## Key Vocabulary

**Revenue** – Also called **Turnover**, **Income** and **Sales**. This is the money generated from selling your products

**Demand** – a business term for the quantity of products sold

**Fixed costs** – costs that do not change as the level of production changes. They must be paid even if output/sales are zero, e.g. rent, rates

**Variable costs** – costs that change in direct relation to the amount sold or produced by a business, e.g. raw materials, packaging

**Total costs** – All costs added together

**Profit** – when revenue is greater than costs

**Loss** – when revenue is lower than costs

**Interest** – a percentage charge on borrowed money / percentage reward for saving money

<u>Core Knowledge</u>	

Topic 1.3.2a Revenue, Costs and Profit

Fixed costs	Variable costs
Rent	Raw materials
Rates	Packaging
Electricity / heating / phone bills	Delivery costs
Salaries	

**Revenue** = Number of items sold x Selling price per unit

**Total Variable cost** = variable cost per item x number sold

**Total costs** = Total variable cost + fixed costs

**Interest charged** = amount borrowed x (interest rate ÷ 100)

**Total amount repaid** = amount borrowed + interest charged

**Monthly payments** = Total amount repaid ÷ (years of loan x 12)

% interest charged = (total repayment – borrowed amount)  $\div$  borrowed amount x 100

## Don't be a "man on the street"

## Wider Business World

**Amazon** – has no high street retailers so has fixed costs than a lot of other businesses

**Bank of England** – sets the base rate for interest that other lenders then use

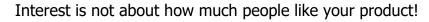


**External factors** – changing interest rates can have an impact on consumer spending

**Breakeven** – when total costs are exactly the same as total revenue

**Cash flow** – unpredictable or inconstant revenue can impact on cash flow

**Sources of finance** – interest is charged on borrowing



- Revenue and profit are VERY different
- Loans are not paid at the end of the term they are paid in instalments each month
- Borrowing money is debt. Debt is <u>not</u> a bad thing unless, the business can not pay it back