



Presents

Setting Sales and Profitability Goals

A Workshop Exclusively for Small Business Owners and Their Team

Bottom Line – We Love Small Business™



@ EWH University LLC 2021

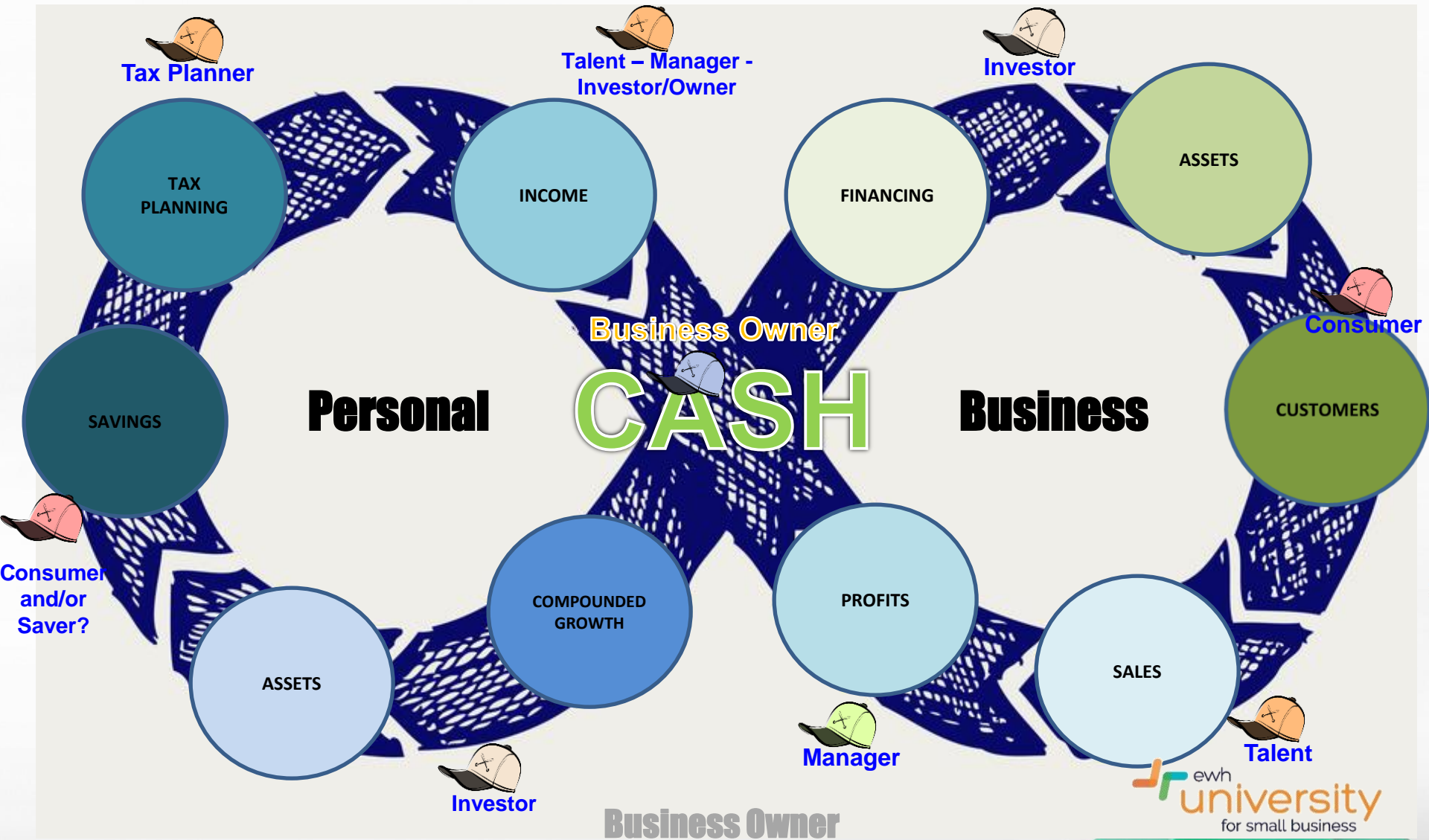
Implementing a Numbers Based Strategy

Management, Leadership and Operations



Accounting

The Cash Flow Track



	1 Unit	2 Units	
Sales	\$10	\$20	\$20
- COGS	6	16	12
	60%	80%	
Gross Profit	4	4	8
- Operating	4	4	4
Profit	\$0	\$0	\$4

Their COGS increase from 60% to 80% cost them a profit of \$ 2/unit, and with double the sales wiped out their profit

