

# GCSE Business

## Topic 1.3 Putting a business idea into practice

**1.3.1. Business aims and objectives**

**1.3.2 Business revenues costs and profits**

**1.3.3 Cash and cash flow**

**1.3.4 Sources of business finance**



**Name:**

### 1.3.1. Business aims and objectives

#### Aims and objectives introduction

Aim \_\_\_\_\_

Objective \_\_\_\_\_

#### Why does a business set aims and objectives?

A \_\_\_\_\_

B \_\_\_\_\_

C \_\_\_\_\_

#### Business objectives when starting up – FINANCIAL

	Name of objective	Explain
A		
B		
C		
D		
E		

#### Business objectives when starting up – NON - FINANCIAL

	Name of objective	Explain
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<b>1</b>		
<b>2</b>		
<b>3</b>		
<b>4</b>		
<b>E</b>		

**Why aims and objectives differ between businesses**

**What are the aims and objectives of the Private sector?**

**What are the aims and objectives of the Public sector?**

**What are the aims and objectives for Not for profit / voluntary sector?**

## Sample questions

### Sample exam questions

Two toy shops in Southville have different objectives.

Which of the following could be a reason why these two businesses have different objectives?

- A Central government sets specific objectives for every business
- B Diversification is not allowed
- C One business is a new start-up and the other is well established
- D The law does not allow businesses to have identical objectives

Your answer

[1]

Which **one** of the following is an example of a non-financial objective for an entrepreneur starting a new business?

Select **one** answer:

(1)

- A Survival
- B Profit
- C Market share
- D Independence

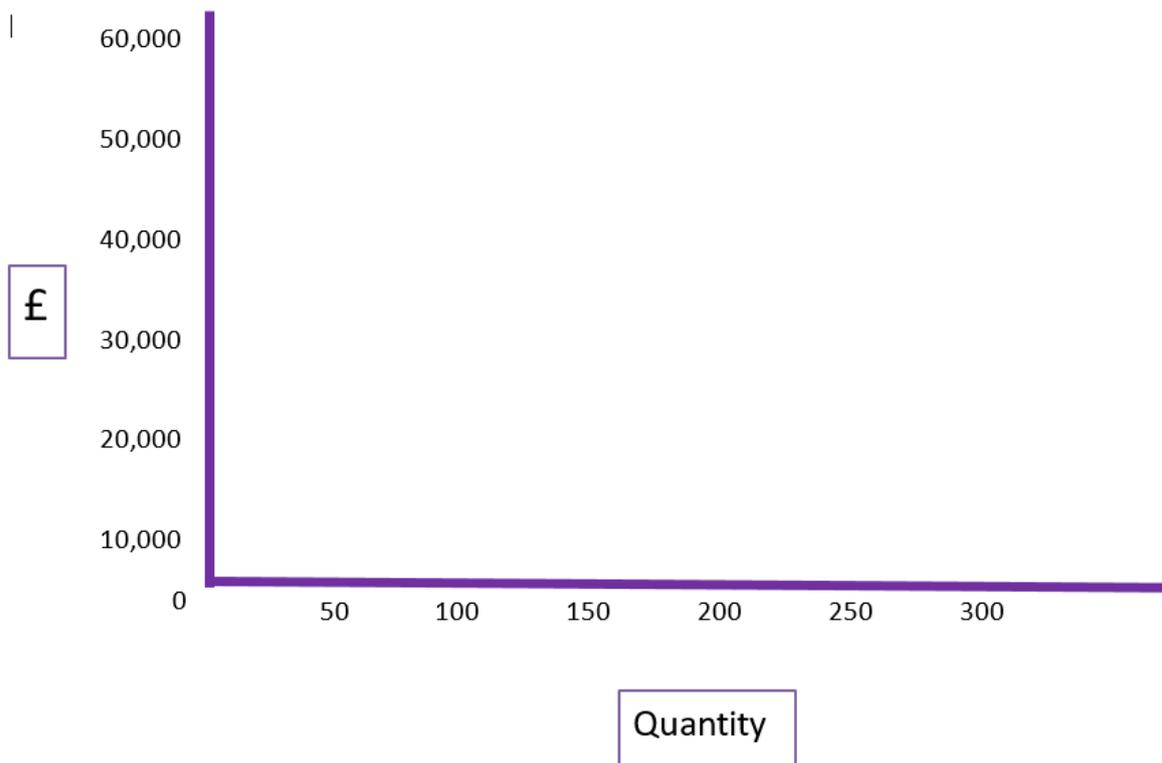
### 1.3.2 Business revenues costs and profits

	Explain the term	Write the formula
<b>Revenue</b>		
<b>Fixed costs</b>		x
<b>Variable costs</b>		x
<b>Total costs</b>		
<b>Profit</b>		

<b>Interest</b>		
<b>Break-even</b>		
<b>Margin of Safety</b>		

### Break-even graphs

<b>Number of sales (units)</b>	<b>Total revenue (£) (sales x £180)</b>	<b>Fixed costs (£)</b>	<b>Variable costs (£) (sales x £120)</b>	<b>Total Costs (£) Variable costs Plus Fixed costs</b>
50	9000	12000	6000	18000
100		12000		
150		12000		
200				
250				
300				



### 1.3.3. Cash and cash flow

#### The importance of cash to a business

##### Importance of cash - To pay suppliers

Suppliers – those businesses which supply the company with \_\_\_\_\_ or other supplies such as \_\_\_\_\_ for a printer. If a supplier is not paid on time they may \_\_\_\_\_ to deal with the company in the future

##### Importance of cash - To pay overheads

Examples of overheads	What is not an overhead?

