**UNIT 2 - LO3: FINANCIAL CONCENTS & CALCULATIONS**

Webpage for lesson: WWW.SANDONBIZ.WEEBLY.COM

**Key terms**

**Sales revenue** is the money made buy a business from the sale of goods or services.

**Sales revenue = Price per unit X Number of units sold**

**Profit** is the money remaining after costs have been taken away from sales revenue. There are two types of profit, gross profit and net profit

**Gross profit** is the money left over once you have deducted the cost of sales (opening stock and purchases) from sales revenue

**Gross profit = Sales revenue - Cost of sales**

**Net profit**, or true profit, is the money left over once you have deducted all cost (cost of sales and expenses) from sales revenue

**Net profit = Gross profit – expenses**

**Cost of sales** includes opening stock and Purchases

**Expenses** includes rent, wages, salaries, business rates, insurance

Use the information you have learned this lesson as well as the key terms and formulas on the other side of this sheet to undertake the following questions using the information from the attached case study.

**Case study A**

Mr Lawn wants to make a bit of extra cash, so he rents a stall on Braintree market one Saturday for £50 and buys 100 GCSE revision guides to sell for £250. He pays two year 10 students £20 each for the day and takes out public liability insurance for £30.

Mr Lawn sets the price of each revision guide at £5 and manages to sell all 100 books by the end of the day.

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| 1. Calculate Mr Lawns sales revenue for the day | Sales revenue = Price per unit X Number of units sold |
| 1. Calculate the costs of sales for the day | Cost of sales includes opening stock and Purchases |
| 1. Calculate gross profit for the day | Gross profit = Sales revenue - Cost of sales |
| 1. Calculate expenses for the day | Expenses includes rent, wages, salaries, business rates, insurance |
| 1. Calculate net profit for the day | Net profit = Gross profit – expenses |

**Case study B**

Please with the extra cash he has made, the following weekend Mr Lawn rents a stall at Colchester market for £75 and pays the same two year 10 students £25 each as it is a slightly longer day. He takes out the same public liability insurance for £30.

Feeling confident Mr Lawn buys 300 revision books for £750 and sells them all, again charging the customers £5 each.

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| Calculate the sales revenue for the day |  |
| Calculate the gross profit for the day |  |
| Calculate the net profit for the day |  |

**Stretch & challenge:** Either write your own case study and questions for the calculations we have learned today (you must also work out the answers).

Or explain why Mr Lawn might have expected to pay less than £750 for the 300 books given the price for 100 was £250