**Unit 2 Finance Exam – Revision**

**Topics to Revise**

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| Revise | Topic |
|  | Start-up costs |
|  | Fixed costs |
|  | Variable Costs |
|  | Sources of revenue |
|  | Sources of expenditure |
|  | Types of direct costs |
|  | Types of indirect costs |
|  | Know what breakeven point is |
|  | Risks of not knowing where breakeven point is |
|  | Advantages of knowing where breakeven point is |
|  | Cash inflows/outflows |
|  | Cash Flow statements |
|  | Advantages of having cash flow forecast |
|  | Problems if no cash flow forecast |
|  | Income statements (Profit & Loss accounts) |
|  | Advantages of having an income statement |
|  | Problems if no income statement |
|  | Balance Sheets |
|  | Advantages of having a balance sheet |
|  | Problems if no balance sheet |
|  | Internal/external sources of capital |

**Learn these Formulae**

1. Variable cost per unit x no of items = Variable cost

2. Variable cost + Fixed cost = Total cost

3. Number of sales x Price per unit = Revenue

4. Revenue – Cost of sales = Gross Profit

5. Gross profit – expenditure = Net Profit

6. Fixed Costs = Break even

 Selling Price – Variable Costs

7. Calculating total inflow = Sales revenue + other outflows – total inflow

8. Calculating net cash flow = Total inflow – total outflow

9. Closing balance = Net cash flow + opening bank balance

10. Working capital = Current assets – current liabilities

11. Net assets = Working capital + fixed assets

12. Capital Employed = Capital + Long-term liabilities

**Know & recall definitions**

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| **Term** |  **Definition** |
| Assets |  |
| Break Even |  |
| Budgeting |  |
| Budgeting Control |  |
| Cost of sales |  |
| Liability |  |
| Revenue |  |