

# GCSE Business

## Revision booklet

**Test on the content on the week starting 6/09/21**  
**You must complete this booklet electronically or on a paper copy and bring it to the first lesson.**

<b>Business 2: Operations, Finance, Influences on business, and The interdependent nature of business</b>	
<b>4. Operations</b>	4.1 Production processes 4.2 Quality of goods and services 4.3 The sales process and customer service 4.4 Consumer law 4.5 Business location 4.6 Working with suppliers
<b>5. Finance</b>	5.1 The role of the finance function 5.2 Sources of finance 5.3 Revenue, costs, profit and loss 5.4 Break-even 5.5 Cash and cash flow
<b>6. Influences on business</b>	6.1 Ethical and environmental considerations 6.2 The economic climate 6.3 Globalisation
<b>7. The interdependent nature of business</b>	

You should prepare for the exam using the following resources:

- ✓ Practise using past exam papers and mark schemes.
- ✓ Look back at mistakes you have made on assessments and 'fix' them.
- ✓ Look at the model answers available.
- ✓ Fully complete this revision booklet (and the self-audit at the back).
- ✓ Ask your teacher for help.

## 5.1 The role of the finance function

🔗 The **role of the finance department** includes...

.....

.....

.....

.....

## 5.2 Sources of finance

🔗 Complete the two tables below about **sources of finance** (internal & external):

Source of Finance (Internal)	Definition / explanation, benefits & drawbacks
Owner's capital	
Retained profit	
Sale of assets	

<b>Source of Finance (External)</b>	<b>Definition / explanation, benefits &amp; drawbacks</b>
Bank loan	
Overdraft	
Take on a new partner	
Share issue	
Crowd funding	
Trade credit	

### 5.3 Revenue, costs, profit and loss

🌟 Fill in the four blanks (shaded squares) below:

Complete example	
Hats Ltd	
	£
Revenue	200,000
Cost of sales	80,000
<b>Gross Profit</b>	<b>120,000</b>
Rent	20,000
Salaries	40,000
Bills	20,000
Advertising	10,000
<b>Net Profit</b>	<b>30,000</b>

Fill the blanks...	
Chairs Ltd	
	£
Revenue	50,000
Cost of sales	10,000
<b>Gross Profit</b>	
Rent	10,000
Salaries	10,000
Bills	5,000
Distribution	
<b>Net Profit</b>	<b>10,000</b>

Fill the blanks...	
Stools plc	
	£
Revenue	100,000
Cost of sales	
<b>Gross Profit</b>	<b>40,000</b>
Rent & bills	10,000
Wage/salaries	10,000
Staff training	20,000
Advertising	20,000
<b>Net Profit</b>	

🌟 What could Stools plc do to improve their **gross profit**? Explain your idea and any drawbacks / limitations:

.....

.....

.....

.....

🌟 What could Stools plc do to improve their **net profit**? Explain your idea and any drawbacks / limitations:

.....

.....

.....

.....

🌟 What is it important for businesses to make a **profit**?

.....

.....

.....

⚡ Calculate the **Gross Profit Margin** for Hats Ltd:

---

---

⚡ Calculate the **Net Profit Margin** for Hats Ltd:

---

---

⚡ What are the three steps in calculating the **Average Rate of Return (ARR)**?

Step 1	
Step 2	
Step 3	

⚡ Calculate the **Average Rate of Return (ARR)** for the following investment:

<b>Initial Investment</b>	<b>(£50,000)</b>
Income Year 1	£20,000
Income Year 2	£40,000
Income Year 3	£50,000

Step 1	
Step 2	
Step 3	
Final Answer	

## 5.4 Break-even

Imagine that you run a small factory that makes wooden toys such as trains.

- ❖ You sell each train for £10.
- ❖ Each train costs you £5 to make in materials (e.g. wood).
- ❖ The fixed costs for the factory are £10,000 per month.

🌟 Using an example from your toy factory, explain the term '**revenue**'.

---

---

---

🌟 Using an example from your toy factory, explain the term '**fixed costs**'.

---

---

---

🌟 Using an example from your toy factory, explain the term '**variable costs**'.

