

**THE AUTOMATED MILLIONAIRE BEST BUSINESS PRACTICES**

**GROSS PROFIT & GROSS PROFIT MARGIN  
AND DYNAMICS OF BUSINESS**



**By  
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## **BEST BUSINESS PRACTICES**

# **Gross Profits & Gross Profit Margin**

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The Automated Millionaire  
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## **BEST BUSINESS PRACTICES**

The Automated Millionaire Best Business Practices describes various Best Business Practices and/or Terminology used in business. These are aimed at giving you a better insight to terminologies, explanations or 'How Tos' for your business.

### **A NOTE ABOUT LINKS IN THIS DOCUMENT**

Throughout this document you will find links (such as the yellow link just below) for more resources, which could be training videos, other documents or access to tools and the like. The individual links are directed to specific sections and resources relevant to what is being said it's linked to, but for your privacy and security, all links are sent to pages residing secured website of The Automated Millionaire website.

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## To Your Success

*I truly wish your success.*

*I believe entrepreneurs are critical for our society and that it is the entrepreneurs who often pave the way for innovations and development in the world.*

*Entrepreneurs accept great risk, work diligently and often have to endure great struggles in their pursuit of their dreams.*

*Those who succeed not only improve their own lives, but also many other lives. Lives of the other people in their families, but also lives of the people they employ and their families. Vendors as well and their families are positively affected by the ripples sent out from a well run and successful business.*

*I am therefore hopeful that my personal pursuit of helping as many entrepreneurs as possible can help increase these positive ripples, affecting as many people positively and as far reaching as possible.*

*Please feel free to connect with me for anything you believe I may be able to help and serve you with.*

- Mikkel Pitzner

Email [Mikkel](#)



## Gross Profits & Gross Profit Margin

Gross Profit is sometimes referred to as Sales Profit or even more often as Gross Income. Gross Profit is also often called Gross Margin, which should NOT be misunderstood for Gross Profit Margin.

A lot of people use incorrectly the Gross Margin and the Gross Profit Margin interchangeably. The former is expressed as a dollar value, and the latter is expressed as a percentage.

Both of these numbers are some of the most important of the business numbers to understand, to track and to improve upon whenever possible. Yet, many business owners are often too busy pursuing just more sales, or as it often is the case, putting out fires here and there or focusing on a myriad of other things.

I especially find the Gross Profit Margin (%) important to keep an eye on, because you can have your Gross Profit increase, while your Gross Profit Margin actually decrease.

In other words, the Gross Profit Margin is a better number to use to measure a company's efficiency, especially when looking at evolution of the business over time.

Gross Profits = Revenues – COGS (expressed as a \$ amount)

Gross Profit Margin =  $\frac{\text{Revenues – COGS}}{\text{Revenue}}$  (expressed as a % amount)



*“Among my many business consultants, I had an esteemed colleague, who once said the gross profit margin was the most important number in business.*

*I don’t fully agree, as I believe the most important is your Net Profit Margin, because that is what you would want to achieve – the higher the better.*

*Well, actually, I believe, the most important number is the number of what you get to keep, but that’s another story for another time.*

*But I do agree with my esteemed colleague that Gross Profits Margin is absolutely one of the most important numbers of your business, so it’s incredibly important that we get to really understand this number.”*

- Mikkel Pitzner

Gross Profits is a critical number for you to really have in mind when you create, grow, optimize and generally run your business. You may say the Gross Profits measure the value of your output activities. Your output being the real business activities you carry out which are directly associated with your sales.

*Gross Profits measure the value of your output activities*

Unfortunately, my experience having helped a lot of companies all over has clearly demonstrated to me that a lot of business owners are somewhat, if indeed not completely, oblivious and unaware of the importance of the Gross Profit number and it’s importance.

In fact, a lot of the books of many clients I have helped their Gross Profits according to their Profit and Loss Statements showed the same number as their Revenue (Sales), meaning that the Costs Of Good Sold was not identified and entered in the bookkeeping as Cost Of Goods Sold items.



The Profit & Loss Statement of such a company would look like Example A in the image below. What you would want to have is, however, how it would be in Example B.

