

Pricing Grid Worksheet

The bottom-line pricing grid has two uses. First, it's a way to look at your existing pricing, its profitability, and its financial consequences for your company. Second, it's a tool to help you make forward-looking pricing decisions with a full understanding of the financial implications of

those decisions. The first step is to create a "baseline" grid using information that reflects your business and pricing as they are currently. The second step is to use the baseline grid as the starting point for evaluating pricing and other changes you're considering.

BOTTOM-LINE PRICING GRID			
Price per unit	a		
Units sold	b		
Variable cost per unit	c	Percentages	Per Unit
SALES REVENUE	e	100.0%	j
VARIABLE COSTS	f	i	j
CONTRIBUTION	g	i	j
FIXED EXPENSES	d	i	j
		i	j
Break-even sales revenue =		k	
Break-even sales units =		l	

Setting Up Your Baseline Pricing Grid

- a. Enter the price per unit.
- b. Enter the number of units sold in the most recent month (or the average units sold per month if your sales vary from month to month).
- c. Calculate the variable cost per unit. You do that by totaling all variable costs for the month from your income statement (or estimating them for individual products), and dividing that total by the number of units sold. (*Remember, variable costs are those that "vary" with sales volume – cost of goods sold and some operating expenses. Sales commissions and outbound freight charges are examples of variable costs.*)
- d. Enter total fixed expenses for the month, again from your income statement. If you are a multi-product company, allocate fixed expenses appropriately to each product line.
- e. Calculate sales revenue (multiply price per unit by the number of units sold).
- f. Calculate variable costs (multiply number of units sold by variable cost per unit).
- g. Calculate "contribution to fixed expenses and profit." Contribution is what's left after variable costs are covered (subtract variable costs from sales revenue).
- h. Calculate profit (subtract fixed expenses from contribution).
- i. Calculate percentages for variable costs, contribution, fixed expenses, and profit by dividing each line item (f, g, d, and h) by sales revenue.
- j. Calculate the dollars per unit for sales revenues, variable costs, contribution, fixed expenses, and profit by dividing each line item (d through h) by units sold.
- k. Calculate break-even sales revenue (fixed expenses ÷ contribution percentage).
- l. Calculate break-even sales units (break-even sales revenue ÷ price per unit).

Pricing Grid Worksheet (cont'd)

Baseline Pricing Grid

Use this grid to establish your baseline using financial data from your recent income statements.

BOTTOM-LINE PRICING GRID			
Price per unit			
Units sold			
Variable cost per unit		Percentages	Per Unit
SALES REVENUE		100.0%	
VARIABLE COSTS			
CONTRIBUTION			
FIXED EXPENSES			
PROFIT			
Break-even sales revenue =			
Break-even sales units =			

Pricing Grid Worksheet (cont'd)

“What-if” Evaluations

Use this grid to evaluate the potential impact of changes in pricing and operating costs by entering “what-if” numbers based on your plans and expectations. Be sure to keep track of the assumptions for each what-if scenario you evaluate.

BOTTOM-LINE PRICING GRID			
Price per unit			
Units sold			
Variable cost per unit		Percentages	Per Unit
SALES REVENUE		100.0%	
VARIABLE COSTS			
CONTRIBUTION			
FIXED EXPENSES			
PROFIT			
Break-even sales revenue =			
Break-even sales units =			

Assumptions

Financial Strategies Worksheet

Use this worksheet to help you think about and document your short- and long-term financial strategies for your business.

My strategy for optimizing owner's investment:

Short-term approach:

Long-term approach:

My strategy for optimizing revenues:

Short-term approach:

Long-term approach:

Financial Strategies Worksheet (cont'd)

My strategy for optimizing borrowing (leverage):

Short-term approach:

Long-term approach:

My strategy for maximizing value added from business systems:

Short-term approach:

Long-term approach:

My strategy for minimizing expenses:

Short-term approach:

Long-term approach:

Financial Strategies Worksheet (cont'd)

My strategy for minimizing taxes:

Short-term approach:

Long-term approach:

My business is vulnerable to these “wild cards”:

My strategy for minimizing vulnerability to “wild cards”:

Short-term approach:

Long-term approach: