

START

1 State two formulae for the calculation of profit.

2 State the names of two types of profit which can be found on a Statement of Comprehensive Income.

3 Identify which of the following are revenue expenditure items:

- Buying inventories
- Buying a new delivery vehicle
- Interest received
- Discounts allowed

4 Business A generated its sales revenue by selling 40,000 sandwiches. Using the Data Drop provided, calculate the average price of a sandwich sold by them in Year 1.

14 Both businesses experience uneven sales across the year – Spring and Summer are the busiest time of year. Explain two possible solutions to seasonal cash flow problems.

13 Using your answers from Q10, Q11 and the Data Drop provided, explain with reasons, which business made the best profitability margins.

12 Explain three ways in which a business, such as a sandwich shop, could improve their profit.

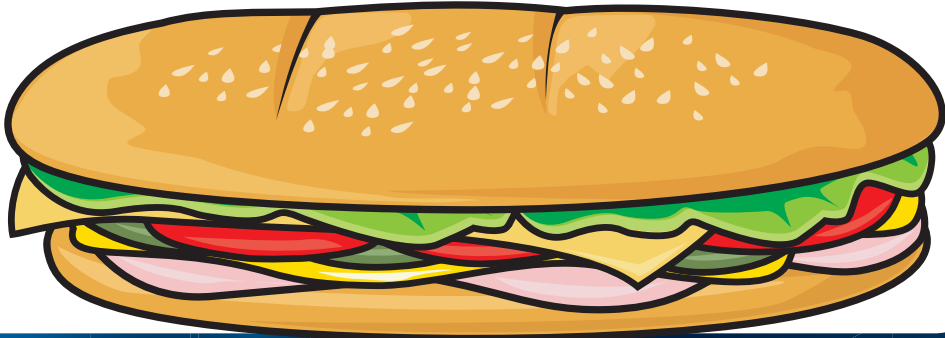
11 Calculate the profit made by:

- a) Business B in Year 1
- b) Business B in Year 2

BUSINESS PROFILE

Two competing sandwich shops, one selling 'luxury' sandwiches (Business A), the other offering 'value for money' (Business B).

Data Drop		
	Business A	Business B
Sales Revenue	Year 1 - £120,000 Year 2 - £160,000	Year 1 - £100,000 Year 2 - £120,000
Costs	Year 1 – 80% of Sales Rev Year 2 – 85% of Sales Rev	Year 1 - £70,000 Year 2 - £80,000



10 Calculate the profit made by:

- a) Business A in Year 1
- b) Business A in Year 2

9 State three ways in which a business, such as a sandwich shop, can improve their revenue.

5 Business B generated its sales revenue by charging an average price of £2.50 per sandwich. Using the Data Drop provided calculate the volume of sales made by them in Year 1.

6 Costs can be classified as fixed or variable. Explain, with a suitable example, what is meant by the terms:

- a) Fixed costs
- b) Variable costs

7 Calculate Business A's costs in Year 1 and Year 2, using the Data Drop provided.

8 Costs can also be classified as capital or revenue expenditure. Explain, with a suitable example, what is meant by the terms:

- a) Capital expenditure
- b) Revenue expenditure

BUSINESS FINANCE SUGGESTED ANSWERS

1 *TR – TC or Total Contribution - FC.*

2 *Gross profit.
Net profit/profit for the year.*

3 - *Buying inventories ✓*
- *Buying a new delivery vehicle*
- *Bank interest received*
- *Discounts allowed ✓*

4 $\frac{£120,000}{40,000 \text{ sandwiches}} = £3 \text{ per sandwich}$

14 *Overdraft, introduce new products/services to increase revenue in quiet months.*

13 *Business A: Yr1 - £24,000 / £120,000 x 100 = 20%, or, 100% - 80% costs*
Business A: Yr2 - £24,000 / £160,000 x 100 = 15%, or, 100% - 85% costs
Business B: Yr1 - £30,000 / £100,000 x 100 = 30%
Business B: Yr2 - £40,000 / £120,000 x 100 = 33.33%
Business B, despite lower revenue, made better profit and margins.
Business B, made better margins as costs were a lower % of their revenue. Business B's profit margin increased from Year 1 to Year 2.
Although Business A's revenue was higher, profits were lower and margins actually fell from 20% to 15% from Year 1 to Year 2, despite profit itself not falling.

12 *↑ revenue by ↓ or ↑ price, depending on quality and competition they face.*
↓ FC such as rent, wages.
↓ VC p/u such as inventories.

11 a) $£100,000 - £70,000 = £30,000$
b) $£120,000 - £80,000 = £40,000$

TIME TO REVIEW YOUR LEARNING.....

List three content points that you are confident with and three that require some attention.

Confident with	Requires attention
1	1
2	2
3	3

10 a) $£120,000 - £96,000 = £24,000$
b) $£160,000 - £136,000 = £24,000$

9 *↓ prices - this should increase demand and revenue.*
↑ prices – could work if sandwiches are higher quality than rivals, leading to ↑ margins & revenue.
Advertise more – ↑ awareness should lead to increased revenue.

5 $\frac{£100,000}{£2.50 \text{ per unit}} = 4,000 \text{ sandwiches sold}$

6 a) *Costs which do not vary in direct proportion to output or sales, e.g. rent.*
b) *Costs which vary in direct proportion to output or sales, e.g. inventories.*

7 *Year 1 = 0.80 x £120,000 = £96,000*
Year 2 = 0.85 x £160,000 = £136,000

8 a) *Expenditure on non-current assets, not incurred in the ordinary course of business, financed by capital income.*
b) *Expenditure on inventories or running expenses, incurred in the ordinary course of business, financed by revenue income.*