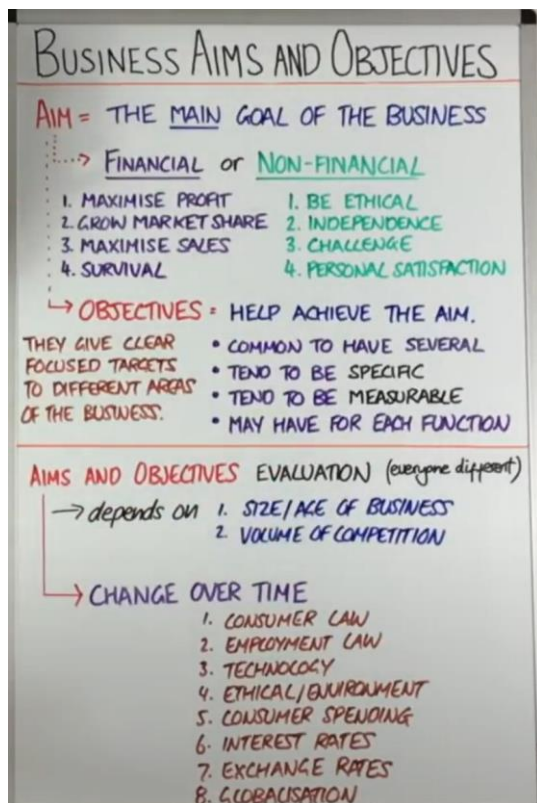


Aims and objectives



Aim = main goal of business

Financial	Non financial
Maximise profit	Be ethical
Grow market share	Independence
Maximise sales	Challenge
Survival	Personal satisfaction

Objectives = Help achieve aim

Evaluation

- Depends on
 - Size/age of business
 - Volume of competition
- Change over time
 - Consumer law
 - Technology

PROFIT CALCULATION

REVENUE = total made from sales
• TURNOVER

FIXED COSTS = costs that do not vary with output
• e.g. RENT

VARIABLE COSTS = costs that vary with output
• e.g. RAW MATERIALS

PROFIT = Revenue - Costs

REVENUE = Sales \times Price

TOTAL COSTS = fixed Costs + Variable Costs

VARIABLE COSTS = Variable Costs per unit \times Units Produced.

IN JANUARY CHOC SESH SOLD 2000 CHOCOLATES AT A PRICE OF £2 FOR ONE CHOCOLATE. EACH CHOCOLATE COST 50 PENCE TO PRODUCE AND FIXED COSTS WERE £500. CALCULATE THE **PROFIT** FOR JANUARY.

Step ① **TOTAL REVENUE** = $2000 \times £2 = £4000$

Step ② **FIXED COSTS** = £500

Step ③ **VARIABLE COSTS** = 50 pence = $0.5 \times 2000 = £1000$

Step ④ **TOTAL COSTS** = $£500 + £1000 = £1500$

Step ⑤ **PROFIT** = $£4000 - £1500 = £2500$

CALCULATING INTEREST

- CALCULATING INTEREST ON A BANK LOAN
RATE
(%)

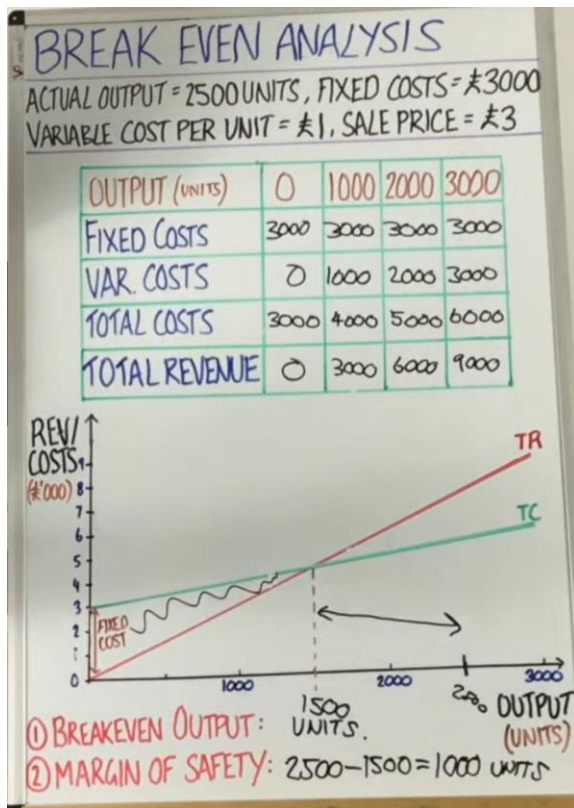
$$\frac{\text{TOTAL REPAYMENT} - \text{BORROWED AMOUNT}}{\text{BORROWED AMOUNT}} \times 100$$

