

# Business Studies

Business has a language of its own. Below are some of the special terms in common use. Use the space provided to record when you have learned and used them.

Profit

**Gross Profit:** sales minus cost of sales

**Net Profit:** gross profit minus expenses

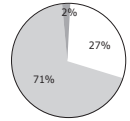
**Breakeven:** sales are equal to costs (no profit)

**Variable costs:** costs of production which vary with output

**Fixed costs:** costs of production which do not vary with output

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## Sectors of the UK economy



**Primary**  
Agriculture, fishing 2%

**Secondary**  
Manufacturing 27%

**Tertiary**  
Services 71%

**Ratios** **Current ratio** =  $\frac{\text{current assets}}{\text{current liabilities}}$

**Acid test debtors** =  $\frac{\text{debtors} + \text{cash}}{\text{current liabilities}}$

**ROCE** =  $\frac{\text{net profit}}{\text{working capital}}$

**Breakeven level of sales** =  $\frac{\text{fixed costs}}{\text{profit contribution}}$

The Marketing Mix

**Price:** the pricing strategy used Labour capital

**Place:** where the product is to be sold

**Promotion:** the type of advertising or promotion used

**Product:** the wrapping or contents of the product

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## Factors of production



## Balance Sheet

**Assets** are the things you own

**liabilities** are things you owe to someone else

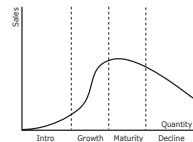
**Assets** **Liabilities**



**Current** means anything less than one year

**Long term** means anything longer than one year

## The Product Life Cycle



Example

## Types of Business Structure

**Sole trader:** someone who sets up and runs their own business

**Partnership:** 2 to 20 people who have a common purpose

**Unlimited liability:** if you can't pay your debts you lose almost everything

**Limited liability:** risks are limited to the owners' funds

**Limited Company (Ltd):** private limited company

**Public Limited Company (plc):** the largest type of business, anyone can buy Shares in it

## Types of production

Example

**Job:** made one at a time - high level of skills used

**Batch:** made in batches - lower quality, easily changed

**Flow:** made on a production line, fast, high volume

**Process:** made as a continual process e.g., chemicals etc, achieving economies of scale