	Example A	Example B
Revenue	3,000,000	3,000,000
<hr/>		
<b>Cost of Goods Sold:</b>		
Labor	-	1,200,000
Materials	-	850,000
<b>Total COGS</b>	-	<b>2,050,000</b>
<b>Gross Profit</b>	<b>3,000,000</b>	<b>950,000</b>
<i>Gross Profit Margin</i>	100.00%	31.67%

In sound bookkeeping practices we distinguish between Variable/Direct Expenses Variable Costs (or also called Direct Costs) and Fixed Expenses (or Fixed Costs).

Fixed Expenses and Fixed Costs are used interchangeably but mean the same thing. Variable Expenses, Variable Costs, and Direct Expenses or Direct Costs are all used interchangeably but mean the same thing.

So let's dive in and look at it in greater detail:

***Gross Profit assesses a company's efficiency at using its labor and supplies in producing goods or services.***

Gross Profit is calculated by subtracting the Variable (also called Direct) Expenses from your Revenue.





Gross Profit = Revenue – Cost of Goods Sold (GOGS)

The terms **Variable** or **Direct** expenses are very descriptive terms if you think about it, for these expenses consist of the expenses that *vary* with the level of output, or in other words, the expenses are *directly* associated with the level of output.

As the level of output increases you would expect to see an associated increase in the level of variable/direct expenses. And likewise, as the level of output decreases, you would expect to see an associated decrease of the level of variable/direct expenses.

The major expenses that typically make up your Variable/Direct Expenses are Direct Labor and Materials.

Variable Expenses also include subcontractors and sometimes equipment rental.

Again, remember that the expenses have to be directly associated with producing the output to fit in this category, so all Management Labor expenses do NOT go into this line item in your Profit & Loss Statement. Such management expenses are considered Fixed Costs and should instead appear further down on your Profit & Loss Statement.

Fixed Costs are costs that you have to pay in your business that do not vary as your output level changes. Salaries for management employees, including the CEO, Managers and Salaried employees, including bookkeeper etc. will have to be paid regardless of your output going up or going down.

Fixed Costs also include all your expenses for your building, rent/leasehold and/or office, utilities, insurance, office equipment and office supplies, vehicles, advertising, and so on.



## **What About Vehicles And Such?**

Vehicles (leased or financed), equipment and utilities are typically to be found under your fixed expenses. Let's say, you have one or more vehicles that you are leasing. Your monthly expense for these vehicles do not change depending on the level of your output, which is why it makes sense to have these expenses under Fixed Costs.

However, you may feel that some of these vehicles are directly associated with your output. For instance, say you need some of these vehicles specifically for delivering upon your service or for making your production happen. Well, at some point, as your level of output increases enough, it is likely that you would need more vehicles.

## **Absorption Costs**

To reflect such need for extra resources and to reflect for such expenses, a portion (often a percentage) certain expenses are taken of some of the fixed cost and entered as a variable costs. This method is called Absorption Costing (or often full absorption costing), and is required by Generally Accepted Accounting Principles (GAAP).

For many production or manufacturing companies, expenses for some utilities such as electricity are greatly associated with the level of output. One could have a separate meter for electricity for the actual production hall and another for the office section. Then have the expenses for electricity that are associated with this production hall be listed as Variable cost, while the expenses from the other meter remain under Fixed expenses.

Without a separation of electricity meters, you will typically see the use of a portion/percentage of the fixed expenses being allocated to variable expenses. Likewise with a lot of production/manufacturing companies, you will often see large expenses for liability insurances etc., so often the percentage from a string of fixed costs that would be attributed towards variable costs would reflect that.



For a lot of service companies, or shall we say “office based” companies (e.g. advertising agencies or retail stores) you typically would not find this need to take some portion from your fixed costs and attribute it to variables costs.

The idea is to get a fairly precise insight to the dynamics of your business and its performance without getting too bogged down into minutia of the split of these expenses. When the books are done well, it really take very few minutes for someone who understands business to get a very good idea about the performance of a business and how such performance would be affected by changes made in the business.

When it comes to taking a portion of your fixed expenses and attributing it towards your variable expenses, what I’m trying to say is that, you would only really want to do so, if a major part of such expenses truly are directly related to the level of output.

More on the subject of Absorption Costing will be reserved for another of these The Automated Millionaire Best Business Practices.

### **The Quality Of Your Books**

The quality of your books and how your Chart of Accounts are set up have great influence on the quality of the reports you can get from your bookkeeping to run your business better and more efficiently.

For many mom and pop companies, mom is often the one who becomes the bookkeeper. Often mom does a great job at this and is sufficiently adequate at doing the company books. But it is important that the Chart of the Accounts (i.e. how the account accounts inside your bookkeeping system is set up) is done well.

