1.3- Putting a business idea into practice-

Key terms

Final objectives- Money-making targets such as; making a profit, earning income or building wealth.

Revenues or **Sales revenues** or **Turnover** or **Sales turnover-** The amount of income received from goods or services over a period of time.

Sales volume- The number of items, products or services sold by a business over a period of time.

Fixed costs- Costs which do not vary with the output produced, such as rent, business rates, advertising costs, administration costs and salaries.

Variable costs- Costs which change directly with the number of products made by a business, such as the cost of buying raw materials.

Total costs- All the costs of a business= Fixed costs + Variable costs.

Profit- Occurs when the revenues of a business are *more* than its costs over a period of time.

Loss- Occurs when the revenues of a business are *less* than its costs over a period of time.

Cash- Notes, coins, and money in the bank.

Cash flow- The movement of cash in and out of a business.

Inflow- The cash moving into a business- its **receipts.**

Outflow- The cash moving out of a business- its **payments**.

Net cash flow- The receipts of a business minus its payments.

Insolvency- When a business can no longer pay its debts.

Cash flow forecast- A prediction of how cash will flow through a business over a period of time in the future.

Closing balance- The amount of money in a business at the end of the month.

Opening balance- The amount of money in a business at the start of the month.

Cumulative cash flow- The sum of cash that moves in a business over time.

Trade credit- Where a supplier gives a customer a period of time to pay a bill (or **invoice**) for goods or services, once they have been delivered.

Stocks- Materials that a business holds. Some could be materials waiting to be used in the production process, and some could be finished stock waiting to be delivered to customers.

Business plan- A plan for the development of the business giving forecasts of items such as sales, costs and cash flow.

Long term finance- Sources of money for businesses that are borrowed or invested, typically for more than a year.

Share- A part ownership of a business, for example a shareholder owning a 25% of the shares of a business- this means they own a quarter of the business.

Personal savings- Money that has been set aside and not spent by individuals and households.

Share capital- The monetary value of a company which belongs to its shareholders- for example, if five people each invest £10,000 into a business, the share capital is £50,000.

Shareholders- The owners of a company.

Venture capitalist- An individual or company who buy shares in what they hope will be a fast growing company, with a long-term view of selling shares at a profit.

Loan- Borrowing a sum of money which has to be repaid, with interest, over a period of time, such as 1-5 years.

Security (or **collateral)-** Assets owned by a business which are used to guarantee repayments of a loan; if the business fails to pay off the loan, the lender can sell what has been offered as security.

Mortgage- A loan where property is used as security.

Dividend- A share of the profits or a company received by shareholders who own shares.

Retained profit- Profit which is kept back in the business and used to pay for investment in the business.

Factoring- A source of finance where a business is able to receive cash immediately for the invoices it has issued from a factor, such as a bank, instead of waiting the typical 30 days to be paid.

Leasing- Renting equipment or premises.

Overdraft facility- Borrowing money from a bank by drawing more than is actually in the current account. Interest is charged on the amount overdrawn.