

Tell me what are some of the things that you use in your business to accomplish your mission and get stuff done?

What are some things that we like to think outside the box what are some things

Because, Sagan goes

Okay you have goals and you have objectives Okay All right and I'm going to well I'll keep going That's good that's good I believe it with that what else would you think of anything.

What do you have you go to work every day We have you have a goal you don't want to make some money Okay What do you have at your disposal you can use to get to get that done I'm gonna try to stretch your mind a little bit I know that's not easy I guess

Think about it

the internet

Absolutely absolutely You've got the internet very important Okay

You've got inventory sheets and you have inventory inventory Yeah absolutely products and services products and services Absolutely We have employees yep yep yep How about you my brain

your brain Yes okay

You said

that a little reluctantly

Yes Okay All right Okay Outstanding Good Good good What else

we have Facebook to work on Facebook to work on

Okay

Yeah

Okay so you have advertising materials something you can use to advertise Okay

For tonight

I want to talk I'm just going to bring up real quickly four main things that you got to make sure that you've got in place Okay And you're going to see it on your first page we won't spend too much time on it but up but I'd like to nail that down Okay so that'll be your first page What do you see their information All right information

The goals you have that's information The Internet who said internet

access to information information about what do you need

customers Pretty good thing

your products

or services

your community your competitors Okay access to information It was there anything else that was similar information

into Facebook

okay and that's a part of that information that you're going to share with other people Okay information is important we live in this information age this technology age where if you don't have good information how well can you run your your business

Probably not very well You're really going to struggle and there's a lot of different things that that you need to know Okay you need to know some things about your environment again your customers your competitors your community you need information about that you need information about your operations You get work instructions you have procedures policies how you do this as you get bigger you probably need to have that help you with the level of consistency Okay

Okay information very important next one down is you see it on the list their employees How many of you have employees

And you don't

like that Okay All right

Um what what do employees bring

their legs

And a big price

Yeah yeah they agree that they're the most challenging as we go through here I always asked what's the most challenging want to work with Most everybody says the employees their challenges Okay

If you have good ones or if you have a you know individual good ones It's fantastic They bring judgment They bring character They bring hopefully loyalty motivation ideas they bring a lot of really good things they can bring Man they can bring a lot of other stuff that you no doubt had to deal with your entire careers Okay

so employees

Let me skip money and financials and let me go to the second page what do you see on that page

Material material tangible equipment

That kind of stuff so you've got building You've got equipment You have

tables chairs all that kind of stuff Okay so I've gone through three of them

Could you

do business without in one of those three now somebody you might be able to do without employees Yeah but you yourself are an employee of your own business Can you do that any of those three know

the one I skipped over his money Financial financials that's what we're going to drill down into that The reason I talk about the other four or the other three is because as we go through the financials we're going to talk more about money We're going to talk before Of course we could talk more about money

You got to keep me on track that

we're going to talk more about information we're going to talk more about employees and the cost of employees we're going to talk more about equipment and facilities Okay because the neat thing about money is it's like the common denominator we could talk about information employees Equipment facilities operations we could talk about all of that in terms of money It's that kind of that common denominator Okay And it's a pretty good common denominator it's it's pretty good but that's the Language of Business and that's the language of business people I have I have a client that has an excess of \$700,000 worth of access

Okay

well if I told you they had a you know 1000 axes

For tractor

trailers you'd be like well I don't really know what that means Okay But if I tell you they've got \$700,000 worth of excess inventory you can all say yeah that's probably not a good number that's that's that's probably too much We we translate things into into dollars because it helps us communicate

Okay Plus we're legally required to do that because again I know not everybody here pays taxes like me and maybe we should start a club

don't advertise it

yeah but don't yet have to under some odd name that nobody knows But secret handshake secret Yeah Yeah

