

Format and structure

Raising Skills
English Language
Online Study Course



Format and structure

Theme 1: Investigating small business

1.3 Putting a business idea into practice

Did you know?

The government gives potential entrepreneurs a lot of support and information about finance, including highlighting any grants, finance and loans that may be available. On the government's website, there is also a whole section on funding for start-ups and small and medium-sized businesses.

Understanding and calculating business concepts

You will need to understand and know how to calculate:

- revenue
- fixed, variable and total costs
- profit and loss
- interest
- break-even level of output
- margin of safety.

Revenue

Revenue is the income that a business receives from sales. A business needs a steady revenue stream to ensure that it can survive and succeed. It is important for an entrepreneur to be able to predict their business's revenue so that they know that it can cover its costs and make a profit.



Why is it important to predict sales revenue throughout the year? What factors should be taken into consideration?

Revenue is calculated by multiplying the price of a product or service by the amount of units of that product or service that it sells:

$$\text{revenue} = \text{price} \times \text{quantity}$$

Maths tip

Always double-check your answer by reversing your calculations. For example, the bread sales revenue for one day = $£1.35 \times 200 = £270$. The reverse calculation would be $£270 \div 200 = £1.35$

Activity

A bakery sells 150 bread rolls and 200 loaves of bread every day. The price of the bread rolls is 25p per roll and the price of the bread is £1.35 per loaf.

- 1 How much revenue is made for the bread rolls per day?
- 2 What is the total revenue per day?
- 3 What is the total revenue per week if the bakery works a 6 day week?

Revenue can come from different groups of customers or customer segments, and each of these areas of revenue is known as an **income stream**. For example, a cake company like Bake Me Happy could identify the following income streams:

- customers ordering celebration cakes such as birthday and wedding cakes
- customers impulse-purchasing treats while they are out shopping
- selling cakes to a local cafe that puts in a regular weekly order of 10 different cakes.

Activity

Consider the three income streams listed for the cake company above.

- 1 Which income stream do you think is most important? Why do you think this?
- 2 What could the cake business do in order to create a fourth income stream?

Fixed, variable and total costs

Costs are what a business has to pay in order to continue operating. Costs could include the rent on a shop or office, the cost of hosting and operating an e-commerce website and the costs of the raw materials needed to manufacture products. Costs are an important factor that will determine whether a start-up business will be **viable**.

There are two different types of costs: fixed and variable costs.

- **Fixed costs** do not change, no matter how many products or services a business sells. They can be identified from the beginning and include costs such as insurance, rent, tax and salaries.
- **Variable costs** change depending on how many products or services a business sells. They include costs such as electricity bills and raw materials. For example, if a cake company like Bake Me Happy attracts more customers and sells more products, it will use more electricity and raw materials in order to produce enough products to keep up with demand. This means that the variable costs of operating will increase.

Exam-style question

Which **one** of the following is an example of a fixed cost?

(1 mark)

Select **one** answer.

- ☐ A Salaries
- ☐ B Electricity
- ☐ C Materials
- ☐ D Repairs

Link it up

You learned about market segmentation in Topic 1.2 *Spotting a business opportunity*.

Key terms

Income stream: the source of regular income that a business receives. This could be through the money it receives from customers, or other areas such as investment income.

Viable: capable of working or succeeding.

Organisational features of a text

Headings

Give the reader an idea about what the complete text is about. Sometimes, a heading is referred to as a title.

Subheadings

Used to give each section or paragraph of a text a title. Subheadings help readers find information more quickly and are often found in leaflets and reports.

Images

Can be in the form of photographs, graphics (such as illustrations and cartoons), diagrams, charts or pictures. Images are often used to support the text and can tell us more about what we are reading.

Organisational features of a text

Other organisational features include:

- banners
- columns
- bullet points
- numbered lists
- tables
- graphs
- boxes
- frames.

Bold or *italics* help to make a writer's point stronger or bring it to the reader's attention.

Purpose, audience and language

When we are presented with a text, we need to ask three questions:

1. Why has the text been written? [Purpose]
2. Who has the text been written for? [Audience]
3. Is the text formal or informal? [Language]

Purpose, audience and language

The **purpose** of the text may be to:

- inform
- instruct
- persuade
- advertise
- advise
- direct
- entertain.

The **audience** for the text may be:

- a child
- an adult
- an elderly person
- residents of a particular area
- someone interested in a particular subject
- universal (for everyone).

The **language** in a text (the words chosen by the writer) can be formal, informal or a mixture of both.

Letters

The formal letter

Address of person
you are sending to

Your
address

1 Anytown Road
ANY1 ABC

Date

The date

The Company
Anytown
AnyTown
ANY2 EFG

Dear Sir/Madam,

XX
XX
XX.

[illegible]

Yours sincerely,

Xxxxxxxxxxxxx

M. Anybody

Formal
valediction
or ending

Your  signature

Your name printed clearly

The informal letter

Informal opening
or salutation

Your
address

1 Anytown Road
Anytown
ANY1 ABC

Date

➤ The date

Hi XXXXXXXX,

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XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.

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Love always,

XXXXXXXXXXXXXX

Content

- Informal valediction or ending

Your first name only

Types of texts

You may be presented with different types of texts.

Reports are written to provide feedback about a specific issue or topic.

Report

Article

Emails are a common form of communication. Remember to keep your choice of salutation, valediction and language appropriate to the recipient of your email.

Email

Internet discussion forum

Articles are written to provide the reader with information about a particular news item or topic that is new to the reader.

Internet discussion forums have grown in popularity. People join in with a discussion online and voice their own opinions on a topic. Comments should always be polite and respectful of other people's views!

Review and reflect

1. *What type of font is being used here?*
2. **What type of font is being used here?**
3. Why are subheadings used?
4. What is another word for a heading?
5. What is another word for an image?
6. What is meant by the 'features' of a text?
7. What is meant by the 'purpose' of a text?
8. What is meant by the 'audience' of a text?
9. What valediction would you use at the end of a formal letter?
10. What sort of information would a report include?