



Highsted Knowledge Organiser

High Performance Learning

Year 11: GCSE Business (Term 3)

What I need to know -Overview

By the end of this unit, students will need to be able to:

- Identify **methods businesses use to raise finance**
- Explain the **appropriateness of different sources of finance**
- Understand the **importance of cash flow**
- Interpret **cash flow forecasts**
- Explain the **difference between cash and profit**
- Use **basic financial terms and calculations**
- Calculate and interpret **Average Rate of Return (ARR)**
- Understand and calculate **break-even**
- Explain the **purpose and components of financial statements**
- Interpret **financial data** to assess business performance

Key Vocabulary (with definitions)

- **Revenue (Sales)** – income from selling goods or services
- **Costs** – money spent by a business
- **Fixed Costs** – costs that do not change with output (e.g. rent)
- **Variable Costs** – costs that change with output (e.g. materials)
- **Profit** – revenue minus total costs
- **Loss** – when costs are greater than revenue
- **Cash Flow** – movement of money in and out of a business
- **Cash Inflows** – money coming into the business
- **Cash Outflows** – money leaving the business
- **Net Cash Flow** – inflows minus outflows

- **Overdraft** – permission to spend more money than is in a bank account
- **Loan** – borrowed money that must be repaid with interest
- **Trade Credit** – buying goods now and paying later
- **Retained Profit** – profit kept in the business after tax
- **Break-even** – level of output where total costs equal total revenue
- **Average Rate of Return (ARR)** – method of assessing investment profitability
- **Assets** – items owned by a business
- **Liabilities** – money owed by a business
- **Insolvency** – when a business cannot pay its debts

Knowledge

Methods of Raising Finance

- Internal: owner's capital, retained profit, sale of assets
- External: loans, overdrafts, trade credit, leasing, shares, grants

Appropriateness of Finance

- Depends on: cost, amount needed, risk, time period, control
- Short-term needs → overdrafts, trade credit
- Long-term investment → loans, shares

Importance of Cash

- Needed to pay wages, suppliers, rent, and bills
- A business can be profitable but still fail without cash

Cash Flow Forecasts

- Predict future cash inflows and outflows
- Help plan spending and identify cash shortages

Cash vs Profit

- Cash = actual money in/out
- Profit = revenue minus costs
- Credit sales create profit but not immediate cash

Financial Calculations

- Profit = revenue – total costs
- Total costs = fixed costs + variable costs
- Revenue = price × quantity

Average Rate of Return (ARR)

ARR = (average yearly profit × 100) / cost of investment

- Higher ARR = better investment

Break-even

- Where total revenue equals total costs
- Used to assess risk and pricing decisions

Financial Statements

- **Income statement** – shows profit or loss
- **Statement of financial position** – shows assets, liabilities, and capital

Interpreting Financial Data

- Used to judge profitability, liquidity, and overall performance

Key Assessment Information

- Calculations must show **working out**
- Use **business terminology** in written answers
- Explain **why** a source of finance is appropriate
- Interpret data, not just describe it
- 6, 9 and 12 mark questions require:
 - Application to the business
 - Analysis (cause and effect)
 - Evaluation (judgement with justification)
- Common command words:
 - **Explain** – give reasons
 - **Analyse** – show impact/consequences
 - **Evaluate** – make a judgement and justify it