- BANK LOAN OF £20,000
- REPAYMENT OF £24,000

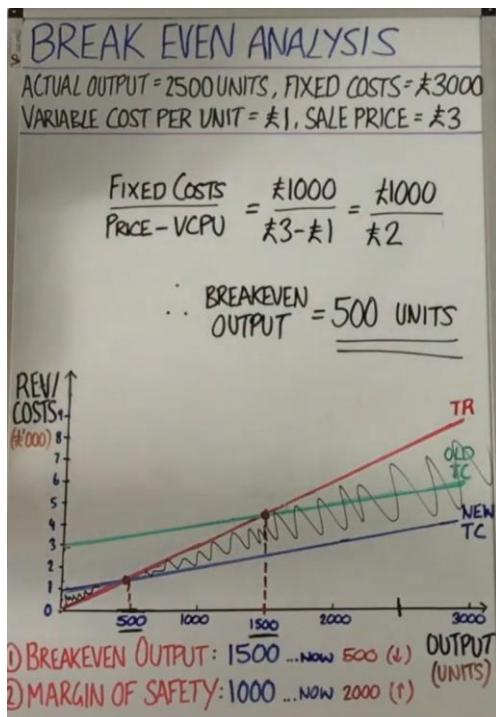
$$\frac{£24,000 - £20,000}{£20,000} \times 100$$

$$\frac{£4000}{£20,000} \times 100 = \underline{20\%}$$

Break even analysis



Impact of fixed costs on break even output



Lower fixed costs → lower break even point → Higher margin of safety

BREAK-EVEN ANALYSIS	
FIXED COSTS = £10,000	
SALES PRICE = £7	
VARIABLE COST PER UNIT = £2	
① CALCULATE THE BREAK-EVEN OUTPUT	
$\frac{\text{FIXED COSTS}}{\text{SALES PRICE} - \text{VARIABLE COST PER UNIT}}$	
$\frac{£10,000}{£7 - £2} = 2000 \text{ UNITS}$	
② CALCULATE THE REVENUE AT THE BREAK-EVEN POINT	
$\text{BREAK-EVEN OUTPUT} \times \text{SALES PRICE}$	
$2000 \times £7 = £14,000$	

Break even analysis

BREAK EVEN ANALYSIS	
PROS	CONS
<p>1. USEFUL TOOL FOR MANAGEMENT</p> <p>Predicts:</p> <ul style="list-style-type: none"> • BREAK EVEN OUTPUT • MARGIN OF SAFETY • ESTIMATE PROFITS @ DIFFERENT OUTPUTS • CHANGE 'SALES PRICE' AND PREDICT NEW BEQ, MS & PROFITS. <p>2. HIGHLIGHTS THE IMPORTANCE OF FIXED COSTS</p> <ul style="list-style-type: none"> • $\downarrow FC = \downarrow BEQ = \uparrow MS$ • \therefore LOWER RISK <p>e.g. HIGH STREET = Profit = PFC</p> <p>move online... e-commerce</p> <p>3. DATA GENERATED CAN BE USED IN BUSINESS PLAN</p> <p>e.g. help ID of Sources of Finance</p>	<p>1. BASED ON PREDICTED DATA NOT ACTUAL DATA.</p> <p>2. MANY UNREALISTIC ASSUMPTIONS</p> <ul style="list-style-type: none"> • ONE SAME PRICE USED ↳ MARKETING MIX ↳ Pricing Strategies • NO WASTE ↳ NO RECALLS ↳ NO DEFECTS • ALL UNITS PRODUCED ARE SOLD ↳ NO REFUNDS • PRODUCTION COST SAME ↳ NO ECONOMIES OF SCALE! • ONLY ONE PRODUCT IS SOLD. ↳ NO PRODUCT PORTFOLIO <p>ADVISE/RECOMMEND QUESTIONS.</p> <p>... it depends on the accuracy of the PREDICTED DATA</p> <ul style="list-style-type: none"> i. PRICE ii. VARIABLE COSTS iii. FIXED COSTS CHANGE <p>Time horizon</p>

