

## Business: Marketing & Pricing

### **How do I document my entertainment and travel expenses?**

If your employer is reimbursing you for your expenses, you only need to prove them to him/her. To do this, submit a written accounting to the employer and return any excess amounts.

"Accountable plans" or per diem arrangements and mileage allowances are used instead of detailed accounting for the employer, if place, time, and business purpose are verified.

Detailed documentation is required by the IRS when expenses aren't fully reimbursed by the employer or you fail to return excess reimbursements. If you are the employee, a 2% floor on miscellaneous item deductions is applied to your deductions. You should record the expenses as close to the time of expenditure as possible.

### **How can I be certain that my small business product or service will be marketable?**

To determine where and how you can successfully sell your product or service (and at what price), you will need to use one of the most critical elements of business planning - market research. This includes interviewing potential suppliers and investigating your competition and consumer base.

Market research has many different benefits. It can help you categorize marketing activities, generate primary and alternative sales approaches to a given market, make profit projections from a more precise base, establish the market's profit boundaries, and develop critical short/mid-term sales goals. You will need to identify your objectives and organize the collection/analysis process first.

### **What questions are appropriate to ask in market research?**

You will want to learn about the consumers' location, needs and resources, and what they can afford. Significant questions (can you compete effectively in price, delivery and quality? Where can the demand be created?) should be addressed.

Can the product or service be priced to guarantee a profit? Also, discover how many competitors provide the identical product or service. You will want to have a basic understanding of the economy of the area in which you will sell your product or service and the areas where that market is growing or lessening.

### **When setting prices for my products or services, what should I consider?**

There are different individual costs for each component of your service or product. Be sure to analyze every component of the product or service's total cost. Upon completion of the analysis, prices can be established to maximize profits and eliminate deficit services. Material, labor and overhead costs are included in the cost components.

Material costs: The total of the costs of all materials of the finished product.

Labor costs: These costs are calculated based on the total work put into preparing the product. To determine the direct labor costs, you multiply the cost of labor per hour by the number of personnel hours necessary to finish the job. Be sure to include the dollar value of fringe benefits as well as the hourly wage, which include workers' compensation, retirement benefits, social security, insurance, unemployment compensation, etc.

Overhead costs: These costs cannot be easily identified with a product. They consist of indirect materials, such as depreciation, supplies, advertising, heat and light, taxes, rent, insurance, and transportation. Indirect labor costs, such as legal, clerical, and janitorial services are also included in overhead costs. Don't forget to include shipping, handling and/or storage and any other cost components.

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