# **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 expen | ses |   |                        |
|---|-----|---|------------------------|
| +   |     | = |                        |
| Α   | В   | _ | total monthly expenses |

| Gross profit per unit sales     C - D = gross profit per unit s | ales |                             |
|---|------|-----------------------------|
|   | 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 total monthly expenses |          | sell each month<br>rofit per unit = how many ur | nits you ne | ed to sell each month   |
|---|----------|---|-------------|-------------------------|
| total monthly expenses                    | <u>•</u> | gross profit per unit                           | =           | how many units you need |

#### **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?





to sell per month

#### 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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