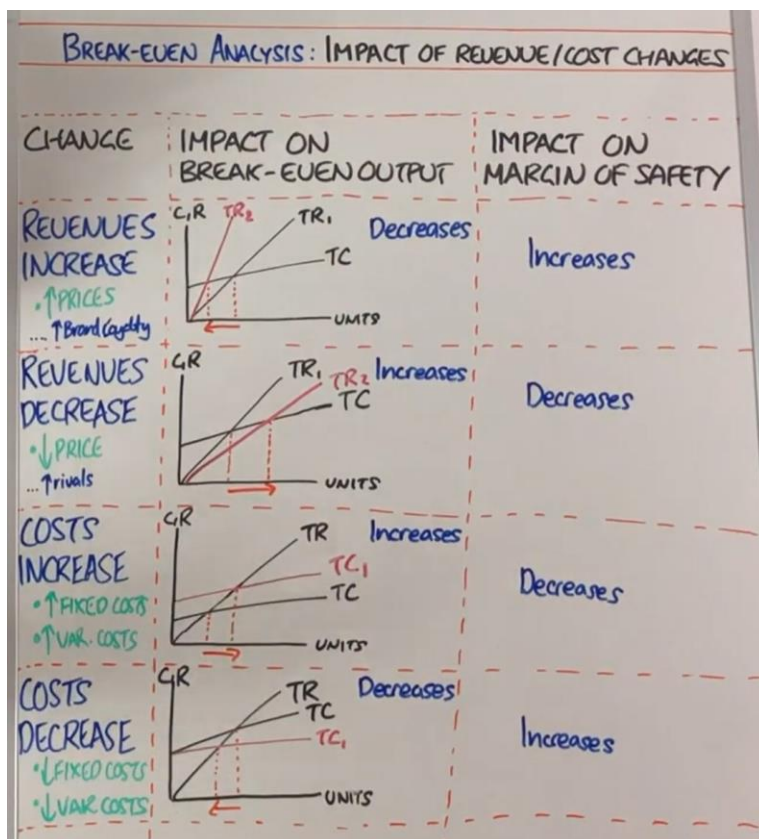
Advantages

- Useful for management (predicts:)
 - o Break even output
 - o Margin of safety

- Estimate profits at different outputs
- Change sales price and predict new
- Highlights importance of fixed costs
 - Lower fixed costs → lower break even output → higher margin of safety
- Data generated can be used in business plan
 - Help increase sources of finance (debt/equity)

