Zig Zag Education

Business BTEC Tech Award Level 1/2 | 603/7063/4

Course Companion

Component 3: Marketing and Finance for Enterprise

endorsed for BTEC

zigzageducation.co.uk

POD 11839

Contents

Teacher's Introduction

> **Remember!**
> Always check the exam board website for new information, including changes to the specification and sample assessment material.

This course companion has been designed to introduce students to the third element of this course: Enterprise (Pearson BTEC Tech Award Level 1/2). This unit, Marketing and Finance for Enterprise, is an externally examined piece of work, and the contents of this course companion will allow pupils to learn the theory needed for this.

Throughout there are activities which will develop pupils' knowledge and understanding of marketing and finance concepts. Pupils will learn how enterprises identify and target markets and make marketing decisions using the marketing mix (4 Ps). Pupils will learn about the financial documentation used by businesses and be able to use ratios to analyse business finances. They will be able to understand the difference between liquidity and profitability and recognise the importance of financial planning. Finally, pupils will be able to recognise sources of finance available to businesses and be able to recognise the appropriateness of each for different scenarios.

Most activities will lend themselves to peer-assessment and class discussion. Sample answers for activity 3 and activities 7 through to 15 can be found at the end of this course companion. Practice questions can be found at the end of each section, and answers for these are provided at the end of the resource. A glossary has also been provided to support pupils' learning.

March 2023

A1: Targeting and segmenting the market

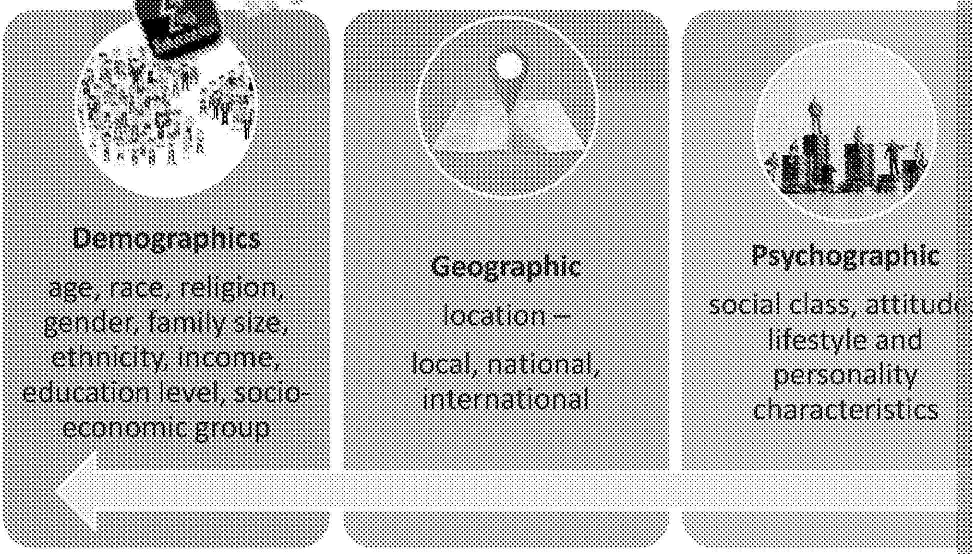
It is important that enterprises target their customers by segmenting the market

Target market

This is the market an enterprise wants to sell its products or services to. This can example, a small fish and chip van that travels to different areas on different day on the different days, based on the location of the van. For some businesses this example, they may have a very niche market, such as selling collectable model ra customers will be spread over a wide location, making it more difficult to decide

Market segmentation

Market segments are the ways in which enterprises can differentiate customers

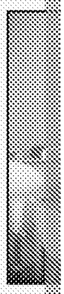


Some examples of these market segments are:

Demographics	Age	A small shop selling children's toys and game their parents.
	Family size	A small garage specialising in second-hand c such as people carriers, will be aimed at larg
Geographic	Local	A window cleaner will be targeting a market
	National	An online business selling specialist holidays market as they don't need to meet face to fa
Psychographic	Lifestyle	A sports shoe shop can target its markets ba customers partake in – rugby, football, golf,
	Social status	Some businesses could target their products example, a shop selling exclusive branded cl
Behavioural	Desired benefits	A café may start offering special 'meal deals' segment is looking for quick convenience.
	Usage	Some businesses would prefer to target thei have regular usage as opposed to very little above selling takeaway coffee compared to would happily buy a coffee every day compa

Activity 1

Choose four entrepreneurs. For each entrepreneur create a profile of their tar



Example
This is Laura. She owns a small nail salon, Pretty Nails, in the local town.
Her target market can be described as:

- *Mainly women between the ages of 16 and 60 from all races and religions*
- *Most socio-economic groups, but mainly those who are working with a good level of disposable income*
- *Mainly women who live within a 12-mile radius of the salon*

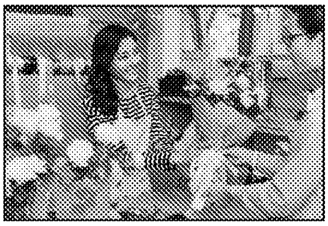
Markets

There are four types of market that a business can be in:

Business to business (B2B)

Business to business is when one business sells to other businesses.

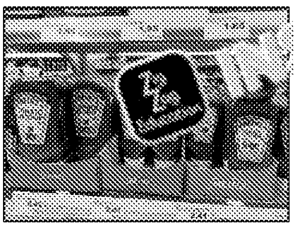
This may be buying flour in tanks for a food producti factory, or it could be a flower shop buying flowers directly from the flower growers.



This is the market where businesses sell directly customers. Anywhere you have ever shopped wi in a business-to-consumer market. So, if you've e bought flowers, you will not have gone to a flowe market directly; you will have bought them from retail shop.

Niche market

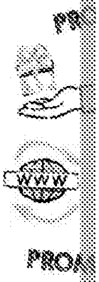
A niche market is a specialist market. The target market for a niche market is usually very specialised It may be a market for specialist hobbies, such as a crochet supplies shop or a golf shop. It may be for a smaller group of people, such as a shop selling pure vegan food.



A mass market is a market that includes everyone. Everyone will buy from this market. Think of very gene products that we all buy; for example, many things so in supermarkets are for a mass market. Many of the b brands sell products for the mass market, e.g. Heinz Tomato Ketchup, Kellogg's Corn Flakes and Cadbury Dairy Milk.

A2: 4 Ps of the marketing mix

The 4 Ps are also known as the marketing mix. The 4 Ps are the key elements to the marketing mix and they must work together to be effective. Any enterprise will use the 4 Ps to enable them to meet their business aims, whether it be establishing a loyal customer base or developing a reputation for a brand. Developments in technology in recent years have changed many aspects of the marketing mix, and we will look at how digital marketing methods are used in addition to the more traditional marketing strategies.



