

2.2.2 Sales, revenues and costs

Starter

* If you were going to start a business selling products at a festival – what would you sell?

Your festival business

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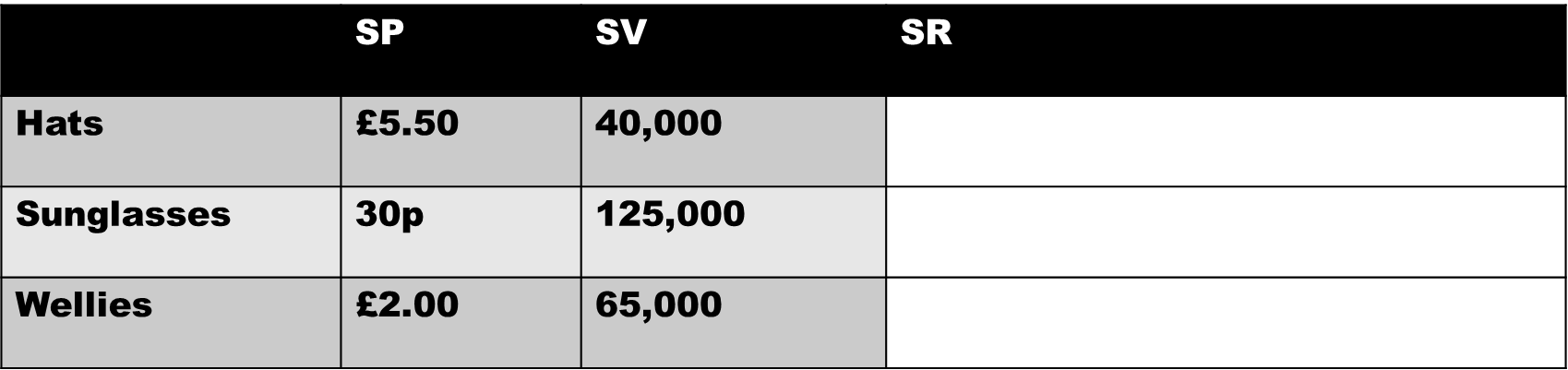
Basic terms:

|  |  |
| --- | --- |
| Sales revenue |  |
| Variable cost |  |
| Fixed costs |  |
| Profit |  |

Sales volume formula – write that here:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **SR** | **SP** | **SV** |
| Hats | £100,000 | 40p |  |
| Sunglasses | £60,000 | £1.20 |  |
| Wellies | £80,000 | £4.60 |  |

Sales revenue formula – write that here:



Write a definition of fixed costs here:

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Examples of fixed costs

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Fixed costs of a festival business

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Calculation of fixed costs

Fixed costs on a bank loan

* For example, a loan of £5,000 at 9.9% over 3 years would be:
  + Monthly repayments £\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + Total amount repayable £\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + APR 9.9%Total cost of credit £\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
| Step 1 |  |
| Step 2 |  |
| Step 3 |  |

Bank loan calculation examples:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Example A** | **Example B** | **Example C** | **Example D** |
| Number of years loan is over | £30,000 | £10,500 | £4,500 | £9,000 |
| Percentage rate of the loan | 5 | 10 | 3 | 4 |
| Total cost of credit | 7% | 5.5% | 6% | 8.25% |
| Total amount repayable |  |  |  |  |
| Monthly repayments |  |  |  |  |

Definition of variable costs

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Variable costs

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Variable costs of a festival business

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Total variable cost formula

|  |  |  |  |
| --- | --- | --- | --- |
|  | **AVC** | **Q** | **TVC** |
| A | £2.25 | 40,000 |  |
| B | 40p | 125,000 |  |
| C | £6.50 | 65,000 |  |

Total costs formula

|  |  |  |  |
| --- | --- | --- | --- |
|  | **AVC** | **Q** | **TVC** |
| A | **£30,000** | **£66,000** |  |
| B | £42,000 | £52,400 |  |
| C | £127,000 | £170,000 |  |

Formula to calculate changes:

