

SPENDING - COGS

Where's **MY CASH** Gone?® PRINTABLE WORKBOOK



We'll start this workbook with a quick test, to see how much you can recall from the book. Try to get the answer from memory first before consulting the book - it's fun, but it will also make your brain get out of autopilot and into learning mode!

What does COGS stands for?

Explain COGS:

How do COGS differ from Overheads?

In this workbook, we'll be focussing primarily on COGS. The Overheads module is called "Spending - Overheads"

What are your current COGS?

| Item Name | COGS (\$) | Sells for (\$) | Sells for – COGS (\$) |
|-----------|-----------|----------------|-----------------------|
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| | | | |

The final column shows you which products are most profitable, and which are least (or not) profitable.



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Cost of Goods Sold encompasses all the costs that are directly attributable to the production of goods that are sold by your company. Things like the following:

- The purchase cost of the product
- The cost to convert the product into a sale
- The transportation costs associated with moving the product from its source to your premises
- The costs involved in enhancing the original product
- The cost of materials to add value to the original product
- The labour costs involved in adding value, enhancing or producing the finished product
- The cost of all overheads associated with the product from the time of purchase until it is sold

As you can see, there are a whole lot of costs that you really do need to take into account if you are in the business of selling product. And this applies whether you are manufacturing the products from scratch or simply buying in base product, then modifying or remanufacturing them into the final product that you offer the market.

So many business owners get this wrong and end up under-recovering their costs at the time of sale.

Do you review your COGS on a regular basis?

What could you do right now to reduce your COGS by an extra 10%



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Cost of Inventory

From an accounting point-of-view, your inventory includes the entire stock of your business. This means everything; all your materials, all your components, all your finished product and even things like work in progress. Think of it as a complete list of things you'd find in your business if you were to do a stock take. It includes things like property, the contents of the building your business occupies, and all goods in stock.

Spend some time now working out the true cost to you of your inventory. Start by making a comprehensive list of that inventory. You need to do a stock take, if you like. Once you've compiled your list, write next to each item how much it cost.



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What can you do right now to maximise the value of your inventory so that it leaves you with additional operational cashflow?

Are you certain you are receiving the best possible discounts for cash or volume purchases made by your business right now?

Can you think of any creative strategies you could put in place right now to improve the discounts you are receiving?



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No doubt by going through this workbook you'll have some things that you can do, so take action **right now**. Most of them are really easy to fix, and are just a matter of **doing it**. If you have any trouble with implementing any of these strategies, or if you're confused in any way, please get in contact with my team.

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To do list from this workbook:



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