AQA GCSE Business Studies Teacher Guide

Chapter 3 Finance

Raising finance for a new business

A new business can get money from:

- its owners
- a bank
- friends and family
- selling shares
- the government

For what reasons might a new business (such as Katie's flower shop) need to raise finance?

Who can help you plan your finances?

- Accountants and solicitors.
- Private websites.
- Banks.
- Business Link.



Websites

You should look at: <u>www.businesslink.gov.uk</u> www.smallbusiness.co.uk

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Key financial terms

- Price the amount a business asks a customer to pay.
- Sales the number of products a business sells.
- Costs the spending necessary to run a business.



Types of costs

- Fixed costs do not change when a business produces more or less.
- Variable costs change along with the amount produced by a business.

Can you think of examples of each?

Key financial formulae

- Revenue = selling price x sales
- Costs = fixed costs + variable costs
- Profit (loss) = revenue total costs



Test yourself

Katie's flower shop has the following figures:

- Sales revenue = £10,000
- Fixed costs = $\pounds4,000$
- Variable costs = £5,000

How much is its profit or loss?



Cash flow

This is the money flowing into and out of a business over time.



Cash flow forecast

Businesses forecast cash flows to see if they will run out of cash.

Why might cash flow into a business and out of a business?



Cash is important

A business that runs out of cash may be forced into receivership.

Delaying payments, borrowing and delaying or reducing cash outflows can help to solve cash problems.