REVENUE & COSTS

tool description & worksheet

Version 1.0

WHAT?

Helps you make a financial plan for your business or a specific product or service. Helps identify the main revenues and costs so you have input to make a realistic plan.

WHY?

A clear overview of costs and revenues enables you to accurately measure, report and anticipate financial results of your business or a specific product or service. This is critical for securing investment and controlling costs.
STEP 1: IDENTIFY REVENUE

Make a list of revenue streams. For each, make a rough estimate of the amount. There are two types of revenue:

- transaction - resulting from one-time customer payments
- recurring - resulting from ongoing payments

Common examples are:

- Sale - selling physical products (furniture)
- Usage fee – charging for use of a particular service (telcom)
- Subscription fees – (yearly subscription to a gym)
- Lending/Renting/Leasing - selling the exclusive right to use a particular thing for a fixed period (farm vehicle rental)
- Licensing - selling customers permission to use protected intellectual property (media company)
- Brokerage fee - derives from intermediation services performed on behalf of two or more parties (credit card companies)
- Advertising - fees for advertising a particular product, service, or brand

Revenue streams can be different for different customer segments.

STEP 2: IDENTIFY COSTS

Give a first estimate of the costs of key resources, activities and partners.

Common examples are:

- Raw materials
- Transport and storage
- Production equipment
- Maintenance
- Staff
STEP 3: QUANTIFY THE REVENUE AND COSTS

Quantify the revenue and cost items and summarize them. A rough estimate will do as input for a first discussion of strategy. To approach investors, you will need a more detailed version. For this, it is best to use Excel or other digital spreadsheet.
You're ready to begin making a financial plan.
REVENUE & COSTS

guidelines for consultants

Version 1.0

WHEN?

Needed when preparing to create a financial plan to support operations, reporting and pitches to investors. Also when preparing to create or review strategy or launch a new product or service. We recommend periodically repeating the exercise.
1. **DETERMINE WHETHER A ROUGH ESTIMATE OR DETAILED OVERVIEW IS NEEDED**
   If a detailed overview is needed, use a pre-programmed Excel sheet. For a rough estimate, the basic worksheet is enough.

2. **PREPARE EXAMPLES OF REVENUE STREAMS**
   At least one example, preferably from a similar business and sector, will help participants to understand what kinds of information are needed.

3. **DO THE EXERCISE ‘FACE-TO-FACE’ WITH THE BUSINESS**
   Work with all participants present. This helps ensure that nothing is missed and that all representatives of the enterprise feel they have a role to play in identifying and managing costs and revenues. If information is missing, a follow-up session can be planned.
TIME
1 - 4 hours for a rough estimate; 1 day for a detailed overview.
It takes about one hour to fill in each half of the worksheet for a rough estimate.
It is best to first note the different types of revenue stream before quantifying them. A detailed overview can take up to an entire day, and is best done in the form of a day workshop. Total time depends on the number of revenue streams and cost items, the amount of available information and the level of detail needed.

MATERIALS
Large print, drawing or slide of the worksheet; pin board or whiteboard; workshop materials (markers, cards, lots of Post-its, etc.)

TEAM
You will need one facilitator and one or more people representing the main parts of the client enterprise.

DOCUMENTATION
Note any items for which information is missing completely. This will need to be addressed before the results can be finalized.
FURTHER READING

REVENUE & COSTS

Helps you make a financial plan for your business or a specific product or service, by identifying the main revenues and costs.

Name of Enterprise:

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<thead>
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<th>Revenue Streams</th>
<th>(Amounts)</th>
<th>Costs</th>
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