

Key formula

Total revenue = price per unit x quantity of units sold

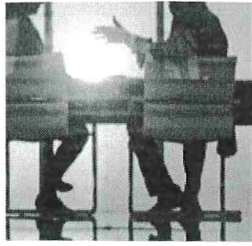
Profit = total revenue – total costs

Questions

1. Total revenue is sometimes called by another name. Can you list two alternative names for the term?

a) _____

b) _____



Unit 1 What is business?

2. Middleton's Bakery sells cupcakes at £0.80 per unit. During a typical week it sells 6,000 units. Calculate the total revenue per week gained from selling the cupcakes. Show your working out.

3. The total revenue of Parkers Construction Supplies is £460,000 per year. The selling price of the supplies is £80.00 per unit. Calculate the number of units sold during the year. Show your working out.

4. Tremlow Timbers sells wooden gates. The price of each gate is £175.00. During the course of 2013-2014 the firm earned a total revenue of £740,250. Calculate the number of gates sold.

Key terms

Fixed costs: Costs that do not vary directly with output in the short run (e.g. rent).

Variable costs: Costs that vary directly with output in the short run (e.g. raw materials).

Total costs: The sum of fixed and variable costs.

Unit 1 What is business?

Questions

1. Using the table below list three fixed costs and three variable costs.

Fixed costs	Variable costs

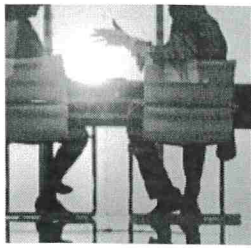
2. Slate Valley Gravel Company sells bags of blue slate chippings for decorating gardens. Each bag sells at a price of £4.50.

The cost to Slate Valley to buy-in each bag is £1.75. Wage costs associated with selling each bag are £0.50. Additional costs include rental of the shop premises at £13,000 per year, energy costs of £2,500 per year, management salaries of £35,000 per year and the lease of a company van at £3,000 per year.

Calculate: (and show your working out)

a) The total fixed costs listed during the course of a year.

b) The total costs of Slate Valley Gravel Company for the year, assuming that they sell 60,000 units.



Unit 1 What is business?

c) The total revenue gained from selling the 60,000 units.

d) The profit made by Slate Valley Gravel Company during the course of the year.

e) The quarry company supplying Slate Valley increases the price of each bag by 12 per cent. All other costs remain the same. Calculate the new level of profit for Slate Valley.
