

**MARGINS or MARKUP – Break Even
How do you look at your business?**

When you are reviewing your profits don't confuse margin with mark-up. A 50% mark-up on your Cost of Goods doesn't mean a 50% margin. If you buy a widget for a dollar, then sell it for \$1.50, your profit is 33%, not 50%. And that's before taking your other costs into account.

Margin is expressed as a percentage of the *SELLING price*:

$$\text{Margin} = \frac{\text{Gross profit} \times 100}{\text{Sales}}$$

Mark-up is expressed as a percentage of the *COST PRICE*:

$$\text{Mark-up} = \frac{\text{Gross profit} \times 100}{\text{Cost}}$$

e.g. if a new product costs \$100 to buy & you need to make 40% to break even, how much do you sell the product for?

The answer is \$166.70, since a profit of \$66.70 on a \$166.70 sale gives you a margin of 40%.

Knowing which of your products & services have the highest margin & are therefore most profitable allows you to make the most of them.

BREAK EVEN POINT

Your break-even point is the point at which revenues exactly cover your expenses. Start by calculating two other numbers:

Fixed Costs – The costs you have to meet including wages, rent, leases and administrative costs. They don't include the variable costs of sales. e.g. Let's say your fixed costs are \$100,000 a year.

Gross Profit Margin - The percentage of each sale left over after costs of that sale have been covered. It equals total sales minus variable costs, expressed as a percentage. e.g. If you're selling a toy for \$100 which cost \$60 - the gross profit is \$40 and the gross profit margin is 40%.

Once you know those numbers, you can work out how many sales you need to make to break even:

$$\text{Break-even point} = \text{Fixed costs} \div \text{Gross profit margin}$$

Using the figures above:

$$\text{Break-even point} = \$100,000 \div 40\% = \$250,000$$

You need to sell \$250,000 worth of toys to break even each year.

Break-even analysis helps you work out:

1. The profitability of your product.
2. How far sales can drop before you start making a loss.
3. The units you need to sell before you start making a profit.
4. The effects of changing your price or volume of sales.
5. If costs increase, how much you have to sell at current prices to cover these costs.

ATO KEY

LODGEMENT DATES:

If you use your bookkeepers - BAS Agents Portal to lodge your Activity Statements then you can be eligible for an extension.

**BAS LODGEMENT
JUNE Quarter
(including PAYG I)**

28th July by form

**ELECTRONIC BAS
LODGEMENT
JUNE Quarter
(including PAYGI)**

11th August by electronic lodgement + payment

**PAYG/EMPDUPE
Annual Report / Form
lodgement**

14th August, 2012

FBT RETURN 2012

21st May 2012

**BAS JULY 2012
Monthly lodgement**

21st August 2012

SGC PAYMENTS

29th JULY, 2012

(If required contributions are not made by the due date for quarter 4 the SGC is not tax deductible)

Where a due date falls on a day that is not a business day (that is, the due date is a Saturday, a Sunday or a public holiday), lodgment or payment may be made on the first business day after the due date without incurring a penalty or general interest charge (GIC).

A business day means a day other than a Saturday or a Sunday, or a day which is a public holiday. (Source—ATO)



ENTERING CUSTOMER OPENING BALANCES & HISTORICAL SALES INTO MYOB



As part of the initial setup of your company file, you need to enter customer **opening** balances & historical sales. This will enable you to enter customer payments against sales that were made prior to the time you began to use your MYOB software. The date you began using your software is known as the *conversion date*, & historical sales you made for which you are yet to receive payment are known as *pre-conversion* sales.

Note: For supplier **opening** balances and historical purchases the principles & process are the same. Historical sales and purchases will also not generate Baslink figures, so your BAS must be done manually for these periods.

Enter the opening balance of your Trade Debtors account

This account represents the amount owed to you by your customers. To do this:

1. Go to the **Setup** menu & choose **Balances** then choose **Account Opening Balances**. The **Account Opening Balances** window is displayed.
2. Locate the Trade **Debtors** account, then in the **Opening Balance** column enter the sum total of what your customers owe you as at the time you began to keep your records using MYOB software.
3. Click **OK**.

Enter previous sales

Entering the sales you made prior to using your MYOB software which are still unpaid, in other words your *pre-conversion* sales, will allow you to record payments subsequently received against these sales. To do this:

1. Go to the **Setup** menu and choose **Opening Balances** then choose **Customer Balances**. The **Customer Balances** window is displayed.
2. Click **Add Sale**. The **Historical Sale** window is displayed.
3. Enter the details of the pre-conversion sale as per the following example:
4. Click **Record**.
5. Click **OK** to the alert regarding cash reporting.
6. Repeat steps 2 - 5 for all your pre-conversion sales.

Note: You need to enter historical sales for all customers that had pre-conversion sales which were still unpaid as at the time you began to use your MYOB software.

7. When the total value of the pre-conversion sales you have entered equals the **opening** balance figure for the Trade **Debtors** account, the following message is displayed:

*Congratulations! Your total outstanding invoices equal the balance of your linked receivables account.
You're ready to use the Sales Command Centre*

8. Click **OK**. You have now successfully entered your customer **opening** balances & pre-conversion sales.

**FROM THE ATO:- Finding it difficult to pay your tax?
It's important you lodge your activity statements & tax returns on
time, even if you are unable to pay by the due date.
If you are having difficulty paying or cannot pay on time, contact
the ATO as early as possible to discuss your circumstances. For
more info: www.ato.gov.au**

Disclaimer: All or any advice contained in this newsletter is of a general nature only, & may not apply to your individual business circumstances. For specific advice relating to your specific situation, please contact your accountant or contact me for further discussion

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