<u>**Lesson 9**</u>

Analysis and planning of the pharmacy organization's income

Questions for discussion.

1. Pharmacy income. Gross income

2. Factors affecting the size of the pharmacy's income

3. Measuring the amount of pharmacy income

4. Revenue management. Pharmacy revenue analysis

5. Income planning. Planning stages.

6. Methods of planning income from the sale of goods

7. The value of the income indicator for the pharmacy

1. Pharmacy gross income

The result of the pharmacy's trading activity characterizes the income from the sale of goods. It is defined as the excess of revenue from the sale of goods and services over the costs of their acquisition over a certain period of time in monetary terms.

The difference from the sale of goods in retail prices and the wholesale value of these goods represents the pharmacy's income from the sale of goods (realized trade overlays or trade margin).

income = Turnover (retail prices) – the amount for the purchase of goods (wholesale prices)

$$I = T(r.p.) - Pg(w.p)$$

The pharmacy purchases goods at purchase (wholesale) prices. The retail price consists of the wholesale price and the retail trade margin on the product. In the previous lecture, we considered the structure of the retail price and the procedure for calculating the trade margin on retail goods.

For the calculation, the level of the trade margin was used – this is the ratio of the size of the trade margin to the wholesale (purchase) price, expressed in %.

For example: The pharmacy purchased the product "Acyclovir, tab. No. 20" at the price of 50 rubles. for 1 package. If we assume that the level of the trade margin allows 30%,

the pharmacy's trade margin will be 30%, i.e. 50 rubles x 30%: 100% = 15 rubles.

Thus, the retail price for this product will be 65 rubles. for 1 package.

The difference between retail and wholesale prices in the form of a retail trade margin represents the trade margin or income from the sale of goods.

In our example - 15 rubles. In aggregate, from the mass of the goods sold for a certain period of time, the trading margin is the sum of trade overlaps. For convenience of calculations, trade overlays are defined as a share (%) of the amount of goods sold in retail prices – the level of trade overlays. In our example, 15 rubles : 65 rubles x 100% = 23%

 Thus, at the level of the trade margin of 30%, the level of trade overlaps was 23%. Income from the sale (sale) of goods can be expressed in absolute terms – in rubles, as well as in relative terms – in % relative to the turnover in retail prices (or the level of trade overlaps).

Pharmacies receive their main income from the sale of goods and services. But the pharmacy's income also includes amounts of money received from other activities.

 For example, a pharmacy can rent out its free space in a room or invest its free funds in shares of another company. In this case, the pharmacy also has income, they are called non-operating income, that is, received not from the sale of goods.

The amount of income from all types of pharmacy activities is the gross income of the pharmacy.

2.Factors affecting the size of the pharmacy's income

The main factors affecting the size of the pharmacy's income are:

- **The volume of sales,** with the increase in the volume of sales of goods, income increases.

- Group structure of sales and intra-group assortment of goods. Since different groups of goods have different approaches to pricing, the groups of goods with free pricing (i.e. not included in the list of VED) have the greatest impact on income;

 - **The pricing policy** of a pharmacy organization also matters when generating pharmacy income from sales. It is important to adjust the prices of goods in a timely manner, taking into account market pricing mechanisms, the interaction of supply and demand.

3. The amount of pharmacy income

The pharmacy's income is measured in two quantities:

the **absolute value** is in monetary terms. This is the difference between the turnover in retail prices and in purchase prices.

income (mt)= Turnover (retail prices) – the amount for the purchase of goods (wholesale prices)

relative value – as a percentage (%). This is the ratio of the amount of income to the turnover in retail prices (Tr.p.), expressed as a percentage. This value is called the level of income (LI) from the sale of goods.

$$LI = I(mt) \setminus T(r.p.) \times 100\%$$

where   I(mt) - is the amount of income from the sale of goods or gross income in monetary terms;

T(r.p.) - is the volume of turnover in retail prices .

