

Sales Controlling

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**The management of customers based on
the following relationship:
gross profit margin vs. receivables**

Customer	Gross profit margin (GPM)	% of GPM in revenue	% of GPM in share in total GPM	Receivables	% of share in receivables	Receivables turnover ratio	Receivable days
A	113,872	26	28.51	206,054	32.67	2.10	174
B	65,527	26	14.15	122,476	19.42	1.80	203
C	33,014	31	8.27	45,734	7.25	2.31	158
D	29,573	29	7.40	31,720	5.03	3.17	115
E	35,637	36	8.92	68,103	10.80	1.47	249
F	31,883	33	7.98	34,748	5.51	2.75	133
G	35,711	43	8.94	36,053	5.72	2.28	160
H	14,768	23	3.70	34,797	5.52	1.87	195
I	20,187	40	5.05	20,752	3.29	2.43	150
J	12,989	50	3.25	8,438	1.34	3.08	119
K	3,284	24	0.82	8,259	1.31	1.63	224
L	3,912	40	0.98	4,365	0.69	2.24	163
M	1,569	28	0.39	1,506	0.24	3.75	97
N	1,530	38	0.38	1,612	0.26	2.47	148
O	677	23	0.17	808	0.13	3.69	99
P	826	40	0.21	697	0.11	2.96	123
Q	543	37	0.14	745	0.12	1.97	185
R	408	30	0.10	508	0.08	2.65	138
S	492	40	0.12	586	0.09	2.10	174
T	364	36	0.09	567	0.09	1.80	203
U	309	32	0.08	415	0.07	2.31	158
V	360	40	0.09	284	0.05	3.17	115
Z	374	42	0.09	612	0.10	1.47	249
X	177	22	0.04	290	0.05	2.75	133
Y	240	37	0.06	284	0.05	2.28	160
W	202	40	0.05	270	0.04	1.87	195
Ukupno	399,427	30	100.00	630,681	100.00	2.10	174

3

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Gross profit margin (GPM)	% of GPM in revenue	% of GPM in share in total GPM	Receivables	% of share in receivables	Receivables turnover ratio	Receivable days		
1	2	3	4	5	6	7	8=2x6	
A	113.872	26	28.51	206.054	32.67	2.10	174	55
B	65.527	26	14.15	122.476	19.42	1.80	203	46
C	33.014	31	8.27	45.734	7.25	2.31	158	72
D	29.573	29	7.40	31.720	5.03	3.17	115	93
E	35.637	36	8.92	68.103	10.80	1.47	249	52
F	31.883	33	7.98	34.748	5.51	2.75	133	92
G	35.711	43	8.94	36.053	5.72	2.28	160	99
H	14.768	23	3.70	34.797	5.52	1.87	195	42
I	20.187	40	5.05	20.752	3.29	2.43	150	97
J	12.989	50	3.25	8.438	1.34	3.08	119	154
K	3.284	24	0.82	8.259	1.31	1.63	224	40
L	3.912	40	0.98	4.365	0.69	2.24	163	90
M	1.569	28	0.39	1.506	0.24	3.75	97	104
N	1.530	38	0.38	1.612	0.26	2.47	148	95
O	677	23	0.17	808	0.13	3.69	99	84
P	826	40	0.21	697	0.11	2.96	123	118
Q	543	37	0.14	745	0.12	1.97	185	73
R	408	30	0.10	508	0.08	2.65	138	80
S	492	40	0.12	586	0.09	2.10	174	84
T	364	36	0.09	567	0.09	1.80	203	64
U	309	32	0.08	415	0.07	2.31	158	75
V	360	40	0.09	284	0.05	3.17	115	127
Z	374	42	0.09	612	0.10	1.47	249	61
X	177	22	0.04	290	0.05	2.75	133	61
Y	240	37	0.06	284	0.05	2.28	160	84
W	202	40	0.05	270	0.04	1.87	195	75
Ukupno	399.427	30	100.00	630.681	100.00	2.10	174	63

