded that are damaged	

Sub-total of 6.1-6.3

1 For damaged components, enter name of damaged component, total units of damaged components sold (both as toilet package and individually), cost of damaged component (including raw material cost, direct labor cost, transport of raw material cost) and % units of component manufactured/traded that are damaged

2 Enter similar detail for other damaged components

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

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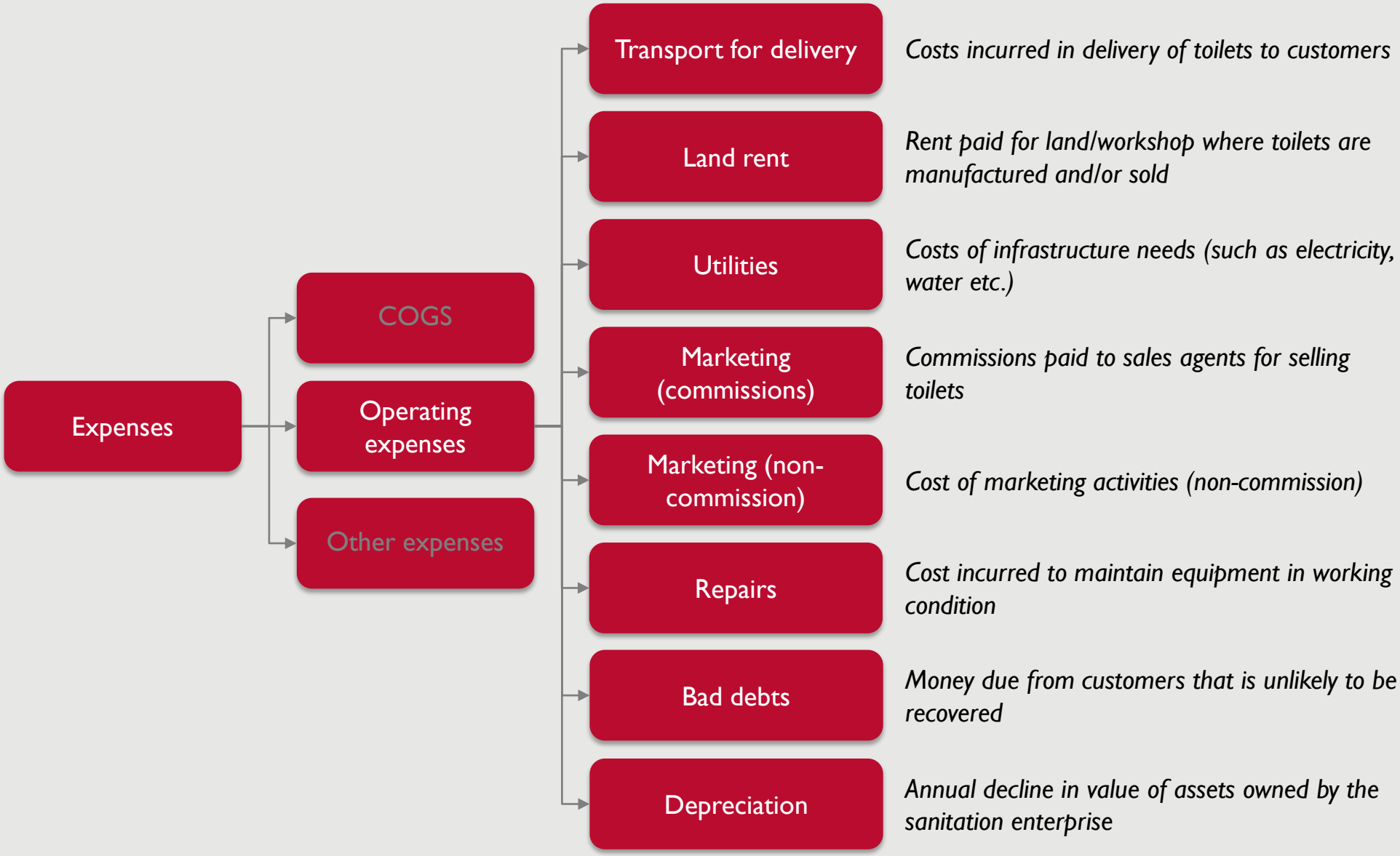
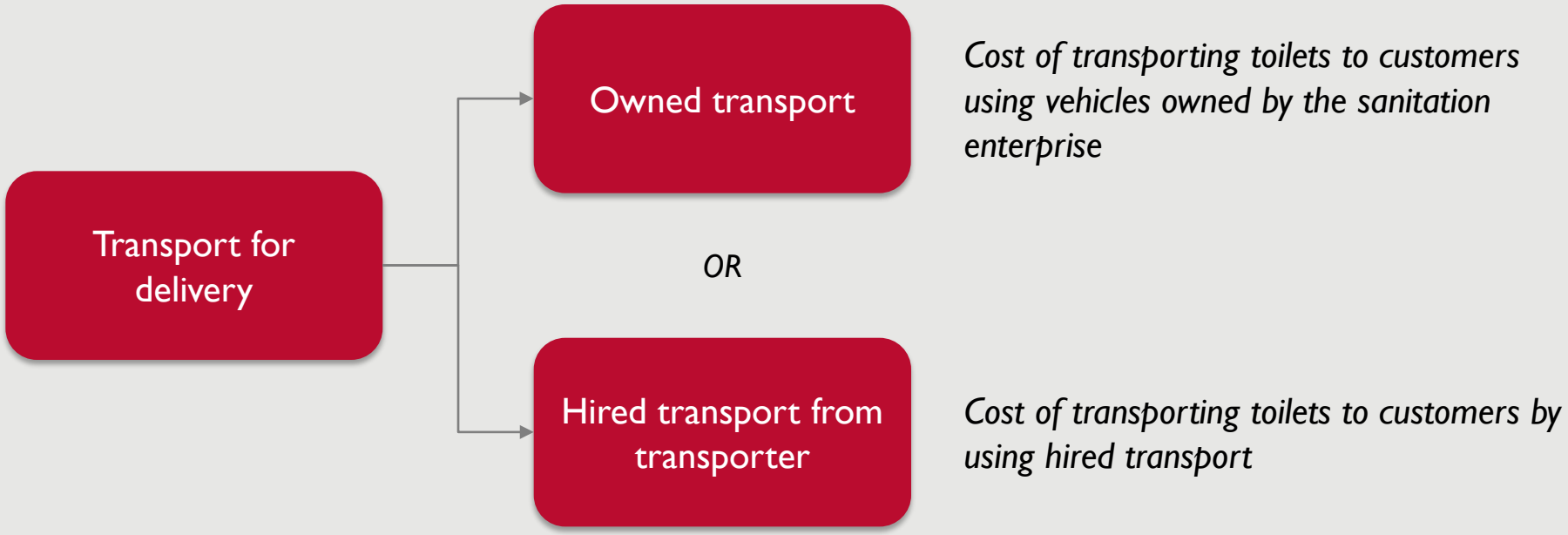
    - Cost of goods sold
    - Operating expenses
    - Other expenses

Operating expenses for sanitation enterprises



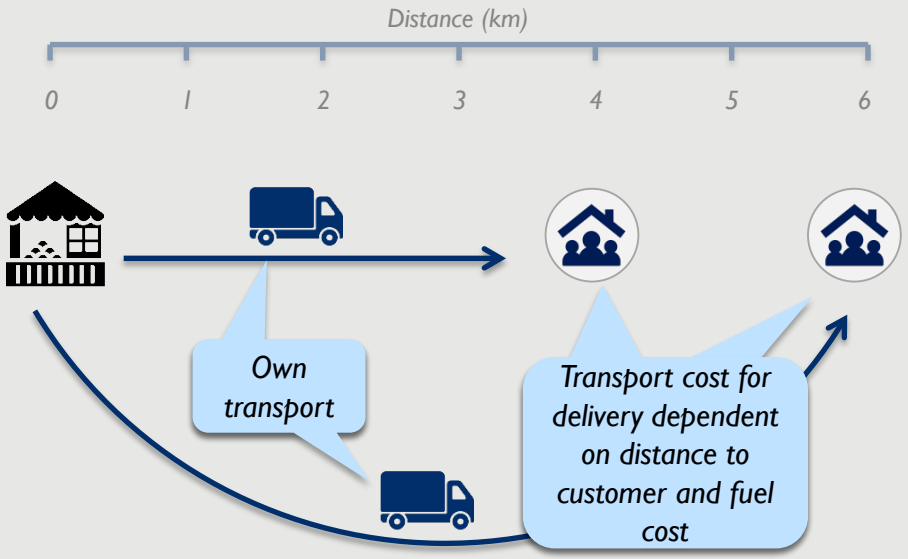
Transport for delivery

Cost incurred in delivery of toilets to customers. Typically, sanitation enterprises either use their own vehicle or hire a transporter for delivery of toilets.

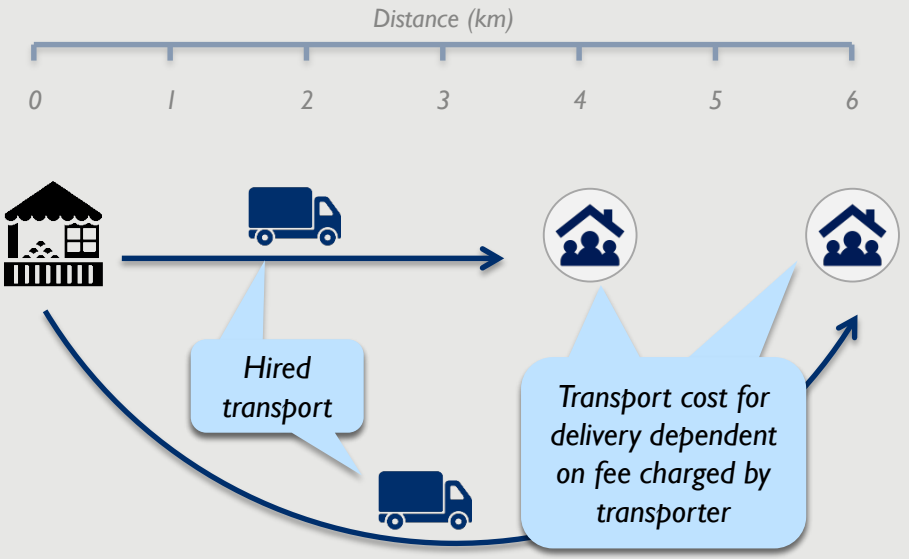


Transport for delivery

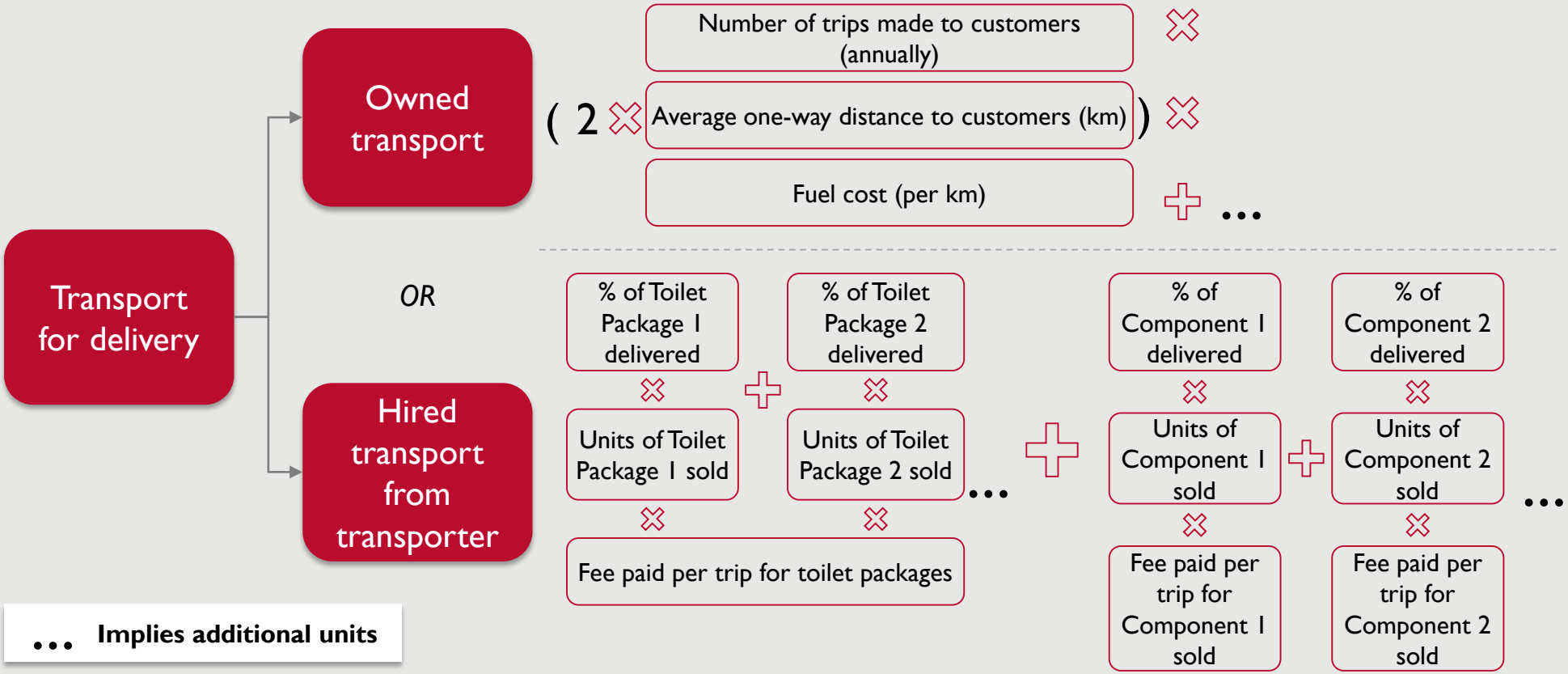
Illustrative transport for delivery using owned transport



Illustrative transport for delivery using hired transport from transporter



Transport for delivery



Tip

Sanitation enterprises may rely on both methods to deliver toilets to customers. In such a case, transport cost for both methods should be captured.

