



## Estimate of Potential Profit

For every product you are thinking of selling, it is essential to know whether the profit will be high enough to pay all the expenses, plus compensate you for the time spent operating the business.

**1. Define one unit of your product:** (Eg: 1 dozen muffins, 1 thirty-minute guitar lesson, 1 16-inch necklace) \_\_\_\_\_

**2. List all the costs to produce one unit of your product,** whether you purchase the product ready-made or manufacture it yourself.

Materials or Supplies:	Amount Needed for 1 Unit:	Cost:
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
<b>Total Cost per Unit: \$</b> _____		

**3. How much time will you spend** producing one unit of this product? \_\_\_\_\_

**4. How much do you need to earn for the labor** to produce one unit of this product?  
\_\_\_\_\_

**5. Add the Total Cost per Unit (from Question 1) to the cost of your labor.** What is the total cost of goods to produce one unit of your product? \_\_\_\_\_

**6. What is the highest price** you have seen similar products sold for in your locality? \_\_\_\_\_  
**What is the lowest price** you have seen similar products sold for in your locality? \_\_\_\_\_

**7. What is your proposed sales price for one unit of this product?** \_\_\_\_\_

**8. Subtract the cost of your product from the proposed sales price.** What is your estimated profit on the sale of one unit? \_\_\_\_\_

**9. How many units do you believe you can sell each month?** \_\_\_\_\_

What would be your monthly profit on this product? \_\_\_\_\_ (#8 x #9)

**10. Is this amount of profit enough to cover the possible operating expenses,** including marketing and advertising? [  ]Yes [  ]No

Is there enough profit here to support a healthy business enterprise? [  ]Yes [  ]No

If you do not feel there is enough potential profit in this product, there are several things you can do about it:

- Look for a way to cut the cost of goods.
- Look for a way to sell it for a higher price.
- Look for a different product that will be more profitable.

**Write a brief summary of your conclusions about the profitability of this product:**

(This is a fill-in PDF form. You may type your answers into the blanks, then print. Or you may print the form and fill it in by hand. For course credit, submit the form to your teacher.)