So you know you're required to capture a lot of this data

with

with numbers

because you can get

it a way we can close that because I see Yeah really really struggling

I can't

Okay you got it Alright so

let's take a look at the big picture of the financials Alright the next diagram that you see

that that little that little box there this is where we start the conversation very very high level very big picture very very simple

take a look at that diagram for a moment

Okay what what jumps out at you they're

walking around

that

that account is right there and a

whole lot of stuff revolves around

we could we could spend a whole night on the different types of bank accounts and bank features and fee structures and blah blah blah blah all day long I'm not going to do that but I want you to I want you to understand the scope of of managing all your financial issues We could have to treat One of

the places starts having to

have a good relationship with a bank

because as you see as things start to hold on to that it's it's important Okay so you got that in

the center

What else jumps out at the budget budget Yeah they're overrated who cares

Following evolving and don't get don't nobody cares

budget and what do you get from that diagram as far as budget stands with respect to everything else

Does that make sense Okay Alright so let's drill down into a Jessie What else do you see in there

What jumps out at

dm help her out What jumps out at you

It's like being back in school his the word

cash

Now was that dn a talking through you like are you a

ventriloquist because I will tell you that was really good That I didn't see your lips move at all So that was that was that was excellent That was excellent cash cash

Okay Cash is probably coming out of the bank account Right Yep All right How important is cash

What's the same for you guys have been in business for a while caches kinky

cash is king right Okay

one of the four statements statements that you use as business people is the cash flow statement

because you gotta eat you That's how you are paying for stuff you're buying stuff with cash Right Mostly

that's

that's how you doing payroll you cash and understanding where that's coming from and what it's costing you to have that cash so on so forth very important Okay

All right

What else what else do you see in their expenses expenses money going

out of the account Right And what's its opposite Christian

income money coming into the account Yeah So you know what kind of the basics are will come back to that last box

the basics

of business I told you I was going to start really really simple and everybody here knows this you certainly didn't have to go to college for this hopefully on day one they taught you this okay

we got have more money coming in That's the income that we have going out I mean that's not nothing Okay If we don't Now there's some exception now Okay Early in your business when you were just getting started with the times when you had more money going out and had coming in

Yeah

most successful

businesses started

upside down so how do you get

that extra money

Borrow borrow it right

from friends

we borrowed from families the bank you do all of that Okay All right We are able to borrow money And so that would be that means you're going to build some debt Were you able to borrow money if you had no credit

not as easy as it now

or else they charge you a big interest rate Okay so the simple parts of this we have more money coming in and we have going out the long run the short run Maybe we can use some debt But we have more money coming in and we have going out And if that's the case right then we're going to have cash

It's right there If we

have cash guess what we can continue to pay everything Hey everybody keep more money coming in then you have going out and then hopefully you're lucky and some of that money will drop down to those

investments

Okay this whole thing right here we're going to we're going to capture that on the first two statements income statements and balance sheets but at a very high level this is just basically how it works money coming in money going out the extra money gives you cash helps you pay down debt and it gives you some money for investments

Okay the budget

oversees the whole thing so you have some sort of an idea projection where things going to go We Okay

Okay

The first statement we're going to or the first document we're going to talk about is the is the income statement

on this little diagram here this little map can you tell me what elements Are these the only depends we have now got more get one Yeah I've got

a little rainbow Thank you

I want to make sure I get good grades for these guys and I've been colored helps because content isn't going to help it's just gonna be

all right Okay

what elements on this on that math do you think are going to be in our income statement

Well should we start with income

Income income

because income statement we could talk about some other names for this What else is on that income statement

segments we have expenses and what did you say

it is actually Yeah it is we're going to talk

You just wrap that in here

Once a year

you're on you're on target Very good

Have a second one or two if you need more snow

between these two The fact that I might use it so

we're smarter

Great slipping I

know

I don't run this place

edit that out of the audio recordings

Are you recording the suit

Yeah

Dan Manetta  
he recorded last night Yeah oh well we're not going to share that one Well

