

Contribution Margin-based Profit and Loss Statement

Description	Amount (\$)
Sales Revenue	120,000
Less: Variable Costs	(72,000)
Contribution Margin	48,000
Less: Fixed Costs	(32,000)
Operating Profit	16,000
Less: Taxes (Estimated)	(4,800)
Net Profit	11,200

Important Notes:

- Contribution Margin is calculated as Sales Revenue minus Total Variable Costs.
- This format separates variable and fixed costs, highlighting the impact of cost structure on profitability.
- Useful for decision-making such as break-even analysis and evaluating cost behavior.
- Does not follow traditional format of gross profit; rather, it emphasizes contribution towards covering fixed costs and generating profit.
- Ensure all costs are properly classified as either variable or fixed for accurate reporting.