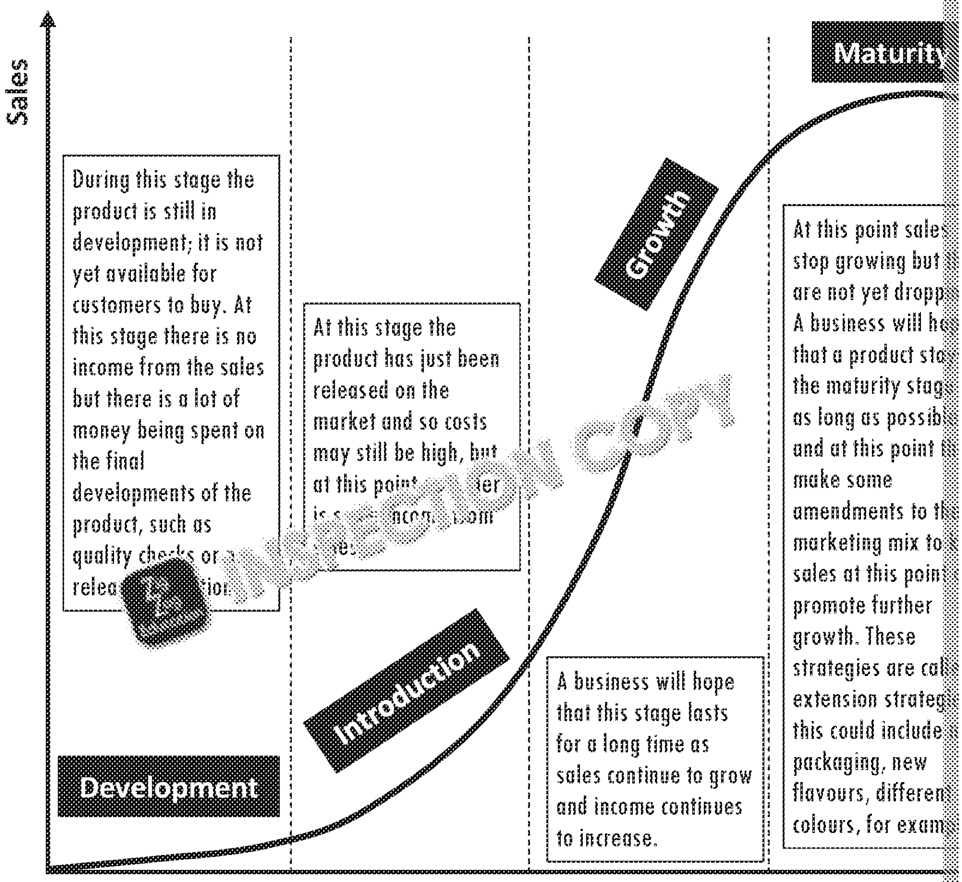
Product

Product portfolio

Any business will usually have a range of products or services, and a business's p portfolio is a way of looking at all of these collectively. A business may do this so can analyse the selection it has made and make decisions about any gaps it may h products which maybe it should stop producing, or even products that it should more; for example, a business can recognise which are its very best products – th are in a market that is growing and in which they have a large market share. Mos businesses want to have products or services which sell well, and have many loya customers; the business does not have to spend much money promoting these a will rely on repeat purchases.

Product life cycle

The product life cycle plots the sales of a product over time so that we can see when sales are increasing and decreasing. As shown below there are five stages:



USP – unique selling point

Every business wants a unique selling point (USP). A USP is something that make product or service stand out from its competitors. Let's have a look at some exan

- A barbershop having adapted seats for children, with a games controller att to the seat to keep them entertained when they are having their hair cut.
- A doggy day care with a live stream so that dog owners can log in during the see their pets.
- A dress shop that delivers the same day.

Activity 2

Choose three businesses and for each one think about what its current USP is

Create a new USP for each of the businesses you have identified. Then, discus whether you have simil

Branding, brand personality and brand image

A brand is the identity of the business. This can be portrayed through the business name, its logo, its slogan or even a simple icon. Many businesses have a very recognisable brand for which you could very quickly say the slogan or identify the logo.

Smaller enterprises can struggle to develop their brand on a wide basis but over time can have the same impact in a smaller market. Having a brand helps a business develop its image and increase customer loyalty. Small businesses can be very successful at creating a strong brand even though it may be on a smaller scale. It is likely that you and people who live locally may know a small business, such as a café or takeaway, and will be aware of its brand image. The smaller businesses will have to be more creative while creating a advertising budget of a large business. This may be through having the slogan of t window, on the menus, or on their social media, or even through actions. If a sma where it is promoting itself as an ethical business, then actions to show it is ethical sourcing fair trade products, paying staff fairly, using only recycled packaging.

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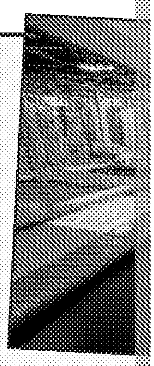
Case study



Phillipe and Sila set up Roos 10 years ago. Roos is an indoor trampoline park set up in a warehouse which can accommodate up to 70 children a day. It has a café, which is very popular, and also offers an after-school club. Phillipe and Sila were very clear when setting up the business that they wanted to create a brand which both parents and children would relate to. They wanted parents to recognise that the Roo brand meant a safe place for their children to play and that children recognised the brand as a fun place. The logo is a little kangaroo jumping on a trampoline and the bran within the building. There are signs throughout which show parents that onc trampolines the 'Kangas' will keep an eye on their little 'Roos'. The 'Kangas' a Sila and their role is to ensure that the children are safe and having fun. Even strong, they have a 'Roos Treats' menu. To help build the brand, Phillipe and that has a little jingle which they also play inside the park. The children know same message about a safe and fun environment. In this case the brand is no strong among the target market and this is what is important to 'Roos'.

The positives of a strong brand are:

- **Attracting customers** – a local restaurant with a strong brand will attract mo strong brand. Potential customers will recognise the restaurant from its bra choose to eat out there.
- **Retaining customers** – this is easier if a business has a strong brand. While w smart and flashy, it can be other things as well: imagine a local café that is k atmosphere – their customers come back because they value a low price an

Price

Pricing strategies

Before setting a price, a business will consider many things, the competition, the customer expectations. Below are some of the pricing strategies that businesses

Penetration pricing is a strategy used by a business to try to 'penetrate' the market. Prices start very low to entice customers to buy the product then, after some time, gradually increase. For example, you may see a new biscuit on the end of a supermarket aisle at a really low price.

Skimming

Skimming pricing is a strategy product that customers are w for when it is new to the mark new technology with little or n strategy before decreasing th market would us

Competitive pricing strategy is a strategy that considers the price of all similar products from competitors. The price is then set the same as the competitors' prices; for example, a cup of coffee in a coffee shop.

Cost-plus

Cost-plus pricing strategy takes making the product or providi shop could work out the unit p on a 50%

Premium pricing involves setting a price slightly higher than competitors – the reason for doing so being that customers will think their product is of a higher quality if it is always priced slightly higher than similar products.

Activity 3

For each of the strategies above, give further examples of products and servic strategies could be used.

Justify your reasons for each of these suggestions.

Place

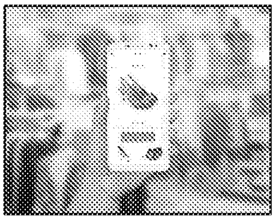
Digital and physical distribution of products

Place refers to how the product or service gets from the manufacturer to the customer. There are many different routes this can take and each will have an impact on the final costs for the business and the time it takes for a product to get to the customer.

You, as a customer will be used to buying products from shops, known as retailers; likewise, you will probably have also bought online, this is known as e-c

Manufacturer / Service provider

Direct
Direct means that the manufacturer sells the product directly to the customer. This method means that the manufacturer will not have to pay distribution fees to anyone as it deals directly with the customer.



Retail and e-commerc
Using retail shops and e-commerce m
another loop in the distribution chann
methods can expand the location of t
segment very easily.

Retailer / Online shop

Warehouse
A warehouse is used by smaller businesses who wish to buy in bulk but are unable to buy in massive quantities that the manufacturer may insist on. A newsagent is likely to use a warehouse to buy toilet rolls, whereas a large supermarket would buy directly from the manufacturer.

Warehouse → Retailer / Online shop

Promotion

Promotional mix

There are many elements to promotion and the methods a business will use will how big their market is, the segmentation and – very importantly – the budget. A of media to promote the same message. For example, a used car dealership cou premises, leaflets posted in the nearby area, a radio advert and a TikTok account and the same message.

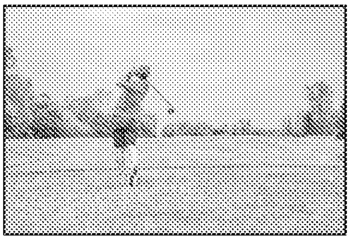
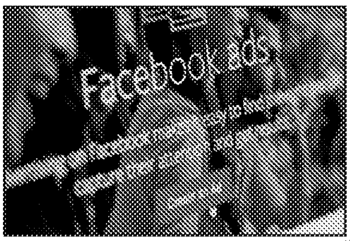
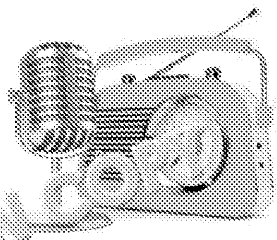
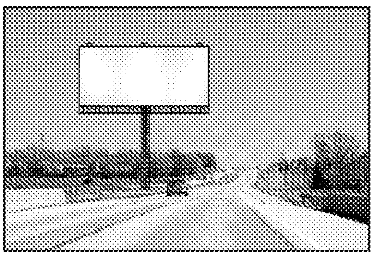
Advertising

Advertising is the process of getting a message out to customers. Sometimes adv other occasions it can be informative.