Dan Manetta  
if you get through all four statements we will share this one

Dan Manetta  
All right

What's another name for income statement

p&l profit and loss Okay

Okay

Where do

we start with with an income statement for tell me what would we say are the two main elements

cost of goods sold is in there But the two main elements will be

what

sales sales

grow sales what are some other names

Not yet not yet

income

Okay Expenses are the second half So there's two big parts to this

The top is going to be money coming in Okay that would be that little green when their income Okay money coming in it's going to be as the top money going out is going to be at the bottom and I'm going to give you what the what different your words you're going to see for those And then when you take the money coming in and subtract the money going out what's going to be down here on the bottom line

profit or loss Okay or net income will talk with a different terms that you'll see for that Ok so money coming in the things you're going to see

is you're going to

see

sales you'll see sales revenue

You'll see income

I want to make sure that you have a chance to see all these different things because what I don't want you to do is leave here

where I only use the term

income statement

And then you go talk to your accountant he's using profit and loss and

you're like I don't know what the hell that is you know

and when Okay so I want you to make sure that you understand that and I want you to understand you're going to see these things sales revenue income they're they're all

For our sake they're all basically the same thing for this discussion it's money coming in Okay make sense Yep Alright

money going out we usually call up

get back

to be there I think in another week or two

So hey

we should have our our team meetings there

Sounds good

Yeah actually that's a very good

idea I thought so Just moving away

I could

probably I'm not thinking any services but

I could be off on that

Yeah

So it's all connected with the with that

same probably the same thing right you selling food Oh catering

service So

a portion of that you know I would probably want to carve out and recognize us surface And we're going to talk a little more about that Okay And

how about you guys you selling product

It's all product Okay All right

Okay All right you guys are going wrong wrong okay so

here's what I'm gonna do

I'm gonna write down

the

things you

were gonna say here that you've got to name

revenue streams and the first

one on the simplest products

Okay The second one we said

you will usually also see either up here or somewhere down here you'll see a third one then almost all of you probably have if you've been in business for a while but it's a very minor one

it's a interest income

Okay make a few dollars on interest you have to show it And you've got to capture it on your on your profit and loss statement Okay Sometimes I see it down here because it's what's called a non operating income

sometimes they'll have some miscellaneous up here

But before I write service

Because only basically captured my revenues here and then expenses and I'm going to have my my my profits down here

Is there anything you might consider as business owners that I might want to recognize up here Before I go ahead and put services in there

Think about your Think about your father's

taxes important thing but not there before And some of our products and hold on to the true value of

their spouse But definitely

increasing value is there We're going to capture that balance sheet good for that is a that's an excellent excellent for

Let me back up depreciation shelf life And we're going to talk about that as well we're going to we're going to start to capture that on the balance sheet and then we're going to back into the income statement that that's another excellent fall

Okay let me let me throw this out

Why would we care

to capture our different revenue streams

Right I said you've got

revenue stream by selling products and you've got revenue stream spice doing services performing services Why do I

care to split that up is because

certain on your expenses you're gonna have

You're gonna have purchases that you've made And then you can also

your services is going to be

labor

Your along the same year lot you're

you're you're getting close to the right answer

And then you said it's part of a regular

Go ahead

I spent all my customers for me food items across the Pittsburgh

And let me also split You know the sales coming in so I can see what customers

for purchases

Straight revenue and sales

So

as business owner you could just take a big pocket and just take all the income and throw it in there And then

it's time to pay your bills This is probably going to

each other come college

You know I taught some classes

You just pull it out you pay the bills and at

the end of the month you hope to something in the big buck and you

need a big

right because there's a lot of money company and all that Okay You could

do that But will you have very good information about where you're making money and where you're not making money You will not have very good information on that When you're able to when you're able to block off the different streams of revenue and recognize

the different streams of revenue You better business data Better Business Intelligence Okay

For example if you know you make a whole lot more money selling brisket than you do selling ribs what do you try to sell more risk Right Okay so that's why you do that So let's get back to you said Okay very early in I want to recognize my cost of goods sold Right Because if I do that I can find

Well there's a couple words I'll use I'll start with basically we're going to start We're going to find our margins

