

# Types of expenditure

EGTB

1 Kate runs a gift shop called 'Candy and Cards'.

Which **two** of these items are examples of her expenditure?  
Put a cross in the box next to the two correct statements.

(2 marks)

- A  Buying cards to sell
- B  Sale of sweets
- C  Wages for an assistant
- D  Interest on money in a savings account
- E  A bank loan for an extension

2 Tom runs a key cutting business from a kiosk in the town centre.

Suggest **two** items of expenditure that he will have. (2 marks)

- 1 Rent ..... Utilities
- 2 Staff wages ..... Stock



Guided

3 Jasper has heard the term 'overheads' being used but does not know what this means.

Outline what this means for him.

(1 mark)

Overheads are the everyday running costs of a business.

When you are asked to outline something, you should give a short definition.

# Understanding and calculating profit or loss

1

Choose **one** of the words from the box below to complete the formula for calculating profit. (1 mark)

Profit = Revenue - Expenditure

Overheads	Fixed costs	Revenue
Total costs	Outflows	Variable costs

If you are not sure of the answer, first try to find words that are connected to something else. For example, outflows are linked to cash flow, so you know that is not the right answer.

2 Last month Ken's business had an income from sales of £30,000 and expenditure of £25,000.

Use the formula to calculate his profit/loss figure. Show whether this is a positive figure (a profit) or a negative figure (a loss). (1 mark)

30,000 - 25,000 = £5,000 profit.

Guided

3

A business wants to increase its profits. Describe how it can do this. (4 marks)

It can increase revenue. This means it will earn more from sales or other sources.  
 It can reduce expenditure. This means it will spend less on running the business.

Give a short description of a few sentences without going into detail.

These actions will help it to increase profits because revenue and expenditure are both used to calculate profit. The greater the revenue received and the lower the expenditure, the higher the profit that is left.