

# Business Summer School – Finance

Throughout the session you have learnt about:

- Costs when starting a Business
- Fixed, Variable and Semi-Variable
- Profit and Loss
- Revenue
- Break Even

Following on from all of the information we have discussed, answer the questions below and submit it back.

1. Identify 5 costs for a Restaurant and split them into either START UP COSTS or OPERATING COSTS (running costs)

2. Match the below costs, to the appropriate classification – complete this within the grid

Heating  
£50 p/m up to 50kw of usage  
£1.25 per kw of usage above

Hourly labour rate for  
production workers

Supervisors salaries

Basic weekly wage

Insurance	Materials for production	Admin salaries	Telephone charges Landline £15 p/m 10p per minute
Fuel for delivery vans	Rent and Rates	Packaging materials and labour	Power for machinery for production

<u>FIXED COSTS</u>	<u>VARIABLE COSTS</u>	<u>SEMI-VARIABLE COSTS</u>

2. Identify 5 costs for a Restaurant and split them into either START UP COSTS or OPERATING COSTS (running costs)

3. Calculate the Revenue for Karl's Motors – Karl has sold 24 wheels today, for a retail price of £36.50 each.

4. What is a business doing at the break-even point? *Highlight the correct answer from the choices below*

- Making a profit
- Making a loss
- Making neither a profit or a loss

5. What is a business doing when it sells output beyond the break-even point? *Highlight the correct answer from the choices below*

- Making a profit
- Making a loss
- Making neither a profit or a loss

6. What is the break-even formula?

7. What is the contribution formula?

8. Complete the grid:

Break-Even FC are planning to change the price of their football shirts from £35 to £40.

At £35 a shirt they sell on average 600,000 shirts a season with a profit of £13.5 million.

At £40 a shirt they expect to sell 500,000 shirts a season.

Use the table below to suggest whether it is worth Break-Even FC changing their prices.

<b>No. sold (units)</b>	<b>Sales Revenue (£mil)</b>	<b>Fixed Costs (£mil)</b>	<b>Variable Costs (£mil)</b>	<b>Total Costs (£mil)</b>	<b>Profit/ Loss (£mil)</b>
<b>0</b>	0	5	0	5	(5)
<b>50,000</b>		5	.25		
<b>100,000</b>					(1.5)
<b>150,000</b>					
<b>200,000</b>	8	5	1		

<b>250,000</b>	10	5	1.25		3.75
<b>300,000</b>			1.5		5.5
<b>350,000</b>					
<b>400,000</b>				7	
<b>450,000</b>	18			7.25	
<b>500,000</b>	20	5	2.5		

If you still do not understand some of these elements, watch the following video for support and guidance:

<https://www.youtube.com/watch?v=7RocdGhTd6Q>