Done well means among other things, so that the Cost Of Good Sold are adequately separated from Fixed Costs and such that you can quickly determine your Gross Profits.



Unfortunately, often I have seen even at simple, smaller companies that mom or the hired bookkeeper did not have adequate bookkeeping skills.

### **Don't Run Blindly**

It is difficult to run a business well when you either run the business “blindly” (as in having no numbers, or when you cannot adequately rely on the numbers that you can get from the company bookkeeping reports.

If your business belong to the group of companies that have a need for more demanding bookkeeping, (e.g. like the manufacturing companies as we touched on above), the need for a skilled bookkeeper increases.

Bookkeeping, regardless of size and complexity of business, is well worth getting right, and you are well advised to make the investment into this necessary.

### **But Don't Do The Bookkeeping Yourself**

Bookkeeping done by the owner him or herself is not something I recommend. Your time as an owner such be much more valuable than the expense you would have to face to hired the skilled bookkeeper at the level you need.

Your time and efforts as an owner should be better focused at making the overall business the best possible, growing it. Or once you have developed your business far enough, and as you have eventually hired people to manage most of the daily operations, perhaps even hired a CEO, to truly promote yourself to just be the business owner, who may contemplate perhaps the higher levels strategic thoughts and planning for your business.



### **Going Back to the Gross Profit Margin the Formula again is:**

Going back to the Gross Profit Margin the form again is:

$$\text{Gross Profit Margin} = \frac{\text{Revenues} - \text{COGS}}{\text{Revenue}} \quad (\text{expressed as a \% amount})$$

Gross Profit Margin illustrates how well a company is generating revenue from the costs involved in producing the company's products or services.

As you work on your business and wish to grow it and create better results, the Gross Profit Margin becomes particularly important to keep an eye on.

Especially seeing that you can increase your Gross Profits while your Gross Profit Margin actually decreased.

An example to illustrate this is in the image below:



	Example I	Example II
<b>Revenue</b>	<b>3,000,000</b>	<b>4,000,000</b>
<b>Cost of Goods Sold</b>		
Labor	1,200,000	1,700,000
Materials	850,000	1,150,000
<b>Total COGS</b>	<b>2,050,000</b>	<b>2,850,000</b>
<b>Gross Profit</b>	<b>950,000</b>	<b>1,150,000</b>
<i>Gross Profit Margin</i>	<i>31.67%</i>	<i>28.75%</i>
<b>Expenses</b>		
Advertising & Promotion	37,200	37,200
Depreciation & Amortization	73,000	73,000
Insurance	37,000	37,000
Maintenance	15,800	15,800
Office Supplies	12,520	12,520
Rent	187,000	187,000
Salaries	425,000	575,000
Telecommunication	12,400	12,400
Utilities	13,760	13,760
Vehicles	37,780	37,780
Other Expense 1	1,200	1,200
Other Expense 2	-	-
<b>Total Expenses</b>	<b>852,660</b>	<b>1,002,660</b>
Earnings Before Interest and Taxes	97,340	147,340
Interest Expense	38,000	38,000
Earnings Before Taxes	59,340	109,340
Income Taxes	12,461	22,961
Net Earnings	46,879	86,379
<i>Net Profit Margin After Taxes</i>	<i>1.56%</i>	<i>2.16%</i>



## **Growth Is Great**

In the image, Example I is your base year. Imagine in the following year you grew your Revenue by \$1,000,000 from \$3,000,000 to \$4,000,000 as shown in Example II and Example III.

That represents an amazing growth of 33.33%.

This remarkable growth also results in a nice growth in our Earnings Before Interest and Taxes, from \$97,340 to \$147,340 which represents an increase of about 51.37%.

## **But Often Comes At A Cost**

The growth in Revenue is great, but if you compare Example I with Example II, you'll find that the efficiency with which this company produced the goods or services actually decreased.

Instead of achieving a Gross Profit Margin of 31.6% it ended with one of 28.75%. So although the overall result (or net result) improved and even though you made considerably more money, you could have made much more money if you had been able to maintain your original efficiency, while increasing the revenue as you did.

