

## Year 12 Business Studies Revision List – Assessment 2

Year 12 Business Studies Assessment will be 1 hour 15 minutes long based on the following areas. Detailed revision of the following areas will be necessary to succeed. Good luck! Make sure you have the correct equipment with you –

A yellow rectangular box with the text "Let's LEARN!" written in a bold, black, sans-serif font. The word "LEARN!" is in a larger font size than "Let's".

- Pens
- Pencil
- Ruler
- Rubber
- Highlighter
- Calculator

### **Topic A.1 Understand the costs involved in business**

Learners should:

- understand costs of a business, including:
  - start-up costs – the costs incurred when setting up a business
  - operating (running) costs – the costs incurred in the day-to-day running of a business
- understand fixed and variable costs, direct and indirect costs, total costs
- calculate total costs (formula will not be given in the assessment)

$$\text{total costs} = \text{fixed costs} + \text{variable costs}$$

### **Topic A.2 Understand how businesses make a profit**

Learners should:

- understand how businesses make money (generate revenue)
- understand sources of revenue for a business
- calculate revenue (formula will not be given in the assessment)

$$\text{revenue} = \text{number of sales} \times \text{price per unit}$$

- understand how businesses have to spend money (expenditure) in order to succeed
- understand types of expenditure (including overheads) businesses may have
- understand that expenditure is anything a business pays out and overheads are the everyday running costs of a business
- understand that businesses must know how much money is coming in (revenue) and going out (expenditure), before they can work out whether the business has:
  - made a profit
  - made a loss
- define:
  - profit – revenue is more than expenditure
  - loss – expenditure is more than revenue
- calculate profit (formula will not be given in the assessment)

$$\text{profit} = \text{revenue} - \text{expenditure}$$

## **Topic B.1 Understand the planning tools businesses use to predict when they will start making a profit**

Learners should:

- define breakeven – when a business has made enough money through product sales to cover the cost of making the product (no profit and no loss)
- understand from a breakeven chart:
  - breakeven point
  - profit
  - loss
  - variable costs
  - fixed costs
  - total revenue
  - total costs
  - margin of safety
- calculate the breakeven (formula will not be given in the assessment)

$$\text{Breakeven} = \frac{\text{fixed costs}}{\text{selling price per unit} - \text{variable cost per unit}}$$

- understand the advantages and disadvantages of breakeven analysis to businesses when planning for success
- understand the effect on the breakeven point if sales or (fixed and variable) costs change, and the impact of these changes on the business

## **Topic B.2 Understand the tools businesses use to plan for success**

**Budgeting** – learners should understand:

- the purpose of budgeting in setting expenditure and revenue budgets
- the difference between budgeting and budgetary control (checking performance against plan)

**Cash flow forecasting** – learners should:

- understand the purpose of a cash flow forecast
- understand the sources of cash coming into the business (inflows)
- understand the sources and destination of cash leaving the business (outflows)
- understand the impact of timings of inflows and outflows
- understand the advantages of using a cash flow forecast to plan for success in a business and explain the associated risks to businesses of not completing a cash flow forecast
- understand the disadvantages of cash flow forecasting
- complete a cash flow forecast from given information
- understand business' finances based on cash flow information and possible issues and solutions for the business.