	1 Unit	1 Unit
Sales	\$10	\$8
- COGS	6 60%	6 75%
Gross Profit	4	2
- Operating	4	4
Profit	\$0	- \$ 2

Their COGS increase from 60% to 80% cost them a profit of \$ 2/unit, and with double the sales wiped out their profit

Advancing From 1st → 2nd



Let's take a closer
LOOK
at your
Profit & Loss
Statement

Fun Department Incorporated (S Corp)
STATEMENT OF REVENUES AND EXPENSES
 Year Ended December 31, 2012

	Year Ended December 31, 2012	%
Sales		
302 - Sales - Fun	\$ 25,000.00	100.00
Total Sales	25,000.00	100.00
Cost of Goods Sold		
402 - Purchases - Fun	10,000.00	40.00
Total Cost of Goods Sold	10,000.00	40.00
Gross Profit	15,000.00	60.00
Operating Expenses		
550 - Interest	1,200.00	4.80
575 - Depreciation Expense	750.00	3.00
576 - Amortization	250.00	1.00
590 - Operating Cost	10,000.00	40.00
Total Operating Expenses	12,200.00	48.80
Net Income (Loss)	\$ 2,800.00	11.20

DIRECT COST = Cost of Goods Sold

Direct Cost only occur when you produce your product or service

It is the cost that is directly related to producing your product or service

Direct Cost increase or decrease proportionally with Sales



Gross Profit and Gross Profit Margin%

Gross Profit

Is how much profit you have left after the direct costs to produce your product or service

Gross Profit Margin %

For every dollar you sell you make/profit \$X or X%

For every dollar you sell above your breakeven you get to keep \$X or X%



Operating Expenses = **INDIRECT/FIXED COSTS**



Assumption: If you stayed in business and stopped doing business, what expenses would you still have?

Are the costs that are not directly associated to producing your product or service. Everything else!

Costs that are fixed meaning they do not increase or decrease in relation to your Sales

Rent - Utilities - Office Staff

Are Fixed Costs Fixed?

NO!

Break-even Exercise

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Total Operating Expenses	12,200.00	48.80
Net Income (Loss)	\$ 2,800.00	11.20

Break-even Answers

1	Total Yearly Revenue	<i>\$25,000</i>	<i>100%</i>	Insert the Sales Revenue for the year
2	Cost of Goods Sold/Direct Cost	<i>10,000</i>	<i>40%</i>	Determine yearly Cost COGS / Direct Costs Determine Percentage
3	Gross Profit	<i>15,000</i>	<i>60%</i>	Determine yearly Gross Profit Percentage
4	Operating Expenses/ Fixed Costs/Indirect Costs	<i>12,200</i>	<i>49%</i>	Determine yearly Operating Costs/Indirect Costs Determine Percentage
5	Profit / Loss	<i>\$2,800</i>	<i>11.0%</i>	Determine Profit/Loss Amount Determine Percentage

Break-even Answers

1	Total Yearly Revenue	\$25,000	100%
2	Cost of Goods Sold/Direct Cost	10,000	40%
3	Gross Profit	15,000	60%
4	Operating Expenses/ Fixed Costs/Indirect Costs	12,200	49%
5	Profit / Loss	\$2,800	11.0%

Break-even = Indirect Costs

GPM%

Break-even = 12,200

60%

Break-even = \$20,333

BE Per Month = \$1,694

BE Per Week = \$424

BE Per Day = \$60

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for small business

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Break-even Answers

1	Total Yearly Revenue	\$25,000	100%
2	Cost of Goods Sold/Direct Cost	10,000	40%
3	Gross Profit	15,000	60%
4	Operating Expenses/ Fixed Costs/Indirect Costs	12,200	49%
5	Profit / Loss	\$2,800	11.0%

$$\text{Break-even} = \frac{\text{Indirect Costs}}{\text{GPM\%}}$$

$$\text{Break-even} = \frac{12,200 + 5,000}{60\%}$$

$$\text{Break-even} = \$28,666$$

$$\text{BE Per Month} = \$2,388$$

$$\text{BE Per Week} = \$597$$

$$\text{BE Per Day} = \$85$$

Break-even Answers

1	Total Yearly Revenue	\$25,000	100%
2	Cost of Goods Sold/Direct Cost	10,000	40%
3	Gross Profit	15,000	60%
4	Operating Expenses/ Fixed Costs/Indirect Costs	12,200	49%
5	Profit / Loss	\$2,800	11.0%

