

### Task 3

In task 3 I have been asked to define what revenue is and how businesses can generate revenue.

When a business receives money from sales, this is called revenue. Businesses can also receive money from other things, not just sales, they can receive money from renting out assets an example of this is renting out a building to another business.

There are many ways in which businesses can generate revenue. One way in which they can generate revenue is by renting out assets. Businesses can rent out their equipment such as machinery. This can help both the businesses, as the business renting out the equipment will gain money on a monthly basis and the business that gained the equipment will be saving money instead of buying out the equipment fully. Another way they could generate revenue is renting out their premises to other businesses. This helps the business gain more money as they will be renting out another asset which will help them bring more money in rather than just getting money from sales.

Delight Lollies can generate revenue in many ways. One way in which they can do this is by increasing the number of sales. They can do this by the word of mouth so encouraging their customers to tell their friends about their business so more people will come to their shop. Another way they can increase revenue is making their customers happy and offering them discounts such as buy 2 for the price of one.

A. If they sell 10 boxes of ice lollies a day at 50p each lolly:

25 ice lollies per box 10 boxes are sold at 50 p each lolly

$25 \times 10 = 250$  (how many sold)

$250 \times 50 = 12500\text{p}$

They will earn £125 per day

B. If they sell 15 boxes of ice lollies a day at 50p each lolly

$25 \times 15 = 375$  (how many sold)

$375 \times 50 = 18750\text{p}$

£187.50 per day

C. 25 boxes sold a day for 75p for each lolly

$25 \times 25 = 625$  (how many lollies sold)

$625 \times 75 = 46875\text{p}$

£468.75 per day

Now I have been asked to work out how much money delight lollies make every week in terms of scenario A and B above.

A. If they sell 10 boxes of ice lollies a day at 50p each lolly:

25 ice lollies per box 10 boxes are sold at 50p each lolly

$25 \times 10 = 250$  (how many sold)

$250 \times 50 = 12500\text{p}$

They will earn  $\text{£}125$  per day  $\times 5 = \text{£}625$  (per week)

B. If they sell 15 boxes of ice lollies a day at 50p each lolly

$25 \times 15 = 375$  (how many sold)

$375 \times 50 = 18750\text{p}$

$\text{£}187.50$  per day  $\times 5 = \text{£}937.50$  (per week)

#### **Task 4**

In task 4 I have been asked to explain what is meant by profit and also distinguish what is meant by gross and net profit.

When revenue of a business is greater than its costs over a period of time this is called profit. When businesses generate a large enough profit they could put this money they gain towards the business and make it more successful. For example the money gained could be put in to buying new equipment; this equipment could help develop a product better than it was before.

When expense has been deducted from gross profit, the money left over is Net Profit. Expenses may include rent, bills, and wages, insurance but NOT STOCK.  $\text{Gross Profit} - \text{Expenses} = \text{Net Profit}$ .

A. If they sell 10 boxes of ice lollies a day at 50p each lolly:

25 ice lollies per box 10 boxes are sold at 50p each lolly

$25 \times 10 = 250$  (how many sold)

$250 \times 50 = 12500\text{p}$

They will earn  $\text{£}125$  per day  $\times 5 = \text{£}625$  (per week)

$\text{£}625 = \text{Gross Profit}$

Expenses= Fixed + Variable

£124.00(weekly) +£55(daily)

£124.00 + £275 = £399

£625- £399 = £226= Net Profit

B. If they sell 15 boxes of ice lollies a day at 50p each lolly

$25 \times 15 = 375$  (how many sold)

$375 \times 50 = 18750p$

£187.50 per day x 5 = £937.50 (per week)

£937 = Gross Profit

£124(weekly) + £82.50 (daily)

£124 + 412.50 = £536.50

£937.50 - £536.50 = £401= Net Profit

The importance of costs, profit and revenue are important to delight lollies. The reason why they are important is because the amount of money coming in which is the revenue minus the costs gives you the profit. Revenue is important to them because then they can see how many lollies they have sold over a certain period of time, the more sales that they make the more revenue they are making. If they are gaining more sales then they know they are doing well in the business, but if they do much worse in the next week then they can figure out what went wrong and why they aren't producing as much sales. Also profit is important to delight lollies because the money that they gain could be invested into the business, they could do many things such as expanding the business.