

# Running of a Scrap Shop

## Financial Planning



# Space Requirement

- **Product basis**



- **Whole sale vs. retail basis**



- **No. of people selling**

**in the shop basis**



# Working Capital

- **For buying the scrap**
- **For routine expenses**
- **For special expenses**

# Buying vs. Renting

- **Shop Space**



- **Tempo**



- **Processing machines**

# Sale of Scrap-Parameters

## Frequency

- Availability of working capital
- Space in the shop
- Market fluctuations
- Seasonality-monsoon etc
- Quantum of scrap
- Viability of transport cost
- Distances of towns

# **Sale of Scrap-To whom**

- **Wholeseller**
- **Middlemen**
- **Direct to the user industry**

# Expenses

- Salary
- Wages
- Rent
- Tangus/Packing material/Bhot
- Telephone/mobile
- Transport-own/rented
- Kata
- Staff welfare/Tea to women
- Repairs/maintenance
- Conveyance
- Electricity, water charges
- Advances
- Bonus



# **Role of Labour**

- **On monthly basis vs. job work basis**
- **Time-motion study**
- **Level of packing**
- **Level of segregation**
- **Daily work routine and targets**
- **Availability during season time**



# Emergencies and Economic Impact

- Theft
- Fire
- Labour problem
- Cash flow delay
- Monsoon
- Transport Strike
- Leave replacement



# Seasonality/Rate Fluctuation

## While buying and selling

- Regular information about rates
- Monsoon or no takers
- Import of scrap
- Industry-type
- Controls of rates by market

# Product Implications

- **Bhargar:Chori Ka Maal**
- **Bribe**
- **Commission**



# Losses

- **Initial losses**
- **Product buying losses**
- **Excess of expenditure**
- **Capital expenditure and its return**



# **Segregation and Profit**

Success of the shop depends on how in-depth our understanding of the product is, level of segregation and processing.

# Subsidy

- Shop space
- Manager's salary
- Cost of total investment
- Involvement of other team members

# **Break-Even Understanding**

- **Considering all the cost**
- **Considering subsidized cost and actual cost**

# Calculation of Margin/Profit

- **Product-wise margin**
- **Gross margin**
- **Stock calculation**
- **Net profit**



# Checks and Balances

- Product understanding and level of segregation
- Type of packaging
- Transport cost
- Discounting and breakages

*High level of accounting checks and balances for all the above*

# Books / Records

- Daily sales/purchase vouchers
- Stock register
- Sales & Purchase register
- Petty cash book
- Profit and loss account statement