



Financial Learning Pathway

Session 3: How to Use Gross Margins by Revenue Centre to Optimize your P&L

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**BASIN
BUSINESS
ADVISORS**

	A	B	P	R	S	T	U	V	W	X
1	BASIN BUSINESS ADVISORS									
2	GL Code	Chart of Accounts	TOTAL (YTD) Current Year							
3		Sales Income (Revenue Centres)								
5	4100	Retail Hot Tub	\$ 786,499	65.0%						
6	4200	Part & Accessories	\$ 145,200	12.0%						
7	4300	Repairs	\$ 108,900	9.0%						
8	4400	Water Care/Maintenance Club	\$ 169,403	14.0%						
9		Total Sales	\$ 1,210,002	100.0%						
11										
12		COGS Retail Hot Tub Sales								
13	5110	Wholesale Cost of Hot Tub	\$ 401,300							
14	5120	Hot Tub Starter Kits	\$ 46,670							
15	5130	Freight and Delivery	\$ 17,500							
16	5140	Retail Staff Wages	\$ 72,000							
17	5150	Sales Commissions	\$ 10,000							
18		Total COG Hot Tub Sales	\$ 547,470							
19		Gross Profit	\$239,029							
20		Gross Margin	30.39%							
21										
22		COGS Accessories								
23	5210	Parts/Materials	\$ 85,000							
24	5220	Freight and Delivery	\$ 9,500							
25		Total COG Accessories	\$ 94,500							
26		Gross Profit	\$50,700							
27		Gross Margin	34.92%							

Example: Chart of Accounts & GL Codes

Note:

Each Line on your P&L has a unique number assigned to it.

This is the **GL Code**.

The names associated to those numbers is the **Chart of Accounts**

HOW to Stabilize the TTM

1. Invoicing and the Importance of Timing

- a. Invoice in the same month
- b. Bill for WIP (Work in Progress)
 - Build contract to support

2. Inventory and COGS

- a. Inventory on the Balance Sheet until sold
- b. COGS hits the P&L at time of sale
- c. Leverage POS or Operating System

3. Wage Allocations

- a. Direct wages live in COGS

4. Even Out Expenses

- a. Spread large expenses spread out monthly



Example: Gross Margins by Revenue Centres



Levers You Can Pull for GM

1. Pricing
 - a. GM Targets
 - b. Competition Analysis
 - c. Lead, don't follow
2. Expand or Drop Revenue Centres
 - a. GM Analysis
 - b. Power of "No"
3. Control COGS
 - a. Suppliers & Inventory Control
 - b. Find Efficiency via SOPs
4. Sales and Marketing
 - a. Focus marketing on high margin
 - b. Watch Growth Learning Pathway
5. Make a COGS a Revenue Centre
 - a. Charge for your time and expertise
 - b. Mark Ups for Margin



Example: Optimized
Gross Margins on the
TTM!



From Change to Impact

- Analyze and **strategize**
- **Make one change**
- **Monitor** your results over a few months
- **Reassess** based on what the numbers are telling you
- **Adjust** as needed to stay on target
- **Repeat** the cycle to continuously improve margins



Homework for Session 3

- Calculate Gross Margin by Revenue Centre
- What did you learn? Any surprises?
- What decisions could you be making? Form a hypothesis on levers you can pull to optimize your business



Thank You



Q & A



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