Disadvantages

- Based on predicted data not real data
- Many unrealistic assumptions

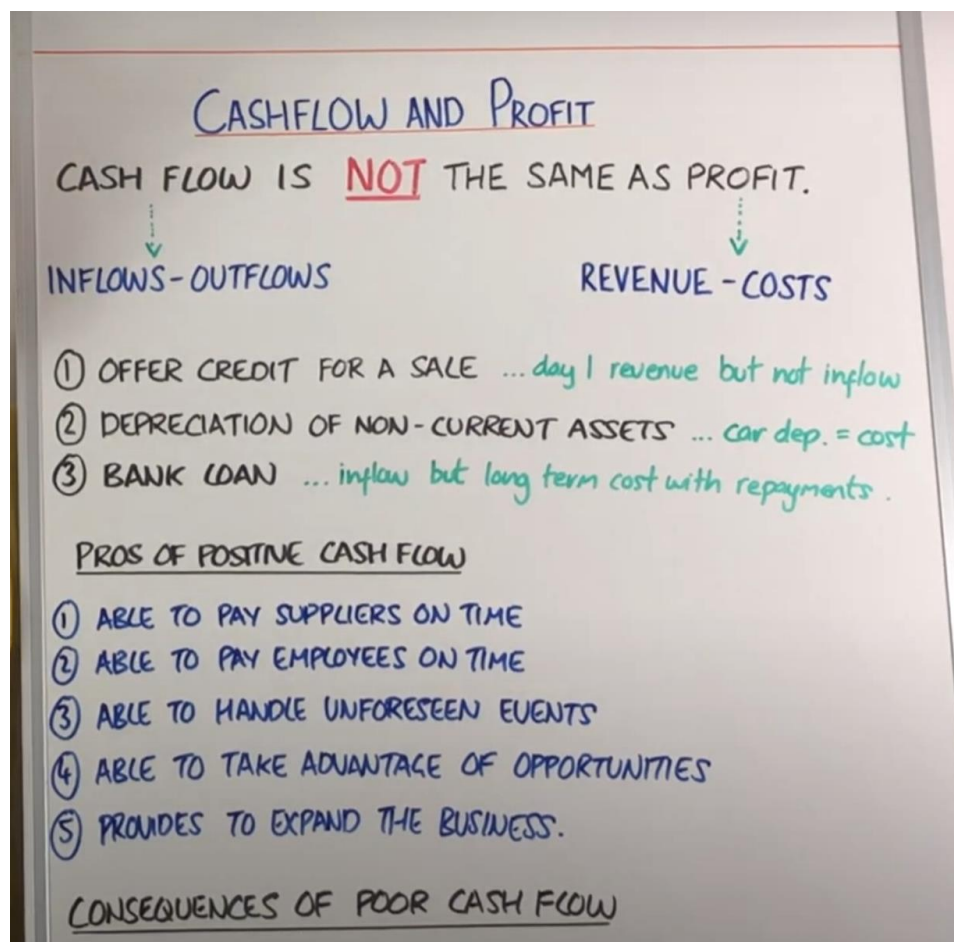


Financial statements

FINANCIAL STATEMENTS		
INCOME STATEMENT	STATEMENT OF FINANCIAL POSITION	CASHFLOW STATEMENT
PROFIT AND LOSS ACCOUNT	BALANCE SHEET	CASHFLOW FORECASTS
RECORD OF THE REVENUES AND COSTS OVER A PERIOD OF TIME.	RECORD OF WHAT A COMPANY OWNS, OWES AND IS OWED AT A SPECIFIC POINT IN TIME.	RECORD OF THE CASH FLOWING INTO AND OUT OF A BUSINESS OVER A PERIOD OF TIME. (FUTURE)
Period of Time	Point in Time (photo)	Period of Time
Sole Trader Private Limited Company Public Limited Company	Private Limited Company Public Limited Company • draw down • MORTG.	Sole Trader Private Limited Company Public Limited Company
GROSS PROFIT GROSS PROFIT MARGIN NET PROFIT (PAY) NET PROFIT MARGIN	ASSETS LIABILITIES EQUITY • R. Profits • Share Cap. WORKING CAPITAL NET WORTH OF COMPANY.	SHORT TERM CASH LIQUIDITY SOURCES OF FINANCE ...reflects changes in income statement and statement of financial position on CASH FLOW.

Income statements	Statement of financial position	Cashflow statement
Profit and loss accuracy	Balance sheet	Cashflow forecasts
Record of the revenues and costs over period of time	Record of what a company owns, owes and is owed at a specific time	Record of the cashflow flowing into/out of business over a period of time
Period of time	Point in time	Period of time
Sole trader Ltd PLC	Ltd PLC	Sole trader Ltd PLC
Gross profit margin Gross profit Net profit Net profit margin	Assets Liabilities Equity Working capital Net worth	Short term Liquidity Sources of finance

Difference between cashflow and profit



Differences

- Offer credit for a sale (earn revenue immediately upon sales but no cash inflow)
- Depreciation of non-current assets
- Bank loan

Advantages of positive cashflow

- Able to pay suppliers on time
- Able to pay employees on time
- Able to handle unforeseen events
- Able to take advantage of opportunities
- Facilitate expansion of business

Cashflow forecasts

CASH FLOW FORECASTS



→ HELP PREDICT WHEN
YOU MAY HAVE A
LIQUIDITY PROBLEM.

$$Z - Y = A$$

#BROOKSSESH	JAN	FEB	MAR	APR
Z RECEIPTS CASH INFLOW				
Y EXPENDITURE CASH OUTFLOW				
A NET CASH FLOW INFLOW - OUTFLOW				
B OPENING BALANCE START				
C CLOSING BALANCE END				

$$\text{NET CASH FLOW (A)} + \text{OPENING BALANCE (B)} \Rightarrow \text{CLOSING BALANCE (C)}$$

WHY CASH FLOW FORECASTS ARE USEFUL?

