

Chart of Difference between the Profit and Loss account and Balance Sheet

Basis of Difference	Profit and loss account	Balance Sheet
Meaning	Profit and loss account is the statement which shows the all indirect expenses incurred and indirect revenue earned during the particular period.	The Balance sheet is the statement showing the assets and Liabilities/capital of the business at the end particular accounting period.
Object	It is prepared to know the Net profit or Loss of the business for a particular period.	It is prepared to show the true or fair financial position of an entity.
Accounts Included	It includes only one type of accounts. i.e. Nominal account.	It includes only two type of accounts. i.e. Real and Personal accounts
Gross Profit/ Loss	Profit and loss account does provide information about Gross Profit/loss for the year.	Balance Sheet does not provide information about Gross Profit/loss for the year.
Dependency	The Profit and Loss account is not dependent on the Balance sheet Because it is prepared before the preparation of Balance sheet.	The balance sheet is dependent on the Profit and loss account because Information about Net Profit/Loss collected from Profit and Loss account.
Balance	It has the Balance amount, which represents the net profit/loss for the year. Debit balance means net Loss if Credit balance it means Net Profit.	Both side of the balance sheet always equal to each other. So, it does not has a balance amount.
Classification of Accounts	In Profit and Loss account, only nominal accounts are classified into the balance of Incomes/gains and Expenses/loss.	In Balance Sheet, personal and real accounts are classified into the balance of assets, liabilities and capital.
Time of Preparation	It is prepared after preparing a Trading account and before the preparation of the Balance sheet.	It is prepared after preparing Trading and Profit&Loss account.
Sides of Statement	Profit and loss account has two sides, on the left side, all expenses and losses are posted and on the right side, all incomes and gains are posted.	The Balance Sheet also has two sides(In horizontal form), on the left side, all Liabilities and Capital are posted and on the right side, all accounts of assets are posted.
Information about Stock or inventories	In the Profit and Loss account, No Information is provided for opening or closing stock.	In the Balance Sheet, Information is provided only for cLosing stock.