The latter is illustrated by Example III in the illustration below:



	Example I	Example II	Example III
<b>Revenue</b>	<b>3,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>
<b>Cost of Goods Sold</b>			
Labor	1,200,000	1,700,000	1,600,000
Materials	850,000	1,150,000	1,133,334
<b>Total COGS</b>	<b>2,050,000</b>	<b>2,850,000</b>	<b>2,733,334</b>
<b>Gross Profit</b>	<b>950,000</b>	<b>1,150,000</b>	<b>1,266,666</b>
<i>Gross Profit Margin</i>	<i>31.67%</i>	<i>28.75%</i>	<i>31.67%</i>
<b>Expenses</b>			
Advertising & Promotion	37,200	37,200	37,200
Depreciation & Amortization	73,000	73,000	73,000
Insurance	37,000	37,000	37,000
Maintenance	15,800	15,800	15,800
Office Supplies	12,520	12,520	12,520
Rent	187,000	187,000	187,000
Salaries	425,000	575,000	575,000
Telecommunication	12,400	12,400	12,400
Utilities	13,760	13,760	13,760
Vehicles	37,780	37,780	37,780
Other Expense 1	1,200	1,200	1,200
Other Expense 2	-	-	-
<b>Total Expenses</b>	<b>852,660</b>	<b>1,002,660</b>	<b>1,002,660</b>
Earnings Before Interest and Taxes	97,340	147,340	264,006
Interest Expense	38,000	38,000	38,000
Earnings Before Taxes	59,340	109,340	226,006
Income Taxes	12,461	22,961	47,461
Net Earnings	46,879	86,379	178,545
<i>Net Profit Margin After Taxes</i>	<i>1.56%</i>	<i>2.16%</i>	<i>4.46%</i>





So in Example III, we have achieved the remarkable growth of over 33%, but we have maintained the level of efficiency that we had in our base year.

The difference in results is astounding.

Instead of increasing our Earnings Before Interest and Taxes from \$97,340 to \$147,340, we have now achieved an amazing \$264,006, which is a result more than 2.5 times greater than the result of our base year. When we increased our Sales but also dropped our efficiency, our results was about 1.5 times larger than the base year.

### **The Assignment For The Business Owner**

There are many considerations to make in business and there are many strategies. As a Business Turn Around Agent, or as a Business Consultant in general, the charge is often to make more money.

Often business owners either think or are somewhat stuck on the notion that they will need to increase sales a lot to make more money. While I always like to achieve more sales, comparing Example II and Example III, clearly demonstrates that by improving efficiency in your business you can make considerably more money.

### **Let's Look At Improving Efficiency In Greater Detail**

Let's drive the clarification of the power of efficiency improvements home even more.

In the illustration below, we look at our base year again, but instead of increasing the Sales, let's just improve upon the efficiency and see what results come off of that:



	Example I	Example II	Example III	Example IV
<b>Revenue</b>	<b>3,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>3,000,000</b>
<b>Cost of Goods Sold</b>				
Labor	1,200,000	1,700,000	1,600,000	1,128,000
Materials	850,000	1,150,000	1,133,334	833,000
<b>Total COGS</b>	<b>2,050,000</b>	<b>2,850,000</b>	<b>2,733,334</b>	<b>1,961,000</b>
<b>Gross Profit</b>	<b>950,000</b>	<b>1,150,000</b>	<b>1,266,666</b>	<b>1,039,000</b>
<i>Gross Profit Margin</i>	<i>31.67%</i>	<i>28.75%</i>	<i>31.67%</i>	<i>34.63%</i>
<b>Expenses</b>				
Advertising & Promotion	37,200	37,200	37,200	37,200
Depreciation & Amortization	73,000	73,000	73,000	73,000
Insurance	37,000	37,000	37,000	37,000
Maintenance	15,800	15,800	15,800	15,800
Office Supplies	12,520	12,520	12,520	12,520
Rent	187,000	187,000	187,000	187,000
Salaries	425,000	575,000	575,000	425,000
Telecommunication	12,400	12,400	12,400	12,400
Utilities	13,760	13,760	13,760	13,760
Vehicles	37,780	37,780	37,780	37,780
Other Expense 1	1,200	1,200	1,200	1,200
Other Expense 2	-	-	-	-
<b>Total Expenses</b>	<b>852,660</b>	<b>1,002,660</b>	<b>1,002,660</b>	<b>852,660</b>
Earnings Before Interest and Taxes	97,340	147,340	264,006	186,340
Interest Expense	38,000	38,000	38,000	38,000
Earnings Before Taxes	59,340	109,340	226,006	148,340
Income Taxes	12,461	22,961	47,461	31,151
Net Earnings	46,879	86,379	178,545	117,189
<i>Net Profit Margin After Taxes</i>	<i>1.56%</i>	<i>2.16%</i>	<i>4.46%</i>	<i>3.91%</i>

We are now looking at Example IV.

