GCSE Business
Business Activity

Business Planning, Revenues and Costs

eduqas wjec cbac

The Business Plan

Definition: Helps in decision-making by showing the aims and objectives of a business and the strategies and requirements needed to achieve these. It also provides information to banks and other possible providers of finance to persuade these to grant loans and other monies to the business.

Why draw one up?:

- It will be needed by banks before lending money
- It shows how the business will be run
- It shows the business has been researched and thought through
- It shows opportunities and problems

Contents of the business plan:

- **Aims of business / mission statement ➔** give the business direction / goal ➔ motivate workers / management
- **Cash flow forecast / projected sales / projected costs ➔** banks / suppliers can see if business can pay them back ➔ management / owners can make decisions from them
- **Owners CV ➔** identify if they have the skills / experience to make business work
- **Type of ownership ➔** assess the liability v assess the advantages and disadvantages for the running of the business
- **Marketing ➔** outline the marketing mix /how the business will set price / product/ range/ attract customers / market research
- **Location / premises ➔** to assess suitability in relation to main factors / examples
- **Financial information ➔** how much is needed ➔ cash flow ➔ balance sheet / assets and liabilities ➔ profit and loss account / profit ➔ anticipated sales / revenues / earnings ➔ any reference to costs /e.g. wages ➔ available / alternative finance e.g. personal savings ➔ existing debt

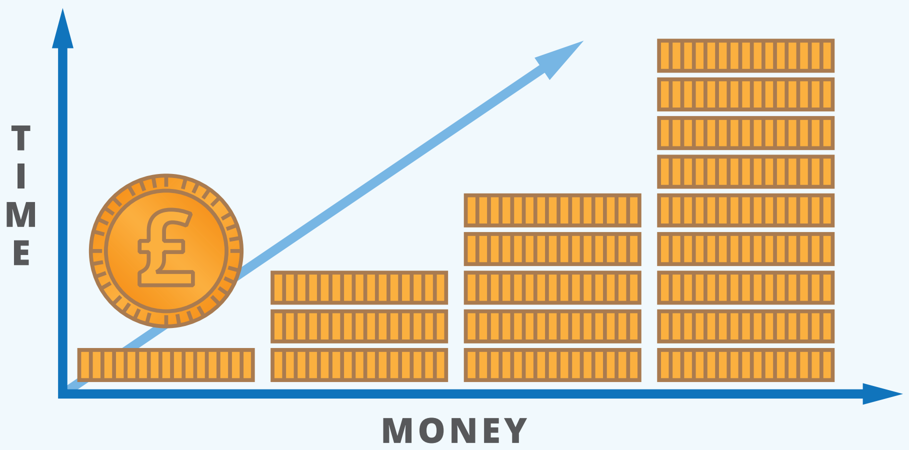
Turnover (Revenue)

Definition: The value of sales/income/revenue of a business/money made from selling goods or services.

Calculation: Selling Price × Quantity Sold

Ways to improve turnover:

- **Increase price ➔** make more revenue per item sold
- **Reduce price ➔** may create demand / sell more goods to increase total revenue
- **Increase promotion / advertising ➔** may attract more customers / sales



Fixed Costs

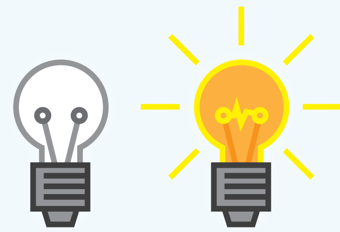
Definition: Costs which always stay the same no matter how many goods are produced.

Examples:

- Rent for the shop
- Monthly lease on equipment and machinery
- Payment of business rates on premises

Variable Costs

Definition: A cost that changes with the number of goods produced / sold / output

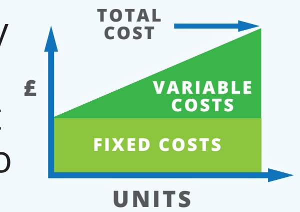


Examples:

- Raw materials
- Electricity and gas

Total Costs

Definition: Is the full amount of money spent by a business when producing the goods sold in a particular period. It is calculated by adding its fixed costs to its variable costs.



Calculation: Fixed Costs + Variable Costs

Profit

Definition: Is the difference between the total revenue of a business and the total costs of a business, when revenue is greater than cost.

Calculation: Total Revenue – Total Costs