1. *Km = Kilometer*

Recording transport for delivery in P&L statement template
- Using owned transport

Screenshot of Heading 7 of the P&L statement template

7	**Transport for delivery**	**0.0**
	Toilets delivered to customers using:	Owned transport
7.1	**Method 1: Owned transport**	**0.0**
	Number of trips made to customers (annually)	
	Average one-way distance to customers (km)	
	Fuel cost (per km)	

Sub-total of 7.1 or 7.2 or both

1. Select method of transport for delivery i.e. owned transport or hired transport from transporter

2. For owned transport, enter number of trips made to customers (annually), average one-way distance to customers (km) and fuel cost (per km)

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Recording transport for delivery in P&L statement template

- Using hired transport from transporter

Screenshot of Heading 7 of the P&L statement template

7	**Transport for delivery**	**310.0**
	Toilets delivered to customers using:	Hired transport from transporter
7.1	**Method 1: Owned transport**	**0.0**
7.2	**Method 2: Hired transport from transporter**	**310.0**
	% of all Toilet Packages 1 delivered	100%
	% of all Toilet Packages 2 delivered	
	% of all Toilet Packages 3 delivered	
	% of Component 1 sold delivered (sold individually, not as part of toilet package)	80%
	% of Component 2 sold delivered (sold individually, not as part of toilet package)	100%
	% of Component 3 sold delivered (sold individually, not as part of toilet package)	
	% of Component 4 sold delivered (sold individually, not as part of toilet package)	
	% of Component 5 sold delivered (sold individually, not as part of toilet package)	
	Units of Toilet Package 1 sold	20.0
	Units of Toilet Package 2 sold	0.0
	Units of Toilet Package 3 sold	0.0
	Units of Component 1 sold (individually, not as	300.0
	Units of Component 2 sold (individually, not as	30.0
	Units of Component 3 sold (individually, not as	0.0
	Units of Component 4 sold (individually, not as	0.0
	Units of Component 5 sold (individually, not as part of toilet package)	0.0
	Fee paid to transporter for hired transport	
	Fee paid per trip for toilet packages	2.0
	Fee paid per trip for Component 1 sol ge)	1.0
	Fee paid per trip for Component 2 sold (ge)	1.0
	Fee paid per trip for Component 3 sold (ge)	
	Fee paid per trip for Component 4 sold (ge)	
	Fee paid per trip for Component 5 sold (in ge)	

Sub-total of 7.1 or 7.2 or both

Sourced from L1 – Revenue from toilet sales

Note
Assumed that fee paid per trip will be same across all toilet packages

1. Select method of transport for delivery, i.e., hired transport from transporter in this case

2. Enter % of toilet packages/individual components delivered

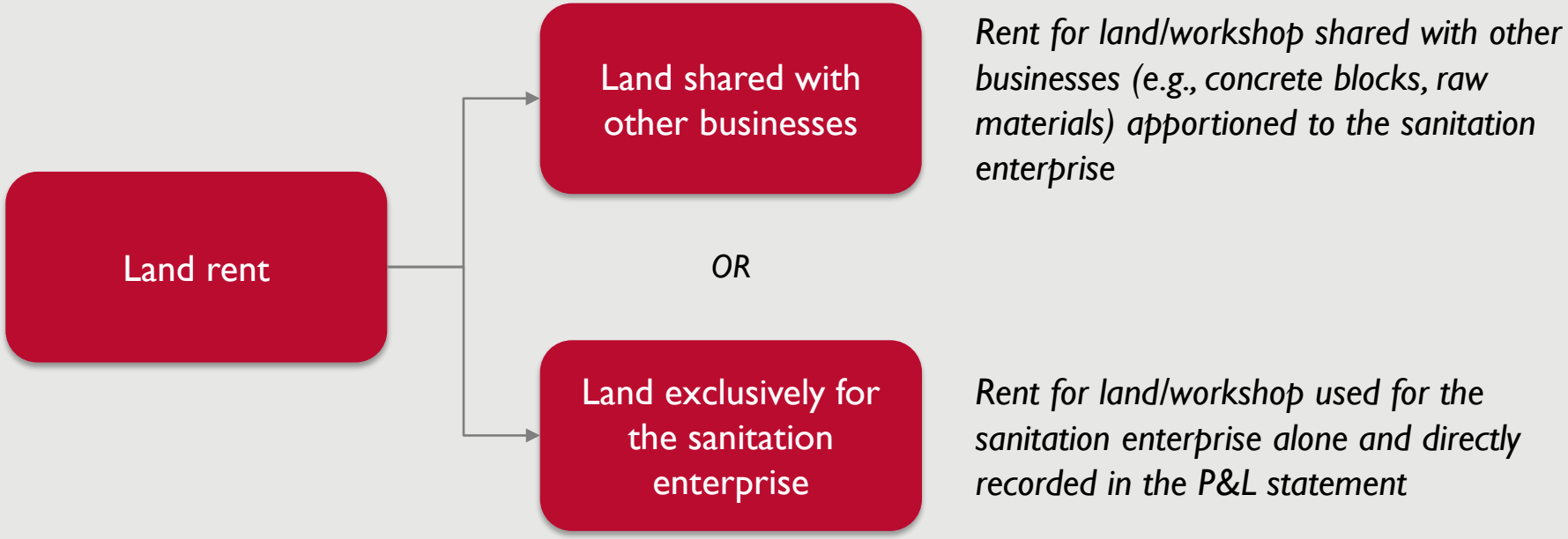
3. Enter fee paid per trip for toilet package/individual component delivered

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Land rent

Rent paid for a land/workshop where sanitation enterprises manufacture and/or sell toilets. The land expense for enterprises that share land with entrepreneurs' other co-located business lines should be apportioned.

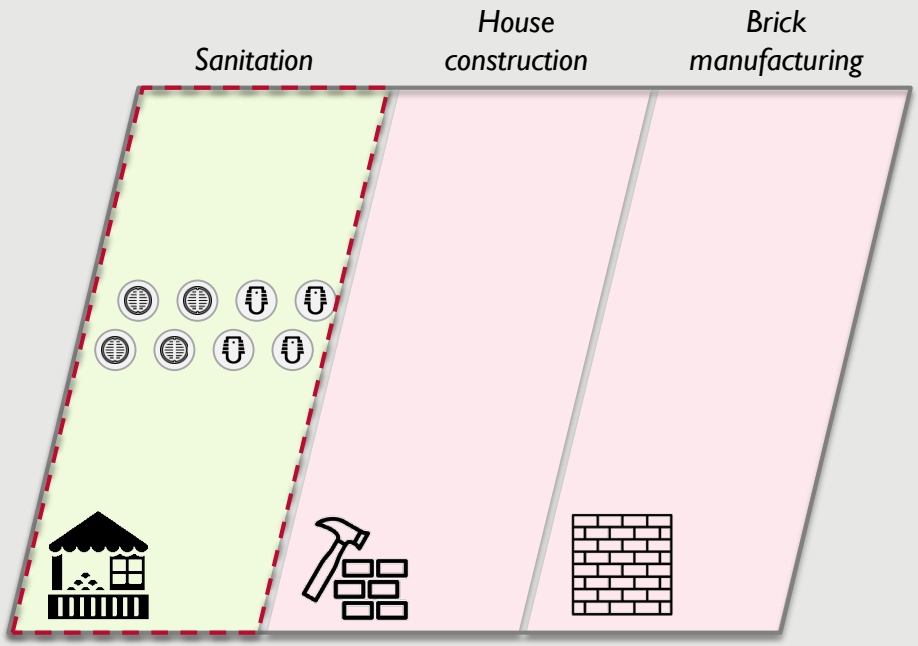


Tip

Land rent is incurred only when land / workshop leased. Financial treatment of owned land / workshops is outside the scope of this module and is not necessary to prepare a P&L Statement.

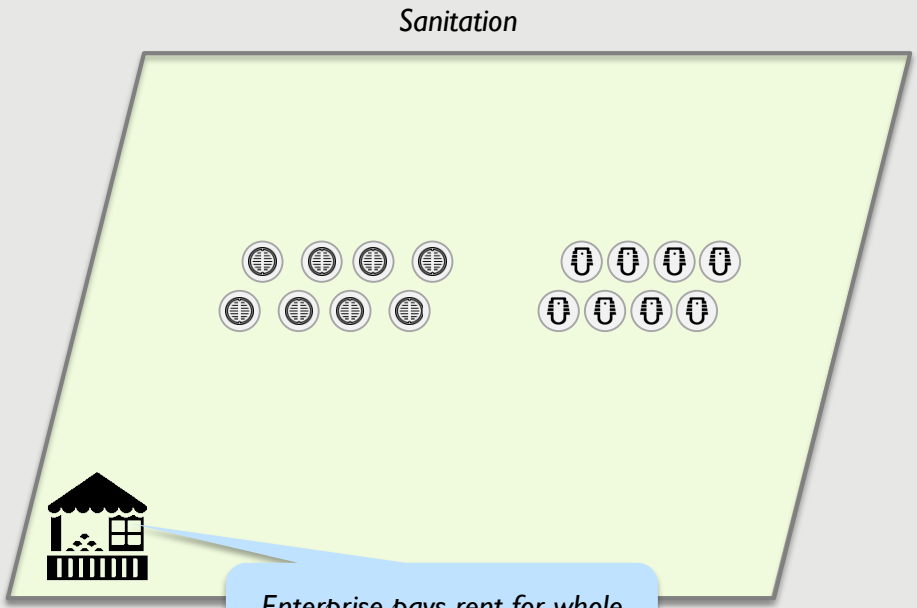
Land rent

Illustrative land shared with other businesses



For preparation of sanitation P&L statement:
Land rent for shared land will be apportioned to sanitation in the ratio of contribution of sanitation revenue to total revenue of the entrepreneur

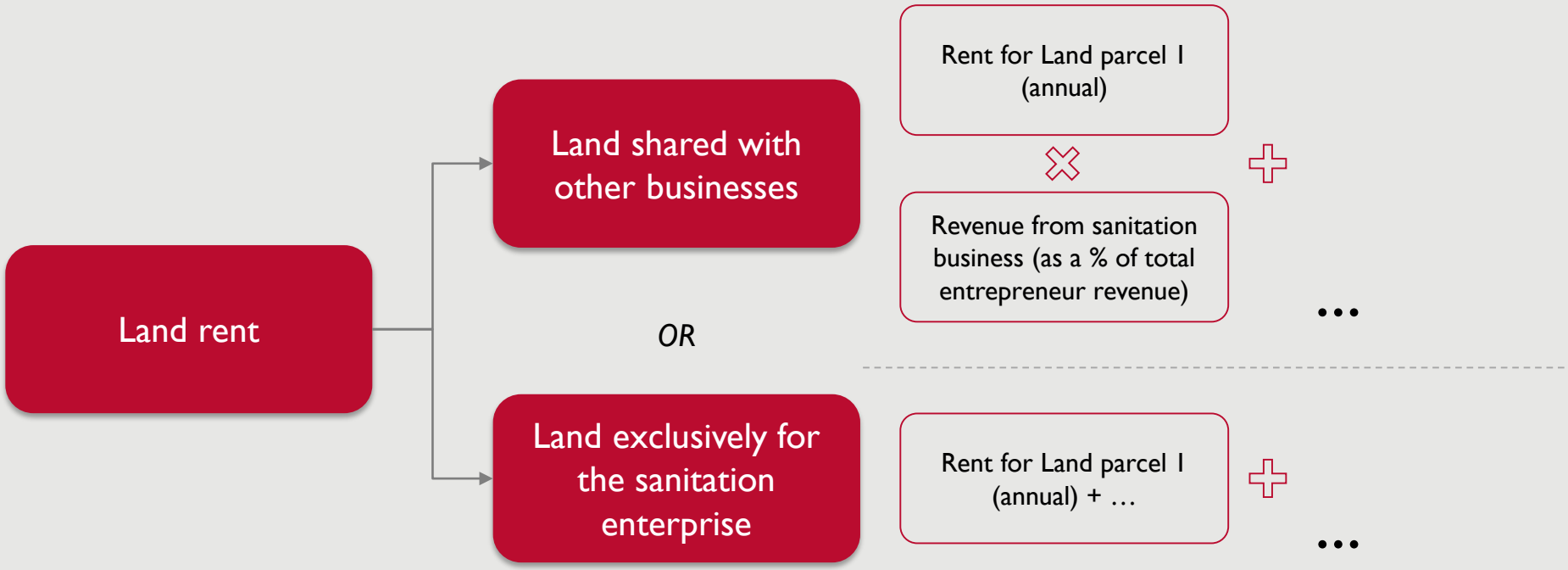
Illustrative land used exclusively for sanitation enterprise



Enterprise pays rent for whole land / workshop

Sanitation enterprise | *House construction* | *Brick manufacturing* | *Land used for sanitation business* | *Land used for other business*

Land rent



… **Implies additional units**

Tip Apportioning land rent by total area used by each business line of the enterprise may be more accurate. However, gathering data on total area used by each business line is challenging. MBS programs should determine the method of apportioning as per their convenience.