Persuasive advertising is used to make the customer feel that they need that pro A persuasive advert may give the customer the impression that by buying a prod fitter, smarter, sexier or even richer.

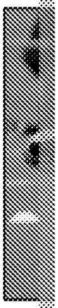
Informative advertising informs the customer about the benefits of the product or se from an insurance company would be informative – it would have details of paymen

Media used in advertising

Television	Magazine	
This is expensive but can reach a wide audience and products can be demonstrated. 	This is a good method for targeting certain customers, e.g. advertising a golf bag in a golf magazine. 	G
Social media	**Radio**	
Used widely by most businesses; easy to share videos demonstrating products. 	Adverts with catchy singalong slogans are often used to gain customer attention and retention. 	Ret in
Billboard	**Transport signage**	
Often used in areas where there is a lot of queuing traffic, e.g. traffic lights or roundabouts. 	Cars, vans, lorries and buses often have business logos, slogans and details on the sides of the vehicle. 	

Public relations

It is important to businesses that the public has a good perception of them. Businesses carry out 'public relations' so that they can control the way that the public think about the business. One method of doing this is sponsorship. Businesses small and large choose this as a method of supporting local sports, for example, while getting their brand advertised.



Sp
S

Other methods of PR include communicating with the public through the media and social media. Online public relations (OPR) is any form of public relations that is carried out online. During the 2020 COVID pandemic, lots of businesses resorted to this method, e.g. theatres streaming past recordings for free; businesses providing online workbooks for children out of school.

Social media marketing

Social media is a very effective way for businesses to adv through creating an advert and specifically choosing a se they wish the advert to appear on.

Businesses very often will promote on social media using 'like and share'. Advertising on social media allows busin adverts for a much smaller price than television advertis

Personal selling

Personal selling relies on the salespeople having face-to-face meetings with pote had someone knock on your door trying to sell you windows or a conservatory – pharmaceutical industry uses this method a great deal; salespeople – commonly with doctors and tell them the benefits of their medicines in the hope that the d

Direct marketing

There are many examples of direct marketing. This is when a business advertises customers, maybe by sending them an email or a brochure through the post. You received an email from the publishers of this course companion, telling them ab marketing – advertising to those people or businesses who are potential custom

Sales promotion

Sales promotion is any type of special offer a business may use to try to encoura e.g.:

- BOGOF – buy one, get one free
- 20% discount
- Loyalty card

'Above the line' and 'below the line' promotion

Above the line promotion includes lots of media advertising seen by the masses, such as TV, newspaper and billboard

THE LINE

Below the line promotion is a lot more targeted to certain such as personal selling and direct marketing.

Activity 4

You've been asked by Gio to help with a promotional campaign for his brand He needs help with all of the tasks listed below, and would like you to presen presentation which you can share with your class. You can then peer-assess t be the best promotional campaign.

So, Gio has decided to name his business 'Gio's', but he needs suggestions for each of the following:

- ✓ A logo and a slogan
- ✓ Three advertising methods that he could use (you'll n ed to remember that his target market is local peo t at he has quite a small budget for marketing, but th s brand new so he does need to establish hims
- ✓ Two sales promotio t would be appropriate to Gio's

Multicha arketing: using a range of traditional and/or digita

To be succes and to reach out to as many potential customers as possible, bu range of marketing techniques. Larger businesses have more money to do this; f the many, many ways in which they advertise. They can afford these many techn endorsement, and this is successful for them. These large businesses can afford ways at any given time; this will increase their exposure to the target market. No enterprises you have studied; it is very unlikely that they can afford all of these m that they use a variety of these methods on a smaller scale. Tom is a personal tr methods of marketing at the same time:

- **Advertising** – Tom takes out an advert in the local newspaper once a month logo on the side of his car.
- **Public relations** – Tom attends the local primary school once a fortnight an school with parents and children. He does this free of charge because he fin approach him for personal training sessions; he also thinks this is good for h
- **Social media marketing** – Tom has a Facebook account which has many foll through which he promotes body transformations. He thinks this is effectiv and spread the word.
- **Sales promotion** – Tom has created a loyalty scheme for his clients – they g Prior to this, many people would stop after about eight sessions, so this has

In addition to a business considering the cost of advertising, it must think about a business is aiming to break even then it is likely that it will allocate only a small therefore, will not be opting for advertising media that are expensive. If a mediu gaining customer loyalty then it may use below the line ising and opt for s A business with ethical aims may want to ensure sage of these is prevale

Activity 5

This activ help you to develop your revision techniques.

1. Read through the 4 Ps – product, price, place and promotion.
2. Now read through the 4 Ps again.
3. Now it's time to make an 'information drop'. Note down everything you
4. Once you've done this, have a look back through and see which bits you note of these and rereading these parts.
5. Do this activity again in a week's time to help this 'stick' in your mind.

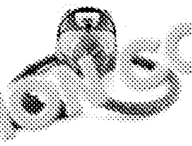
A3: Factors influencing the choice of marketin

There are several factors that will affect the marketing methods that a business w

Appropriateness for product and its brand imag

Some products need to be demonstrated in the advert and so only something where a video can be shared would be appropriate, such as a TV advert or a TikTok advert.

For example, a vacuum cleaner advert could be used to demonstrate how much dirt the vacuum can pick up off the flo[illegible]



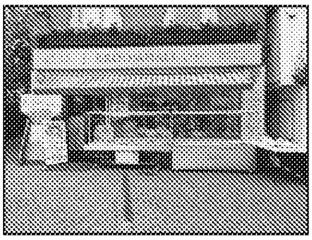
Some products or bran may be exclusive and high-end, such as a ve expensive watch. It wo not be appropriate to advertise this product [illegible]g methods such as billboard which lots of be advertised very diff marketing or even rely endorsements (public

Speed/accessibility of information / Ease of reaching tar

If a business needs to communicate a marketing message with customers very quickly then this is something it may do through direct marketing, possibly by sending emails or making phone calls to customers, rather than spending months planning a TV advert and recording it.

If a business can reach then it may adopt mar quite direct and perso market then it may us promotion methods su Many small businesses the speed of creating a with their target mark

Cost to the enterprise



A small business such as a local butcher will not have the marketing budget of a large business and so its marketing methods will be low-budget. It may rely purely on signage outside the shop and adverts in the window showing any sales promotion.

A large business will h a lot more money to spend on marketing methods and will prob use a wide variety of marketing methods. McDonald's, for exam is a multinational busi billboard advertising. I is heavily involved in p sports events.

Competitors' activities

Sometimes a business will carry out marketing activities as a response to the marketing activities of its competitors. For example, a ca[illegible] a town may start doing a takeaway afternoon tea. This would be [illegible] for other local cafés t copy and start to do the same. Likewise [illegible]structor may offer a special deal when learners pre-book 10 [illegible] is likely that the local competitors w follow suit.

Experience of the entrepreneur

An experie[illegible]ntrepreneur will have had successes and failures with marketi be in a position where they know what works for their business and what does entrepreneur may have to try a variety of marketing methods before they can d their business.

A4: Trust, reputation and loyalty

Brand image is important to businesses and in this section we will explore how i
reputation are for attracting and retaining customers of enterprises.

Perceptions of quality
Think of some of the big brands; you would assume that if they
a new product it would be of a good quality. The same could b
small business that you are loyal to and trust because of past e

Customer service
You'd expect the customer service provi[illegible] a brand to [illegible]y good.

Variety
Most brands have a large variety of products; they may all be simi
but there is likely to be a wide range. For example, a haircare
shampoo, conditioner, hairspray, gel, mousse and serum, among

Importance of reputation

Businesses will make every effort to ensure that the public has a positive opinion o
way that the public will think of them as being ethically responsible and they are li

- One of the most popular ways for businesses to do this is by being **environm** ways in which businesses can become more **environmentally friendly**. This products, reducing waste in production, creating their own energy and usin other new initiatives.
- Another way would be to ensure that all **marketing techniques used are et** mean not making false claims in any advertising and not breaking any comp businesses should **reject controversial marketing techniques**; for example, because of offensive claims or by including statements that could cause har
- In ensuring that a business protects its reputation it must also provide **excel** this by creating strategies and systems which [illegible] customers receive with effectively.
- Other ways in which business[illegible] through types of public relations, **supporting the local [illegible]**, for example, by donating prizes to local sc sports te[illegible].

