



Instructions: No answer bank: show your working for the money maths. Number the steps in order, answer the case study questions, explain the key terms, then write full-sentence answers and plan the extended answer.

1. Money maths (show your working)

Question	Working and answer
40 cups at £1, rent £5, 30p per cup. Profit	
€8 + 22% IVA =	
Cost £1.20, markup 50%. Price	
UK price £18 incl. VAT. Business keeps (before VAT)	
Revenue €250, costs €280. Profit or loss?	

Did you know?

- The UK VAT registration threshold rose to £90,000 in April 2024.
- Profit margin is profit as a percentage of revenue.
- Supermarkets often have small margins but sell huge amounts.
- In Italy many small traders use the 'regime forfettario', a simplified tax scheme.

Background

Revenue (or sales) is all the money a business takes in. Costs are what it spends. Profit is what is left: Profit = Revenue – Costs. If costs are bigger than revenue, the business makes a loss.

2. Steps in order

Number the steps 1 to 6 (1 = first).

1	Compare: Check competitors' prices
2	VAT: If registered, add VAT
3	Value: Think what customers will pay
4	Review: Count profit and adjust
5	Cost: Work out the cost per item
6	Price: Set a price with a profit

4. Key terms

Key term	What does it mean? Give an example.
Revenue	
Profit	
Loss	
Markup	
Variable cost	

3. Case study

Tayo's lemonade stall for a summer fair: stall fee £10, ingredients and cups 35p per cup, sign £4. He expects to sell 60 cups. A rival stall charges £1.50.

Case study: pricing for the fair

1. Total costs for 60 cups?

2. Profit at £1.20 and at £1.50?

3. Why might he choose £1.20?

5. Think it through

1. Explain two ways a business can increase profit.

2. Explain one consequence of setting prices too low.

6. Longer answers (full sentences)

1. Explain markup and profit margin.

2. Show how VAT changes price but not the business's income.

3. Why can registered businesses reclaim VAT on supplies?

4. Explain in your own words: Why does a VAT-registered business add VAT to its price, and who keeps the VAT?

7. Extended answer

Extended answer: 'The best price is always the lowest price.' How far do you agree?

Plan: introduction · point for (example) · point against (example) · conclusion with your judgement.