Recording land rent in P&L statement template

Screenshot of Heading 8 of the P&L statement template

8	**Land rent**	**192.0**
8.1	**Land parcel 1**	
	Shared / Non-shared land?	Shared land parcel
	Rent for Land parcel 1 (annual)	240.0
	Revenue from sanitation enterprise (as a % of total entrepreneur revenue)	80%
	Land rent (annual and apportioned)	**192.0**
8.2	**Land parcel 2**	
	Shared / Non-shared land?	Non-shared land
	Rent for Land parcel 2 (annual)	0.0
	Revenue from sanitation enterpri	80%
	Land rent (annual and apportione	**0.0**
8.3	**Land parcel 3**	
	Shared / Non-shared land?	Non-shared land
	Rent for Land parcel 3 (annual)	0.0
	Revenue from sanitation enterprise (as a % of total entrepreneur revenue)	80%
	Land rent (annual and apportioned)	**0.0**

Sub-total of 8.1-8.3

Revenue from sanitation business (as a % of total entrepreneur revenue) gets automatically filled from the details in the 'General business information' section, but users should verify

1 For each land parcel, enter if shared or non-shared with other business lines of the entrepreneur and annual rent

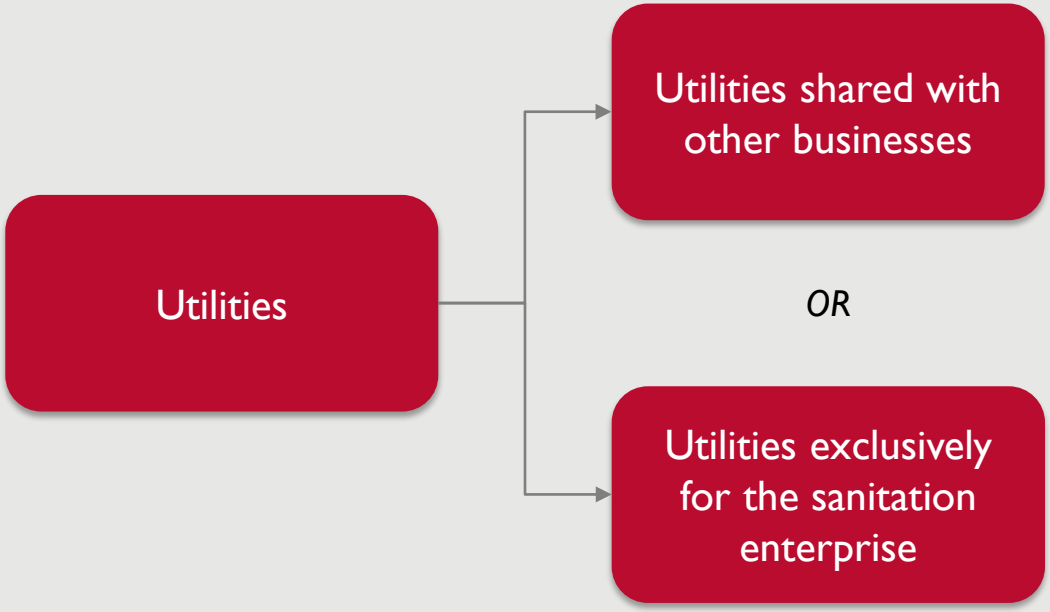
2 Similarly, enter details of other land parcels of the entrepreneur

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Utilities

Cost of infrastructure needs, such as electricity and water, of sanitation enterprises. The utility expense for enterprises that share utilities with entrepreneurs' other co-located business lines should be apportioned.



Cost of infrastructure needs shared with other business lines (e.g., electricity) apportioned to the sanitation enterprise

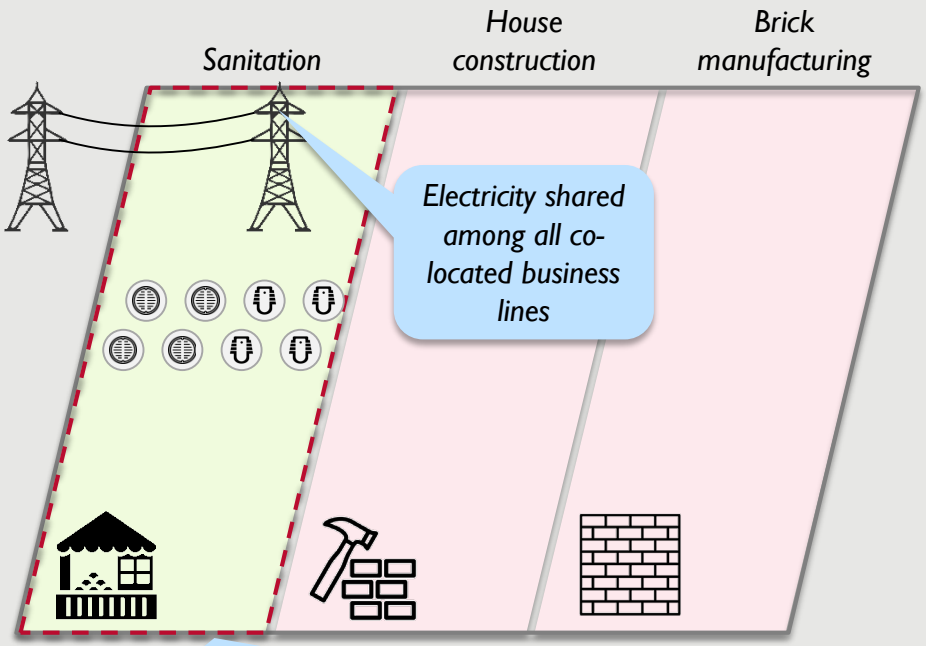
Cost of infrastructure needs used for the sanitation business alone and directly recorded in the P&L statement

Tip

Utility expenses for sanitation enterprises are typically negligible. However, in case sanitation enterprises install water motors or other mechanized equipment, they will incur utility expenses.

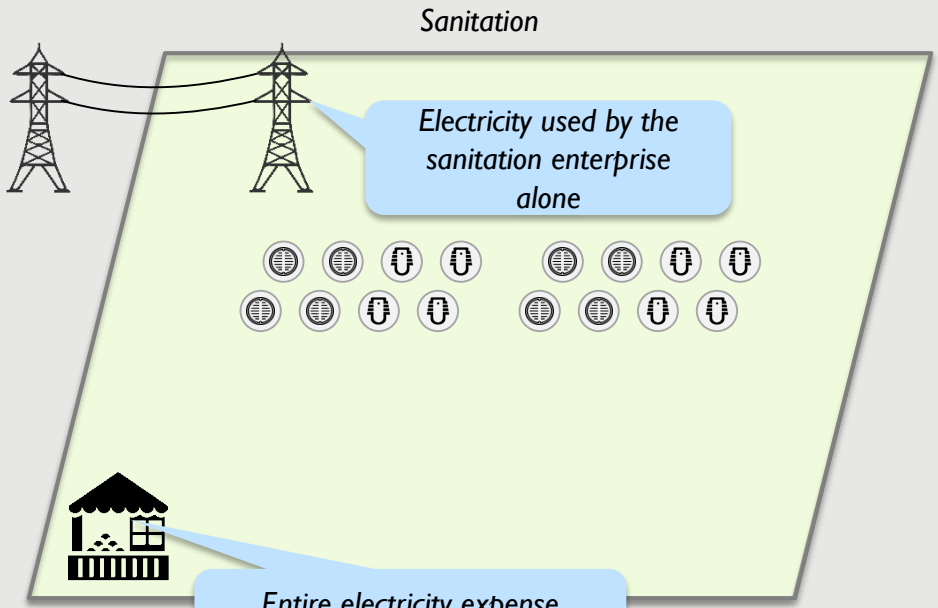
Utilities

Utilities shared with other businesses



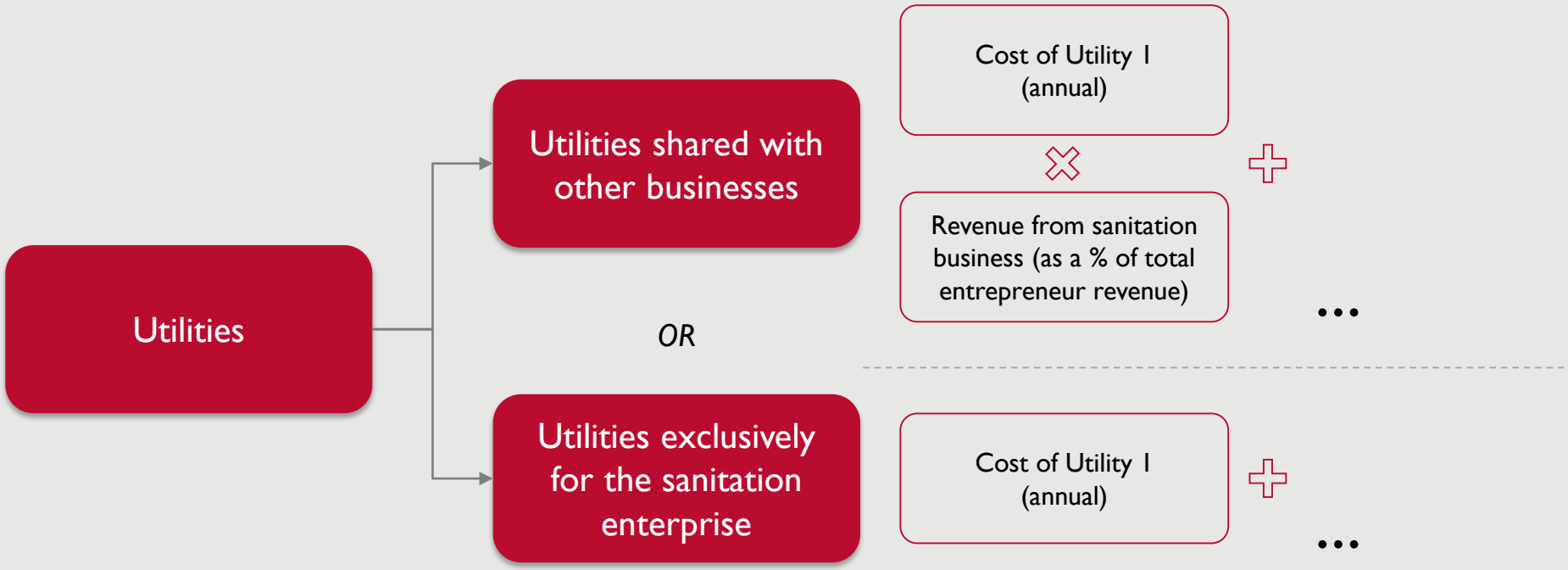
For preparation of sanitation P&L statement:
Electricity expense for shared land will be apportioned to sanitation in the ratio of contribution of sanitation revenue to total revenue of the entrepreneur

Utilities exclusively for sanitation enterprise



Sanitation enterprise | *Electricity* | *House construction* | *Brick manufacturing* | *Land used for sanitation business* | *Land used for other business*

Utilities



... **Implies additional units**

Recording utilities in P&L statement template

Screenshot of Heading 9 of the P&L statement template

9	**Utilities**	**40.0**
9.1	**Utility 1**	
	Shared / Non-shared utility?	Non-shared utility
	Cost of Utility 1 (annual)	40.0
	Revenue from sanitation enterprise (as a % of total entrepreneur revenue)	80%
	Cost of Utility 1 (annual and apportioned)	**40.0**
9.2	**Utility 2**	
	Shared / Non-shared utility?	Shared utility
	Cost of Utility 2 (annual)	0.0
	Revenue from sanitation enterpris	80%
	Cost of Utility 2 (annual and appo	**0.0**
9.3	**Utility 3**	
	Shared / Non-shared utility?	Shared utility
	Cost of Utility 3 (annual)	0.0
	Revenue from sanitation enterprise (as a % of total entrepreneur revenue)	80%
	Cost of Utility 3 (annual and apportioned)	**0.0**

Sub-total of 9.1-9.3

Revenue from sanitation business (as a % of total entrepreneur revenue) gets automatically filled from the details in the 'General business information' section, but users should verify

1 For each utility, enter if shared or non-shared with other business lines of the entrepreneur and annual utility cost

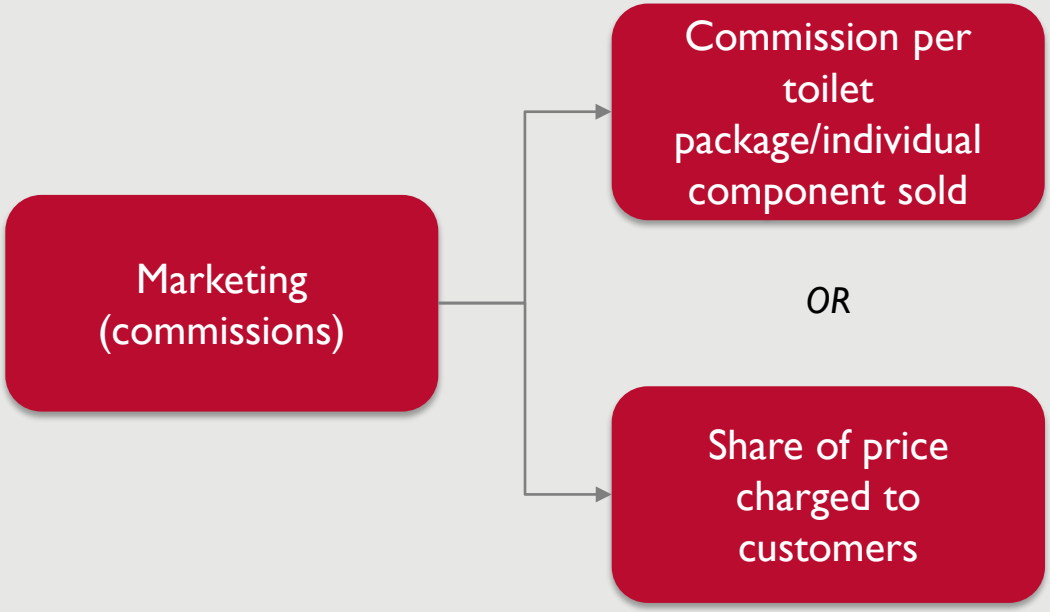
2 Similarly, enter details of other utility costs of the enterprise

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Marketing (commissions)

Commissions paid to sales agents[1] for selling toilets on behalf of sanitation enterprises. Commission is paid either as a fixed commission on a per toilet basis, or as a share of the price of toilet charged to customers.



