

Know IT– BTEC Business Unit 2 Finance Exam

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| Cost | Anything which a business needs to spend money on. Businesses incur costs |
| Expenditure | Any cost |
| Annual expenditure | The total expenditure of a business over a year |
| Start-up costs | The costs incurred when setting up a new business – e.g. equipment |
| Operating costs | The regular (or day to day) costs incurred when operating a business – e.g. materials, petrol, rent etc... |
| Running costs | Operating costs |
| Fixed costs | The costs which stay the same every month no matter how much a business produces – e.g. rent, loan repayments, internet connection charges |
| Overheads | Fixed costs – the everyday running costs of a business |
| Variable costs | The costs which change depending on how much of a product a business makes – e.g. materials, petrol |
| Direct costs | Costs linked directly to a product – e.g. the materials and energy used to make it. Often the same as variable costs |
| Indirect costs | Overheads – costs not linked directly to making a product – e.g. advertising, rent etc... |
| Total costs | The total of a businesses costs |

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| Revenue | Ways in which businesses make money – e.g. from selling products. Businesses generate revenue |
| Turnover | Total revenue – the amount of money a business has coming in |
| Sales | The number of an item a business sells |
| Unit price | The price per item (or unit) |
| Investment | Money a business might get from an investor buying a share in it |
| Total revenue | The number of items sold multiplied by the unit price |
| Annual revenue | The total revenue of a business over a year |
| Profit | Revenue is more than expenditure |
| Loss | Expenditure is more than revenue |

Resources

<http://www.bluesquarething.co.uk/bus/busunit02.htm>

<http://www.beebusinessbee.co.uk>

BTEC First in Business - Study & Exam Practice with CD-ROM (CGP BTEC First) Paperback – 9 Dec 2013 by [CGP Books](#)

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| Key Formula | REVENUE = NUMBER OF SALES X PRICE PER UNIT |
| TOTAL COSTS = VARIABLE COSTS + FIXED COSTS | VARIABLE COSTS = VARIABLE COST PER UNIT X NUMBER MADE/SOLD |
| GROSS PROFIT = REVENUE – COST OF SALES | PROFIT = REVENUE – EXPENDITURE |
| | NET PROFIT = GROSS PROFIT – EXPENDITURE |