**BUSINESS OBJECTIVES**

**Aims**

A general statement of where you’re heading, for example ‘to get to university’

**Objectives**

A clear, measurable goal, so success or failure is clear to see

**SMART objectives**

Targets that are specific, measurable, achievable, realistic, and time-bound

**Survival**

Keeping the business going, which ultimately depends on determination and cash

**Market share**

The percentage of a market held by one company or brand

**Financial objectives**

Targets not expressed in monetary terms

**Profit**

Making enough money to pay bills or satisfy shareholders

**Sales**

Gaining as many customer purchases as possible –common approach among online businesses such as Facebook

**Market share**

Claiming as many loyal customers as possible, giving a business power in a market.

**Financial security**

Having enough money to ensure the long-term success of a business

**Non-financial objectives**

These are targets that are not expressed in monetary terms

**Social objectives**

Aiming to help a particular area of the community or group of people

**Personal satisfaction**

Wanting to feel a sense of achievement through what your business does

**Challenge**

Being motivated by being stretched and pushed by the challenges that your business faces

**Independence**

Wanting to be your own boss and ‘go it alone’

**Control**

Wanting control over your business, not wanting other people to tell you what to do or let other people or businesses dictate what your business does

**REVENUE, COSTS AND PROFIT**

**Revenue (SPxQ)**

Total value of sales made within a set period of time, e.g. a month

**Fixed costs (FC)**

Costs that don’t vary just because output varies, e.g. rent

**Variable costs (VC)**

Costs that vary as output varies, e.g. raw materials

**Total costs (FC+VC)**

All costs for a set period of time, e.g. a month

**Profit (TR-TC)**

Difference between revenue and total costs – a negative figure means business is making a loss

**Interest**

Charges made by banks for the cash they have lent to a business, e.g. six per cent per year

**BREAK EVEN**

**Break-even (FC/Contribution)**

The level of sales at which total costs are equal to total revenue, at which point the business is making neither a profit nor a loss

**Contribution (SP-VCPU)**

This is the amount each good sold contributes towards the fixed costs.

**Break-even chart**

A graph showing a company’s revenue and total costs at all possible levels of output

**Margin of safety (ACTUAL OUTPUT-BEP OUTPUT)**

The amount by which demand can fall before the business starts making losses

**IMPORTANCE OF CASH**

**Cash**

The money the firm holds in notes and coins, and in its bank accounts

**Cash flow**

The movement of money into and out of the firm’s bank account

**Overdraft**

The amount of the agreed overdraft facility that the business uses

**Overdraft facility**

An agreed maximum level of overdraft

**Insolvency**

When a business lacks the cash to pay its debts

**CASH FLOW FORECASTS**

**Cash flow forecast**

Estimating the likely flows of cash over the coming months and, therefore, the overall state of one’s bank balance

**Net cash flow (Total inflows-total outflows)**

Cash in minus cash out over the course of a month.

**Closing balance (Net cash flow + opening balance)**

The amount of cash left in the bank at the end of the month

**Opening balance**

The amount of cash in the bank at the start of the month – it is the same as the previous month’s closing balance

**Negative cash flow**

When cash outflows are greater than cash inflows

**SOURCES OF FINANCE**

**Trade capital**

When a supplier provides goods but is willing to wait to be paid – for perhaps up to three months. This helps with cash flow.

**Venture capital**

A combination of share capital and loan capital, provided by an investor willing to take a chance on the success of a small to medium-sized business.

**Retained profit**

Profit kept within the business (not paid out in dividends); this is the best source of finance for expansion.

**Share capital**

Raising finance by selling part-ownership in the business. Shareholders have the right to question the directors and to receive part of the yearly profits.

**Dividends**

Payments made to shareholders from the company’s yearly profits. The directors of the company decide how large a dividend payment to make; in a bad year, they can decide on zero.

**Crowd funding**

Raising capital online from many small investors (but not through the stock market)