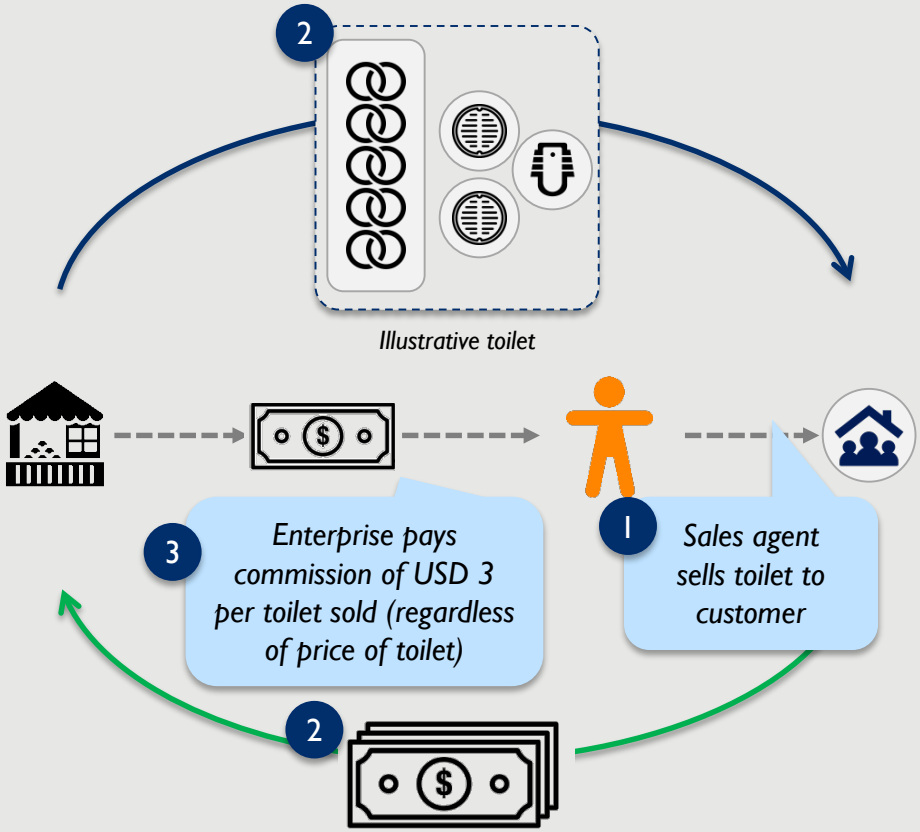
Flat commission paid per unit of toilet sold by sales agents

Percentage of the price of toilet sold by sales agents

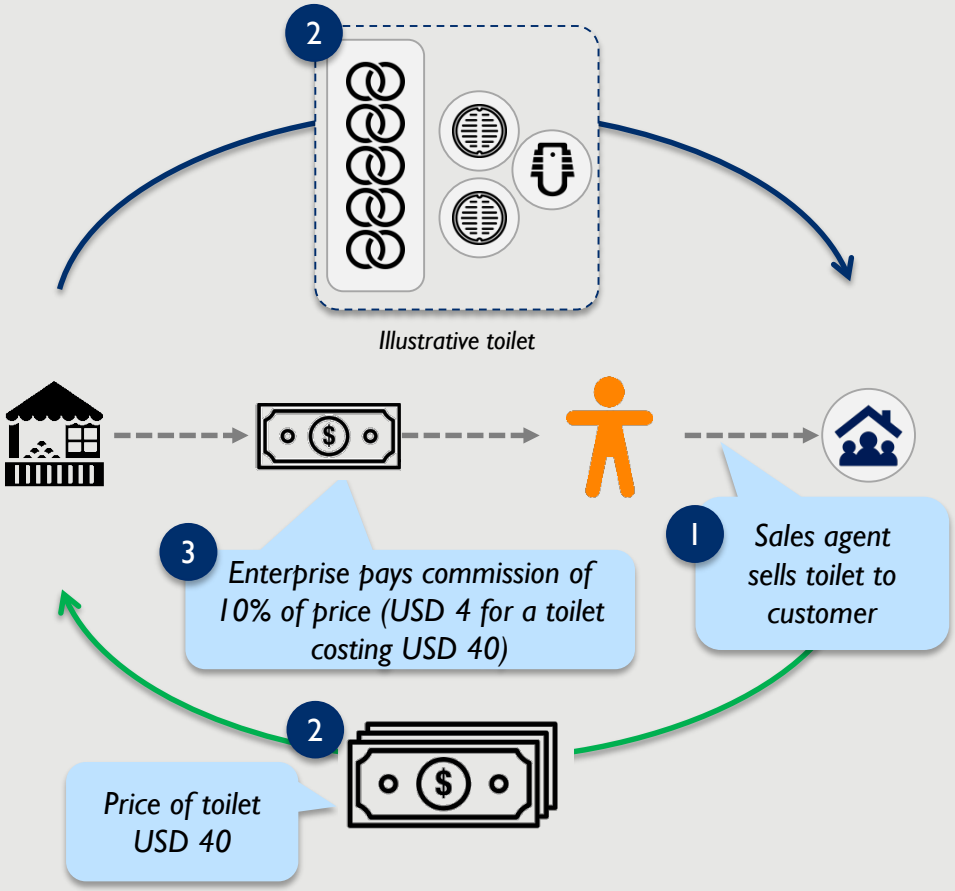
1. *Sales agents are demand activators who are remunerated for selling toilets. The term demand activator includes those who sell toilets without receiving any corresponding commission in return (e.g., Cambodian village chiefs / commune councilors). While sales through either kind of demand activators should be recorded in the P&L statement, commissions paid to demand activators are recorded in P&L statement when such commissions are paid by the sanitation enterprise.*

Marketing (commissions)

Illustrative commission per toilet package/individual component sold

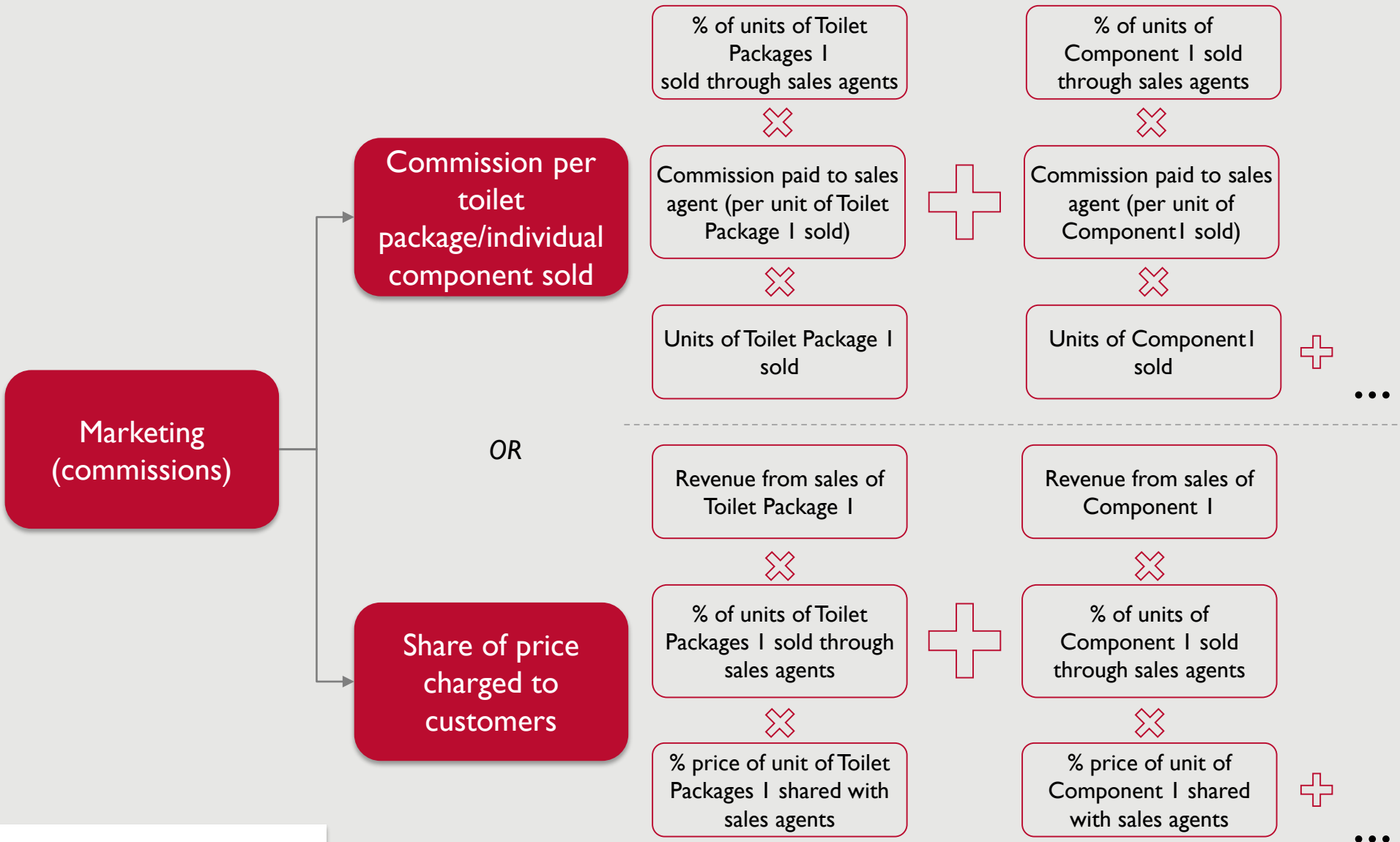


Illustrative commission as share of price charged to customers



Sanitation enterprise | Customer | Demand activator | Money

Marketing (commissions)



... **Implies additional units**

Recording marketing (commission) in P&L statement template

- Commission per toilet package / individual component sold

Screenshot of Heading 10 of the P&L statement template

10	**Marketing (commissions)**	**45.0**
	Payment of marketing (commissions) method:	Commission per toilet package / individual component
10.1	**Method 1: Commission per toilet package / individual component sold**	**45.0**
	% of units of Toilet Packages 1 sold through sales agents	50%
	% of units of Toilet Packages 2 sold through sales agents	
	% of units of Toilet Packages 3 sold through sales agents	
	% of units of Component 1 sold through sales agents (sold individually, not as part of toilet package)	50%
	% of units of Component 2 sold through sales agents (sold individually, not as part of toilet package)	0%
	% of units of Component 3 sold through sales agents (sold individually, not as part of toilet package)	
	% of units of Component 4 sold through sales agents (sold individually, not as part of toilet package)	
	% of units of Component 5 sold through sales agents (sold individually, not as part of toilet package)	
	Commission paid to sales agent (per unit of Toilet Package 1 sold)	1.5
	Commission paid to sales agent (per unit of Toilet Package 2 sold)	
	Commission paid to sales agent (per unit of Toilet Package 3 sold)	
	Commission paid to sales agent [per unit of Component 1 sold individually, not as part of toilet package)	0.2
	Commission paid to sales agent [per unit of Component 2 sold individually, not as part of toilet package)	
	Commission paid to sales agent [per unit of Component 3 sold individually, not as part of toilet package)	
	Commission paid to sales agent [per unit of Component 4 sold individually, not as part of toilet package)	
	Commission paid to sales agent [per unit of Component 5 sold individually, not as part of toilet package)	
	Units of Toilet Package 1 sold	20.0
	Units of Toilet Package 2 sold	0.0
	Units of Toilet Package 3 sold	0.0
	Units of Component 1 sold (individually, not as part of toilet package)	300.0
	Units of Component 2 sold (individually, not as part of toilet package)	30.0
	Units of Component 3 sold (individually, not as part of toilet package)	0.0
	Units of Component 4 sold (individually, not as part of toilet package)	0.0
	Units of Component 5 sold (individually, not as part of toilet package)	0.0

Sub-total of 10.1 or 10.2

Sourced from L1 – Revenue from toilet sales

1 Enter method of payment of marketing (commission), i.e., either as per units of toilet package / individual component sold or as share of revenue

2 Enter share of units sold through sales agents for each toilet package/individual component sold

3 Enter commission paid to sales agent per unit of toilet package/individual component sold

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Recording marketing (commission) in P&L statement template

- Share of price charged to customers

Screenshot of Heading 10 of the P&L statement template

10	**Marketing (commissions)**	**0.0**
	Payment of marketing (commissions) method:	Share of price charged to customers
10.1	**Method 1: Commission per toilet package / individual component sold**	**45.0**
10.2	**Method 2: Share of price charged to customers**	**0.0**
	% of units of Toilet Packages 1 sold through sales agent	
	% of units of Toilet Packages 2 sold through sales agent	
	% of units of Toilet Packages 3 sold through sales agent	
	% of units of Component 1 sold through sales agents (su	
	% of units of Component 2 sold through sales agents (sold individually, not as part of toilet package)	
	% of units of Component 3 sold through sales agents (sold individually, not as part of toilet package)	
	% of units of Component 4 sold through sales agents (sold individually, not as part of toilet package)	
	% of units of Component 5 sold through sales agents (sold individually, not as part of toilet package)	
	% price of unit of Toilet Packages 1 shared with sales agents	
	% price of unit of Toilet Packages 2 shared with sales agents	
	% price of unit of Toilet Packages 3 shared with sales agents	
	% price of unit of Component 1 (sold individually, not as part of toilet package) shared with sales agents	
	% price of unit of Component 2 (sold individually, not as part of toilet package) shared with sales agents	
	% price of unit of Component 3 (sold individually, not as part of toilet package) shared with sales agents	
	% price of unit of Component 4 (sold individually, not as part of toilet package) shared with sales agents	
	% price of unit of Component 5 (sold individually, not as part of toilet package) shared with sales agents	
	Revenue from sales of Toilet Package 1	2,000.0
	Revenue from sales of Toilet Package 2	0.0
	Revenue from sales of Toilet Package 3	0.0
	Revenue from sales of Component 1 (sold individually, not as part of to	2,100.0
	Revenue from sales of Component 2 (sold individually, not as part of to	300.0
	Revenue from sales of Component 3 (sold individually, not as part of to	0.0
	Revenue from sales of Component 4 (sold individually, not as part of toilet package)	0.0
	Revenue from sales of Component 5 (sold individually, not as part of toilet package)	0.0

