|  |  |
| --- | --- |
| **Subject Content**  | **What students need to learn?**  |
| 1.3.2Business revenues, costsand profits | The concept and calculation of:● revenue● fixed and variable costs● total costs● profit and loss● interest |



Before a business starts to sell their products and services, money needs to be spent setting up the business so it can run properly.

**START – UP COSTS**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

A business will also have costs that they have got to pay regularly as a normal part of trading. These are usually paid monthly. These are known as **\_\_\_\_\_\_\_\_\_\_\_\_.** Eg. Rent, raw materials, **\_\_\_\_\_\_\_\_\_\_\_.**

**COSTS** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**FIXED COSTS**

Are costs that **DON’T** change when sales go up or down i.e. they **DO NOT** vary with output. E.g. Rent, salaries, insurance.

**VARIABLE COSTS**

Are costs that **DO** change when sales go up or down. i.e. they **DO** vary with output. E.g Raw materials, electricity, wages.

**Variable Costs = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**TOTAL COSTS**

All the costs a business must pay in a set period of time.

**Total Costs = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**REVENUE**

Revenueis the money generated from selling products/services. It is often referred to as sales revenue. **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**PROFIT**

Profit is the amount of money the business has to keep once all costs have been covered.

**Profit = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

If the figure is **\_\_\_\_\_\_\_\_\_\_\_**, the business has made a **profit**. If it is **negative**, the business has made a **\_\_\_\_\_\_\_\_\_\_\_.**

**INTEREST**

Interest is the **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** money. When you take out a bank loan you must may back the amount with interest. E.g. a loan of £100 at a rate of 5% interest you pay back £105.

It is also the **reward** **for saving**. If you saved £100 in your bank account with an interest rate of 1%, by the end of the year you would have £101 in your account.