Now the Sales are maintained at \$3,000,000 for the two years (base year of Example I and results of Example IV).



But we have improved our efficiency by 6% on the Labor Costs and by a mere 2% on the Material Costs.

Let's say we were able to increase our productivity and make some more efficient arrangement in how we operate on a daily basis so that we achieved these improvements in our Labor Costs.

For materials, perhaps we eliminated a little of our spillage/waste or perhaps we negotiated a slight improvement in our purchasing prices.

While the overall improvement in efficiency, as measured by the Gross Profit Margin % is just shy of 3%, the improvement in our Earnings Before Interest and Taxes is an amazing one, from \$97,340 to \$186,340.

An almost doubling from a mere 3% improvement.

### **The Message**

The message is clear to us, I believe, that improvements in efficiency in our production of our goods or services go a long way.

We get the benefit on every single item dollar, and we get the full dollar benefit from every single saving we are obtaining.

When we complete extra sales, we get the benefit of the Gross Profit Margin per dollar sold. So if we sell e.g, an extra dollar's worth, then we retain from Example I roughly an extra \$0.32. When we made the improvements in Example V we get an extra \$0.35 from every extra dollar sold (approximately).

Comparing these two specific examples, let's say a Business Consultant has been charged with helping the company double its profits (as in net profits, or Net Earnings as stated in the examples of the illustration above).



Well, you could work on achieving even more sales, so that you'd would double your net earnings, or you could improve efficiency in the operations such as is the case comparing Example II and Example III.

Comparing these two examples, you can see that Revenues was unchanged as was all the overheads or the fixed costs. But by changing the efficiency of the operations (actually to what it was in the original Example I), you end up just about doubling the Net Earnings.

These Net Earnings even doubled even though we added \$150,000 to our Salaries (Fixed Costs), say because we had to hire an extra sales person.

Further Net Earnings improvements could be made, if you could cut further costs in the fixed costs. But at some point you can no longer cut costs without crippling your organization.

### **So Does That Mean...?**

OK, so does that mean, I should just focus on getting my efficiency up?

Well, for sure the effects that trickle through your results in the business benefits greatly from your improvements.

That being said, let's not forget that without Sales we really have nothing, so we should never forget to tend to our Sales.

In fact I would also venture to say, that generally speaking, you, as a business owner, should always aim to keep growing your business.

Yes, there can be times, when further growth is perhaps less advantageous and when we have hit certain ceilings, which would require too large investments to break through in order to deliver on more services or products. But in general, most businesses should continuously make some efforts for growth.



## **But If I Split My Focus...**

Yes, you're right.

When you split your focus among several things, it is more challenging getting the same results out of your efforts. But that's why we have a team in business.

With the right system and allocation of resources, skills and people, you can have simultaneous great focus within your business to grow Sales, while working on your Efficiency in your Operation and even while ensuring you are solidly on top of your Finance segment of your business too.

## **Teaching You How To Fish**

Whenever we help a client, we are not just focused on making the client more money, but also focused on teaching the client and his/her team how to use the same method and system we use, so they can continue the path of running a business efficiently and profitably even after we as business consultants leave.

## **Here's What I've Got**

I have taken all my experiences, my insights and skills from business, from running and operating my own businesses, from the businesses that I was hired to run, and from all I learned from having served more than 100 business clients in person and on site, and I have taken a great business system and method and I have taken all of this and developed it all further into a very comprehensible, yet easy to learn and easy to follow business system and method.

I call it

## **The Automated Millionaire Business System**



If you want to see what this is all about, so you can implement it too in your business, so you can secure that you and not least your team can run your business efficiently and successfully and of course to great profits, then here's what I'd like you to do next:

[Watch this video](#) which will show you the method and system. There's no cost to watch this video, and I really show you the entire system.

You'll love it I'm sure.

The system really is just a simple [8-step Business System For Real And Great Success](#).

Again, [go and watch it now](#).

### **Let's Go A Little Deeper**

You asked what you should focus on, and my answer pretty much is that we want to focus on Sales, Operations and Finance at all times in our business.

I go a bit deeper on that subject in my business training and coach program The Automated Millionaire Business System.