Very good Okay so

what's the cost for one of your broth or

products with a suit or something

yeah what's it what's it called I don't

know

\$24 So

this is gonna work

Yes Okay She has taken

she's right All right \$24

Now

if her cost of goods sold

is above that And she would never make that mistake

but some businesses do especially when you when you're buying lots of stuff and everything else Okay But

she wants that we want to be able to recognize

the cost of goods sold right up front let's say it's 10 bucks

So very early

I want to know what my margin is

for those products

now we

have to set lumped into two categories products and services

The reality is you can take products and you can have it in 3050 100 different products

the more detail you have the better information you'll have But the harder it is to keep your records

So you have to most places what they'll do is they'll categorize their products they will they won't do every single one You know if you're selling 200 different products you know unless you're Amazon and whatever but small business people that they'll Groupon in those that have similar characteristics similar

cost similar customers those types of things Okay so you're

probably going to prove that but you probably not just going to put it all in there because you're going to want to know that for certain things you sell there's a better margin and for those And that's where you're going to find it Now most of you You've been in business for a while you

have common sense

you know you're not going to sell something for less than one for this is this is not

okay And most of you have a pretty good feel Wow that's a pretty good price I think I know what I can sell

it for yeah me on the buyer i'm not buying from you can buy from somebody else or pretty common sense But what you need to understand here is that you want to be able to break that revenue stream down so you understand where you're making your money what your margins are four different for different products Okay Would you how about seven things that will last

do you ever do that

Not intentionally Okay

So it wasn't intentional but

it does happen every once in a while And

you know if you don't want to make mistakes don't want it I mean you need this as you're gonna make mistakes Okay so you just know that's what you're going to do There are times though that you will sell stuff at a loss when you think you might do that

When I'm having a big sale

Okay

So you might say that I paid \$100 for this whole lot of stuff

I sold 80% of it and made \$300 20% left I just got to get it off with my store

Okay so I'll sell it for less than

that maybe I wouldn't pay for it because I've added that back I've already I've already made my money

back And I need to improve on my shelves

Right And it's not and it's no sitting there so I kept getting things that will sell Yep absolutely absolutely Does that make sense to everybody

Any other times you might sell it a loss

What about when you give out samples give out samples those are called Lost leaders

lost leaders you will sell stuff at or you'll give it away or sell it at such a reduced rate just to get people to come in and try it with the with the hope that you're making an investment and they're going to come back and buy more

Okay so now you can't do that forever

But but but that's that's a strategy Any other times

about you guys have a really big client

I was just thinking that I've done that before reading off

by X number of things and books we forgot that so you order then you just zero it out it's not

Can't really Yeah

So one of the sayings that I heard many years ago was you don't have to make money on every product but you do have to make money on every customer

Right so you know

you know

I've had

I've had clients potential clients come to me and say Look I'm going to buy these 10 products then I know you make off

terrible

And I don't want to split it up

I just want to buy all tenable you know here's the quotes that I've got and I can put down through them and have the 10 this has happened to me many times eight of them margins good I'm making good money One of them on breaking even and the other one I'm losing a little bit I'm like you know what you know

I'm making money on this client you're going to lose a little bit of miserable you don't make money in

this client yet This is what you'll pay we get it Okay

There's time to give us money

But if you do it too much new drug offense

We've got cost of goods sold

And we're getting some sort of an idea of what our

what our margins look like Let's go ahead and add in there some services

By the way on nursing a little late here so you'll see me

again break that one I thought this was It was a good one What do you do with it

Let's be careful

and not around but actually I might have another ground sorry I'll keep trying it will be our services

And

this point you know what I'm gonna do we have a whole bit of markers for

you

Look at that it's like Christmas

Yeah they're probably all black

I always have to make sure that I don't use

permanent permanent I have actually made that mistake And it becomes an expensive mistake