Sub-total of 10.1 or 10.2

Grayed out as irrelevant when enterprise pays commission as share of price charged to customers

Sourced from L1 – Revenue from toilet sales

1 Enter method of payment of marketing (commission), i.e., share of price charged to customer in this case

2 Enter share of units sold through sales agents for each toilet package/individual component sold

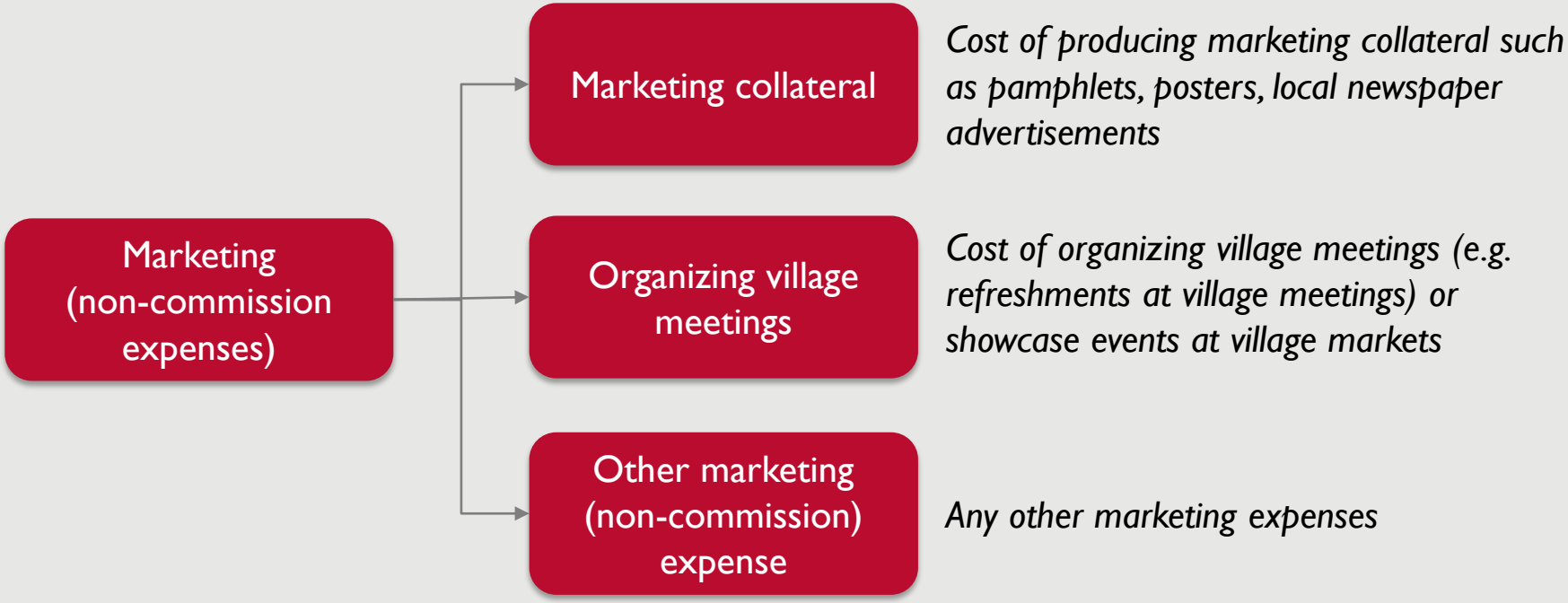
3 Enter % price of unit of toilet package/individual component shared with sales agents

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

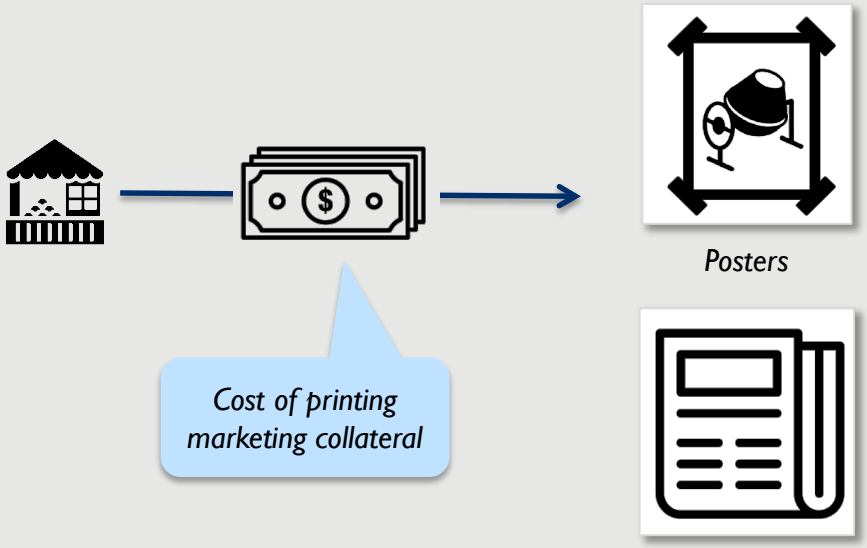
Marketing (non-commission)

Costs of marketing activities (apart from commissions paid to sales agents). Typically, it includes cost for activities like printing marketing collateral and organizing local village meetings.

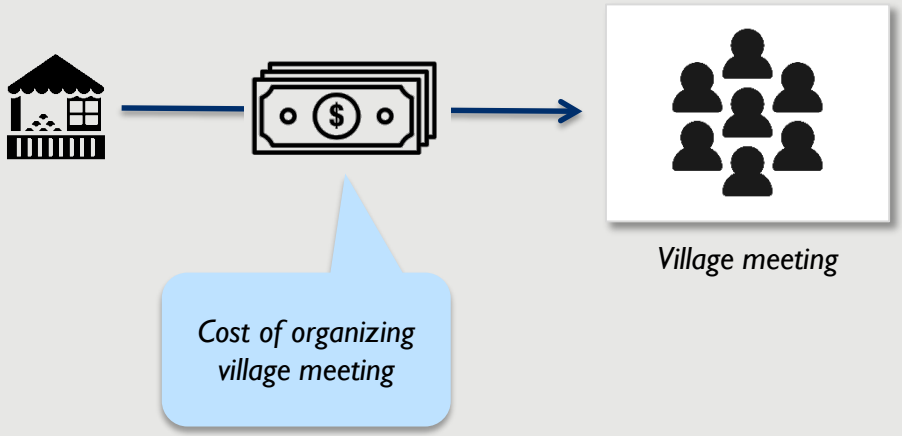


Marketing (non-commission)

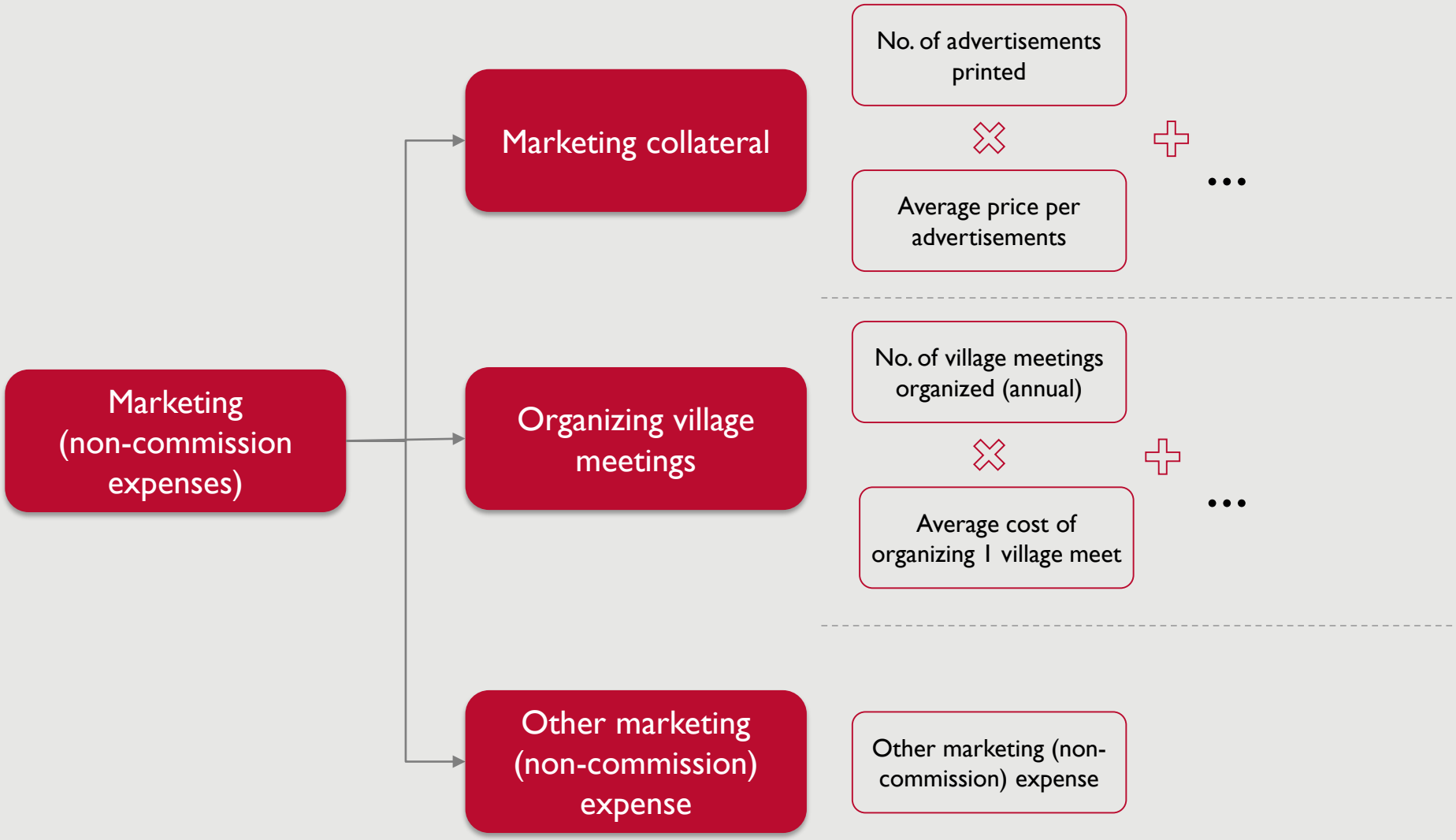
Illustrative marketing collateral



Illustrative village meetings



Marketing (non-commission)



... **Implies additional units**

Recording marketing (non-commission) in P&L statement template

Screenshot of Heading 11 of the P&L statement template

11	**Marketing (non-commission)**	0.0
11.1	**Marketing collateral**	0.0
	Number of advertisements printed	
	Average cost of printing (per advertisement)	
11.2	**Village meeting**	0.0
	Number of village meetings organized	
	Average cost of organization (per village meeting)	
11.3	**Other marketing (non-commission) expense**	

Sub-total of 11.1-11.3

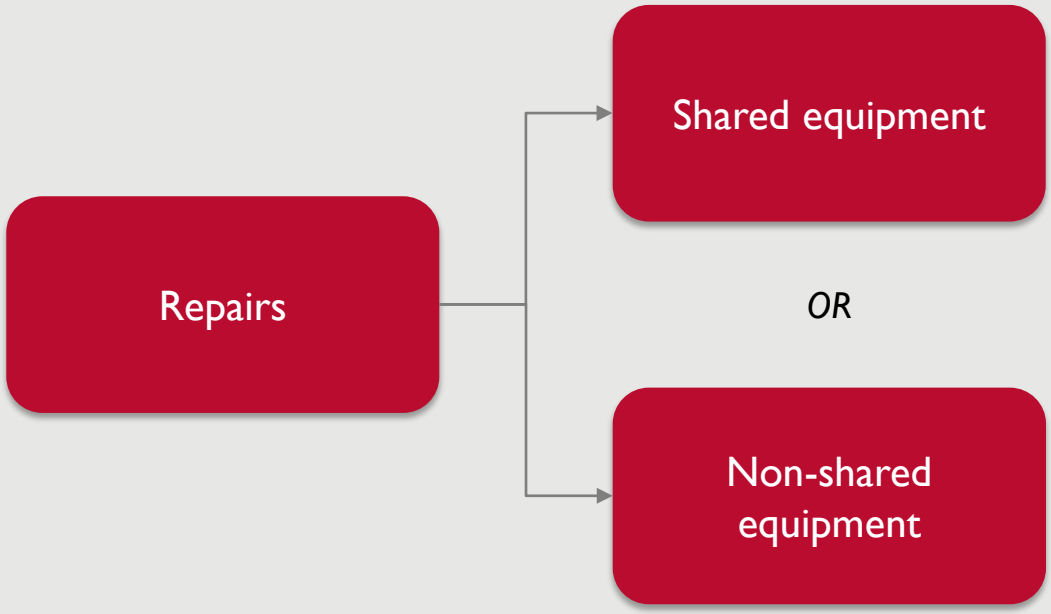
1. Enter number of advertisements printed and average cost per advertisement
2. Enter number of village meetings organized and average cost of organizing each village meeting
3. Enter any other non-marketing expense

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Repairs

Cost incurred to maintain equipment (e.g., molds, vehicle) in working condition. The total repair expense of equipment that is shared with entrepreneurs' other business lines should be apportioned.