In the program and coaching I go deeper on how to accomplish all of that with ease and such that you're actually left with more time on your hands to pursue or spend on other things of your liking.

But for now, let's quickly revisit our business example:



	Example I	Example II	Example III	Example IV	Example V
<b>Revenue</b>	<b>3,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>3,000,000</b>	<b>4,000,000</b>
<b>Cost of Goods Sold</b>					
Labor	1,200,000	1,700,000	1,600,000	1,128,000	1,504,000
Materials	850,000	1,150,000	1,133,334	833,000	1,110,800
<b>Total COGS</b>	<b>2,050,000</b>	<b>2,850,000</b>	<b>2,733,334</b>	<b>1,961,000</b>	<b>2,614,800</b>
<b>Gross Profit</b>	<b>950,000</b>	<b>1,150,000</b>	<b>1,266,666</b>	<b>1,039,000</b>	<b>1,385,200</b>
<i>Gross Profit Margin</i>	<i>31.67%</i>	<i>28.75%</i>	<i>31.67%</i>	<i>34.63%</i>	<i>34.63%</i>
<b>Expenses</b>					
Advertising & Promotion	37,200	37,200	37,200	37,200	37,200
Depreciation & Amortization	73,000	73,000	73,000	73,000	73,000
Insurance	37,000	37,000	37,000	37,000	37,000
Maintenance	15,800	15,800	15,800	15,800	15,800
Office Supplies	12,520	12,520	12,520	12,520	12,520
Rent	187,000	187,000	187,000	187,000	187,000
Salaries	425,000	575,000	575,000	425,000	575,000
Telecommunication	12,400	12,400	12,400	12,400	12,400
Utilities	13,760	13,760	13,760	13,760	13,760
Vehicles	37,780	37,780	37,780	37,780	37,780
Other Expense 1	1,200	1,200	1,200	1,200	1,200
Other Expense 2	-	-	-	-	-
<b>Total Expenses</b>	<b>852,660</b>	<b>1,002,660</b>	<b>1,002,660</b>	<b>852,660</b>	<b>1,002,660</b>
Earnings Before Interest and Taxes	97,340	147,340	264,006	186,340	382,540
Interest Expense	38,000	38,000	38,000	38,000	38,000
Earnings Before Taxes	59,340	109,340	226,006	148,340	344,540
Income Taxes	12,461	22,961	47,461	31,151	72,353
Net Earnings	46,879	86,379	178,545	117,189	272,187
<i>Net Profit Margin After Taxes</i>	<i>1.56%</i>	<i>2.16%</i>	<i>4.46%</i>	<i>3.91%</i>	<i>6.80%</i>

In Example V we have not just increased our Sales by the same remarkable 33.33%, but we have also increased our efficiency by the same factor just shy of the 3% as in previous example.

The result is that we now have \$382,540 in Earnings Before Interest and Taxes. An almost quadrupling of our result.

What's the message?



## **Yes, It Pays To Improve Your Sales, Your Efficiency, And Your Finances**

Alright, my suggestion to you again is to jump over and [watch the no-cost-training video](#) on the method and system that I have.

The simple 8 step business system for success and great profits.

*“The great thing about running a business is that we have so many knobs we can turn and make effective changes to in order to help us improve on our business and its results”*

- Mikkell Pitzner

*“In my work as a Business Turn Around Agent, I have yet to see anywhere where I wasn't able to make improvements in Revenues, in Efficiencies and even make certain cuts in the Overheads.*

*In other words, I have yet to see where I couldn't find a lot of cash in a business.”*

- Mikkell Pitzner





*As you improve your business, there are often some trade offs between Increased Sales, Efficiency Improvements and Cost Reductions. Oftentimes, such trade offs are temporary, so that you achieve an even better effect later on.*

*Running a business truly well for profits, is to large extend a matter of attaining the right knowledge and insights as to how to do so, and implementing sound and efficient systems.*

*But as you can see, it is remarkable improvements that can be made by positively affecting your business in one or several areas.*

*Colleagues and myself have successfully implemented a system in many companies helping to turn their results from struggling positions to truly successful companies or helping successful companies perform even greater.”*

- Mikkel Pitzner

*If you wish to see how this system works, so you can implement this in your business, then simply click the link below:*