An example of calculating income and income level indicators.

The turnover for the quarter amounted to 125 thousand rubles in retail prices. In purchase prices (the pharmacy spent 100 thousand rubles on the purchase of these goods).

The pharmacy's income was 125-100 rubles = 25 thousand rubles.

The income level was 25:125 x100% = 20%

The value of the income level is used by the pharmacy for further analysis and planning of the financial indicators of its work.

4.Revenue management.

The main purpose of income management is to ensure the reimbursement of all current costs associated with the pharmacy's business activities. In income management, the result depends on the management decisions made to influence the factors affecting income.

Therefore,

> ➢ the structure of the assortment,
> ➢ the pricing policy of the organization,
> ➢ ensuring a high level of turnover

provide a sufficiently high income from the sale of goods and the opportunity not only to cover all expenses, but also to profit the organization.

5.Income planning

Income planning is carried out in several stages

1). Analysis of pharmacy revenues for previous reporting periods

2). Calculation of the planned amount of incomeю Methods of planning

3). Development of a system of measures to ensure the implementation of the income plan

In the process of planning the total gross income, the planned amount is calculated for certain types of income (from the sale of goods and non-operating income). Revenue from sales is planned in the amount and by level for the year and quarterly.

1) stage.

In the process of analyzing income for previous reporting periods , the following is studied

- the dynamics of the total amount and level of income; the growth or decline rates of these indicators are calculated;

- the composition of gross income and the trend of its change; the share in the total amount of income from the sale of drugs, non-operating income is determined;

- the factors influencing the change in the amount, composition and income level of the pharmacy are determined.

 Special attention is paid to:

 - change in the volume of sales of goods;

 - change in the average level of the trade allowance;

- changing the sources of purchase of goods;

 - changes in the rates of tax payments included in the price of goods.

The identified trends are taken into account in the planning process.

6. Methods of planning income from the sale of goods. 2) stage.

<u>1) method.</u> According to the current level of trade overlaps in the pre-planned period. The method consists in the fact that the expected level of trade overlaps in the pre-planned period is determined by the current level at the time of the last inventory or by accounting data. The current level is transferred to the planned year and based on the amount of the planned volume of turnover, the amount of trade overlaps is calculated. In our example, the level of trade overlaps was 23%, the turnover plan for the upcoming period is 25.7 million rubles.

To calculate the plan of income from sales in monetary terms - **I(mt)plan**, it is necessary to have the plan of the volume of turnover in retail prices - **T (r.p.)plan** and the real level of income (**LI**) from the sale of goods.

$$\textbf{I(mt)plan. = T (r.p.)plan. x LI : 100\%}$$

 25.7 million rubles **x 23% : 100%** = **5.9** million rubles

In the context of quarterly turnover is planned as follows:

1 sq. – 6.8 million rubles.   2 sq. - 6.3 million rubles.

 3 sq. – 5.7 million rubles.   4 sq. – 6.9 million rubles.

Accordingly, the revenue from sales for each quarter will be:

1Q. 6.8 million rubles x 23% : 100% = 1.6 million rubles

2 sq. 6.3 million rubles x 23% : 100% = 1.4 million rubles.

 3 sq. 5.7 million rubles. x 23% : 100% = 1.3 million rubles .

 4 sq. 6.9 million rubles. x 23% :100% = 1.6 million rubles .

2) **the method** of planning income from sales (trade overlays) - based on the analysis of the dynamics of the level of income (level of trade overlays) in the pre-planned period for 3-5 years.

To do this, an analysis of the dynamics of the level of trade overlaps for 3-5 years preceding the planning periods is carried out, the rate of change of the indicator, the average rate of increase or decrease is determined. Based on these data, the level of trade overlays for the upcoming period is calculated and based on the amount of the planned turnover and the calculated level of trade overlays, the plan of income from sales in total is calculated.

Example.