---

---

---

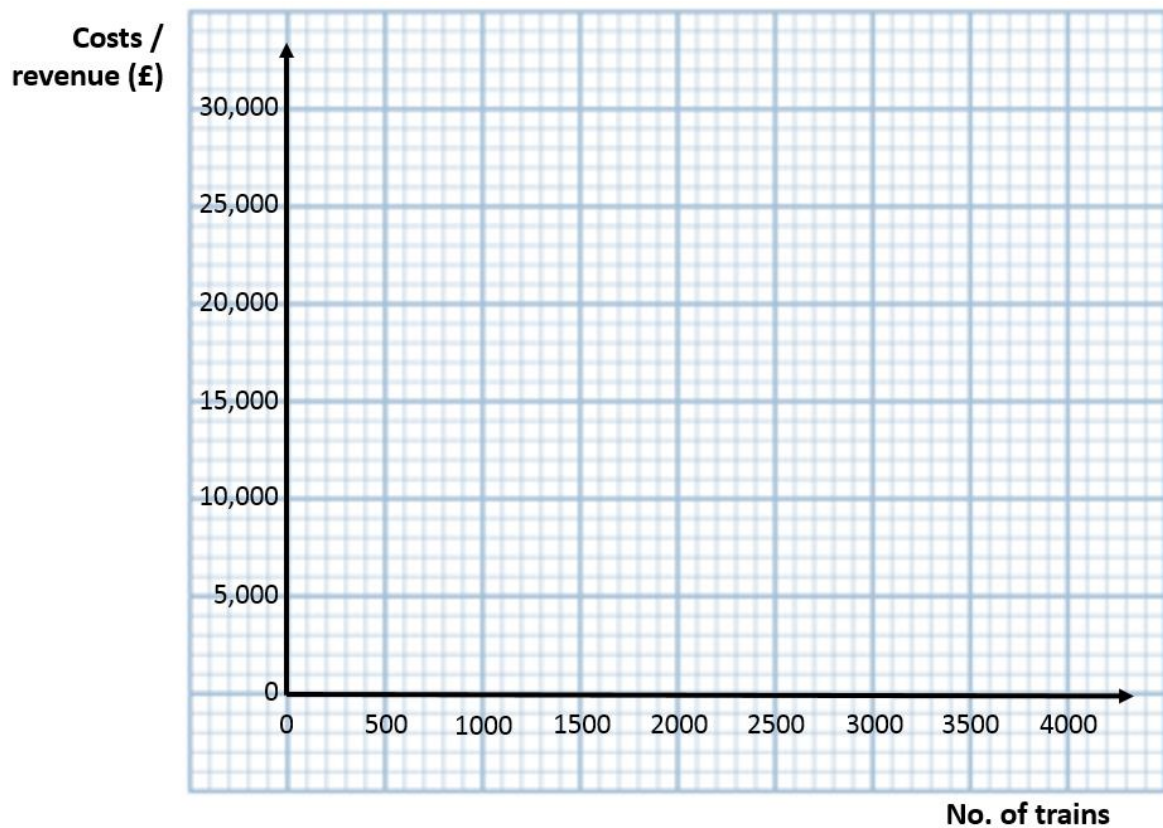
🌟 Using the figures above, calculate the **break-even point** for your toy factory:

---

---

---

🔗 Using the figures above, **draw a break-even chart** which shows the fixed costs, total costs, total revenue and break-even point:



🔗 Imagine your business is currently selling **3,000 trains** per month:

How much **profit / loss** is being made?

.....

.....

What is the **margin of safety**?

.....

.....

🔗 Identify and explain **two limitations** of using break-even charts / analysis:

.....

.....

.....

.....

## 5.5 Cash and cash flow

✪ Explain the **importance of cash** to a business (or the consequences of not having enough):

.....

.....

.....

.....

✪ What is the difference between **cash** and **profit**?

Cash	
Profit	

✪ Explain the **benefits** to a business of creating a cash flow forecast:

.....

.....

.....

.....

✪ Complete the **blanks** in the following cash flow forecast:

	<b>January</b>	<b>February</b>	<b>March</b>
	£	£	£
Opening balance	10,000	10,500	
Cash inflow	2,000	3,000	4,000
Cash outflow	1,500	2,000	
Net cash flow	500		1,500
Closing balance		11,500	13,000



## Self-audit

Give yourself an honest rating on each area of the syllabus, so that you know where to prioritise your revision (e.g. 1-5 ✓ ✗ 😊 😞):

### 5. Finance

Topic	
<ul style="list-style-type: none"><li>▪ Content</li><li>✓ <i>Points to include</i></li></ul>	
<b>5.1 The role of the finance function</b> <ul style="list-style-type: none"><li>▪ The purpose of the finance function<ul style="list-style-type: none"><li>✓ <i>provide financial information, support business planning and decision making</i></li></ul></li><li>▪ The influence of the finance function on business activity</li></ul>	
<b>5.2 Sources of finance</b> <ul style="list-style-type: none"><li>▪ The reasons businesses need finance<ul style="list-style-type: none"><li>✓ <i>establishing a new business, funding expansion, to run the business recruitment, marketing</i></li></ul></li><li>▪ Ways of raising finance<ul style="list-style-type: none"><li>✓ <i>loan, overdraft, trade credit, retained profit, sale of assets, owners' capital, new partner, share issue, crowdfunding</i></li></ul></li><li>▪ How and why different sources of finance are suitable for new and established businesses</li></ul>	
<b>5.3 Revenue, costs, profit and loss</b> <ul style="list-style-type: none"><li>▪ The concept of revenue, costs and profit and loss in business and their importance in business decision-making</li><li>▪ The different costs in operating a business<ul style="list-style-type: none"><li>✓ <i>fixed, variable, total</i></li></ul></li><li>▪ Calculation of costs and revenue</li><li>▪ Calculation of profit/loss<ul style="list-style-type: none"><li>✓ <i>gross profit, net profit</i></li></ul></li><li>▪ Calculation and interpretation of profitability ratios<ul style="list-style-type: none"><li>✓ <i>gross profit margin, net profit margin</i></li></ul></li><li>▪ Calculation and interpretation of average rate of return</li></ul>	
<b>5.4 Break-even</b> <ul style="list-style-type: none"><li>▪ The concept of break-even<ul style="list-style-type: none"><li>✓ <i>total costs = total revenue</i></li></ul></li><li>▪ Simple calculation of break-even quantity</li><li>▪ The usefulness of break-even in business decision-making<ul style="list-style-type: none"><li>✓ <i>informs marketing and planning decisions</i></li></ul></li></ul>	
<b>5.5 Cash and cash flow</b> <ul style="list-style-type: none"><li>▪ The importance of cash to a business<ul style="list-style-type: none"><li>✓ <i>providing liquidity, enables business to meet short-term debts/expenses</i></li></ul></li><li>▪ The difference between cash and profit</li><li>▪ The usefulness of cash flow forecasting to a business<ul style="list-style-type: none"><li>✓ <i>planning tool, anticipates periods of cash shortage, enables remedies to be put in place for shortages, provides targets</i></li></ul></li><li>▪ Completion of cash flow forecasts</li></ul>	