Financial Learning Pathway
Session 2: How to Organize your P&L to Access Better Data

Presented by:
Denise MacDonald, Greg Scroggs and Steve Fisher
BBA Business Advisors

Columbia Basin **trust** | BASIN BUSINESS ADVISORS

Breaking Down Revenue Centres

Each Revenue Centre should represent ~10% or more of total revenues

Group small or related centres together (& eliminate others)

Stick to 3–5 revenue centres
(Too many creates unnecessary complexity)

Be mindful of COGS tracking
(The hard part is matching costs, so keep it simple and realistic)

HOW: Criteria for Choosing Revenue Centres
(Based on Business Questions)

1. **Products or Services**
   - If offerings are meaningfully distinct in value, cost structure, or customer base.
   - Example: A gym with *personal training*, *group classes*, and *retail (supplements/merchandise)*.
2. **Sales Channels**
   - Different platforms or methods of sale.
   - Example: *Online store*, *retail storefront*, and *B2B wholesale*.
3. **Customer Segments**
   - Revenue can be split by distinct target markets.
   - Example: A consulting business that serves *small businesses*, *non-profits*, and *corporate clients*.
4. **Geographic Regions**
   - Relevant if pricing, costs, or demand vary regionally.
   - Example: A service company operating in different provinces or regions (Canada and US)
5. **Projects or Contracts**
   - Especially useful for service-based businesses.
   - Example: A marketing agency with *branding packages*, *social media management*, and *web design projects*.

Time: Wages and Attributions

- Wages directly correlated to revenues are COGS – **Direct Costs**

- Non-revenue generating employees (Managers/Admin) live in expenses – **Indirect Costs**

- For employees that work generating revenue AND do admin functions, use attribution (%)
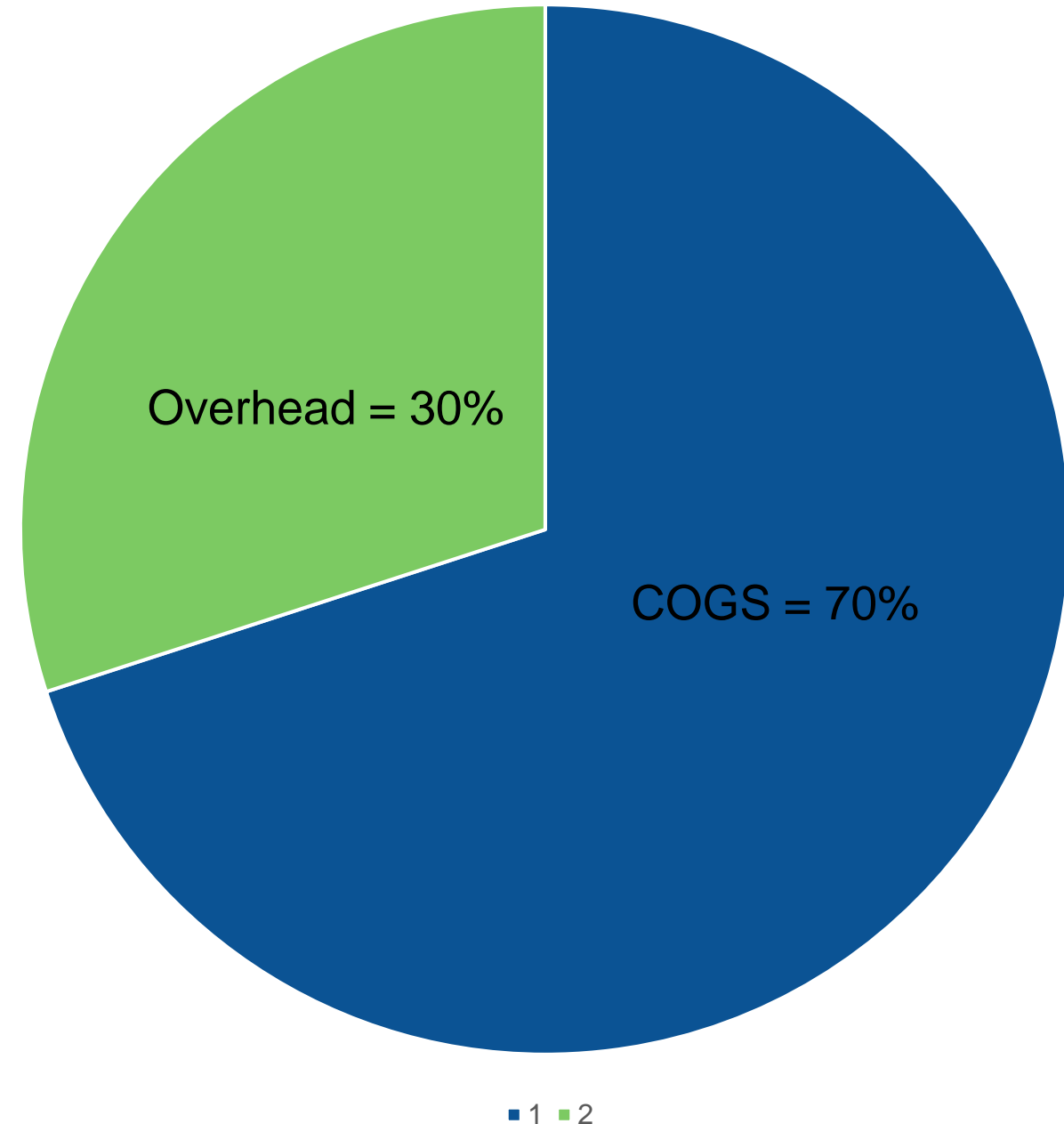
What is Attribution?

