7 Paths to Greater Financial Freedom

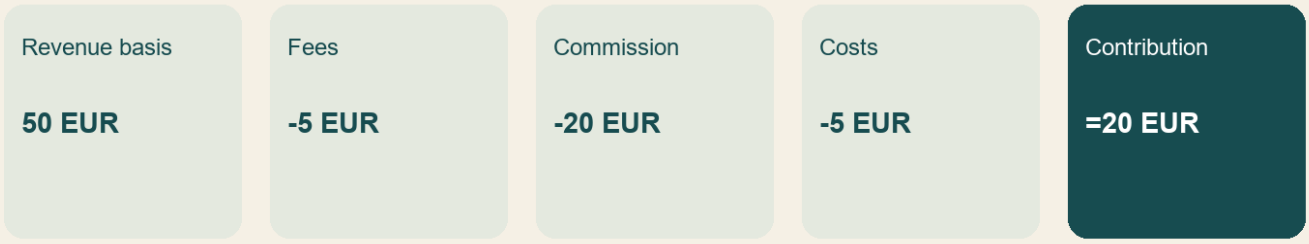
08 Product revenue is not profit

Start with a clearly labelled revenue basis. A customer price may include sales tax, while commission may use a different basis from the displayed price. Use the provider settlement for real sales. Taxes collected for remittance are not your income.

Our practice model therefore starts with revenue already excluding sales tax payable. Deduct payment and platform charges, commissions, refunds and other costs. A reserve for potential refunds is a planning assumption, not an expense that has already happened. Keep actual refunds separate from cautious forecasts.

Break-even units equal fixed costs divided by contribution per successful sale. Round up to whole sales. If contribution is zero or negative, there is no achievable break-even point in this model. Include creation time in your evaluation even when a cash-only calculation does not treat it as an outgoing payment. A profitable unit does not ensure sufficient demand.

Fictional product: EUR 40 revenue basis, EUR 4 fees, EUR 12 commission and EUR 4 variable support costs. Contribution is EUR 20 per sale. EUR 300 fixed costs require 15 successful sales. If two of 15 purchases are fully reversed, the original 15 orders do not establish break-even; also check non-refundable fees.



Fictional example before personal tax

Your exercises

Calculate contribution and break-even with EUR 50 revenue basis, EUR 5 fees, EUR 20 commission, EUR 5 variable costs and EUR 360 fixed costs.

Why should you not simply subtract a 60 percent affiliate commission from the displayed customer price without checking?

Worked answers

Contribution is EUR 20; 360 / 20 = 18 successful sales. Personal taxes and your own work are not yet included.

The contractual commission basis, sales tax, fees and reversals can change the calculation. Actual terms and settlement statements determine the amount.