KNOWLEDGE ORGANISER

Theme 1 – Investigating Small Business

Key Vocabulary

Aims – a long term goal a business wants to achieve
Objectives – more specific measurable steps
Financial aims – goals related to money, e.g. survival, profit levels
Non-financial aims – goals related to non-monetary aspects, e.g. ethical or environmental issues
Survival – having enough sales to cover costs and still be trading
Profit – when revenue is greater than costs
Sales volume – the number of products sold
Market Share – the percentage of total sales that one business has
Ethical – morally correct
Shareholder – an individual who owns part (a share) of company
Dividend – the percentage of profit that is paid to shareholders of a company each year
Revenue – Also called **Turnover**, **Income** and **Sales**. This is the money generated from selling your products
Demand – a business term for the quantity of products sold
Fixed costs – costs that do not change as the level of production changes. They must be paid even if output/sales are zero, e.g. rent, rates
Variable costs – costs that change in direct relation to the amount sold or produced by a business, e.g. raw materials, packaging
Total costs – All costs added together
Profit – when revenue is greater than costs
Loss – when revenue is lower than costs
Interest – a percentage charge on borrowed money / percentage reward for saving money
Cash – the money a business holds in notes and coins and in its bank accounts
Cashflow – the movement of money in and out of a bank account
Insolvency – when a business lacks the cash to pay its debts
Overdraft – the amount of an agreed overdraft facility that a business uses, when a business has a negative bank balance
Overdraft facility – the maximum amount that a business can go into negative balance on its bank account
Cash inflows – money entering the bank account, e.g. from sales
Cash outflows – money leaving the bank account, e.g. bills for supplies

Topic: 1.3 Putting a business idea into practice			
1.3.1 Business Aims & Objectives			
What business aims and business objectives are: • Financial aims and objectives: survival, profit, sales, market share, financial security • Non-financial aims and objectives: social objectives, personal satisfaction, challenge, independence and control. Why aims and objectives differ between businesses			
1.3.2 Business Revenues, Costs & Profits			
The concept and calculation of: • Revenue • Fixed and variable costs • Total costs • Profit and loss • Interest • Break-even level of output • Margin of safety Interpretation of break-even diagrams: • The impact of changes in revenue and costs • Break-even level of output • Margin of safety • Profit and loss			
1.3.3 Cash & Cash Flow			
The importance of cash to a business: • To pay suppliers, overheads and employees • To prevent business failure (insolvency) • The difference between cash and profit Calculation and interpretation of cash-flow forecasts: • Cash inflows • Cash outflows • Net cash flow • Opening and closing balances			
1.3.4 Sources of Finance			
Sources of finance for a start-up or established small business: Short-term sources: • Overdraft • Trade credit Long-term sources: • Personal savings • Venture capital • Share capital • Loans • Retained profit • Crowd funding			

Key Terms

Interest – the charge on borrowing money
Share capital - the investment raised from selling shares (part of the company) to investors
Dividends – the part of the profit that is paid to shareholders as a reward for their investment
Loan – borrowing an amount of money from the bank which is paid back in monthly instalments at a fixed rate of interest
Mortgage – a type of loan that is secured on property. Interest can be fixed or variable
Venture capital – a combination of share and loan capital providing by an investor willing to take a risk
Retained profit – profit kept by the business from previous years
Crowdfunding – raising capital online from lots of small investors
Overdraft – having a negative bank balance
Trade credit – buying goods and paying for them later

Wider Business World

Tesco – used to aim to have more than 50% of its revenue from non-food. Changed after Aldi and Lidl gained 10% market share between them
Gordon Ramsey – watch any of his 'Nightmare' shows to see how he talks about knowing the break-even number of meals, and the importance of costing each meal
Dragon's Den – the Dragons are venture capitalists
Go Fund Me – an example of a crowdfunding website