NOT ENOUGH CASH
 $\text{OUTFLOWS} > \text{INFLOWS}$
 → LIQUIDITY ISSUE

TOO MUCH CASH
 $\text{OUTFLOWS} < \text{INFLOWS}$
 → OPPORTUNITY COST
 • PUT CASH IN ↑ IR
 • USE TO EXPAND

ITEM	JAN	FEB	MAR
OPENING BANK BALANCE	£2000	£1000	(£1250)
CASH INFLOWS	£500	£750	£5000
CASH OUTFLOWS	£1500	£3000	£2000
CLOSING BANK BALANCE	£1000	(£1250)	£1750

① ANTICIPATE CASH FLOW ISSUES

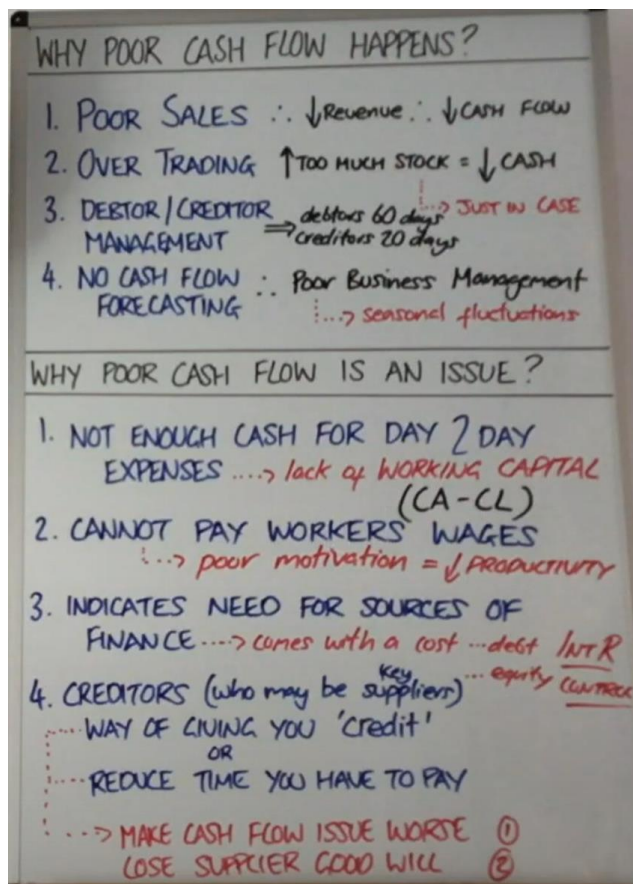
② MANAGE CASH FLOW ISSUES → SOURCES OF FINANCE
 > EXPAND

Issues

- Help see when there is not enough cash → liquidity issue
- Help see if you have too much cash → opportunity cost (could be using cash in high interest rate account, expansion)

Why cashflow forecast is useful

- Anticipate cashflow issues
- Manage cashflow issues → use sources of finance (overdraft, expand)



Reasons for cashflow issues

- Poor sales \rightarrow lower revenue \rightarrow lower cashflow
- Overtrading \rightarrow too much stock \rightarrow less stock
- Poor debtor/creditor \rightarrow debtor not paying quick enough
- No cashflow forecasting \rightarrow poor business management (seasonal fluctuations may occur)

