

## PLANNING WORKSHEET FOR OPEN-TO-BUY (OTB)

FISCAL YEAR \_\_\_\_\_

| MONTH:                                     |  |  |  |  |  |  |  |                       |  |  |  |  |  | TOTAL |
|--------------------------------------------|--|--|--|--|--|--|--|-----------------------|--|--|--|--|--|-------|
| <b>BOM</b>                                 |  |  |  |  |  |  |  |                       |  |  |  |  |  |       |
| <b>SALES (-)</b>                           |  |  |  |  |  |  |  |                       |  |  |  |  |  |       |
| <b>MARKDOWN (-)</b>                        |  |  |  |  |  |  |  |                       |  |  |  |  |  |       |
| <b>SHORTAGE (-)</b>                        |  |  |  |  |  |  |  |                       |  |  |  |  |  |       |
| <b>MARKUPS (+)</b>                         |  |  |  |  |  |  |  |                       |  |  |  |  |  |       |
| <b>Sub Total</b>                           |  |  |  |  |  |  |  |                       |  |  |  |  |  |       |
| <b>PURCHASES (+)<br/>actual or planned</b> |  |  |  |  |  |  |  |                       |  |  |  |  |  |       |
| <b>BOM</b>                                 |  |  |  |  |  |  |  |                       |  |  |  |  |  |       |
| <b>STOCK-TO-SALES<br/>RATIO</b>            |  |  |  |  |  |  |  |                       |  |  |  |  |  |       |
| <b>SHORTAGE:</b>                           |  |  |  |  |  |  |  | <b>AVERAGE STOCK:</b> |  |  |  |  |  |       |
| <b>MARKDOWN:</b>                           |  |  |  |  |  |  |  | <b>TURN:</b>          |  |  |  |  |  |       |

## OPEN-TO-BUY WORKSHEET INSTRUCTIONS:

1. Fill in the current fiscal year and the months of your fiscal year across the top.
2. Fill in the first month's BOM (beginning-of-month inventory). To determine this, use the ending inventory of the prior fiscal year. All the remaining BOMs will be the **EOMs** (end-of-month inventory) from the previous month.
3. Subtract from your BOM figure actual sales, actual markdowns and the shortage reserve. (This is a percentage of your actual sales.) Add actual markups. This will give you a subtotal figure.
4. Add to the subtotal figure the actual purchases to determine the EOM. (Because one month's EOM is the next month's BOM, the last column on the worksheet will contain only a BOM figure.)
5. Place the EOM figure in the BOM slot for the next month. Repeat the process.
6. When all months are complete, add the year's opening BOM inventory to the 12 EOM figures and divide by 13. This will give you the **average inventory**.
7. Total the 12 months' actual sales.
8. Divide the total sales by the average inventory to calculate annual turnover.
9. Determine your stock-to-sales ratio by dividing the BOM by the sales for each month.
10. To determine the percentage of markdowns, divide the total markdowns by total sales.

Now that you've completed the worksheet for the current year, you're ready to prepare the worksheet for the coming year.

1. Fill in the sales figures by month as planned from your merchandise budget.
2. Take the BOM figure from the final month on your other worksheet and use it for the opening month's planned BOM.
3. Multiply the monthly planned sales by the shortage percentage to calculate the estimated shortage at retail.
4. The total markdown figure, which should be calculated at retail, must be broken down by month. This is done by using historical information and by anticipating the markdown needs for the current year.
5. Markups will not be used for planning purposes. (These are usually an uncontrollable factor and are taken as necessary.)
6. Project the BOMs using the following guidelines:
  - a. Divide total planned sales by the planned turn to determine an average stock figure.
  - b. Multiply the average stock figure by 13. This figure is the sum of your opening inventory plus the 12 EOMs. It cannot be increased or decreased.
  - c. Take the figure above and subtract the established BOM for the first month. The remainder must be spread into the BOMs of the succeeding 12 months, including the first month of the next fiscal year. This can be accomplished several ways. Experts recommend that you multiply your stock-to-sales ratio from your other worksheet by your planned sales for each month. (The total BOMs must equal the figure calculated in 6a, so that readjustments are inevitable.)
7. Your OTB is established by subtracting the subtotal (BOM minus planned sales, markdowns and shortage) from the succeeding BOM.