



Small changes

Big Impact

Through the use of the following tool it can be demonstrated with very small improvements in the three key financial control areas of the business, Sales, Cost of Goods and Overheads or Expenses, exponential improvements in the bottom line can be achieved.

The spreadsheet below demonstrates that by increasing gross sales by 5%, decreasing cost of goods sold by 5% and decreasing the business expenses or overheads by 5% the business will achieve a 52% increased Net Profit.

Even if the percentage change is reduced to 1%, -1% and -1% you will see that there is still a net profit increase of 21%

Little Pebbles, Big Ripples

Note how very small changes turnover, Cost of Sales and Expenses can have very large effects on the bottom line.

		Changes															
Gross Sales		\$ 1,000,000.00	5%		\$ 1,050,000.00												
Cost of sales %	50%	\$ 500,000.00	-5%		\$ 472,500.00												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Gross profit</td> <td style="width: 10%;"></td> <td style="width: 10%;">\$ 500,000.00</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;">\$ 577,500.00</td> </tr> <tr> <td>Gross profit %</td> <td></td> <td>50%</td> <td></td> <td></td> <td>55%</td> </tr> </table>						Gross profit		\$ 500,000.00			\$ 577,500.00	Gross profit %		50%			55%
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Gross profit %		50%			55%												
Expenses	40%	\$ 400,000.00	-5%		\$ 367,500.00												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Net profit</td> <td style="width: 10%;"></td> <td style="width: 10%;">\$ 100,000.00</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;">\$ 210,000.00</td> </tr> <tr> <td>Net profit %</td> <td></td> <td>10.0%</td> <td></td> <td></td> <td>20.0%</td> </tr> </table>						Net profit		\$ 100,000.00			\$ 210,000.00	Net profit %		10.0%			20.0%
Net profit		\$ 100,000.00			\$ 210,000.00												
Net profit %		10.0%			20.0%												
Profit increase					110%												