

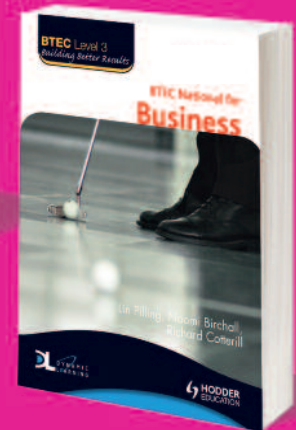
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*Building Better Results*

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The Student's Book is written by an outstanding author team with years' of teaching, training and assessing experience, and includes exact guidance on everything you need to deliver the new Level 2 BTEC course.

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cut-out hole

**Student Book 1** 978 0 340 99190 9 Mar 2010 £19.99

**Answer Guide** 978 1 444 12009 7 Aug 2010 £80.00

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Case studies from well-known businesses give students real insight into the issues faced by companies today

Make the grade – Applies the content directly to their assignments and the grading criteria

Activities and tasks reinforces key theory students have learnt on the course

Unit 3 Financial forecasting for business Chapter 5 Costs, revenue and profit in a business

**Research and investigate**

Use the internet to find the consolidated income statements for Next plc and Debenhams plc and compare their revenue, gross and net profits. Which business is the more profitable? Note: make sure that you compare income statements for the same year.

**The importance of costs, revenue and profit for a business organisation**

To maximise profit is one of the main aims of most businesses. This is especially true of public

limited companies as they need to keep their shareholders happy by returning dividends to them (dividends are a payment to shareholders from company profits). Profit is a reward for the investment of time and money into a business and is necessary for a business to grow.

In order to make a profit, a business needs to generate as much revenue as possible; without revenue, a business will not be able to exist. When an economy is in recession, the revenue for many businesses falls and therefore these businesses may make a loss and stop trading.

Similarly, in order to make a profit, a business must control its costs. Many businesses generate healthy amounts of revenue but then make a loss because their costs are too high. Clinton Cards, as shown above, is a good example. Although they generated revenue of £465,029,000, they still made a loss because their cost of sales was very high.

**British Airways**

The fortunes of the airline industry are very dependent on the state of the economy. When the economy is booming (businesses are doing well and the demand for goods/services is rising), many new budget airlines start up and are able to generate revenue. However, when the economy is in recession (businesses are not doing well and the demand for goods/services is falling), only the strongest competitors survive and even some of the larger airlines find themselves in financial difficulty.

During 2008, airlines not only suffered the effects of global recession, they also faced rapidly rising costs due to the rise in oil prices, which increased the amount they had to pay for their fuel. Two airlines that went out of business as a direct result were Oasis (in April 2008) and Zoom (in August 2008).

Even the larger airlines were finding it difficult to make a profit in 2008–2009. After facing record losses, British Airways, in a desperate attempt to cut costs, asked its staff to work without pay for one month. BA chief executive Willie Walsh and his chief financial officer, Keith Williams, attempted to lead by example by stating they would give up their wages for July 2009.

See the table below for extracts from British Airways Group consolidated income statement for the years ended 31 March 2008 and 31 March 2009.

	2009 £m	2008 £m
<b>Traffic revenue:</b>		
Passenger	7,936	7,600
Cargo	673	615
Other revenue	483	543
<b>Total revenue</b>	<b>8,992</b>	<b>8,758</b>
<b>Expenses:</b>		
Employee costs	2,193	2,165
Fuel and oil costs	2,869	2,065
Other costs	4,050	3,660
<b>Total expenditure on operations</b>	<b>9,212</b>	<b>7,890</b>
<b>Operating (loss)/profit</b>	<b>(220)</b>	<b>878</b>

Source: www.britishairways.com/cms/press/pressreports0608/pdf/BA\_Air\_2008\_09.pdf

- British Airways experienced a small rise in revenue between 2008 and 2009. Explain why some other airlines may have experienced a fall in the amount of revenue they received.
- British Airways experienced a sharp increase in costs between 2008 and 2009. Outline one factor that caused the costs to increase.
- Using the financial information in your answer, explain why it is important for British Airways to try and reduce its costs.
- To what extent do you agree with BA's decision to ask staff to work for free for one month?

**Make the grade**

**M1** Remember, for M1 you must explain the importance of costs, revenue and profit for a given business or a business of your choice.

**Discussion...**

Many new businesses employ a large number of staff in anticipation that they will be busy, and then find that the staff have very little to do. Discuss the effects this may have on a business's profit.

**Key words**

**Cost of sales** – What it costs the business to buy in the stock that it sells or the direct costs of making the stock that it sells.

**Direct costs** – Those costs that can be directly traced back to the item being produced.

**Expenses** – Indirect costs.

**Fixed costs** – Costs that do not change when the business changes the amount it produces or the number of customers it serves.

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'Discussion' boxes throughout can be used as lesson starters, group class activity or set as homework tasks to stretch and challenge students' of all abilities

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- **Clear explanations** of business theory and **key terms** remind students of the concepts they need to learn to develop their business knowledge
- **Quick fire quizzes and questions** help students learn essential theories in a more fun and interactive way

<b>Book 1</b>	978 1 444 11187 3	Jun 2010	£24.99
<b>Book 2</b>	978 1 444 11188 0	Dec 2010	£24.99
<b>Answer Guide</b>	978 1 444 12010 3	Sept 2010	£100.00

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## Our authors

Experienced BTEC and educational professionals have written our resources so you can be confident they know exactly what is needed to get better results.

### **BTEC Level 2 First Business**

**Editor: Julie Coombes** is a Senior Verifier for a major awarding body, and an experienced teacher, examiner and trainer.

**Authors: Dave Needham** is a Senior Lecturer at Nottingham Trent University and a highly experienced and respected author.

**Rob Dransfield** is a Senior Lecturer at Nottingham Trent University. He has written many successful and respected textbooks.

**John Goymer** is an experienced teacher, external verifier and writer.

**Carol Sumner** is a teacher and trainer. She also contributes regularly to EBEA Teaching Business and Economics Magazine.

### **BTEC Level 3 National Business**

**Authors: Lin Pilling**, is a Senior Verifier for a major awarding body.  
**Naomi Birchall** is an experienced teacher, examiner and author.

Dynamic Learning is the ultimate teaching and learning resource. Combining award-winning quality content with easy-to-use tools, it supports teachers and encourages students to develop, progress and achieve.





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## Dynamic Learning

These easy-to-use digital resources complement the BTEC Level 2 and BTEC Level 3 Student Books and include:

- Short **video case studies** to illustrate key business concepts which are supported by PowerPoint slides that save you time having to prepare new material
- Videos of **business scenarios** which demonstrate good and bad examples of business practice
- Advice and guidance on delivering BTEC Business from experienced teaching professionals and examiners
- Detailed **company information** that is perfect for assignments and saves your students time researching
- **Assignment templates** that can be adapted to suit the students needs and level
- **Answers** to the exercises in the student book

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