Each of thes[illegible]ts is important for businesses to consider to ensure that the p
potential customers, have a positive opinion of them. This will result in higher sa
help the business become more competitive.

Activity 6

Carry out research on three businesses. Look at how the business presents itself,
business aims? From what you can find, summarise how that business ensures th
perception of the business; for example, sponsoring a local sports team is an aim

Practice questions – Marketing activities

DJ Dance is a mobile DJ run by Darrell. He has two employees, Tegan and The part-time. They travel around the whole of the South West and regularly perf parties and festivals.

1. There are lots of mobile DJs in the market.
   a) Give **two** examples of USPs that DJ Dance could use.
   b) Explain **one** way a USP is important to an enterprise.

2. DJ Dance operates in both the business-to-business (B2B) and business-t markets. Explain **two** different promotional te ues that could be use these markets.
   a) Business to business
   b) Business to cons

3. DJ D se competitive pricing strategy. Discuss why this pricing st suita this type of business.

Learning Outcome B: Financial documents

B1: Financial documents

Types of financial documents – when a business purchases something from a su
from a business, there is a list of financial documents that are exchanged. See ov

Financial document	
Purchase order (Customer → Supplier) A purchase order is completed by a customer stating what they would like to order and then this is sent to the supplier. It will include details such as number of units required, product codes, prices and delivery details.	Purchase customer ordering exactly w
Delivery note and goods received note (Supplier → Customer) A delivery note is attached to the delivery and lists all the items that the delivery includes. This is kept by the customer. An almost identical document is the **goods received note**. This is signed on delivery by the customer and goes back to the supplier so that they can confirm that the customer received their package.	These do both the record of they can or receive the purch
Invoice (Supplier → Customer) An invoice is then sent from the supplier to the customer. This is a request for payment.	This docu supplier c payment. this in the they are p
Credit note (Supplier → Customer) If there is a problem with an order, or items are missing, then the customer may be due a refund. This can be done through a credit note. A credit note is like a voucher to use at that business at some other point. It is given instead of a cash refund.	This docu This is a r a refund. credit not have to sp
Statement of account (Supplier → Customer) A statement of account shows the orders and payments made over a certain period of time and will show the current balance (how much the customer is owing to the supplier). It can be sent on a monthly basis or sometimes on a quarterly basis (every three months).	This is a u a custom will help t their orde enable th and what
Remittance advice slip (Customer → Supplier) A remittance advice slip is sent by the customer to the supplier to show that they have paid for their order.	This is use see why t When you day, it's in don't chas already pa
Receipt (Supplier → Customer) A receipt is sent to the customer to show that payment has been received.	This is use confirm t has been keep it on that they

Revision tip

To help you remember the order of these, come up with a mnemonic. First, write ou
letters of the documents (PO – purchase order) like so: PO, DN, I, CN, SA, R, R. Then, c
up with a saying – known as a mnemonic – to help you remember the order.

For example:
Penguins dance in circles singing rapid raps.

Purchase order (template)

Business Name:	Date
	Customer number
Supplier:	Delivery Address:

Qty	Item description / Code	Unit pr

Disc
Delive
VA
To

Delivery Note (template)

Supplier Name:	Date	
	Your order number	
	Our reference number	
Terms: Payment no later than 28 days	Date delivery due	
Customer name and address:		

Order code	Description	Number ordered	Numb recei

Goods Received Note (GRN) (template)

Business Name:	Date	
	GRN number	
Customer name and address:		

Quantity	Item description	Order code

Invoice (template)

Supplier Name:		Date	
		Customer number	
Customer name and address:			
Qty	**Item description / Code**	**Unit pri**	
		Disco	
		Deliver	
		VA	
		Tot	

Credit Note (template)

Supplier Name:		Date	
		Credit note number	
Customer name and address:			
Qty	**Description**	**Unit price**	
Reason for credit:		**Goods t**	
		VAT @	
		Total cr	

Remittance Advice (template)

Business Name:		Date	
		Customer reference	
Customer name and address:			
Invoice da	**Invoice reference number**	**Invoice total**	**Amount**
		Total amount paid	
		Total invoice amount still owing	

Receipt (template)

Supplier Name:	Date
	Receipt number
Customer name and address:	

Qty	Description

Subtotal	
VAT @ 20%	
Total paid	

Importance of accuracy when these documents are b

It is important for both the customer and the business supplying the products th completed correctly. Here are some examples of what may happen if these docu

- Order form is completed inaccurately – the customer will not get what they business may also order too much stock.
- The goods received note is not signed by the customer and returned to the does not know whether the customer received the order and may send out
- The customer does not compare the statement of account with their record their balance.

Importance of accurate financial documents and rec business accounting

If there are any mistakes it could affect the accounting of the business. Here are

- A customer sends payment to the supplier without the remittance advice sl the payment is from – they may send another invoice to the customer, who This would result in an unhappy customer who may then decide not to use t
- A business may not keep a record of its receipts. This would mean that all o inaccurate if the business doesn't have a clear record of what it has spent m

A business needs to keep its business accounts up to date and accurate at all tim of its costs and revenues, and give it a clear idea of how much money it has in th for bills.

B2: Payment methods

Payment methods

Cash
Cash is a method of payment that in recent years has been used less and less. Cash is a safe and easy method of payment and it is generally accepted everywhere. In more recent times, however, some businesses find it easier not to accept cash as it saves having to count the cash, there is a secure place to put the cash and less time is needed taking cash to the bank.

Credit card
This method of payment involves a third party. When a customer pays with a credit card this money is borrowed from the credit card company. The customer then, over time, pays back the balance. Having a credit card enables customers to spend more money than they actually have and is also a method of borrowing money. This is easy for businesses to use as it is easy to accept credit card payments once the technology has been set up, plus the business hopes that customers will spend more than they could/would have using other methods of payment.

Direct debit
A direct debit is an agreement made between a customer and a business for money to automatically transfer from the customer's bank account to the business's account. A direct debit is usually a monthly agreement for ongoing products and services such as a phone bill or paying for gym membership. Once set up this is ongoing and is a very easy way for businesses to collect payments from customers.

Payment technologies
Improved technology in recent years means that there are many quick and easy
pay businesses. It is very likely that you will probably be using these technologi
any of those described above. There are lots of different apps (such as bank ap
Google Pay or Apple Pay) which make paying businesses very easy and for the b
payments from customers.

Impact on customers and enterprises of using differe

There are benefits and drawbacks to each type of payment method.

Activity 7

For each of the payment methods described above, list possible advantages a
the customer and for the enterprise.

For example:

	Customer		
	Benefits	Drawbacks	Benefits
Cash			

B3: Revenue and costs

Revenue/Turnover

This is the **money going into a business** and this is primarily through sales.

Businesses can try to increase this amount through advertising a product to atte
They could also increase the selling price of a product which would mean that ev
number of products then the revenue would be greater. If a business increases it
to cover all of its costs and hopefully will make it more profit. When a business m
to reinvest it into the business, maybe to help the business grow, or it could shar
business owners very happy.

Start-up and running costs

This is the **money going out of** a business.

Start-up costs are the costs that a business has to pay out when it is first establis
a till, or pay for the renovation of a building. These generally are one-off costs

Businesses can try to minimise these costs in a variety of ways, such as by hiring
instead of buying them, or simply by shopping around to find cheaper suppliers.

Running costs are costs that need to be paid every month. These are the costs o
Examples of these costs include staff wages, buying stock and electricity.

Businesses can try to minimise these costs too; this could be through staffing, fo
staff costs by having the minimum number of staff working at any one time or b
Likewise, they could look for cheaper suppliers of stock.

By minimizing business costs the business may be able to break-even with less sa
business profit. Which again they could use for reinvestment into the business o

B4: Financial statements

Profit and loss account

Sales revenue		£35,000
Cost of sales (this is the cost of making the product – stock)		£15,000
Gross profit		£20,000
Expenses		
Wages	£4,500	
Utilities	£5[illegible]	
Marketing costs	£[illegible]0	
Rent	£650	
Insurance	£100	
Total	£6,000	
Net profit		£14,000

This account shows the profit and loss that a business has made in a year.