4

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Customer	Gross profit margin (GPM)	% of GPM in revenue	% of GPM in share in total GPM	Receivables	% of share in receivables	Receivables		8=2x6
	1	2	3		4	5	turnover ratio	
J	12,989	50	3.25	8,438	1.34	3.08	119	154
V	360	40	0.09	284	0.05	3.17	115	127
P	826	40	0.21	697	0.11	2.96	123	118
M	1,569	28	0.39	1,506	0.24	3.75	97	104
G	35,711	43	8.94	36,053	5.72	2.28	160	99
I	20,187	40	5.05	20,752	3.29	2.43	150	97
N	1,530	38	0.38	1,612	0.26	2.47	148	95
D	29,573	29	7.40	31,720	5.03	3.17	115	93
F	31,883	33	7.98	34,748	5.51	2.75	133	92
L	3,912	40	0.98	4,365	0.69	2.24	163	90
Y	240	37	0.06	284	0.05	2.28	160	84
S	492	40	0.12	586	0.09	2.10	174	84
O	677	23	0.17	808	0.13	3.69	99	84
R	408	30	0.10	508	0.08	2.65	138	80
W	202	40	0.05	270	0.04	1.87	195	75
U	309	32	0.08	415	0.07	2.31	158	75
Q	543	37	0.14	745	0.12	1.97	185	73
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E	35,637	36	8.92	68,103	10.80	1.47	249	52
T	364	36	0.09	567	0.09	1.80	203	64
X	177	22	0.04	290	0.05	2.75	133	61
Z	374	42	0.09	612	0.10	1.47	249	61
A	113,872	26	28.51	206,054	32.67	2.10	174	55
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H	14,768	23	3.70	34,797	5.52	1.87	195	42
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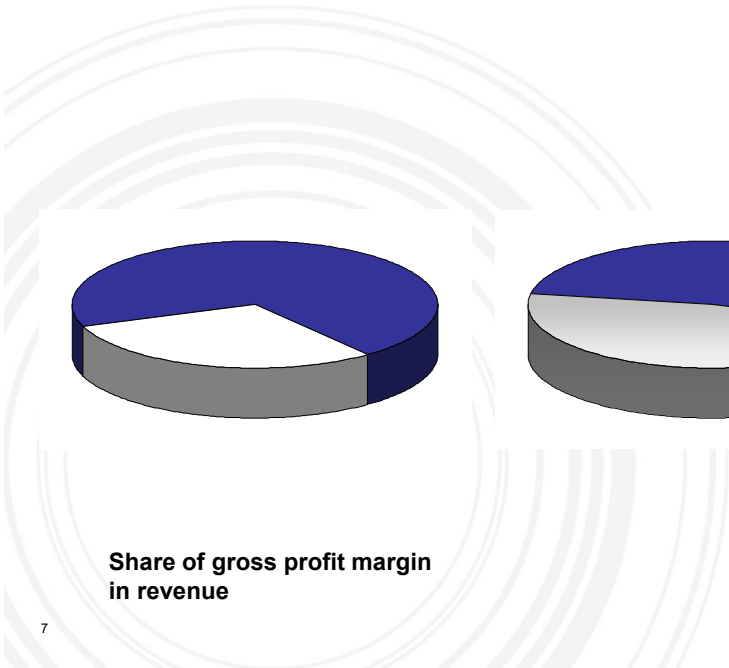
5

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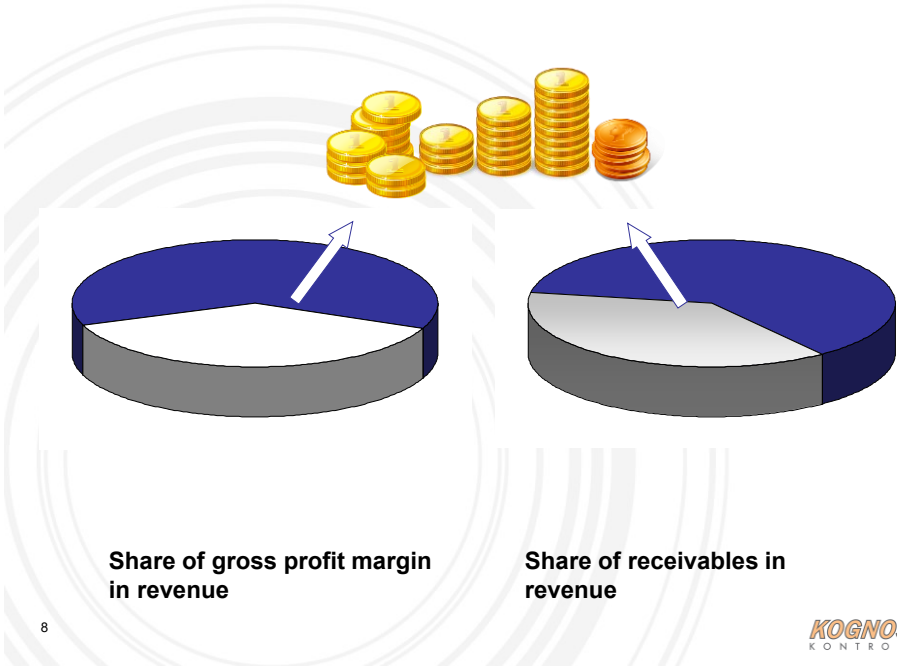
Gross profit margin (GPM)	% of GPM in revenue	% of GPM in share in total GPM	Receivables	% of share in receivables	Receivables		8=2x6
	1	2		3	4	5	
49,892	50	9.91	48,966	9.70	2.04	179	102
510	50	0.10	427	0.08	2.39	153	119
248	31	0.05	181	0.04	4.42	83	137
523	58	0.10	489	0.10	1.83	199	107
159,421	37	31.67	146,778	29.07	2.95	124	109
85,978	39	17.08	86,236	17.08	2.56	143	100
25,991	40	5.16	25,896	5.13	2.51	145	100
6,463	48	1.28	6,414	1.27	2.10	174	101
503,450	38	100.00	504,912	100.00	2.63	139	100