Yeah We're okay so let's get the handout here because as I'm going through this I didn't want you to see this too early but it's time you could start looking at the

seven secrets here

So if you go to

seven DASH six you'll start to see some things there

that if you look at the top you'll see sales revenue

Okay

Another thing and I don't spend a lot of time talking about this very early in this process I'm

probably also go take out what do you see what are some of the other things you could take out very

quickly

As you go down through that right below sales revenue less

returns and allowances Do you see that right we want to capture those very very quickly very thoroughly because I don't want to You know I want I want to I want it to look in certain places of this document and get good data So if I can if I can

keep those things

together like you know of course returns and allowances that's going to stay very close to sales sales discounts Okay so you can capture that very early and then you'll see you've got your net net

sales revenue

And now you can start to see some of the things that I've done here

your cost of goods sold Okay you can take that cost of goods sold

So you can start down here

Here's Here is our gross profit right here Okay here's our gross profit

Any questions on how we're capturing income or revenue or sales revenue how we capturing that on the income statement

All the money coming in you put it up there

Anything you can take away your cost of goods sold

You know discounts those kinds of things you take it away Okay That's going to give you a gross profit Make sense

that we're going to start living expenses Right What are some of your expenses

and not worry about

these expenses Because we are capturing Okay

What other expenses do you have

cable

advertising

Okay we've got some expenses here

So what do you think we're going to do

Okay let's just say

by three

people

three and two

and

total expenses

at

getting

your income OK minus your

expenses

And when you have

Say again

What did she said 770

yeah but I think the terminology but your math is spot

Right on did you I thought you have a calculator

Good to go Alright

so the total seven You got that right what are we going to call that sentence

What are we going to call that

say again

So that's going to be a couple things you're going to see the most basic term you'll see is profit

But then we start talking about tasks

the correct at this point is your net operating income

Okay that's the correct

term your net

Houston

Yeah But

here's your net operating income

You'll also hear profit but

you can see your net income here Yes

there's a couple of other things I told you about interesting come that might you know be squeezed down there

And then after you've paid taxes then you'll have your your

profit Okay

Now why do you think you want to capture some of this stuff out before you start plugging taxes

taxes you gotta nurture

your That is before you pay your taxes that's well that's part of it Okay that's part of it All right

What else

because

you're on your on your thinking in the right track

you certainly have to do that you've got to make sure that and we talk about different tasks Right

Yeah

So you're paying And I'm going to try to recall on I was paying

state sales tax

Right

I'm paying

Boy there's Sega

I'm playing paying payroll taxes some of which I'm actually paying and some of which are withholding So those have those gets separated because once an expense but one's not okay I'm paying the young employment compensation for the state

You pay

and local taxes so some of those that you're paying because it's a part of doing business are going to be expenses Some of those that you are you just withholding Okay we're going to catch that on the balance sheet

your tax structure might be different from her tax structure so let's say you both on the same business

But you own for other businesses

that have tax implications And this is the only business she owns Well guess what you want to be able to capture the operating

operating data

not just the taxes the taxes can completely throw you off Right

So that's why you kind of separate that out

who hears bought you bought your business

that right

So when they do business valuations It take things like taxes out of the equation interest income out of the equation because you might finance at different than the previous owner financing there's things you try to take out to so you're not confusing the you know the true value of the business

Okay Okay

What questions do you have for me right now

on the income statement I guess the question is technically we're doing manufacturing you always were a number of products and producing the

materials and producing the final product that all that would be cost of goods Everything that we purchased the

product

Generally yes General generally guess the reason I say general is because oftentimes companies will buy expendable or perishable materials for maintenance on their equipment Okay yeah that type of stuff is likely to go down down here here

Yep Then I'm going to the next My next discussion is going to be about fixed and variable costs because you need to kind of understand that What are your questions then about

this basic very very oversimplified version of an income statement or profit and loss statement

You got money coming in you got money going out and you subtract the money that's going out for the money that's coming in

Pretty basic stuff but you need to understand where the money's coming from and what it's costing you to get that money coming in

and

getting rid of cost of goods sold and some of the other things up front that's going to help you understand it And of course you don't just lump all your expenses you need to know You need to know where those expenses are coming from because if the guy that's knocking on the door selling insurance and he can do it for instead of two to a month it's one a month guess what

then you might you might think about switching So you really need to understand all

of that Okay

We'll talk about one more thing then we'll probably do for a break

Is that does that right you're the boss Yep You have 15 minutes

left Before the break Yeah Oh boy

Okay so let's talk a little bit about the difference between fixed expenses and variable expenses

