MEADEN & MOORE

# How a Business Income Loss Is Calculated

Two different approaches. Same result.

## Bottom-Up Approach

Projected Net Income for the Loss Period

+

Expenses That Continue Throughout the Loss Period

=

Business Income Loss

*Ideal approach for lengthier loss periods and more complex losses.*

### Bottom-Up Approach Example

**$20,000**

in Projected Net Income

*(Net profit or loss that would have been earned or incurred, if not for the loss event.)*

+

**$89,000**

in Continuing Expenses

*(Includes normal operating expenses.)*

=

**$109,000**

Projected Business Income Loss

## Top-Down Approach

Estimated Lost Sales

−

Non-Continuing Expenses

=

Business Income Loss

*Ideal approach for short loss periods, especially those that are a week in length or shorter.*

### Top-Down Approach Example

**$180,000**

in Projected Lost Sales

*($0 in sales was reported over the loss period, but any sale would be deducted from projected sales.)*

−

**$71,000**

in Non-Continuing Expenses

*(Primarily includes variable expenses directly tied to revenue, such as the cost of goods sold and supplies.)*

=

**$109,000**

Projected Business Income Loss