Sales were 25,000

Sales to BE 20,333

Sales over BE 4,666

GPM% 60%

Profit Remaining \$2,800

Break-even Answers

1	Total Yearly Revenue	\$25,000	100%
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4	Operating Expenses/ Fixed Costs/Indirect Costs	12,200	49%
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$$\text{Break-even} = \frac{12,200 + 5,000}{60\%}$$

$$\text{Break-even} = \$28,666$$

$$\text{BE Per Month} = \$2,388$$

$$(\$28,666 / 12)$$

$$\text{BE Per Week} = \$597$$

$$\text{BE Per Day} = \$85$$

What If Only Half of The Year?

1	Total Yearly Revenue	\$25,000	100%
2	Cost of Goods Sold/Direct Cost	10,000	40%
3	Gross Profit	15,000	60%
4	Operating Expenses/ Fixed Costs/Indirect Costs	12,200	49%
5	Profit / Loss	\$2,800	11.0%

$$\text{Break-even} = \frac{\text{Indirect Costs}}{\text{GPM\%}}$$

$$\text{Break-even} = \frac{12,200 + 5,000}{60\%}$$

$$\text{Break-even} = \$28,666$$

$$\text{BE Per Month} = \$4,777$$

$$(\$28,666 / 6)$$

$$\text{BE Per Week} = \$1,194$$

$$\text{BE Per Day} = \$39$$

What If Only 1 Month?

1	Total Monthly Revenue	\$25,000	100%
2	Cost of Goods Sold/Direct Cost	10,000	40%
3	Gross Profit	15,000	60%
4	Operating Expenses/ Fixed Costs/Indirect Costs	12,200	49%
5	Profit / Loss	\$2,800	11.0%

$$\text{Break-even} = \frac{\text{Indirect Costs}}{\text{GPM\%}}$$

$$\text{Break-even} = \frac{12,200 + 5,000}{60\%}$$

$$\text{Break-even} = \$28,666$$

$$\text{BE Per Month} = \$28,666$$

$$\text{BE Per Week} = \$7,167$$

$$\text{BE Per Day} = \$239$$

Why is it Good to Know Your Break-even?

- Tells you how much...

Activity,

Production or...

Sales

your business needs in order to break-even or achieve your desired profitability.



Want : THE TARGET



Hitting Your Sales Target



Levers to Increase Sales/Revenue

1. Average Transaction Size
2. # of Transactions (Frequency of Purchase)

Break-even Answers

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5	Profit / Loss	\$2,800	11.0%

Indirect Costs

Break-even = **GPM%**
12,200

Break-even = **60%**

Break-even = **\$20,333**

BE Per Month = **\$1,694**

BE Per Week = **\$424**

BE Per Day = **\$60**

If Avg Transition = \$10
Transaction needed are?