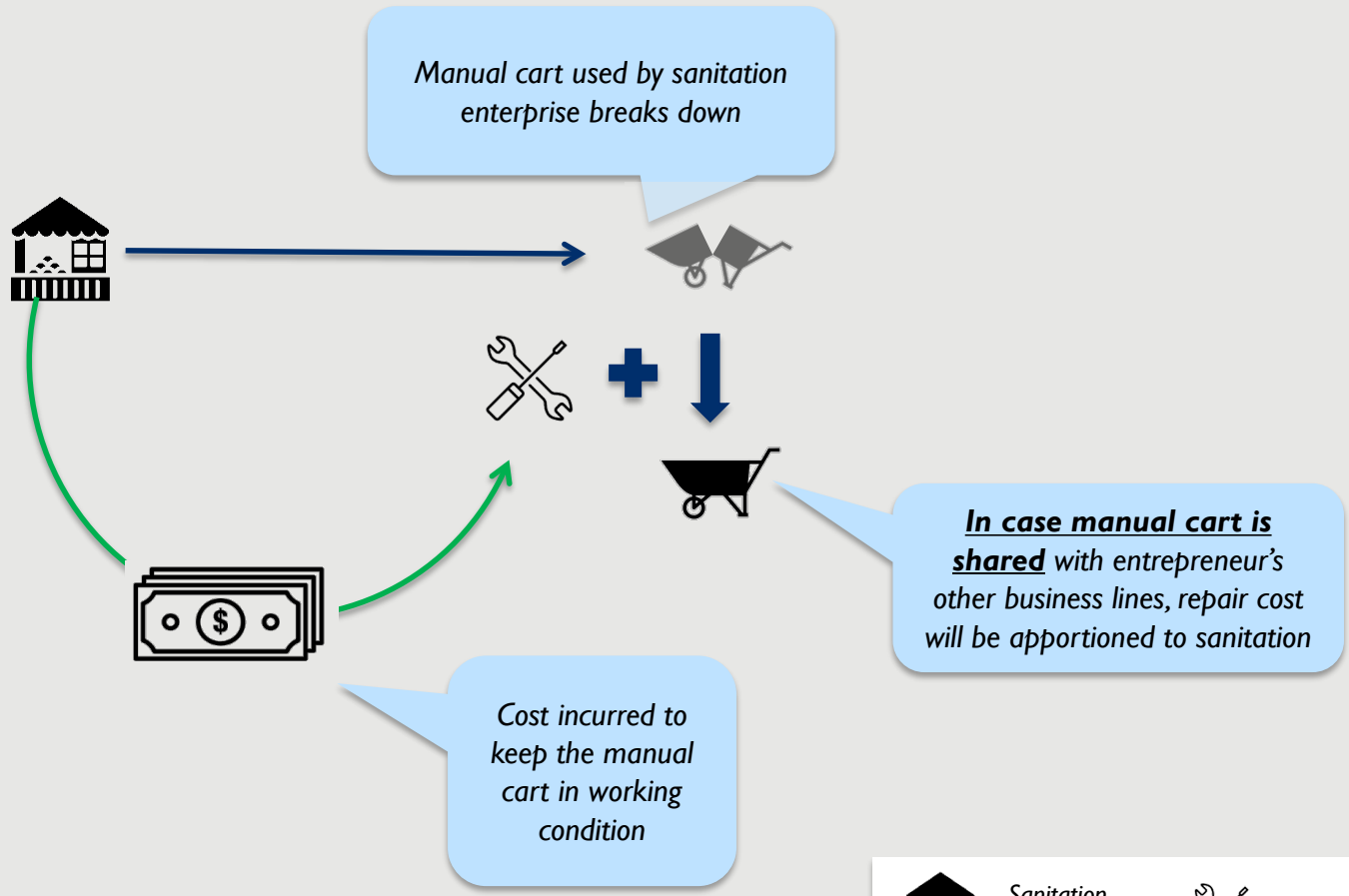


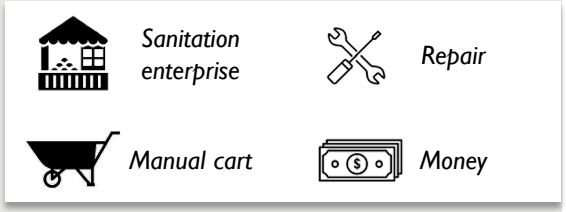
Maintenance cost of equipment that is shared with other business lines of the entrepreneur

Maintenance cost of equipment that is solely used for the sanitation enterprise

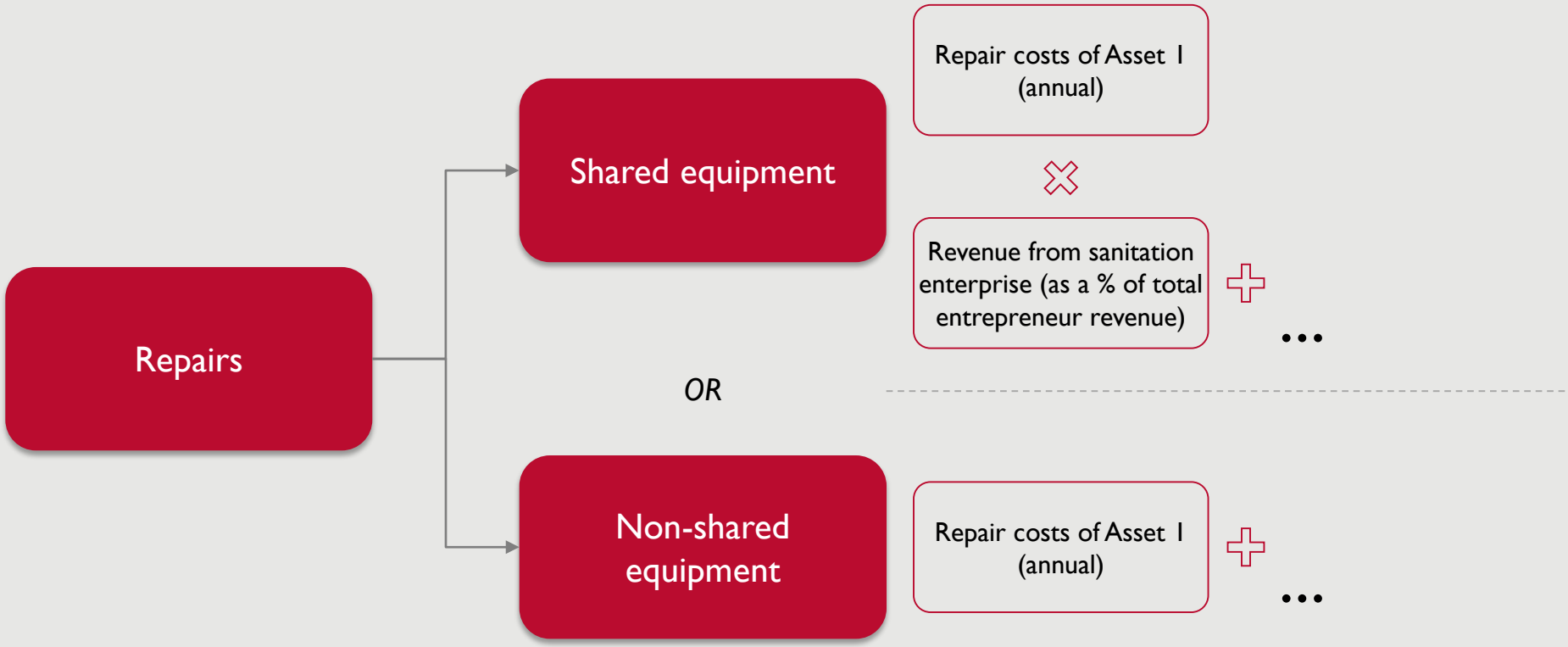
Repairs

Illustrative repair expense





Repairs



... **Implies additional units**

Tip Apportioning repair expense by utilization rate of equipment by each business line of the enterprise may be more accurate. However, gathering data on utilization rates of different equipment is challenging. MBS programs should determine the method of apportioning as per their convenience.

Recording repairs in P&L statement template

Screenshot of Heading 12 of the P&L statement template

12	**Repairs**	**36.0**
12.1	**Asset 1**	
	Shared / Non-shared asset ?	Non-shared asset
	Repair costs of Asset 1 (annual)	20.0
	Revenue from sanitation enterprise (as a % of total entrepreneur revenue)	80%
	Repair costs of Asset 1 (annual and apportioned)	**20.0**
12.2	**Asset 2**	
	Shared / Non-shared asset ?	Shared asset
	Repair costs of Asset 2 (annual)	20.0
	Revenue from sanitation enterprise (as a %	80%
	Repair costs of Asset 2 (annual and apport	**16.0**
12.3	**Asset 3**	
	Shared / Non-shared asset ?	Shared asset
	Repair costs of Asset 3 (annual)	
	Revenue from sanitation enterprise (as a % of total entrepreneur revenue)	80%
	Repair costs of Asset 3 (annual and apportioned)	**0.0**

Sub-total of 12.1-12.3

Revenue from sanitation enterprise (as a % of total entrepreneur revenue) gets automatically filled from the details in the 'General business information' section but users should verify

1 For each asset, enter if shared or non-shared with other business lines of the entrepreneur and annual repair cost

2 Similarly, enter details of repair costs of other equipment of the entrepreneur

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Bad debts

Amount of money due from customers (who have purchased toilets on credit) that is unlikely to be recovered and has to be written off.

Illustrative bad debts

First half of year	Second half of year	Comments
		Cash sale
		Credit sale where customer has paid back
		Credit sale where customer has not paid back, and is not expected to do so
		Credit sale customer has not paid back, but is expected to do so

Recorded as a bad debt in the P&L statement

Customer profile

- Customer that paid immediately
- Credit customers under recovery period
- Credit customers who paid back
- Bad debt customer

Bad debts

Bad debts

% of units of Toilet Package 1 sold on credit

×

% of credit customers of Toilet Package 1 who have stopped paying

×

Average unrecoverable amount per customer of Toilet Package 1

×

Units of Toilet Package 1 sold

...

+

% of units of Component 1 sold on credit

×

% of credit customers of Component 1 who have stopped paying

×

Average unrecoverable amount per customer of Component 1

×

Units of Component 1 sold

+ ...

... **Implies additional units**

Recording bad debts in P&L statement template

Screenshot of Heading 13 of the P&L statement template

13	**Bad debts**	**16.0**
	% of units of toilets/components sold on credit	
	% of units of Toilet Package 1 sold on credit	10%
	% of units of Toilet Package 2 sold on credit	
	% of units of Toilet Package 3 sold on credit	
	% of units of Component 1 (sold individually, not as part of toilet package) on credit	20%
	% of units of Component 2 (sold individually, not as part of toilet package) on credit	0%
	% of units of Component 3 (sold individually, not as part of toilet package) on credit	
	% of units of Component 4 (sold individually, not as part of toilet package) on credit	
	% of units of Component 5 (sold individually, not as part of toilet package) on credit	
	% of credit customers who have stopped paying	
	% of credit customers of Toilet Package 1 who have stopped paying	10%
	% of credit customers of Toilet Package 2 who have stopped paying	
	% of credit customers of Toilet Package 3 who have stopped paying	
	% of credit customers of Component 1 (sold individually, not as part of toilet package) who have stopped paying	10%
	% of credit customers of Component 2 (sold individually, not as part of toilet package) who have stopped paying	0%
	% of credit customers of Component 3 (sold individually, not as part of toilet package) who have stopped paying	
	% of credit customers of Component 4 (sold individually, not as part of toilet package) who have stopped paying	
	% of credit customers of Component 5 (sold individually, not as part of toilet package) who have stopped paying	
	Average unrecoverable amount per customer	
	Average unrecoverable amount per customer of Toilet Package 1	20.0
	Average unrecoverable amount per customer of Toilet Package 2	
	Average unrecoverable amount per customer of Toilet Package 3	
	Average unrecoverable amount per customer of Component 1 (sold individually, not as part of toilet package)	2.0
	Average unrecoverable amount per customer of Component 2 (sold individually, not as part of toilet package)	
	Average unrecoverable amount per customer of Component 3 (sold individually, not as part of toilet package)	
	Average unrecoverable amount per customer of Component 4 (sold individually, not as part of toilet package)	
	Average unrecoverable amount per customer of Component 5 (sold individually, not as part of toilet package)	
	Units of Toilet Package 1 sold	20
	Units of Toilet Package 2 sold	0
	Units of Toilet Package 3 sold	0
	Units of Component 1 sold (individually, not as part of toilet package)	300
	Units of Component 2 sold (individually, not as part of toilet package)	30
	Units of Component 3 sold (individually, not as part of toilet package)	0
	Units of Component 4 sold (individually, not as part of toilet package)	0
	Units of Component 5 sold (individually, not as part of toilet package)	0
	Bad debts from Toilet Packages 1 sold	**4.0**
	Bad debts from Toilet Packages 2 sold	**0.0**
	Bad debts from Toilet Packages 3 sold	**0.0**
	Bad debts from individual components sold	**12.0**