Overhead = 30%

COGS = 70%
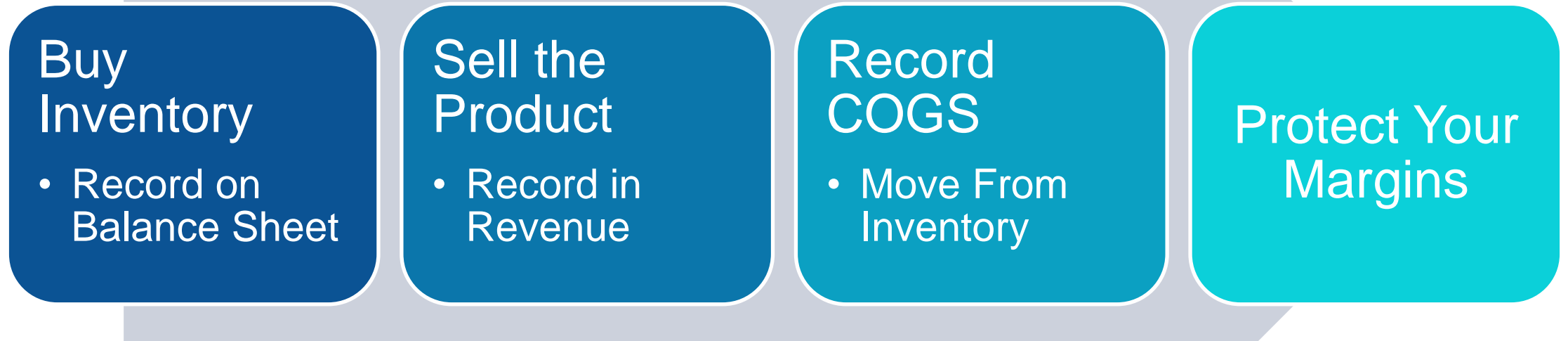
1 2
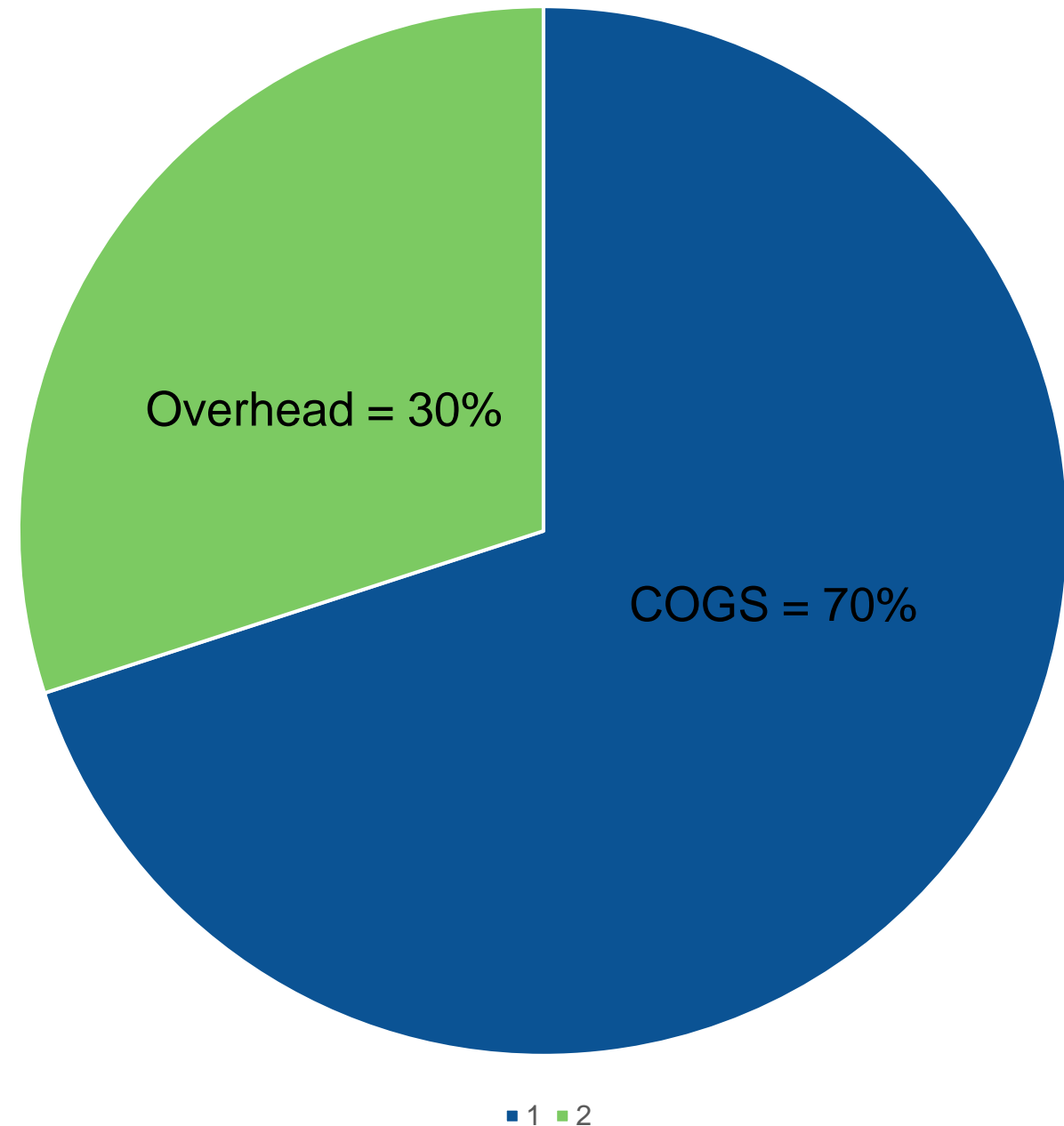
What is Attribution?

