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 = total monthly expenses

$ 0.00	+	$ 0.00	=	$ 0.00
A		**B**		**total monthly expenses**

- Gross profit per unit sales
  C - D = gross profit per unit sales

$ 0.00	-	$ 0.00	=	$ 0.00
C		**D**		**gross profit per unit sales**

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

$ 0.00	÷	$ 0.00	=	
total monthly expenses		**gross profit per unit**		**how many units you need to sell per month**

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?

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