What do you think is the difference between fixed expenses and variable expenses And why do you think that we want to have a discussion on that

Okay

How does the one change

for us material

The material you purchase that ends up doing what

making your product right it goes out the door So when we use the term variable what do we really were saying variable because of what if there is with what

if there is with sales

well not the economy varies with sales

As soon as you got as sales go up

Your you're selling more beer Right

I mean that's where you're getting from you're selling more food as sales go up That's a variable expense Okay

Are you paying more rent when sales go up

generally not most places now maybe you have some

situation

Generally pay more rent generally not

you know utilities maybe if they're really use a lot to make the product maybe they go up a little bit but for the most part the depending on the nature of the business insurance Well most insurances that you're going to have to pay don't don't go up as you sell more Right So what you typically do is you capture your car your fixed most of your fixed expenses down here So some businesses in their cost of goods sold can also capture What do you think what here down down here you think you can capture of their cost of goods sold or under cost of goods sold And you wouldn't even call that in call variable labor but

That's right So

if you've got a certain portion of your employees

that you can specifically tie

to something you're doing with revenue Okay

And

when people aren't there

You tell them to go home

they only come in and work when

you know they're assigned to that specific project you can go ahead and capture that as a variable cost and it would

come out here

as again variable sales or or something Okay

because it's captured very close and you would want to know that right it's the cost of that product going out the door It's not just the materials

but that's it

as well Okay Does that make sense but there's

other employees who you pay whether the phone rings or not you have

somebody sitting there answering the

phone You're paying them whether the phone rings once an hour or 10 times an hour Guess what that's a fixed expense You can't get around it you don't want people going to call

that that payroll was a fixed expense

Variable table for salespeople

portion of it maybe you pay them You know 1000 bucks a month that's constant that that would be a fixed Okay but then they get a commission You're paying that out captured up here so you can see real closely you know where where you are here with your margin

Say Christmas time

We bring someone in

the

The best way to do is if you can take every Christmas tree and say you know the labor I charge on every Christmas tree or every whatever because then you can tie it right to it So you can do it that way if you can if you can tie it right to the variable income as it goes up If you can't then you'll just capture down here but let me also say this regardless of whether you put it down here

or whether you put it up here

It's not going to change this number of all

That's not gonna change

but it will it will give you data And this happens with a lot of businesses Okay

I buy something for 24 bucks

or sell something for 24 bucks And I know possibly 10 \$14

to play with Guess what I know I'm gonna make money on that Oh do I that line of business I might be sending Pete

customers or employees out there

to certain set piece of equipment Well

your case That's an interesting concept we probably

ought to talk about it Okay

We send somebody out there or

there's some issue with it that we didn't anticipate or

it costs more to deliver it That we thought it was going to

your mind mind initially it said yeah I can make money on this there's a nice Delta there there's a nice margin there I'm going to do

all right but then you realize wow when I attached the labor that I'm actually putting

on that And my other products they don't have that labor the unique

uniqueness of the product Wow I didn't realize that

or I have to carry more insurance because this thing really uses a lot of insurance more because it's a little bit dangerous or my utilities actually go up because of this because this one produces a you know a chemical that I have to pay more to dispose of

So anything that you can attach as high as you can up here

It gives you better data it won't

change this number

but it gives you better data because you might realize you know

what I can't sell for \$44

I can sell it for 30 if I'm going to do right And people walk they walk by Can

you see what I'm saying So the better you can

attach that variable costs

to that revenue

The closer you can attach it the better your information is going to be I will tell you most small businesses that I work with do not do that They take all the revenue for the month they take all their expenses

for the month and if the revenue is above the expenses they've had a successful business and I know people have had successful businesses and that have done

that for 3040 years

They put money in their pocket You know what that was That's great

That's fine

If you can live that simply and be competitive

I hope you can

But in my home county there's 174

places to eat

You got

a lot of competition Brother

you probably got to be a little better than some of those guys right whether it's the value to the value of the data that you've got Okay