Break-even Answers

1	Total Yearly Revenue	\$25,000	100%
2	Cost of Goods Sold/Direct Cost	10,000	40%
3	Gross Profit	15,000	60%
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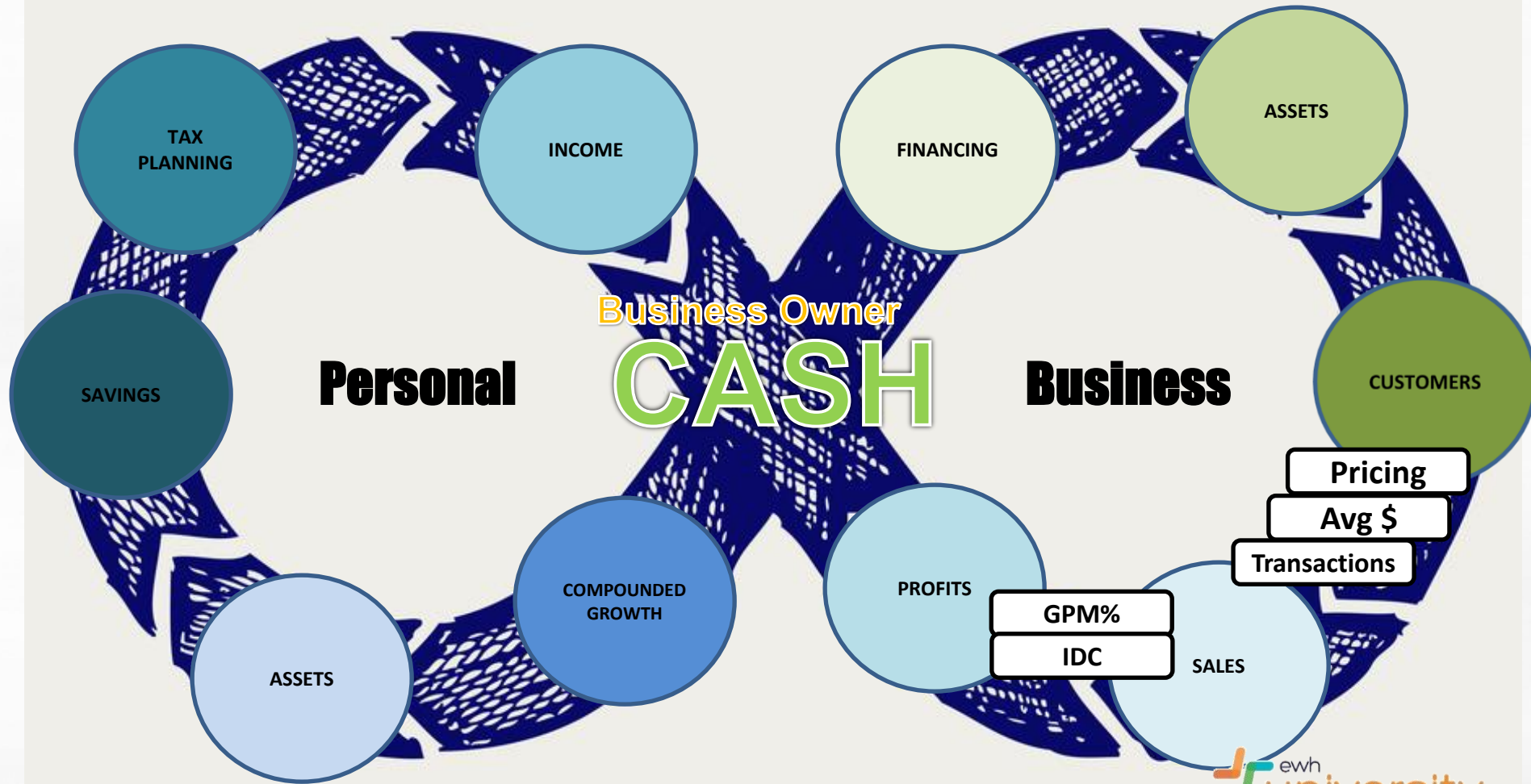
If Avg Transition = \$10

Transaction needed are?

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Levers of The Cash Flow Track



Hitting Your Sales Target



Examples

1. Restaurants/Retail
2. Contractors – Jobs / Auto Shops - Jobs
3. Monthly Accounts/Reoccurring Revenue
 1. *Monthly additions, lost accounts, avg revenue*
 2. *Membership Based Service, Gyms*
 - *Fixed Monthly Rate per Member, Variable Monthly Spend per Customer*
 3. *Weekly – Ex: Day Cares*

Going Forward into Your Business

Secret # 9: Grow S.M.A.R.T.E.R. by Setting Written Goals

Where to start?

- Pull out Year to Date Income Statement
- Why need a Balance Sheet – Account for all Cash coming in and out
- Locate Gross Profit Margin Percentage
- Locate Indirect Costs/Operating Expenses
- Run Break Even Formula
- Add Profit into Break Even Formula,
- Re Calculate Break Even + Profit
- Reverse Engineer your Sales Target
 - (I.E. Avg Transaction Size, Customers)