There are two types of profit shown in this account:

Gross profit – this is the profit made after the cost of making a product is taken a
from sales.

For example, Andrea makes £35,000 in one year from selling birthday cakes. In th
ingredients (cost of sales). In this year she would have made £20,000 gross profit.

Revenue – Cost of sales = Gross profit
£35,000 – £15,000 = £20,000

Net profit – this is the gross profit minus any other business expenses.

For example, Andrea will have other costs in addition to her ingredients, which h
This could include things such as energy bills and wages. In this case Andrea paid
This resulted in a net profit of £14,000.

Gross profit – Expenses = Net profit
£20,000 – £6,000 = £14,000

Activity 8

Complete profit and loss accounts for the two businesses below:

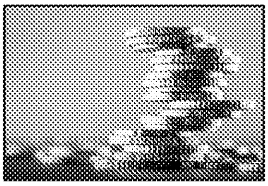
Smart Screens	Bak
Sales revenue – £54,000 Cost of stock – £22,000 Wages – £18,500 Utility costs – £3,500 Rent – £8,000 Marketing – £1,500	Sales revenue – £142, Cost of stock – £36,80 Wages – £43,400 Utility costs – £27,700 Mortgage – £15,300 Insurance – £9,200

Balance sheet

A balance sheet shows exactly what a business owns (assets) and what it owes (l
statement that clearly shows the business's financial position, listing all the busin

It is important that before you see the layout of a balance sheet you recognise al

Fixed assets (non-current) – items that belong to a business for longer than a y
Examples include vehicles, machinery and property.



Current assets – these are [illegible] value to the busine
There are three current assets – stock
Debtors [illegible] customers who owe the busines

Current liabilities – these are debts the business owes in the short term. The
owed to suppliers and short-term borrowing such as an o

Long-term liabilities (non-current) – these are debts the business owes in the
long term (over a year). They are likely to include loans and a mortgage.

Working capital – also known as net current assets. This is calculated by taki
from the current assets. This shows how able the business is to pay

Equity – this shows the value of a business. It is calculated by minimising all o
its assets.

Fixed assets		
Company van	£15,000	
Sewing machines	£2,000	
Computer	£500	
		£17,500
Current assets		
Cash	£800	
Stock	[illegible]	
Debtors (accounts receivable)	£200	
		£1,600
Current liabilities		
Creditors (accounts payable)	£400	
		£400
Net current assets (Working capital)		**£1,200**
Long-term liabilities		
Bank loan	£2,500	
		£2,500
Net assets		**£16,200**

Activity 9

A. Below are the figures of Planet Play (a soft play centre) from the last two y balance sheet for each of these years.

	2021	2
Climbing frames and toys	£18,000	£21,500
Computer	£2,000	£3,800
Cash in the bank	£5,100	£4,300
Stock	£600	£750
Debtors	£0	£0
Creditors	£3,300	£2,300
Loan	£10,4[illegible]	£7,400

B. Compare and comment on the two years. The following questions will h
- In which year does the business have more equity?
- How have long-term liabilities changed, and why may there be chan
- Why may the business have no debtors?

Stakeholders

A stakeholder is any business, individual or group affected in any way by the actions of a business. Many of these stakeholders will be interested in the business accounts, as suggested below, in addition to having their own wants from a business.

> **Quick class di**
> To help you un
> discuss who wo
> were closed. Th
> individuals, etc
> - How woul affect oth
> - How woul
> - How woul

All of the following are typical business stakeholders:

- **Owner(s)**
  Owners will typically want their businesses to be profitable and have a good reputation or brand name. They will be able to see the profitability of the business in the profit and loss account.
- **Managers**
  Managers may want many of the same things as an owner, such as profit. In salary and staff that work well. Managers are sometimes also owners but ca
- **Employees**
  Employees will generally want a good standard of pay, good working conditi They will want to work for an employee that is doing well financially so they so they may want to see these financial documents.
- **Lenders**
  Lenders will want any business to be financially secure so that they can pay want them to borrow more as they earn interest on their borrowing. The len financially stable a business is from these documents.
- **Government**
  There are many things that the government wants from a business. This cou or provide local services. The government collects taxes on business profi important and need to be accurate.
- **Customers**
  Customers will want value for money, a good-quality product and choice. If that may buy in bulk or on a regular basis they may want to see the financia business is in a financially stable position.
- **Suppliers**
  Suppliers will want businesses to purchase from them on a regular basis and want the business to be profitable so that they can pay their bills on time an in the future.

B5: Profitability and liquidity

In this section you'll learn the difference between cash and profit. A business ma cash. When we say 'cash' we don't mean piles of money in a piggy bank but we d access – such as the money in the bank current account. Cash is important to en good **liquidity**.

To help you understand this, think about this concept: let's assume water is cash

If I have a jug of water and my suppliers are asking for payment, then I can quick and easily pay them. However, if I have a block of ice and my suppliers want pay it will take longer to make that payment.

The water is like the business's current a... easily turned into cash. The ice is like the fixed assets of the busine... easily or quickly turned into cash. If tied up in fixed assets, ... property or machinery, then it is likely that the bu

Profitab... ratios

Both these ratios are used to measure the profitability of a business. The figures from a business's profit and loss account.

$$\text{Gross profit margin} = \frac{\text{Gross profit}}{\text{Revenue}} \times 100$$

Net profit m

Worked example

In the last year, Rob made £24,000 revenue. Of this, £12,000 was gross profit an

$$\text{GPM} = \frac{£12{,}000}{£24{,}000} \times 100 = 50\%$$

$$\text{NPM} = \frac{£6{,}000}{£24{,}000} \times 100 = 40\%$$

Activity 10

These ratios could be used by a business to compare its financial success ove

Use the figures below to compare Business A's profitability over the two year

2021 figures	2022 figur
Revenue – £45,000	Revenue – £48,000
Gross profit – ...	Gross profit – £24,500
Net ... ,500	Net profit – £19,500

A. Calc... both the gross and net profit margins.
B. Comm... on how these have changed over the two years and what this

Liquidity ratios

Current ratio	Liqui
$$\frac{\text{Current assets}}{\text{Current liabilities}} = ? : 1$$	Current asse Current l
The answer to this ratio shows how many times a business could pay its debts. For example, if a business has a current ratio of 2 : 1 it means that for every £1 of debt there is £2 of liquid assets available to pay debts. The perfect answer would be between 1.5 and 2 : 1. This would demonstrate that the business has enough liquidity to be financially secure. It also indicates that the business is using its financial resources effectively.	This ratio, also called t the 'quick ratio'. It can be quicker to cal does not count inven so shows how liquid th rely on stock. Some businesses may that sells quickly, and s effective for them.

Liquidity and profitability are equally important but are very different. A business its debts and so is very liquid but is not that profitable. It may be making just eno its costs but have enough cash coming through the tills that the liquidity is good. have good liquidity because money may be tied up in fixed assets, such as buildin very profitable.

Activity 11

Jack's is a bakery business supplying other local businesses. It has bids from t become their regular suppliers. Jack's will only be able to commit to become businesses, so provided below are the financial figures of the two businesses comment on. Using the figures below, complete the profitability and liquidity suggest which of the businesses is most financially stable and, therefore, the regular customer.

Business A	Business B
Revenue – £65,200	Revenue – £89,400
Gross profit – £36,300	Gross profit – £41,400
Net profit – £22,100	Net profit – £25,000
Current assets – £4,500	Current assets – £[illegible]
Current liabilities – £2,200	Current liabilities – £3,200
Inventory – £2,800	Inventory – £3,800

As a class you can [illegible] your answers to find out which option everyo

Practice questions – Financial documents and stateme

Irene and Richard own Printz, a small factory making personalised gifts and ph
online and so all orders are sent out to customers.

1. a) Explain **two** advantages to an enterprise of completing financial doc
   b) Explain **one** negative impact to an enterprise of not completing fina
   and documents accurately.

2. a) Explain **one** advantage to suppliers of understanding an enterprise's
   financial document.
   b) Explain **one** advantage to lenders of understanding an enterprise's
   financial document.
   c) Explain **one** advantage to employees of understanding an enterprise
   financial document.