Are there any other it people in Pennsylvania maybe one or two right

You gotta be at your best right so I'm not going

to recommend you just take all your money throw it in every month pay if there's something left

Because you have to be

it You've got to be better than that You might have been able to do that in 1970 or 90 foot

depending on your market

but you were here to teach it to the better

than that Does that you understand where I'm going with this You

have a comment for you said that

And I get it

It's

hard to change Yep Look I get it it up Okay

Yep

Yep

I get it and I'm not here to criticize that But I am saying that as competition gets tight You want to know what products and services you're making money on and which ones you're not making money on or which ones you have good strong margins which ones you don't because at some point last week you were doing marketing stuff you're looking at generating revenue you got to find a niche market You know it can't just be everybody You got to find a niche out there And if you can't recognize them because you're not sure what your margins are on the different products and services you

offer It can get tough real quick

my experiences with the six businesses that I was in Now I started when I was 20 years old So but I had to that I lost money on a lot couple thousand dollars I had to that I did okay on to that I did very well

So I'd be a lot of mistakes A lot of mistakes

fixed and variable

It's important So

if if I don't know if we're talking more about the variable put as much as you can The simplest one is the cost of goods sold

because you know what you pay you know what you pay for For your work will be freezers on your shelf

That's a pretty easy one to capture labor's little tougher But you can I'll tell you another one you can is advertised

If you have a particular

advertising campaign that's just specifically for one thing

you advertise meatball sandwiches And that's it You just

got a whole bunch of these meatballs on sale from who knows where I'm going to move I'm gonna I'm just gonna advertise meatballs man Guess what you can in theory you can attach that advertising costs specifically to that one product line and you'll learn what your margins work for that product

line Okay

Most places don't do it you don't have to do it But

you'll learn if you're going to run a sale Yeah

So you'll learn that your variable

fixed Why do you think we separate out them fixed And what do we call fixed usually

with a term for it

fixed expenses What's the term for it I don't want to say

no but you're your foot but we could use that term we could use that term operating costs

but it's an even more common term from that

Okay Lycoming College

Make a list

of your instructors

When I say it

when I when I say you'll see all over

So the classic ones are

well payroll for those that they're they're all time that you're going to pay and regardless they're there because you're

paying insurance Utilities usually again they could go off if you have a lot more customers mostly utilities overhead rent

Those those are open Why do we need to know that Why do we need to know what the overhead is why we need to know the difference between the fixed costs and variable costs

knows It is the cost of open doors so

look if your overhead is \$2,000 a month Okay

you've got to generate over \$2,000 a month just to keep the doors open Right And that \$2,000 a month isn't coming from this number

That \$2,000 a month is coming from this number here I mean it's not you know

this If you got to take out that cost of goods sold What this is this gross profit It's also called your contribution

to your overhead Okay I don't want to confuse you but I don't want you to leave here like all my we

already knew that it was too simple but

that's contributing to your overhead you've you've got to pay that down the first two weeks of the month

you're not putting anything in your pocket you just pay an overhead Okay

and that's that's important

That's why you want to capture

the variable costs

as

quickly as you can right underneath this I'm assuming that if you have a service

company

I la years I was an architectural services Okay we would keep track of our time based on

based on by by project absolutely but they're also the general Office apps there it is and and I will assume that the project time is your Fix is your variable variable and your overhead the blunder your fixed

That's it right there Okay that's it right there Does that make sense And for any of the business computers

Okay Are you guys all right

I usually want to take a break and she'll tell you this nobody ever comes back Okay

I'll see you next week so

no but is this Is this too detailed is this not detailed enough because I

really don't know Yeah I think it was browser on

I think we're okay Yep we're on target not to detail but not not too simple We're okay with that And tell me because I have no problems I can go a lot deeper I can back it up it doesn't matter of me

I'm very variable guy

You're not fixed

That's good All right Okay so we're ready for break

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