Why poor cashflow is an issue

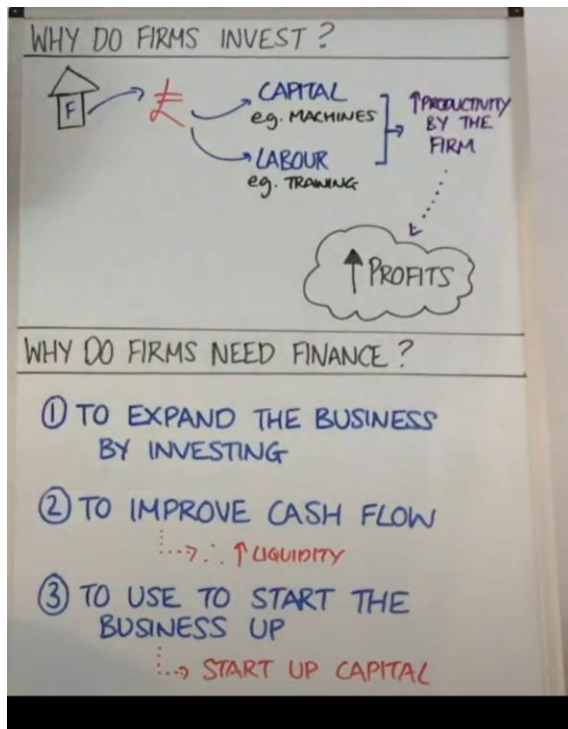
- Not enough cash for day to day expenses (lack of working capital)
- Cannot pay worker and wages \rightarrow poor motivation \rightarrow lower productivity
- Indicates need for sources of finance \rightarrow may go down debt/equity \rightarrow higher costs
- Creditors (may be supplier)
 - o Not want to give credit

- Reduce time to pay → cashflow issue worsens
- Lose supplier good will

Solutions to cashflow problems

- Rescheduling payments
 - Increase speed of receiving cash inflow
 - May lose sales due to rescheduling
 - Decrease speed of paying cash outflow → may damage relationships
- Increase cash inflows
 - Run marketing campaign to increase sales → higher costs
 - Increase selling price → lower sales
- Decrease cash outflow
 - Destock (hold less stock) → lower storage costs → lead to lower sales → lower revenue
- Sources of finance
 - Quick and easy to sort → resolve unexpected expenditure
 - Interest/ lower credit score

Investments and finance introduction



Firms will invest

- Capital (machines)
- Get better labour skill force

These things will increase productivity of firm → increase profits

Why firms need finance

- Expand business by investing
- Improve cashflow → stop liquidity

Use to start business up (start-up capital)

Internal and external finance

INTERNAL FINANCE	EXTERNAL FINANCE
FINANCE COMES FROM INSIDE THE BUSINESS.	FINANCE COMES FROM OUTSIDE THE BUSINESS
PROS: <ol style="list-style-type: none"> ① NO LOSS OF CONTROL ② NO INTEREST PAID 	PROS: <ol style="list-style-type: none"> ① USUALLY GREATER SUMS OF FINANCE CAN BE GENERATED.
CONS: <ol style="list-style-type: none"> ① OPPORTUNITY COST e.g. dividends 	CONS: <ol style="list-style-type: none"> ① LOSE CONTROL (shares) ② PAY INTEREST (debt)
EXAMPLES: <ul style="list-style-type: none"> RETAINED PROFITS FIXED ASSET SALES FOUNDER FINANCE 	EXAMPLES: <ul style="list-style-type: none"> SHARES (EQUITY) BANK LOAN TRADE CREDIT CROWD FUNDING

Advantages of internal

- No loss of control
- No interest paid

Disadvantages of internal

- Opportunity cost (dividends)

