

**GROSS PROFIT CALCULATION FORM (DIFFERENCE METHOD)**

**Policy Number:** \_\_\_\_\_

The following confidential table can be used to assist in calculating the sum insured to be declared for the Gross Profit section of your policy. The figures should be extracted from the accounts of business for the last fiscal year and be adjusted for future trend.

1. Turnover (Gross Annual Sales)	\$.....	
<b>Plus:</b>		
2. Closing Stock	\$.....	
3. Other Operating Income	\$.....	
Total of 1,2 & 3	\$.....	<b>(A)</b>

<b>Less:</b>		
1. Opening Stock	\$.....	
<u>Specified Working expenses (e.g.)</u>		
2. Purchases	\$.....	
3. Freight Outwards	\$.....	
4. Lighting, Heating & Power	\$.....	
5. Packaging	\$.....	
6. Commissions	\$.....	
7. Wages – Casual Production	\$.....	
8. Bad Debts	\$.....	
9. Discount Allowed on Purchases	\$.....	
10. Other.....	\$.....	
11. Other.....	\$.....	
Total of 1 to 11	\$.....	<b>(B)</b>

<b>(A) minus (B)</b>	\$.....
Plus Allowance for Financial Trend of Business (...%)	\$.....
<b>ANNUAL INSURABLE GROSS PROFIT</b>	<u><u>\$.....</u></u>

**INDEMNITY PERIOD** \_\_\_\_\_ **months**

**Notes**

Specified working expenses are those expenses, which would vary in direct proportion to the reduction in turnover following a loss.

The net result of above equation is to produce a declared sum insured, which represents standing charges, being fixed costs / expenses which continue even though a loss has interrupted the business e.g. loan repayments, rates, taxes, insurance cost, wages, plus net profit (before tax) that would have been derived should a loss not have occurred.

If the business performance could be effected for longer than 12 months the declared sum insured and Indemnity Period should be adjusted accordingly.

**Wages / Payroll**  
Unless you wish to continue paying wages to casual staff/productions workers, we suggest that you deduct the wages payable to these employees thus only maintaining cover for Directors / Executives and other key employees.

**Trend**  
Trend should incorporate or allow for – (i) % variation from last financial year end date; (ii) % variation during the policy year; (iii) % variation during the indemnity period; (iv) % variation if the selected indemnity period is in excess of 12 months.