**How To Turn Around Any  
Business In 8 Simple Steps**



## Key Takeaways

- Revenue and Sales means the same thing. Sometimes, revenue is also named Income.
- Gross Profit assesses a company's efficiency at using its labor and supplies in producing goods or services.
- Gross Profit is also called Gross Margin (\$), not to be confused with Gross Profit Margin (%)
- Also called Gross Income, gross profit is calculated by subtracting the cost of goods sold
- Cost of Goods Sold consist of the variable or direct costs associated with the production of your output
- So Gross Profit only includes variable Costs and does not account for fixed costs
- Absorption Costing is required when you follow what is called Generally Accepted Accounting Principles (GAAP) for external reporting. This is often used by manufacturing companies and similar, where there is a need to take into account some of the fixed costs into the variable costs.
- GAAP accounting is required under the rules of the Securities and Exchange Commission (SEC) for all publicly traded companies. Gross Profit measures the value of your output activities.
- In order to make the best use of your numbers, you need a well set up Chart of Accounts.



- It is worthwhile to have adequately skilled bookkeeping.
- Gross Profit and not least Gross Profit Margin are important numbers to keep an eye on in your business and improve upon.
- Gross Profit is expressed as a (Currency) Value. Gross Profit Margin is expressed as a percentage.
- Profit & Loss Statement and Income Statement are the same thing
- Gross Profit should not be confused with Operating Profit, also known as earnings before interest and tax (EBIT). Operating profit is calculated by subtracting operating expenses from gross profits.
- The Gross Margin represents the portion of each dollar of revenue that the company retain as gross profit. E.g. out of every \$1, the company retains \$0.42 as Gross Profits.
- The Gross Profit Margin represents the portion of each dollar of revenue that the company retain as gross profit margin expressed as a %. E.g. the company retains 42% of Revenue in Gross Profit Margin.



## **Special Video Training On This Subject**

For Special Video Training On This Subject,  
Including The Subject Of Pricing, And How To Price For Profits And Success

**Gross Profits**



## **How To Turn Around Any Business In 8 Simple Steps**

Or

### **The Secrets Method Of A Successful Turn Around Agent**

Mikkel Pitzner, founder and creator of The Automated Millionaire, its programs and its coaching, has been an entrepreneur all his adult life and his business endeavors have taken him and his activities all over. From initial activities in Denmark to activities in Sweden, Norway, Poland, Germany, England and the United States.

He has been engaged in all kinds of business from all industries and on all levels inside business.

Following obtaining the coveted Green Card, Mikkel soon commenced working with one of the largest and most successful business consulting companies in the US



and soon ranked among the top 3 consultants there among some 1,300 esteemed colleagues.

The time with the large consulting company rapidly exposed Mikkel to a huge multitude of companies from all kinds of industries and of all sizes, spread all throughout the US and Canada.

Most of these companies were in need of help. Many of the companies were downright struggling for survival, but in very short time with the help of Mikkel, these companies were soon on a new path towards prosperity.

*“Through all the experience of helping these companies, I learned some great insights.*

*One of these is the fact that actually most businesses can be turned around fast even if everything appears really doom and gloom. I also learned to even greater extent that in all businesses there’s cash to be found.*

*With the help of the consulting company and my brilliant colleagues I also learned a system, which I have now expanded upon to make it even more comprehensive. An accessible framework that can be used in any business, to turn it around or to make a great business even greater.*

*This framework and system truly is How To Turn Any Business Around In 8 Simple Steps.*

- Mikkel Pitzner

*The bases of this system or method has been successfully incorporated with several hundreds of thousands of businesses by me and many of my colleagues collectively.*



*It is HIGHLY EFFECTIVE and it just downright WORKS. I have yet to find a business in which it wouldn't work.*

*Want to access a quick overview of the 8 Simple Steps?*

*Just click the link below and I'll show you the method so you can incorporate it in your business now:*

**How To Turn Around Any  
Business In 8 Simple Steps**



## **About The Automated Millionaire**

The Automated Millionaire helps small and medium sized businesses achieve greater profits and more efficiently run operations without having to work harder and does so by implementing a specific business method called The Automated Millionaire Business System.

The Automated Millionaire is founded by Mikkel Pitzner, who is also the creator of The Automated Millionaire Programs and Coaching.

To Get A Free Taste Of Some Of The Insights Of The Automated Millionaire That You Can Use In Your Business Click The Button Below:

**[Access Insights Now](#)**





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## Further Resources

The Automated Millionaire offers further resources,  
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The Automated Millionaire  
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