3. The table below shows Printz's financial figures from the last two years.

	2021 £(000)	**2022** £
Revenue	£57	£8
Gross profit	£32	£4
Net profit	£9	£1

   a) Calculate the gross and net profit margins of the enterprise.
   b) Explain **one** positive impact on Printz's of these figures.

Learning Outcome C: Financial planning a

C1: Budgeting

You will probably have come across the term 'budget' before. A budget is an amo it may spend or receive from sales. These are called **expenditure and revenue bu**

Budgets can be set for many things, the most common being:

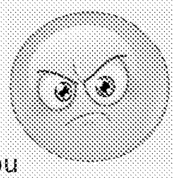
- **Capital expenditure budget** – this is to help a business decide how much to new machinery or property.
- **Cash budget** – this is a budget that estimates the inflows and outflows of cas in the next section, cash flow.
- **Labour budget** – this is a budget to help control the number of staff in the b are paid.
- **Marketing and promotion budget** – this helps the business control how mu advertising campaigns and marketing activities such as market research or s
- **Overheads budget** – overheads are the running costs of a business; they wil and telephone bills.
- **Production budget** – this is the cost of making a product; it could include th manufacturing overheads. Within this budget there may be a **purchases or s** the business review the cost of the stock.
- **Revenue or sales budget** – this differs from the budgets above. All of those a money going out of the business, whereas this budget is an estimate of how business from sales.

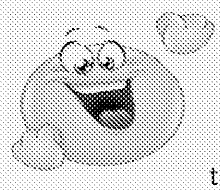
Budgeting and budgetary control

Budgeting is the process of setting a budget, and then budgetary control is the pr spending and incomes to those that were set in the budget. During this process a overspent or underspent in some areas. If this is the case then it can look at why prepare more accurate budgets in the future.

Variances

An **adverse** variance is **not good**. If any **outgoings are more** than what was budgeted then this is adverse. Imagine going shopping and you want to spend £30 and you spend £35 – this is adverse. Likewise, if you thought you would receive £20 but instead received £18, this is adverse as you have received £2





A fa
If an
wha
favo
Like
than e
For exa
that it will receive £100
£130. This is a £30 favo

If a business has too many adverse budgets then this could leave it with poor liquidity accurate budgeting is very important. Below is an example of a budget being compar

	Budgeted	Actual
Sales/Revenue	£49,500	£53,500
Expenses		
Labour	£24,000	£25,200
Marketing	£3,200	£3,200
Production	£6,300	£5,500
Capital expenditure	£2,500	£2,550
Net cash flow	£13,500	£17,050

Activity 12

The budgeted and actual figures for Brighter Windows Ltd are shown below.

A. Work out the variances for each of these budgets.
B. Comment on possible reasons for each of the variances.

	Budgeted	Actual
Sales/Revenue	£111,000	£134,500
Expenses		
Labour	£35,2[illegible]0	£37,300
Marketing	£5,200	£4,900
Production	£34,400	£37,200
Capital expenditure	£12,500	£11,400
Net cash flow		

C2: Cash flow

Cash flow forecast

Like a budget, a cash flow forecast is a prediction of the business's inflows (recei (payments/expenses/costs).

Creating a cash flow forecast will allow a business to calculate its net cash flows a balance. It will also help identify any surpluses (additional cash) and deficits (cash to plan better.

The purposes of cash flow forecasts are:

- ✓ to identify how much money is coming in to and going out of a business ove
- ✓ to determine the impact of timings of sales and costs
- ✓ to prepare for issues with negative cash flow or poor liquidity

As with budgets, there are predictions and actual cash flows. An actual cash flow As with budgets, these cash flow statements can be compared with the forecasts effectively. To help us understand the format of a cash flow forecast/statement, sections here.

Section A

This section shows all the income of the business. (Money coming into the busin include something like a loan or a grant.)

Income	May	June	July
Ticket sales	£2,000	£2,500	£2,60
Merchandise	£500	£450	£550
Refreshments	£300	£350	£350
Other	£0	£0	£0
Total income	**£2,800**	**£3,300**	**£3,50**

Section B

This section shows all the expenses of the business (money going out of the busi

Expenses	May	June	July
Rent	£1000	£1000	£100
Stock	£400	£350	£350
Wages	£1000	£1000	£120
Insurance	£150	£150	£150
Advertising	£150	£100	£100
Other	£0	£0	£50
Total expenses	**£2700**	**£2600**	**£285**

Section C

This section shows the net cash flow of the business (the income for that month month) and opening and closing bank balances.

Total income – Total expenses

Net cash flow	£100	£700	£650
Opening bank balance	£400	£500	£120
Closing bank balance	£500	£1,200	£1,85

Net cash flow + Opening bank balance

This number moves across fr previous month's closing bank

Activity 13

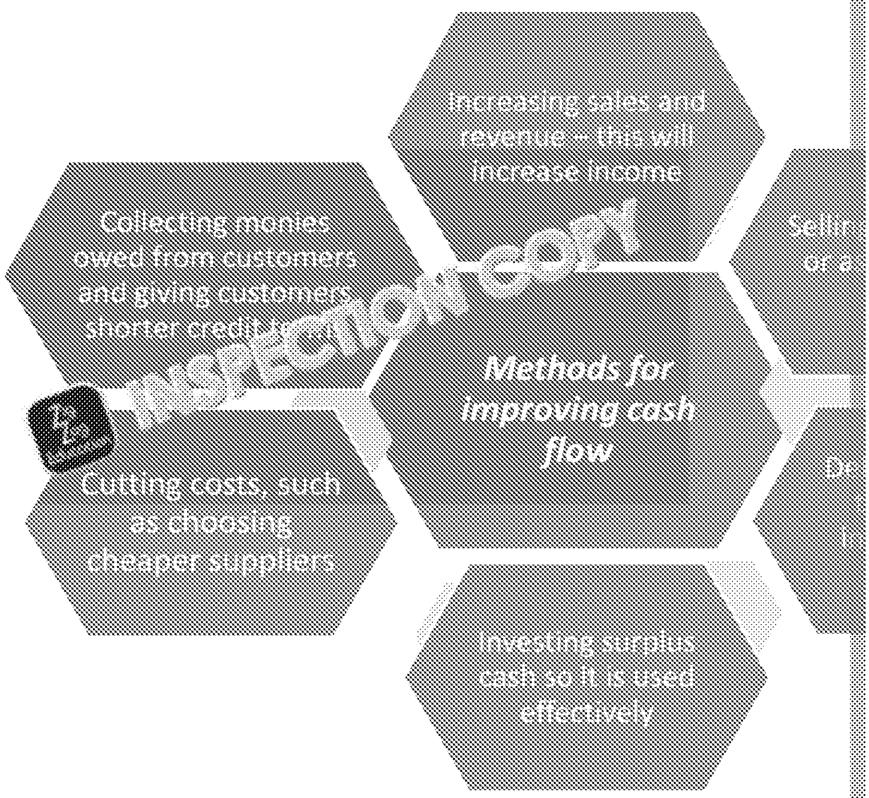
Below is the cash flow statement from Brick Toys' last six months of trading.

	Sept	Oct	Nov	Dec
Income				
Sales	14,500	16,800		
Total income	**14,500**		**24,400**	
Expenses				
Wages	4,200	4,200	[illegible]	5,900
Rent	2,300	[illegible]	2,300	2,300
Utilities	[illegible]	1,600	1,600	1,600
Insurance	800	800		800
Stock	2,400	3,100	14,500	14,500
Total expenses	**11,300**		**24,600**	**25,100**
Net cash flow	3,200	4,800	(200)	7,100
Opening balance	7,400	10,600		15,200
Closing balance	10,600	15,400	15,200	22,300

A. Fill in the empty cells in the cash flow statement.
B. In which month was income the highest, and what could be the reason(s

C3: Suggesting improvements to cash flow pro

Cash flow is very important to a business. If we recap on the liquidity ratios, thes
business has enough 'cash' to pay its debtors. If a business has a cash deficit the
likewise, cash surpluses in some months and not in others is not good for the bu



Activity 14

Although there are methods to overcome cash flow problems, some of these
their own and may have an effect on business stakeholders.

For each of the suggestions below, think about what stakeholders may be aff
may affect them or the business and how this could be overcome. For exampl
Cutting costs could mean cutting staff wages. Staff would be unhappy about this
as a result. This could be overcome by not taking on new staff when people leave
workload between everyone and allowing them to stay on the same wage.