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### Importance of cash - To pay employees

**What happens if a business does not pay its employees?**

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### Importance of cash - To prevent business failure (insolvency)

- “Cash is \_\_\_\_\_” is an expression some business people may use – this is a way of showing how \_\_\_\_\_ it is
- A business needs to make sure that its \_\_\_\_\_ are paid on time so that it has \_\_\_\_\_ to pay its own suppliers
- When a business runs out of \_\_\_\_\_ to pay everyone and cannot raise finance in time it may \_\_\_\_\_

### The difference between cash and profit

**Define cash:**

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**Define profit:**

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**Cash flow forecast is a prediction**

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**Cash inflows and outflows – list some examples below.**

## Cash inflows and outflows

**Inflows**

**Outflows**

## How do you calculate Net Cash flow?

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### Task



- Complete the cash flow forecast for Monsieur LePlonk

(£)	Jan	Feb	Mar	Apr	May	June
Receipts	1,500	1,200	900	2,000	2,100	2,400
Payments	1,400	1,200	800	1,700	1,750	1,800
Net Cash flow						
Opening Balance	0					
Closing Balance						

NOTE THAT THE OPENING BALANCE IS THE SAME AS THE CLOSING BALANCE OF THE PREVIOUS MONTH

### Exam-style question

Table 1.3.4 shows the cash flow forecast for a business.

Complete the table by calculating the two missing figures (i) and (ii).

You are advised to show your workings.

**(2 marks)**

	March (£)	April (£)
Total money received	19,359	24,946
Fixed costs	2,468	2,468
Cost of sales	7,352	9,346
Total payments	9,820	11,814
Net cash flow	<b>(i)</b>	15,600
Opening balance	2,460	11,999
Closing balance	11,999	<b>(ii)</b>

### 1.3.4 Sources of business finance

#### Short term source of finance

## Overdraft

**advantages**

**disadvantages**

## Trade credit

**advantages**

**disadvantages**

## Personal savings

advantages

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disadvantages

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## Venture capital

advantages

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disadvantages

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# Share capital

**advantages**

**disadvantages**

# Loans

**advantages**

**disadvantages**

# Crowd funding

**advantages**

**disadvantages**

### 1.3 Putting a business idea into practice

Key word	Definition
Market share	The proportion of sales in a market that are taken by one business
Profit	The amount of revenue left over once costs have been deducted
Social objectives	Likely to be non-financial, such as to reduce the carbon emissions of a business or improve the quality of life for a local community
Income stream	The source of regular income that a business receives. This could be through the money it receives from customers, or other seas such investment income
Viable	Capable of working or succeeding
Income statement	A financial statement showing the amount of money earned and spent in a particular period and resulting profit and loss
Stakeholder	Anyone who has an interest in the activities of a business, such as its workers, its suppliers, the local community and the government
Break-even point	The point where revenue received meets all of the costs of the business
Credit	The amount of money that a financial institution or supplier will allow a business to use, which it must pay back in the future at an agreed time
Overheads	Fixed costs that come from running an office, shop or factory, which are not affected by the number of specific products or services that are sold
Insolvent	A business that is unable to pay its debts and/or owes more money than it is owed
Consumables	Items that get 'used up', such as pens, paper, staples and other items that a business has to replace regularly
Trade credit	A credit arrangement that is offered only to businesses by suppliers
Overdraft	A facility offered by a bank that allows an account holder to borrow money at short notice
Cheque	A written order to a bank to pay an amount of money from an account holder's account to a specified person
Venture capital	Money to invest in a business is sourced from individuals, or groups of people, who wish to invest their own money into new businesses
Return on investment	The amount of money that an investor gets back in return for investing a business
Shareholders	Investors who are part-owners of a company
Share capital	Money to invest in a business is raised by the

	business issuing shares that it then sells to those who wish to invest in the company
Credit check	A check on the financial status of a business or individual to ensure that the business or the individual has a reliable credit history and does not have any existing outstanding debts
Security	When the lenders asks the borrow to put up an asset, such as a house, or a valuable item owned by the business
Asset	Any item of value that a business owns, such as its machinery or premises
Guarantor	A named person who guarantees to pay the repayments on a loan should the person who has taken out the loan not be able to make the payments
Retained profit	Money that a business keeps, rather than paying out to its shareholders