

# QUICK - CHECK FOR PROFITABILITY

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An early estimate of your Expenses and your Income will give you an idea how profitable your business will be.

When you are satisfied with the results you can then work out a Business Plan and Cashflow Projection in detail.

We suggest you make your projections for the first year to see how much profit your business can generate in the worst case and the best case.

The assumptions used here are simple and do not consider taxes Use your own worksheet and transfer data to the bottom of the page.

## HOW TO PREPARE YOUR WORKSHEET

### START-UP EXPENSES

List cost of items required before you even start your business. This includes equipment, lease, renovations, fees/licenses, start-up advertising, legal fees and similar items. Be sure to make an allowance for unforeseen items.

### REPAYMENT OF START-UP EXPENSES

Assume you will pay back 10% of all start-up expenses including loans in the first year.

### OVERHEAD (= FIXED EXPENSES)

These have to do with cost incurred in the first year regardless of the amount of business transacted. These can be rent, utilities, phone supplies, use of car, owner's salary, maintenance/repairs, accountant/lawyer, advertising and similar items. Again be sure to include unforeseen items.

### SALE PRICE OF GOODS/SERVICES.

It is best to break this into 3 categories.

#### 1. Sale price of typical product/service sold.

As an example a retail store can estimate the dollars an average sale brings. A repairman similarly knows what a typical service call will bring in

combined for labor and materials.

#### 2. The minimum number of units sold.

On a per month and then year basis estimate how many of the typical sales you might achieve if the business runs at the very low end of your estimate.

#### 3. The maximum number of units sold.

On a per month and then year basis estimate how many of the typical sales you might achieve if the Business does reasonable well.

### COST PRICE OF GOODS/SERVICES

Again we want to look at this in 3 categories.

#### 1. The unit cost of the typical product/service.

This requires careful study. It involves unit cost and direct labor (but does not include any of the fixed expenses). The cost of an item may be higher when only a few units are involved and lower for increased volume. The average cost can be used.

#### 2...The minimum number of units sold.

Use the same number as the minimum units used above.

#### 3. The maximum number of units sold.

Use the same number as the maximum units used above.

<u>ENTER FROM WORKSHEET</u>	<u>MINIMUM PROFITABILITY</u>	<u>MAXIMUM PROFITABILITY</u>
Start-Up Cost .....	Annual Sales .....	Annual Sales .....
Repayment .....	- Cost of Sales .....	- Cost of Sales .....
Overhead .....	- Overhead .....	- Overhead .....
Unit Cost Price .....	_____	_____
Unit Sale Price .....	= Gross Profit .....	= Gross Profit .....
MIN Units .....	- Repayment .....	- Repayment .....
MAX Units .....	_____	_____
Multiply Cost and Sale Prices by MIN and MAX units and show In Profitability columns	<b>= First Year Net Profit</b>	<b>= First Year Net Profit</b>