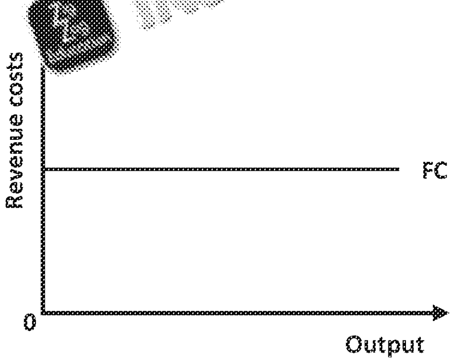
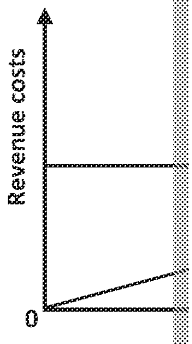
A. Reducing customers' credit period
B. Increasing revenue
C. Choosing a cheaper supplier

C4: Break-even point and break-even analysis

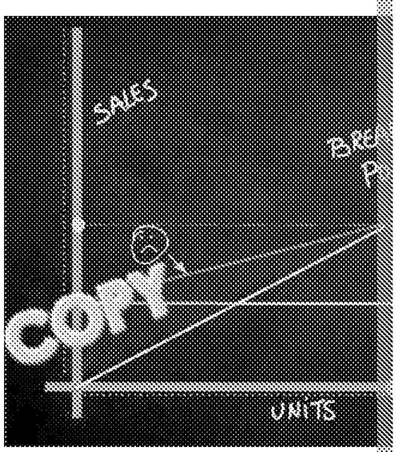
Break-even is the point where total revenue and total costs are equal.

At the break-even point the business has made neither a profit nor a loss. The pu
allow the business to calculate all costs and work out how many units need to be
all costs, i.e. to break even.

The break-even graph categorises costs into fixed costs and variable costs:

Fixed costs	Var
• These costs stay the same at all times and do not depend on the output of the business. • Examples include business insurance and rent. Even if a business makes no sales or does not produce anything it must still pay these costs.  • On the break-even chart the fixed cost line is always a straight line as it does not change depending on output.	This cost changes • Examples include an ice cream van stock it has depe  • This line increase cost of making on the cost of makin be £10, and so on

This is how all break-even charts will look, and the key point is where revenue and total costs cross over. This is the break-even point. Before this point you can calculate how much loss is being made, and after this point you can calculate how much profit is being made or what the margin of safety is. The margin of safety is the number above the break-even point. So, for example, if a business needs to sell 23 items to break even and it sells 26 then it has a margin of safety of three.



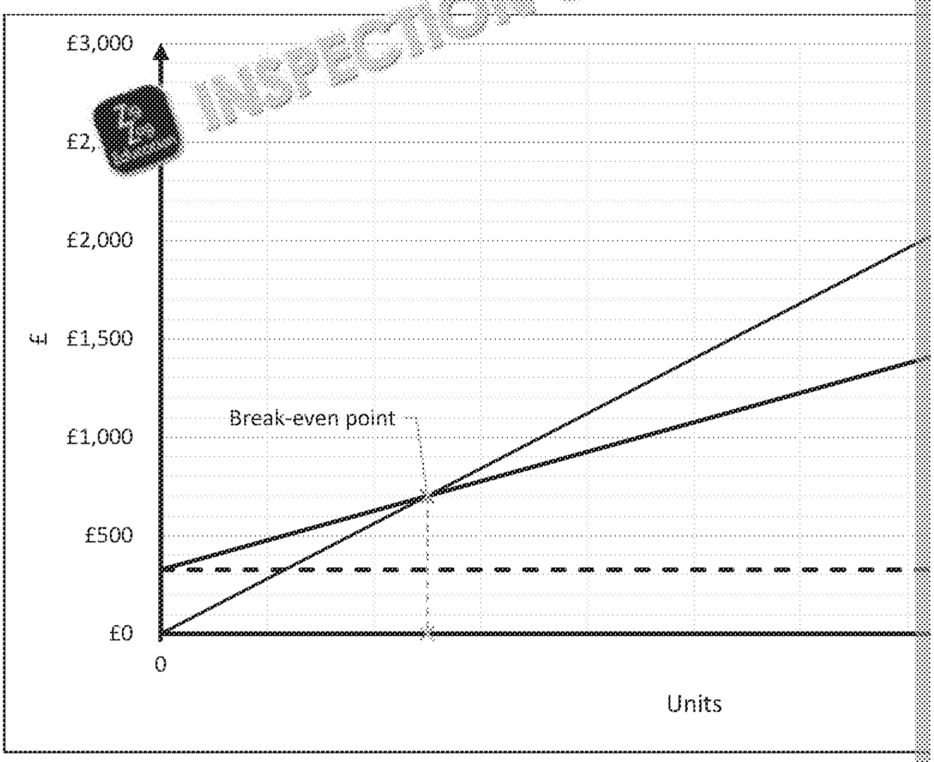
Calculating to plot the graph is easier if we first put the figures into a table s

Units	Revenue	Fixed costs	Variable co
U	*The revenue of each unit to be multiplied here* *= R × U*	*This figure will remain the same throughout as fixed costs do not change*	*The cost of m each unit to multiplied by t* *= VC × U*

Example

Sharon makes shampoo bars and sells these to a local cosmetics shop. She sells t and it costs her £2 to make them (variable costs). Her fixed costs each week are £ break-even chart we will put them into a table which will make plotting the graph

Units	Revenue	Fixed costs	Variable cos
1	£4	£250	£2
50	£200	£250	£100
100	£400	£250	£200
150	£600	£250	£300
200	£800	£2[illegible]	£400



In addition to using this graph there is a calculation that will give you the break-e

Break-even point = Fixed cost
Contribu[illegible] (Selling price –

Strengths and limitat[illegible] [illegible]sing break-even analys

Strengths	L
✓ Can be used to help with budgeting and pricing	× The lines are alway remain the same;
✓ Can be used to set sales targets as it shows at what point the business starts to make a profit	× These can take tim
✓ It is visual and, therefore, easy to read and understand	× If a business has m difficult to allocate

Activity 15

A. Dawn has just started up a small business, Nuts about Birds, making bird
She is creating these in her garage and so has small fixed costs. Her fixed
£325 per month. She has worked out that each bird box costs £15 to mal
are her variable costs. She is considering selling the bird boxes at £28 eac
Using this information, complete a break-even chart so that Dawn can se
many bird boxes a month she needs to sell to break even.

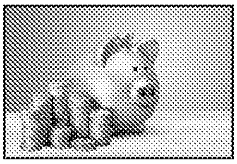
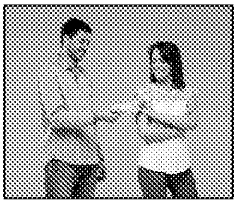
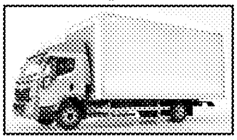
B. After a successful couple of months and lots of demand for the bird boxe
has decided to hire a unit so that she can produce more bird boxes. This
her fixed costs have increased to £468 per month. Based on this change,
Dawn's new break-even point be?