Employees often work across multiple areas:

- Part of their time = **Direct Labor** (goes into COGS)
- Part of their time = **Indirect Labor** (stays in Overhead)

Task Type	% of Time	Wage Allocation
Direct Work (e.g., billable hours)	70%	COGS
Indirect Work (e.g., admin, meetings)	30%	Overhead

Overhead = 30%

COGS = 70%

■ 1 ■ 2

Inventory to COGS: The Flow

Buy Inventory
- Record on Balance Sheet

Sell the Product
- Record in Revenue

Record COGS
- Move From Inventory

Protect Your Margins

NOTE: Of all the things on the P&L, this can be the most complicated piece!

Inventory to COGS

Why is it important to put all purchased inventory on your Balance Sheet and ONLY move it over to a Cost of Goods Sold when is the item is sold?

Gross Margin
The real lever for profitability

Gross Margin =
(Revenue - COGS) ÷ Revenue

- It measures **how much money is left** after covering the direct costs of delivering your product or service

- Gross Margin is not automatically shown on most standard financial reports. Calculate it manually if needed.

Gross Margin

- Shows true profitability of your products or services
- Highlights where you're strong — and where you're losing money
- Helps you pull levers to grow your business:
- Raise prices
- Find efficiencies direct costs (labour)
- Focus marketing on high-margin products
- Drop unprofitable channels or offerings
- Margin = Power

High margin businesses have stronger cash flow, better scalability, and more strategic options

How far back should you go?

- Going back to do this retroactively is onerous
- Might produce inaccurate data if your systems weren't set up properly
- Often NOT worth it
- Can go back a month if it's not too much trouble

Questions?

Homework for Working Group:

- Break your TTM (P&L) into 3-5 Revenue Centres in Excel

- Organize your COGS per Revenue Centre
  - ➢ Wages
  - ➢ Materials
  - ➢ Freight and Delivery
  - ➢ Packaging (if applicable)

- Calculate your new Gross Margins

NOTE: If you don't have the numbers yet, do the excel layouts , general framework and make some estimates.

Thank You

Q & A

Notes

Notes