1. Enter % of units of toilet package/individual component sold on credit

2. Enter % of credit customers of each toilet package/individual component who have stopped paying

3. Enter the average unrecoverable amount per customer of each toilet package/individual component

Sourced from L1 – Revenue from toilet sales

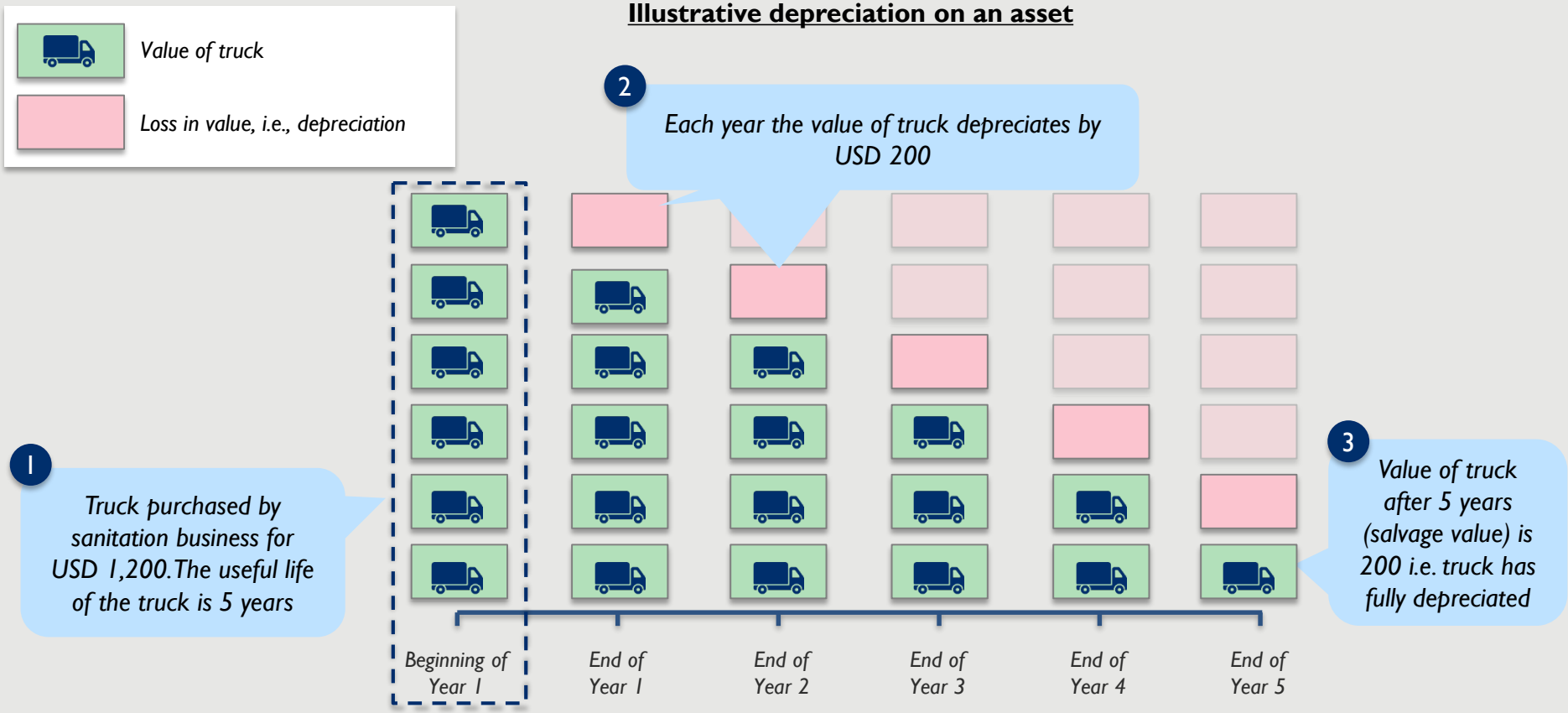
Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Depreciation

Annual decline in the value of assets[1] owned by the sanitation enterprise. Assets have a limited useful life, i.e., the number of years they are expected to contribute to the business. At the end of the expected useful life, assets have scrap or salvage value. Depreciation is an accounting method to spread the asset's value spread over its useful life. It is a non-cash expense, i.e., it is recorded as an expense despite not resulting in a cash outflow.

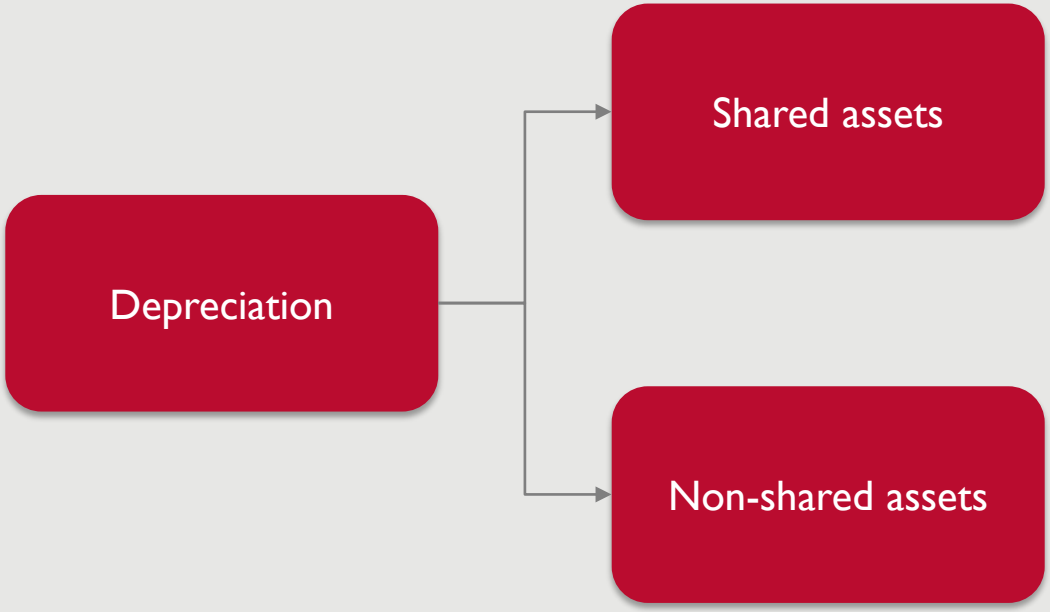
Illustrative depreciation on an asset



1. *An asset is any resource owned by a business. Examples of assets of sanitation enterprises include molds to make cement rings and pit covers, transportation vehicles to deliver toilets to customers etc. Land is as asset but is not depreciated and should be excluded from depreciation calculations.*

Depreciation

Sanitation enterprises that share assets (e.g., molds, vehicle) with entrepreneurs' other business lines should apportion the total depreciation expense.



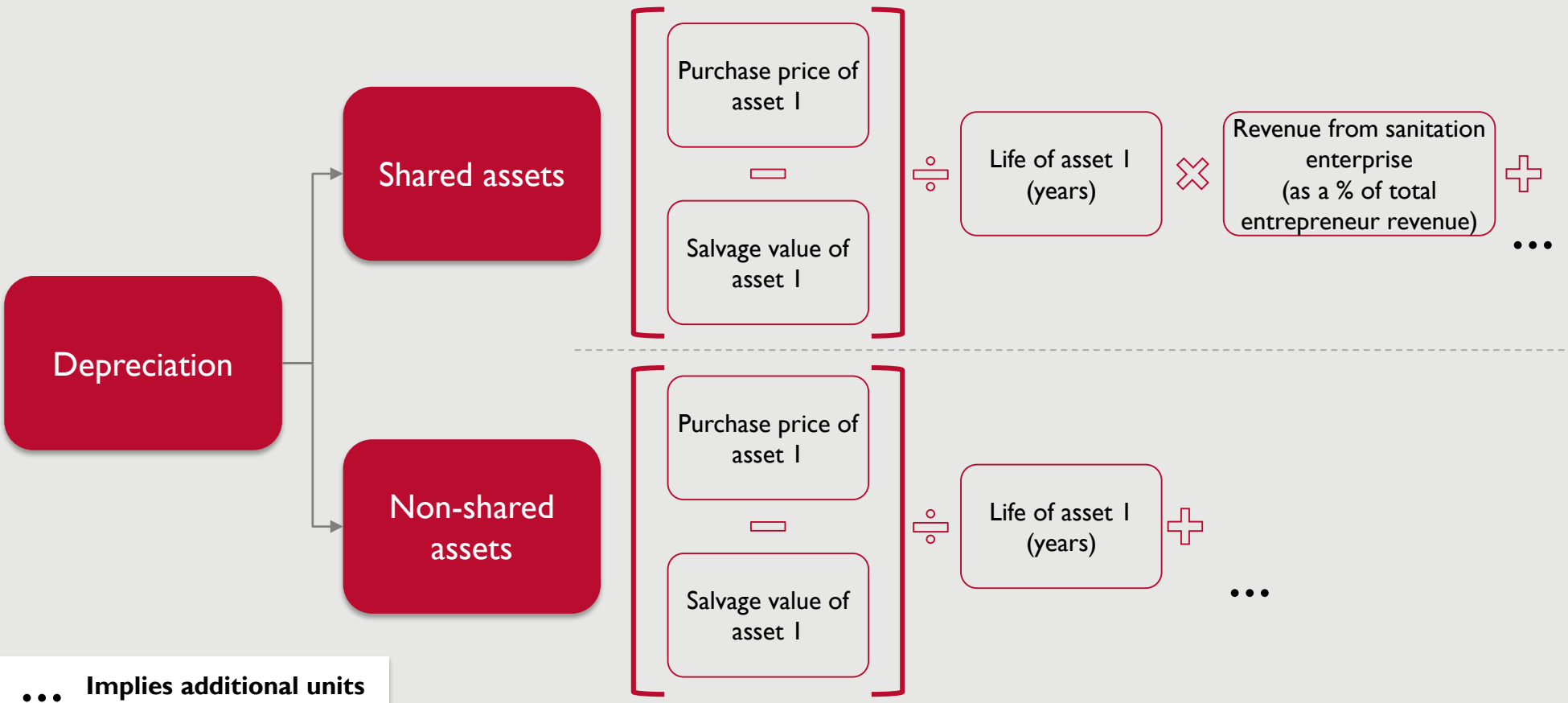
Depreciation of assets that are shared with other business lines of the enterprise

Depreciation of assets that are solely used by the sanitation business line of the enterprise

Tip

Sanitation enterprises may continue to use assets even past their lifetime value. In such cases, it may be assumed that the assets have been fully depreciated.

Depreciation



... **Implies additional units**

Tip Sanitation enterprises may be unable to express the total useful life and salvage value of an asset. In such cases, users can refer to local accounting and taxation rules to find the rules of depreciation for such assets.

1. *Residual value of an asset is the value of the asset after the end of its useful life, i.e., after it has fully depreciated.*

Recording depreciation in P&L statement template

Screenshot of Heading 14 of the P&L statement template

14	**Depreciation**	**12.8**
14.1	**Asset 1**	Name of Asset 1
	Shared / Non-shared asset ?	Shared asset
	Purchase price of Asset 1	100.0
	Salvage value of Asset 1	20.0
	Useful life of Asset 1 (years)	5.0
	Age of Asset 1 (at the start of financial period in consideration)	3.0
	Revenue from sanitation enterprise (as a % of total entrepreneur revenue)	80%
	Depreciation on Asset 1 (annual and apportioned)	**12.8**
14.2	**Asset 2**	Name of Asset 2
	Shared / Non-shared asset ?	Shared asset
	Purchase price of Asset 2	
	Salvage value of Asset 2	
	Useful life of Asset 2 (years)	
	Age of Asset 2 (at the start of financial period in co	
	Revenue from sanitation enterprise (as a % of eneur revenue)	80%
	Depreciation on Asset 2 (annual and appo	**0.0**

1. For each asset, enter name and whether it is shared or non-shared with other business lines of the entrepreneur

2. Enter the purchase price, salvage value, useful life and age of the asset

3. Similarly, enter details for all other assets

Revenue from sanitation business (as a % of total entrepreneur revenue) gets automatically filled from the details in the 'General business information' section, but users should verify

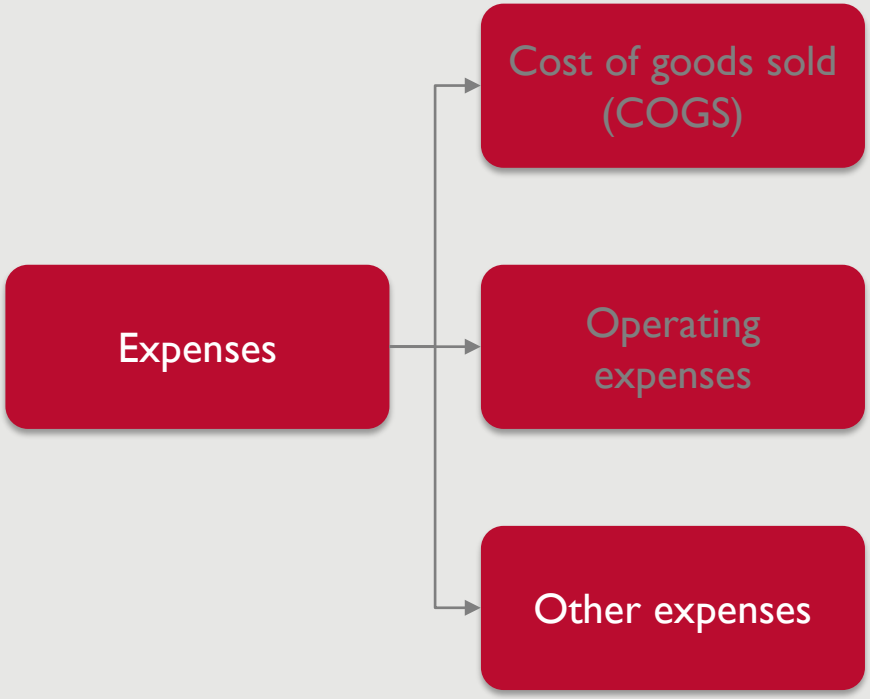
Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Table of Contents

- Introduction
- Preparation of a Profit & Loss statement
  - Revenue
  - Expenses
    - Cost of goods sold
    - Operating expenses
    - Other expenses

