BTEC First **Business**

Unit 2: Finance for business

Learning Aim A:
Understand the costs involved in business and how businesses make a profit

Topic A.1 Understand the costs involved in business



A: Understand the costs involved in business and how businesses make a profit

Topic A.1 Calculating breakeven

Learners should:

- o understand costs of a business, including:
 o start-up costs the costs incurred where ettil up a sire o operating (running) costs the costs incurred the de co-day running o pusiness
- o understand fixed and variable co. direct dindirect cost. total costs calculate total costs total costs = fixed costs + variable costs



A: Understand the costs involved in business and how businesses make a profit

A.1 - Costs of a business

Start-up costs



BUSINESS START-UP COSTS

Once a business idea becomes a plan and you are ready to set it up there are lots of things that need to be paid before the business starts – these are the start-up costs.

Advance planning is key to make sure everything is in ordered, paid for and in ceprior to opening.

Building, alterations of Suts ma, equire several months supplies etc. maje eed to be done done and work and done of things.

Carthing ke log and web desig ing, car lso tal time.

There huge variation between businesses – a home vebsite design business is fairly straight rward compared to an office based company and a retail shop.

resources

schools

EXAMPLES OF START-1'P BUSINE 5 OSTS

- . Professional fee
- . Insurance
- . Panises cars
- . Stag and ployment
- . Equipment an upplies
- . Stock
- . Sales and narketing
- Finance
- . Technology costs

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A.1 - Costs of a business

Start-up costs



PROFESSIONAL FEES

These may include the cost of hiring an accountant, solicitor, lawyer, or other expert professional to deal with the legal aspects of starting a business such as company formation, copyright protection, drafting partnership agreements or other fees you may need to pay to the Government for certificates and inspections for health and safety or food hygiene, for instance.

PREMISES COSTS

Renting or leasing colercial promote will and the monthly control that you hald fact into your halar outcomes a paid.

Loca tes have be paid the cour

Service and connect of utilities, followed by utility big electricity, gas, wat telephone) will also need to be connected.

The premise may need to be 'refitted' according to your needs e.g. shelving, painting and decorating.

INSURANCE COSTS FOR N BUSIN SL



Every business will need the sort surance of the typic was of insurance or business start is lude

. Fmplo rs' lial by ing nce

The only type of business. Surance that's a least quirement if you employ are ne. But isses can be fined up to £2,500 for every day they don't have this projection in the acceletes a signed to protect any compensation claims made by entry expension of the protect and th

. P fessional lemnity insurance

This overs your business in the event of any claims made by a client or member public in the event they believe you've made a mistake at work

. Public and product liability insurance

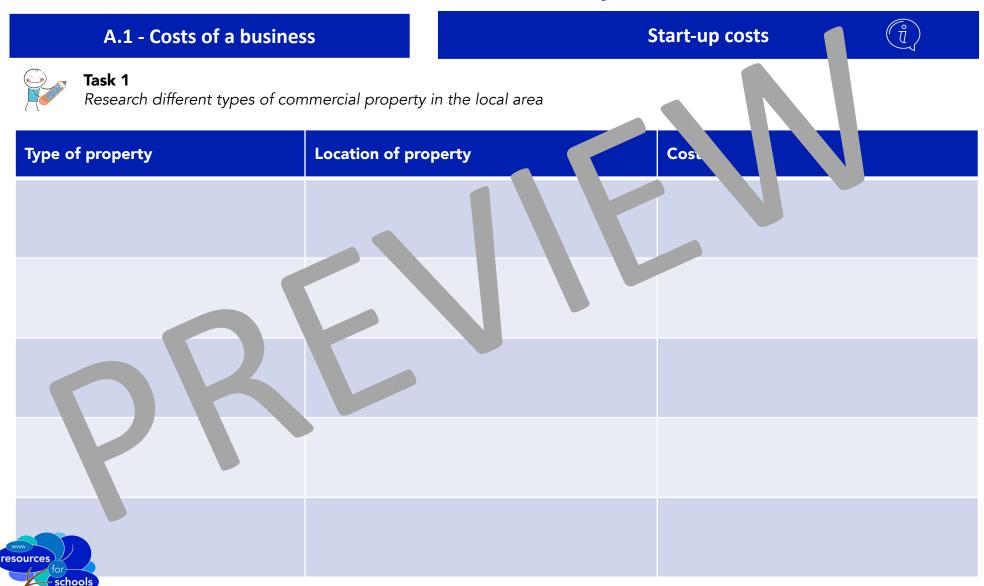
This protection covers your business in the event of compensation claims made by someone who believes injury or damage was caused by your business. Similarly, product liability cover guards your business in the event a product you sell causes injury or damage to a member of the public.

. Building and contents insurance

If you rent an office or studio, or a workshop or a shop front, it's your responsibility to cover the value of the contents within your workplace. Additionally, if you own your premises you'll have to insure the building itself.



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A.1 - Costs of a business





Task

Match the insurance to its definition

. Employers' liability insurance

. Professional indemnity insurance

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. Buildin and contents insurance

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If you own your premises you'll have to insure the building itself.

> To cover the value of the contents within your workplace.

damage to a member of the public.

t's designed to steel by compensation

e by e loves for injuries or t work. 'cal dinage ca

Start-up costs

Businesses can be fined up to £2,500 for every day they don't have this protection in place

This insurance covers your business in the event a product you sell causes injury or



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A.1 - Costs of a business

Start-up costs



STOCK

If you are a retailer you are going to need stock to sell. Long before you open you need to find best possible suppliers and manufacturers to good relationships with them.

For many new businesses it can be difficult to get good credit terms, so they might have to pay in full in advance of delivery.

It is difficult for a new start-up to know exactly how muc stock to order and which types of stock will self-acter than others.

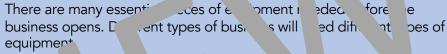
SALES AND MARKET 3

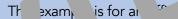
Mar' gand motir sar bing task. F to ope g your br ling – J-well will nee done long with ly digit, harketing.

Costs y enor justy for the services and can take time before completed. A sanced planning is needed.

Promotion of the start-up needs to be in place leading up to the open of the start-up needs to be in place leading up to the open of the start-up needs to be in place leading up to the open of the start-up needs to be in place leading up to the open of the start-up needs to be in place leading up to the open of the start-up needs to be in place leading up to the open of the start-up needs to be in place leading up to the open of the o

EQUIPMENT AND SUPPLIE.





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- . In net contation
- . Da storage a back-u
- . Cc outers/laptc
- + chairs for meetings/conferences
- . Comfortable computer chairs
- . Stationery
- . Signage
- . First aid supplies
- . Power cables/extension cords
- . Accounting system
- . Storage units





A: Understand the costs involved in business and how businesses make a profit

A.1 - Costs of a business Fixed costs: same cost not change, not depend on output of the business Variable costs: variable costs that depend on output Task For each cost decide if it is a FIXED or a VARIABLE cost

Cost	cost	Variable cost
Insurance		
Stock		
Utility bills		
Salaries		
W€ tes		
Shipp a char is		
Raw ma ials / stock		
Rent		
Interest rates on loans		



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A.1 - Costs of a business

Direct and indirect costs



Direct costs are business costs that are linked producing a specific cost object, like a good or service. – goods like trainers or *a car*.

Indirect costs are expenses that apply to more than one business activity, not a specific good or service e.g. office equipment

Direct d indirect costs ed or variable.



Task

List the direct and indirect costs for a training shoe factory

Direct costs for a pair of sports shoes	direct costs of the sp. shoes factory

