**HOW TO IMPROVE PROFIT**

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| --- | --- |
| **Elements:** | **Formula:** |
| **Profit** | **Revenue – Total Cost** |
| **Revenue** | **Selling Price x Quantity** |
| **Total Cost** | **Fixed Cost + Variable Cost** |
| **Variable Costs** | **Cost per Unit x Quantity** |

1. **Calculate the revenue, total cost and profit for the following business:**

|  |  |
| --- | --- |
| **Variable:** | **Value:** |
| **Quantity/ Units** | **1,000** |
| **Selling Price** | **£10** |
| **Fixed Cost** | **£200** |
| **Variable Cost** | **£3** |

**Revenue :**

**Fixed and variable costs :**

**Profit :**

1. **Calculate the revenue, total cost and profit for a business that makes chocolate:**

|  |  |
| --- | --- |
| **Variable:** | **Value:** |
| **Quantity/ Units** | **1,000** |
| **Selling Price** | **£1** |
| **Fixed Cost** | **£500** |
| **Cocoa per unit** | **£0.50** |
| **Sugar per unit** | **£0.20** |
| **Milk per unit** | **£0.10** |

**Revenue :**

**Fixed**

**Total variable costs :**

**Profit :**

1. **Calculate the revenue, total cost and profit for a business that makes chocolate:**

|  |  |
| --- | --- |
| **Variable:** | **Value:** |
| **Quantity/ Units** | **1,000** |
| **Selling Price** | **£5** |
| **Electricity Cost** | **£500** |
| **Rent Cost** | **£100** |
| **Insurance Cost** | **£800** |
| **Cocoa per unit** | **£0.80** |
| **Sugar per unit** | **£0.50** |
| **Milk per unit** | **£0.30** |

**Revenue :**

**Fixed**

**Total variable costs :**

**Profit :**





Look at the different strategies for improving profit below and categorise them with the following codes

**C**: costs  **I**: Investment **M**: marketing **P**: Products **L**: Labour/ workers

* Improve product range and quality
* Buy raw materials for less
* Look for cheaper utility providers – Electricity and Gas
* Put more money into staff training
* Cut back on Research and development
* Increase sales by spending more on advertising
* Cut back on work force
* Reduce the size of products without changing the price
* Cut back on advertising
* Invest in better technology

**Now sort them into the following table - which are about Cutting Costs and which are about increasing revenues**

|  |  |
| --- | --- |
| **Increasing Revenues:** | **Cutting Costs:** |
|  |  |