Over a number of previous years, the level of income (level of trade overlays) has the following dynamics:

2022 – 23%; 2021 – 22,8%; 2020 – 22,5%; 2019 -22,4%; 2018 – 22,2%

The growth rate of the indicator was + 0.2%; + 0.3%; + 0, 1%; + 0.2%

The average growth rate will be: (0.2 + 0.3 + 0.1 + 0.2): 4 = 0.2%

The planned level of trade overlays will be: 23 + 0.2 = 23.2%

The sales revenue plan in the amount of will be

RUB 25.7 mln x 23.2%: 100% = RUR **5.96** mln.

3). **The method** of planning revenue from the sale of goods based on the planned amount of sales, handling costs and the established level of profitability.

The method is based on the fact that the planned amount of trade overlays should cover all the costs of circulation and ensure that the target profit is obtained.

The basic key figures for calculation in this case are:

- developed sales plan for goods (T/O);

- planned amount of handling costs (IO);

- established margin of profitability for the organization (Rent);

- the amount of profit planned by the pharmacy to ensure development (D).

The pharmacy's income from the sale of goods determines the pharmacy's ability to pay the necessary costs for renting premises, employee remuneration, utility bills, communications, banking services, and more.

In addition to income on the sale of goods, the pharmacy may have other sources of income. For example, from shares of large industrial enterprises, leasing their own equipment and retail space, and more.

Together, all types of pharmacy income form the gross income of the organization.

7.The value of the income indicator for the pharmacy

The general positive trend is an increase in gross income.

The income of a FO in a market economy is an important indicator of the effectiveness of its entrepreneurial activity, reflecting commercial and financial and economic results. The value of income for the FO is that they:

• must ensure the break-even of the FO's activities on the basis of cost recovery;

• generate the profit necessary for the development of the FO;

• are a source of funds to fulfill the financial obligations of the FO.

Income is an important condition for ensuring the competitiveness of the FO in the market, the formation of its positive image, investment attractiveness and innovation activity. On the other hand, the ability of the FO to generate income depends on the rationality and efficiency of pharmaceutical activities.

Turnover (retail prices) – the amount for the purchase of goods (wholesale prices) = income

income - pharmacy costs = pharmacy profit

pharmacy profit - profit tax = net profit

Therefore, the final result of the pharmacy (profit) strongly depends on the income of the pharmacy

Questions to check the assimilation of the topic

1. What is the pharmacy's income? Give a definition.

2. In what units is the pharmacy's income measured?

3. What data is needed to calculate the pharmacy's income in monetary terms? Write the formula for calculating the pharmacy's income

4. How to calculate the income level of a pharmacy (the level of trade overlays)?

Write a formula for calculating the income level of a pharmacy

5. What data are needed to plan trade overlays in monetary terms?

6. What factors increase the pharmacy's income?

Task 1 .

Plan the amount of gross income from sales of goods (trade overlays are 21.5%) in the amount if: the planned turnover is set in the 1st quarter of 4250 thousand rubles, Trade overlays are the only source of income of the pharmacy.

Task 2 .

Calculate the level of income from the sale of goods if the turnover in retail prices is 1,680 thousand rubles. In purchase prices, this sales volume is 1260 thousand rubles.

Task 3 .

Plan the amount of gross income from sales of goods (trade overlays are 22%) in the amount if: the planned turnover is set in the 3rd quarter of 8200 thousand rubles, Trade overlays are the only source of income of the pharmacy.

Task 4 .

Calculate the level of income from the sale of goods if the turnover in retail prices is 4880 thousand rubles. In purchase prices, this sales volume is 3660 thousand rubles.

Task 5

Plan the pharmacy's income in monetary terms, if the turnover plan for the next year is 3600 thousand rubles. The current level of sales overlays is 20%.

Task 6

Plan the level of trade overlays for the next year, if in the past year it was 21%, the analysis of the dynamics of the income level showed an average growth of 0.5%.