C. Suggest two actions that Dawn could take in response to this change. Ev

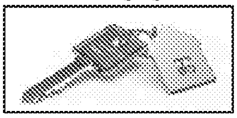
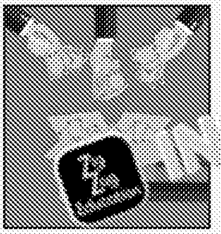
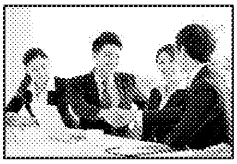
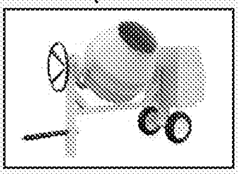
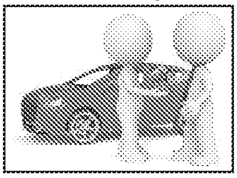
C5: Sources of business finance

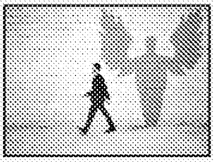
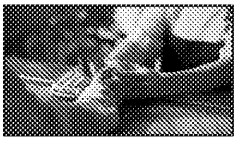
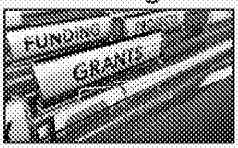
Enterprises need sources of finance for various reasons. For example, a business
up or if the business is growing. The source of finance used will depend on the ty
The source of finance will also depend on the ownership type of the business an

Internal sources of finance

	Positives	
Personal savings 	A small business owner such as a sole trader coul savings to add capital to their business.	
	✓ Nothing has to be paid back; there are no additional costs	✗ Onc
Credit card 	A credit card allows a business to purchase items period of time. This card would be used like a deb to the credit card company.	
	✓ It is relatively easy for a business to set up a credit card account	✗ This inte
Borrowing from family and friends 	Borrowing from family and friends can be quite a useful this source is will depend on the amount t agreement made.	
	✓ There may be no interest or charges attached to borrowing	✗ This the f feels runn
Retained profit 	Retained profits are the profits kept in a business being shared out between owners and sharehold	
	✓ As this is the business's own money, it does not owe anything to anyone else	✗ It m enou proj
Selling assets 	A business is able to sell an asset such as a vehicl more capital.	
	✓ Like many of the other internal sources, the main benefit of this method is that the business owes no one else	✗ Selli som expe repl

External sources of finance

	Positives	
	Long term	
Mortgage 	A mortgage is a large loan used to purchase a pro ✓ A very large amount of money can be borrowed and paid back in smaller instalments over a long period of time	✗ A la add borr
Share capital 	Limited companies are able to use this source of f to invest further in the business. ✓ This is a relatively easy way to raise finance for a business that is ltd.	✗ The busi own add rece
Taking on new business partners 	A business partnership could do this to gain extra ✓ The business may also benefit from the new skills or experience of the business partner too	✗ New shar
	Medium term	
Hire purchase 	Hire purchase is common in the car industry and monthly fee and then at the end of the hire agre purchase the item. ✓ Payments are spread over a long period of time, allowing the business to have the asset while still paying	✗ The in ex the
Leasing 	Leasing is used to acquire an asset. A monthly fe owns that product. Leasing is also popular in the ✓ If a business decides it no longer wants the asset or it wants a different version, then it is simple to change as it never owned the asset	✗ Ove prod expe
Loans 	This is the most common form of lending. Banks l the businesses pay this back on a monthly basis. years or even longer – it will depend on the agre ✓ A large amount of capital can quickly be gained with manageable repayments	✗ Inte repa
Peer-to-peer lending 	This happens when one business loans money to ✓ Similar to a bank loan, the business can access a large amount of money quickly	✗ Like add

	Positives	
Business angel investments 	Business angels are professional business people usually new enterprises.	
	✓ The lender can also benefit from the experience and business knowledge of the business angel	✗ The lose own
	Short term	
Bank overdraft 	A bank overdraft is a quick way for a business to overdraft facility is added to a current account to money than they actually have in their account.	
	✓ Quick and easy to set up	✗ Ban an o
Crowdfunding 	Crowdfunding is sometimes used by social enter the public to contribute money into a business o worthwhile.	
	✓ Ideas that may not get funding from conventional sources will probably get funding through this method	✗ This may the
Trade credit 	Trade credit is when a supplier allows a business off their accounts.	
	✓ It is usually very easily set up and improves relationships between suppliers and customers	✗ This pay ensu
Government and charitable grants 	These grants are usually given to a business for m example, providing employment in an area of hig a service not offered in that area.	
	✓ These do not have to be paid back to the government or charity	✗ The that acce

Activity 16

A. For each of the scenarios below, suggest which sources/s of finance will s
Make sure you justify your recommendation as you will need to discuss t

Jack & John Ltd is a clothes manufacturing business. The business is five years old and because of demand it needs to expand. The owners need funding to buy a new, larger factory, and they also need further funding for equipping the new factory.	Sweet Treats is owned b They set up the busines years ago. Due to its su renovate their house, c kitchen from which the some very large orders [illegible]hs so they will als [illegible]e extra stock they wil
Philippe's Mobile Pantry sells lo[illegible]s from a converted van. P[illegible] a different route every da[illegible] week and then sells at foo[illegible] weekend. Paul needs help fina[illegible] new, larger van with refrigeration.	Days Out is a social ent families who need supp funding to take on mor workload.

B. As a class, discuss your recommendations.
C. Review your answers. Would you change your recommendations? Expla

Practice questions – Financial planning and forecasti

1. Go Fish is a small pet shop that trades from a local industrial estate. Deep business five years ago. Over the last year the demand for local delivery o increased, and so Deepali has decided to purchase a van. This costs £25,0 of retained profits that she could use, but she needs to source the remain

   Discuss **two** possible sources of finance that would be suitable for this.

2. These are the budgets from Go Fish. This shows what Deepali budgeted year and the actual incomes and expenses. Calculate the variances for ea

	Budgeted	**Actual**
Sales/Revenue	£145,000	£169,500
Expenses		
Labour	£41,000	£44,500
Marketing	[illegible]	£6,000
Supplies	£42,500	£48,800
Utilities	£21,500	£23,500
Net [illegible]low		

3. Discuss the possible reasons for the variances from the table above.

Glossary

Behavioural	The way in which customers can be differentiated acc and trends.
Branding	A brand is the identity of the business. This can be po name, its logo, its slogan or even a simple icon.
Business-to-business market (B2B)	This is the market where one business sells to other b
Business-to-consumer market (B2C)	This is the market where businesses sell directly to cu
Consumer	A consumer is the person who uses the product or se necessarily the person who buys the product. For exa ...s and consumers.
Cost-plus	A pricing strategy where the price of making the prod percentage is added on top to calculate the selling pri
Customer	A customer is someone who buys the product.
Demographics	The characteristics of the population, such as income
Disposable income	The amount of money available to someone to spend their essentials, such as rent and food. This money ca products that are wants rather than needs.
Market growth	This is the rate at which the market is growing in size.
Market share	This is the share of the total market that a company m a percentage.
Mass market	A mass market includes everyone, such as the market
Niche market	The target market for a niche market is usually very sp
Penetration	A pricing strategy whereby products are priced very lo
Product life cycle	The product life cycle plots the sales of a product ove sales are increasing and decreasing.
Product portfolio	This is the mix of products a business has.
Psychographic	A type of customer profile according to someone's tra
Segmentation	The way in which customers can be differentiated, e.g
Skimming	A pricing strategy whereby prices are set very high.
Socio-economic group	This is based on an individual's position in society. The individual's occupation ... activity and occupati
Target market	The market that an enterprise aims to sell its products
Unique selling point	Something that makes your product or service stand o

Answers

Activity 3

Penetration	A new biscuit – low price to get customers to buy it and try it with the ho
Skimming	A new phone that has lots of features / is technologically advanced – peo something completely unique
Competitive	Coffee stalls in a market all charging the same price as one another
Cost-plus	A sweet shop could use this – they could add a certain percentage on to a sure they make profits and cover their costs
Premium	A sports brand could use this so that people end up paying more for that better quality than others

Activity 7

	Customer		
	Benefits	**Drawbacks**	**Benefits**
Cash	Accepted in most places	Can be easily lost or stolen	Immediate acce the money/func
Credit card	Can spend more money than they actually have by borrowing from the credit card	Usually have to pay interest on what is owed	Customers can s more money th actually have, th increasing sales/revenue
Debit card	If lost or stolen, customers can contact the bank and stop this card	Customers can only spend what is in their current account	There is less cas hold on busines premises and, therefore, less n a safe or for sec personnel to tak cash to the bank
Direct debit	The customer cannot forget to pay as the payment is already set up	Customers can forget they've set this up and be paying for something they no longer use (e.g. gym membership)	No chasing up customers as pa are automatic
Payment technologies	Most new payment technologies make it quicker and more convenient for payment to be made, such as contactless	Customers may need apps for this to work	Could be compl quickly and easil is automatic

Activity 8

Smart Screens

Sales revenue		£54,000
Cost of sales		£22,000
Gross profit		£32,000
Expenses		
Wages	£18,500	
Utilities	£3,500	
Marketing costs	£1,500	
Rent	£8,000	
Total	£31,500	
Net profit		£500