Costs, Revenue and Profits

In the exam many of you could not complete the costs, revenue and profit table.

Make sure you learn and practice the following formulas.

Formula for profit:

**Profit = Revenue – Total Costs**

If you know the revenue and profit figures you can work out the **total costs** by doing

**Profit – Revenue = Total Costs**

If you know the total costs and profit figures you can work out the **revenue** by doing

**Total costs + Profit = Revenue**

If you don’t have the total costs

**Total costs = Fixed costs + variable costs**

***Remember, fixed costs stay the same!***

Practice using the formulas by filling in the gaps:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | January | February | March | April | May | June | July | August |
| Revenue | 15000 | 20000 | 16000 |  | 25000 |  | 25000 | 30000 |
| Fixed Costs |  | 1000 | 1000 | 1000 | 1000 | 1000 |  | 1000 |
| Variable Costs | 3000 | 3500 | 3000 | 4000 | 7000 | 3500 | 7000 | 8500 |
| Total Costs | 4000 |  | 4000 | 5000 | 8000 | 4500 | 8000 | 9500 |
| Profit | 11000 | 15500 |  | 13000 |  | 15500 | 17000 |  |

**List three ways the business could try increase their revenues**

Practice using the formulas by filling in the gaps:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | January | February | March | April | May | June | July | August |
| Revenue | 5000 | 8000 | 9000 |  | 10000 |  | 15000 | 20000 |
| Fixed Costs |  | 2000 | 2000 | 2000 | 2000 | 2000 |  | 2000 |
| Variable Costs | 4000 | 5000 | 6000 | 6500 | 6000 | 5500 | 5500 | 6000 |
| Total Costs |  |  |  |  |  |  |  |  |
| Profit |  | 1000 |  | 11000 |  | 12000 |  |  |

**In which month did the business make a loss?**

**Can you think of an example of a business that would have higher sales in the summer than in the winter?**

**List three ways the business could try decrease their costs**

Practice using the formulas by filling in the gaps:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | January | February | March | April | May | June | July | August |
| Revenue | 1,000,000 | 950,000 | 900,000 |  | 1,000,000 |  | 850,000 | 800,000 |
| Fixed Costs |  | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 |  | 250,000 |
| Variable Costs | 400,000 | 375,000 | 365,000 | 380,500 | 400,500 | 400,650 | 325,000 | 300,000 |
| Total Costs |  |  |  |  |  |  |  |  |
| Profit |  |  |  | 250,000 |  | 250,000 | 275,000 |  |

**Which month is the most profitable?**

**Which month is the least profitable?**

**Which month(s) had the highest revenue?**