Other expenses

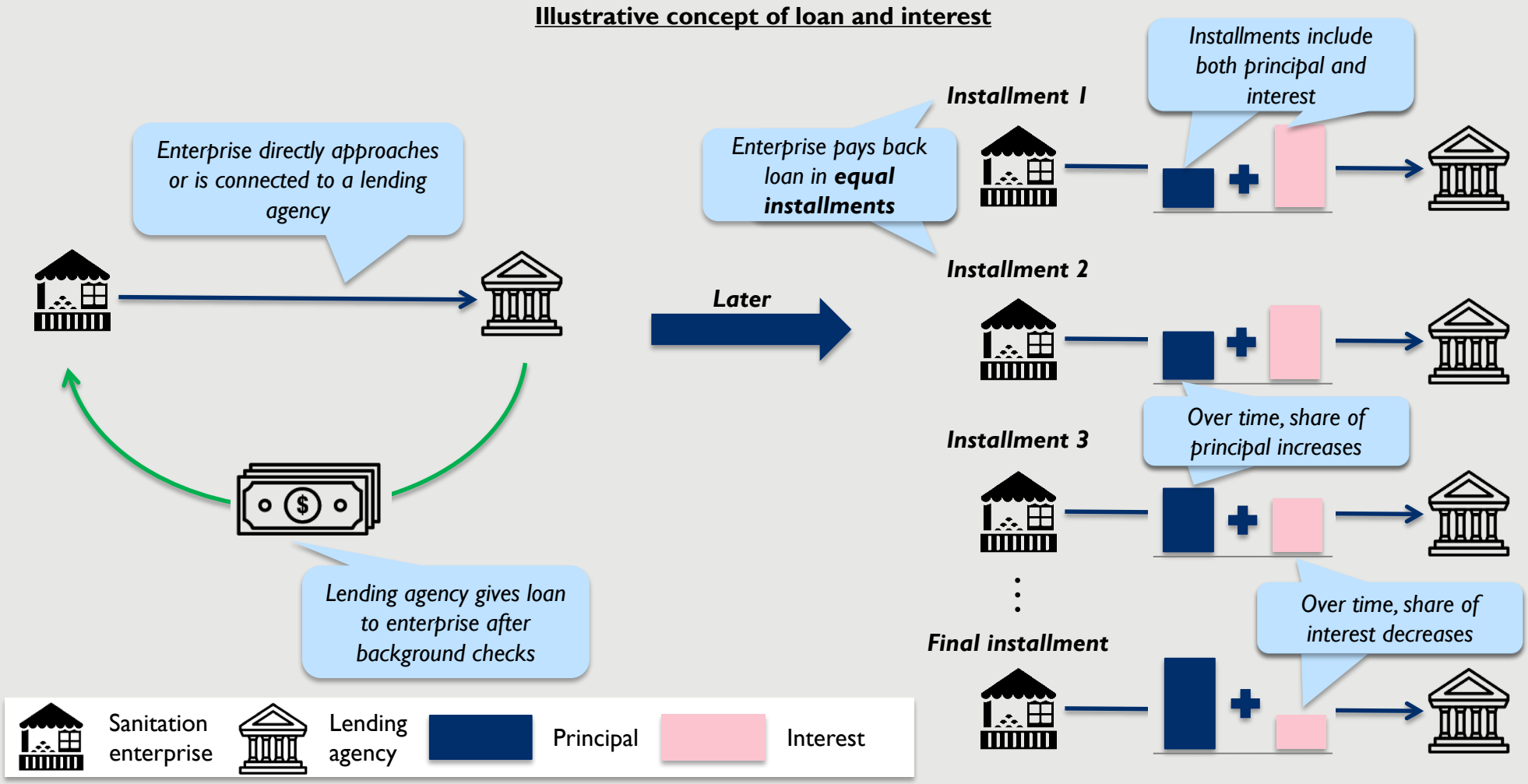


Costs unrelated to the core business of the enterprise (such as, interest which is not related to the products or services of a sanitation enterprise)

Note: This document excludes income and other taxes from "Other expenses" due to the typical informal status of sanitation enterprises. MBS programs can add taxes a separate line item if their partner sanitation enterprises are taxed.

Interest

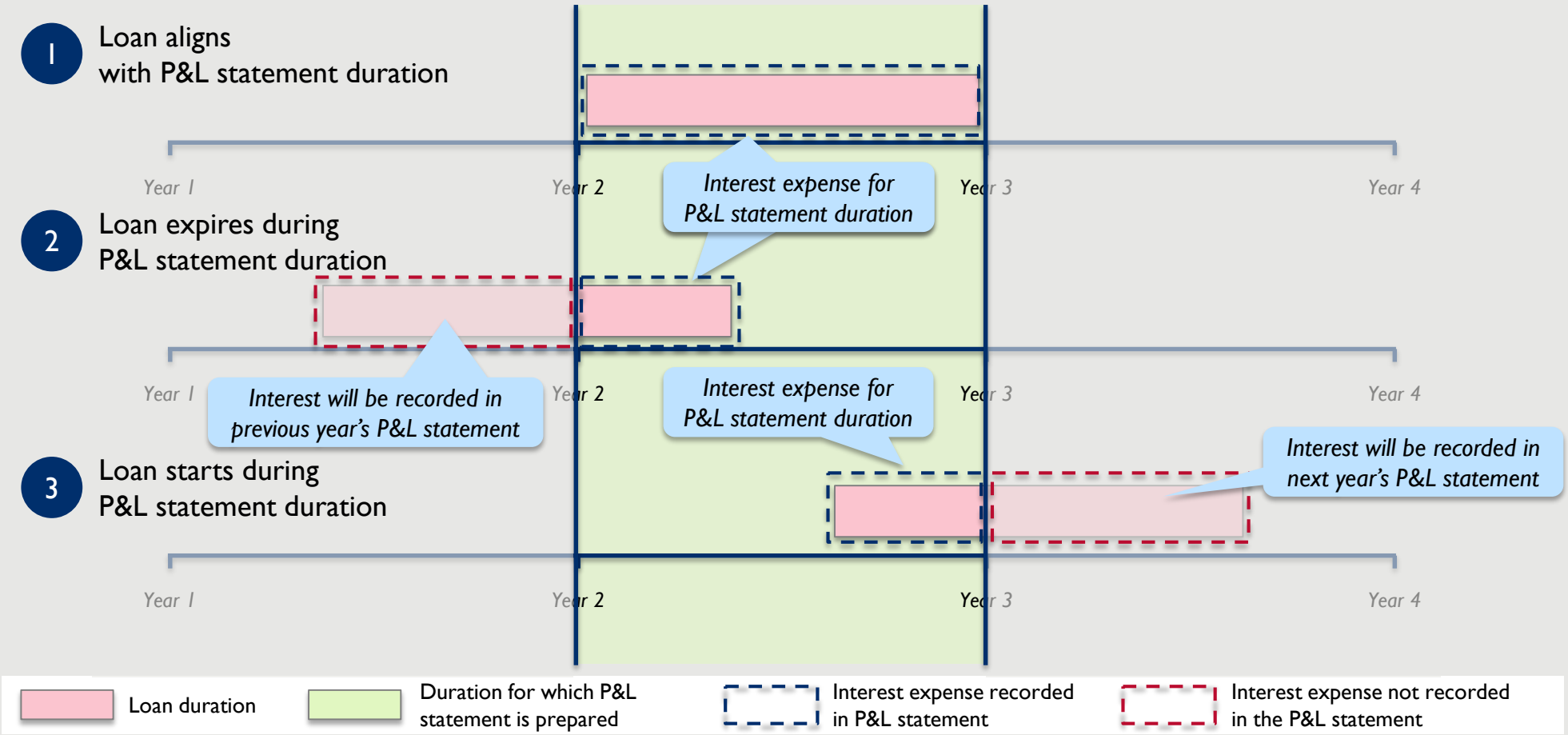
Interest paid by the sanitation enterprises for loans.



Interest

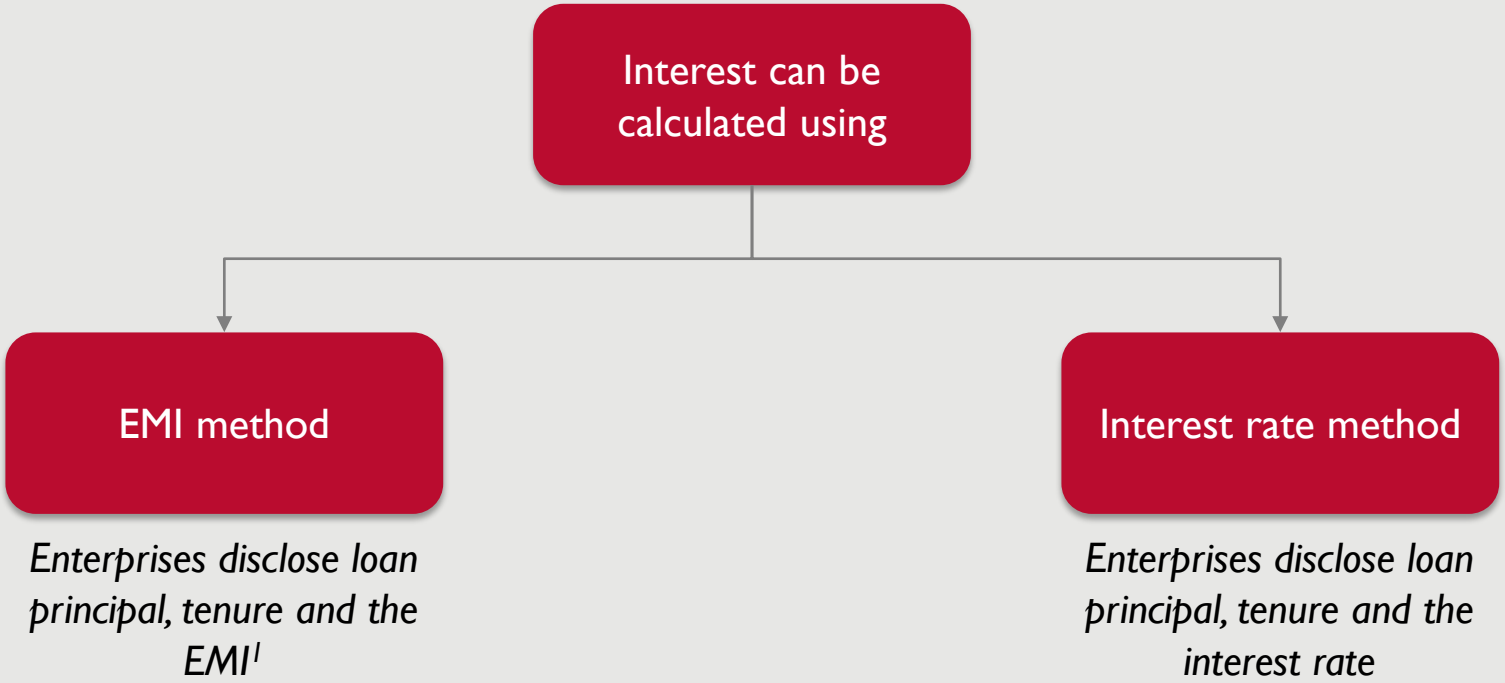
Interest on loans recorded in the P&L statement varies as per three scenarios, depending on the period of the loan and the period for which the P&L statement is prepared.

Duration of loan payments and P&L statements



Interest

Sanitation enterprises have varying levels of information on the loans they take. The interest can be calculated depending on the information available to them.



1. *Equated monthly installment*
2. *Interest entered in P&L statement is dependent on duration for which P&L statement is prepared*

Interest

Interest can be calculated using

EMI method

- Principal
- Start date of loan
- Duration of loan (months)
- EMI (Equated monthly installment)

Interest rate method

- Principal
- Start date of loan
- Duration of loan (months)
- Interest rate on loan (annual)

Tip

- More information on calculation of interest is available at Investopedia, *Learn Simple and compound Interest* (https://www.investopedia.com/articles/investing/020614/learn-simple-and-compound-interest.asp)
- Interest calculation in the P&L statement template assumes that the loan will end within 5 years from the start of the P&L statement duration.

1. *Equated monthly installment*

Recording interest in P&L statement template
- EMI method

Screenshot of Heading 15 of the P&L statement template

15	**Interest**	**85.4**	
	Method of calculation of interest expense:	EMI	
15.1	**Method 1: EMI**	**85.4**	
	Loan 1		
	Principal amount of Loan 1	500.0	*-> User defined*
	Start date of Loan 1	1-Dec-17	*-> User defined*
	Duration of Loan 1 (months)	12 months	*-> User defined*
	Equated monthly installament (EMI) of Loan 1	50.0	*-> User defined*
	Start date of P&L statement	1-Jan-18	*-> Pre-filled, but please verify*
	End date of P&L statement	31-Dec-18	*-> Pre-filled, but please verify*
	Interest for P&L statement d	**85.4**	*-> Calculated below from the table*
	Calculation		
	Implied monthly rate (month	2.92%	

-> All internal calculations in this table

	01-Dec-2017	01-Jan-2018	01-Feb-2018
Loan payment schedule			
Month #	1	2	3
Principal remaining	500	465	428
Interest	15	14	13
EMI	50	50	50
Principal repayment	35	36	37
Considered for calculation	No	Yes	Yes
Interest	0.0	13.6	12.5

1 Enter method of calculation of interest, i.e., EMI or principal method

2 Enter principal, start date, duration and EMI of loan

Start and end date of P&L statement gets automatically filled from the details in the 'General business information' section, but users should verify

Interest of loan for relevant P&L duration

Calculation table that calculates interest for the relevant P&L duration

Legend

- User inputs
- Totals
- Calculations
- Grayed Section

Recording interest in P&L statement
- Principal method

Screenshot of Heading 15 of the P&L statement template

15	**Interest**	**85.4**	
	Method of calculation of interest expense:	Principal	
15.1	**Method 1: EMI**	**85.4**	
15.2	**Method 2: Principal**	**85.4**	
	Loan 1		
	Principal amount of Loan 1	500.0	*-> User defined*
	Start date of Loan 1	1-Dec-17	*-> User defined*
	Duration of Loan 1 (months)	12 months	*-> User defined*
	Interest rate of Loan 1 (monthly) (%)	2.92%	*-> User defined*
	Start date of P&L statement	1-Jan-18	*-> Pre-filled, but please verif*
	End date of P&L statement	31-Dec-18	*-> Pre-filled, but please verify*
	Interest for P&L statement du	**85.4**	*-> Calculated below from the table*
	Calculation		
	Implied monthly EMI	50.0	
	Loan payment schedule		*-> All internal calculations in this table*

	01-Dec-2017	01-Jan-2018	01-Feb-2018
Month #	1	2	3
Principal remaining	500	465	428
Interest	15	14	13
EMI	50	50	50
Principal payment	35	36	37
Considered for calculation	No	Yes	Yes
Interest	0.0	13.6	12.5

1 Enter method of calculation of interest i.e., EMI or principal method

Grayed out as irrelevant when enterprise follows principal method

2 Enter principal, start date, duration of loan and interest rate of loan

Start and end date of P&L statement gets automatically filled from the details in the 'General business information' section, but users should verify

Interest of loan for relevant P&L duration

Calculation table that calculates interest for the relevant P&L duration

Legend

- User inputs
- Totals
- Calculations
- Grayed Section