

Gross Profit

The Suncorp Gross Profit Widget displays daily gross profit over the last 14 days, plotting the current and previous week in a comparison graph.

About this Widget

The Gross Profit Widget is designed to show business revenue minus variable expenses, indicating the ability of your sales to cover production costs. It can help:

- ✓ Indicate business profitability and your ability to cover total expenses week by week.
- ✓ Provide a greater sense of the financial viability of your company.
- ✓ Compare your gross profit with industry averages.
- ✓ Gain insight into company performance.
- ✓ Drive strategic decisions around decreasing cost of sales and increasing average sale prices.
- ✓ Evaluate your company's effectiveness at using labour and supplies in production.

Data essentials

For an accurate view, data from the cost of goods and your sales invoices need to be recorded at the time of purchase or sale.

Making the most of your Widget

- ✓ Regularly check that your sales and expenses are coded accurately and with the correct dates.
- ✓ Analyse transactions to determine the nature of each one and what account (sales, expense, asset or liability) it relates to.

- ✓ Check your sales and purchase invoices to source documents when created/received.
- ✓ Enter invoice and bill information into your accounting software on the day received.
- ✓ Perform daily to weekly reconciliations.
- ✓ Understand the nature and type of accounts in your accounting system.

Tips to address a negative trend

1. Increase total sales revenue through multiple strategies

- ✓ Increase overall or specific marketing efforts.
- ✓ Promote high margin products (rather than low) to increase profit ratio.
- ✓ Reduce sales discounts to maximise the margin on every sale.
- ✓ Take advantage of all potential sales channels (in-store, online, etc).
- ✓ Differentiate your product to avoid price competition.

2. Increase sales price

- ✓ Consider increasing the price on high-selling products to maximise revenue.
- ✓ Consider adding greater value to a product or service that customers will be willing to pay for (e.g. good customer service, free delivery, etc).

3. Decrease cost of goods

- ✓ Negotiate with your vendors to purchase goods at lower prices (such as bulk discounts for frequently ordered goods).
- ✓ Streamline purchasing to avoid late purchasing costs and take advantage of early payment discounts.

Tips to address a negative trend cont.

- ✓ Eliminate slow moving products and decrease stock obsolescence (see “Use an inventory management system” below).
- ✓ Consider whether expansion is a viable option, as economies of scale can lead to a decrease in the cost per unit.
- ✓ Reduce your labour costs in production by hiring cheaper labour, or cutting down on your workforce if viable.
- ✓ Implement better staff training so that it’s more efficient and less new hires are required.
- ✓ Consider outsourcing labour in areas where it’s viable.
- ✓ Increase the amount of technology used in production if it can lead to greater efficiency and be cheaper than labour costs.
- ✓ Streamline your production procedures to increase efficiency and reduce costs.
- ✓ Reduce the level of extras in production – packaging, free goods/services and extras that add to the cost of goods.

4. Use an inventory management system

- ✓ Inventory software can streamline your stock activity and lead to less money tied up in inventory, less theft and stock obsolescence, greater awareness of stock levels and order times, the identification of stock patterns, and time savings from having all cost of goods in one place.

5. Align the product mix

- ✓ Eliminate or reduce the number of slow-moving and low margin goods.

6. Differentiate through added value

- ✓ Offer exceptional customer service and after-sales support or provide extra add-ons to existing products/services to differentiate from competitors.

Troubleshooting

The most common errors are caused by incorrect data being entered for sales dates, sales amounts, and irregular reconciliations, as well as bills and/or invoices not being recorded daily.

Corrective action

Quickbooks users can search for:

- ✓ Specific corrective actions [here](#)
- ✓ Common bank errors and corrective actions [here](#)
- ✓ Reconciliation errors and balance variations [here](#)
- ✓ How to edit sales invoices [here](#)
- ✓ How to edit payments [here](#)
- ✓ How to resolve Accounts Payable errors [here](#)
- ✓ How to resolve Accounts Receivable errors [here](#)

FreeAgent users can search for:

- ✓ Specific corrective actions [here](#)
- ✓ Or search FreeAgent Knowledge Base [here](#)

