

Cost Evaluation Exercise



In the early stages of thinking about your business idea, you should make a rough estimate of how much you'll need to keep the business open. You can do this with a few simple calculations. The **Cost Evaluation Exercise** is a quick check to help you figure out if your business idea will work before you spend too much time on planning.

Step 1: Estimates

Write down your estimates for these four categories:

- Monthly personal living expenses
(such as rent, utilities, food, insurance)

A =

- Monthly fixed costs for your business
(such as rent, utilities, insurance, advertising)

B =

- Cost to buy one unit of a similar product or service

C =

- Cost of materials to make one unit of a similar product or service

D =

Step 2: Calculations

Plug your estimates from Step 1 into these calculations:

- Total monthly expenses

$A+B = \text{total monthly expenses}$

$$\begin{array}{ccccccc} \underline{\hspace{2cm}} & + & \underline{\hspace{2cm}} & = & \underline{\hspace{2cm}} \\ \mathbf{A} & & \mathbf{B} & & \mathbf{\text{total monthly expenses}} \end{array}$$

- Gross profit per unit sales

$C - D = \text{gross profit per unit sales}$

$$\begin{array}{ccccccc} \underline{\hspace{2cm}} & - & \underline{\hspace{2cm}} & = & \underline{\hspace{2cm}} \\ \mathbf{C} & & \mathbf{D} & & \mathbf{\text{gross profit per unit sales}} \end{array}$$

Next, take these two values and plug them into the equation on the next page to figure out how many units you have to sell each month.

Step 2: Calculations, continued

- How many units you need to sell each month

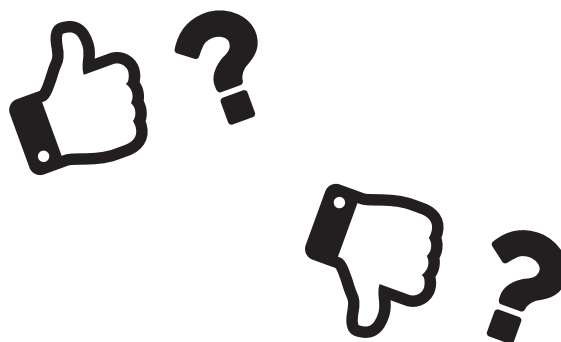
total monthly expenses ÷ gross profit per unit = how many units you need to sell each month

$$\begin{array}{ccccc} \underline{\hspace{2cm}} & \div & \underline{\hspace{2cm}} & = & \underline{\hspace{2cm}} \\ \text{total monthly expenses} & & \text{gross profit per unit} & & \text{how many units you need} \\ & & & & \text{to sell per month} \end{array}$$

Step 3: Thumbs Up or Thumbs Down?

Now that you have figured out how many units you'll need to sell each month to cover your total monthly expenses, think about these questions:

- How long will it take you to make and sell this many units each month?
- Does this seem possible?
- Do you want to work this hard?
- Can you work this much with your disability?



If you answered “no” to any of these questions, talk them over with your counselor.

- Do you want to change your business idea to make it more feasible?
- Are there accommodations that could help?
- Would getting a job working for an established business be a better plan?