6

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Net present value of gross profit

9

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Let us imagine a customer who wants to buy 5000 units of a product whose price is 50 EUR per unit.

We now want to find out how these sales will reflect on our financial result under different terms and conditions:

1. 10/2 net 30
(a 30-day credit is given without discount or a 2% discount is given if paid within 10 days)

2. 20/4 net 60
(a 60-day credit is given without discount or a 4% discount is given if paid within 20 days)

3. 30/6 net 90
(a 90-day credit is given without discount or a 6% discount is given if paid within 30 days)

10

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The interest rate at which we need to borrow from banks when we run out of our own liquid funds is 10% (annual cost of capital).

The customer's overdue receivables total 15%, which means that the likelihood of payment in the due period is 85%.

The cost of goods sold is 50% of the sales price or 25 EUR/unit.

11

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We need to consider the **NET PRESENT VALUE (NPV)** of all options or analyse the relationship between revenue and COGS, as well as the risks of each option:

$$\text{NPV} = \frac{\text{likelihood of payment} \times \text{revenue}}{1 + (\text{cost of capital} \times (\frac{\text{days of credit}}{365}))} - \text{COGS}$$

12

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First, the sales revenue of each option is calculated:

- 1a) payment within 30 days without discount:
5,000 units x 50 EUR = 250,000 EUR
- 1b) payment within 10 days with 2% discount:
5,000 units x 49 EUR = 245,000 EUR
- 2a) payment within 60 days without discount:
5,000 units x 50 EUR = 250,000 EUR
- 2b) payment within 20 days with 4% discount:
5,000 units x 48 EUR = 240,000 EUR
- 3a) payment within 90 days without discount:
5,000 units x 50 EUR = 250,000 EUR
- 3b) payment within 30 days with 6% discount:
5,000 units x 47 EUR = 235,000 EUR

13

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1a	$\text{NPV} = 0.85 \times \frac{250,000}{1 + (0.1 \times (\frac{30}{365}))} - (25 \times 5,000) = 85,768$ <p>Profitability ratio 34.3</p>
1b	$\text{NPV} = 0.85 \times \frac{245,000}{1 + (0.1 \times (\frac{10}{365}))} - (25 \times 5,000) = 82,681$ <p>Profitability ratio 33.0</p>
2a	$\text{NPV} = 0.85 \times \frac{250,000}{1 + (0.1 \times (\frac{60}{365}))} - (25 \times 5,000) = 84,063$ <p>Profitability ratio 33.6</p>

14

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2b	$\text{NPV} = 0.85 \times \frac{240,000}{1 + (0.1 \times (\frac{20}{365}))} - (25 \times 5,000) = 77,888$
	Profitability ratio 31.1
3a	$\text{NPV} = 0.85 \times \frac{250,000}{1 + (0.1 \times (\frac{90}{365}))} - (25 \times 5,000) = 82,386$
	Profitability ratio 32.9
3b	$\text{NPV} = 0.85 \times \frac{235,000}{1 + (0.1 \times (\frac{30}{365}))} - (25 \times 5,000) = 73,122$
	Profitability ratio 31.1

15

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It is crucial to note that it is more profitable to sell:

- with a 90-day deferred payment period without discount than with a 20-day deferred payment period and 4% discount;
- or with a 60-day deferred payment period without discount than a 10-day deferred payment period and 2% discount.

16

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