Examples of internal

- Retained profit
- Fixed asset sales
- Founder finance

Advantages of external

- Greater finance can be generated

Disadvantages

- Lose control
- Pay interest

Examples

- Shares (equity)
- Bank loan
- Trade credit
- Crowd funding

Overdrafts

SOURCES OF FINANCE	
<p>OVERDRAFTS : WHEN A BUSINESS WITHDRAWS MORE CASH FROM A BANK ACCOUNT THAN IT HOLDS.</p> <ul style="list-style-type: none"> • short term finance • external finance • used by new/start-up businesses (SME) 	
<ul style="list-style-type: none"> (i) ease working capital concerns (ii) unexpected expenditures 	
PROS	CONS
<p>1. QUICK AND SIMPLE TO ORGANISE</p> <p>...→ immediate availability once agreed!</p> <p>2. CAN BE BESPOKE TO THE NEEDS OF EACH BUSINESS eg. Seasonal Biz or Unexpected *</p> <p>3. NO CONTROL OF THE BUSINESS GIVEN UP.</p> <p>4. SHORT TERM DEBT SO NOT INCLUDED IN GEARING RATIO.</p>	<p>1. HIGHER INTEREST RATE VS. LOAN FROM BANK</p> <p>∴ ↑ costs. NOT ^{long} 4 Term!</p> <p>2. BANK COULD CANCEL OVERDRAFT AT ANY TIME</p> <p>...→ in reality only happens if you have <u>severe</u> financial problems.</p> <p>3. PERSISTENT USE OF OVERDRAFT WILL ↓ credit rating</p> <ul style="list-style-type: none"> (i) ↓ likely to get loan (ii) ↑ interest rate offered

Overdraft – Business withdraws more cash from bank account than it holds

- Short term
- External
- Used by new businesses
- Why?
 - Ease working capital concerns
 - Unexpected expenditures

Advantages

- Quick and simple to organise
- Can be bespoke to the needs of each business
- No loss of control
- Short term debt so no gearing ratio

Disadvantages

- Higher interest rate than loan
- Bank could cancel overdraft anytime
- Persistent use of overdraft → lower credit rating → less likely to get loan → higher interest rate offered

Trade credit

SOURCES OF FINANCE	
TRADE CREDIT: WHEN YOU BUY RAW MATERIALS OR COMPONENTS FROM SUPPLIERS TODAY BUT PAY LATER. • short term finance • external finance • used by new/start-up businesses.	
'credit terms' '30-60 days'	
PROS	CONS
1. SIMPLE TO ARRANGE AND MAINTAIN IF CREDIT TERMS ARE MET. 2. CHEAP FORM OF SHORT TERM FINANCE eg. cheaper than overdraft 3. NO CONTROL OF BIZ IS GIVEN UP.	1. ^{CREDIT} RISK OF SPOILING RELATIONSHIP WITH SUPPLIER IF CREDIT TERMS ARE NOT MET. ...→ Long Term Consequences? 2. LARGE FINE IF YOU PAY LATE (after credit terms)

Trade credit = Buying raw materials from suppliers but pay later

- Short term finance
- External finance
- Used by new businesses

Advantages

- Simple to arrange and maintain if credit terms are met
- Cheap form of short term finance
- No control given up

Disadvantages

- Credit risk of spoiling relationship with suppliers if credit terms are not met
- Large fine if you pay late

Personal savings

SOURCES OF FINANCE	
<p>PERSONAL SAVINGS : WHEN AN ENTREPRENEUR USES PERSONAL FINANCES SUCH AS CASH IN BANK ACCOUNTS, OR LESS LIQUID ASSETS SUCH AS STOCKS AND SHARES TO FINANCE THE BUSINESS.</p> <ul style="list-style-type: none"> • long-term finance • internal finance • new/start-up businesses 	
PROS	CONS
<ol style="list-style-type: none"> 1. NO FINANCIAL COST <ul style="list-style-type: none"> • loan → pay interest • shares → lose control 2. EASIEST + QUICKEST type of finance. 	<ol style="list-style-type: none"> 1. LIKELY TO BE LIMITED 2. IF BUSINESS DOES NOT INITIALLY MAKE PROFIT USING SAVINGS = Financial Pressure <ul style="list-style-type: none"> • Loss of Well-Being

Personal savings

- Long term finance
- Internal finance
- New businesses

Advantages

- No financial cost
- Easiest and quickest

Disadvantages

- Likely to be limited
- If business doesn't initially make profit (using savings = financial pressure)
- Loss of wellbeing

Venture capital

SOURCES OF FINANCE	
<p>VENTURE CAPITAL : A TYPE OF FINANCE</p> <p>OFFERED BY A V.C. FUND TO 'HIGH RISK, HIGH REWARD FIRMS' IN EXCHANGE FOR A SHARE OF THE BUSINESS. • P.L.C. → R+D → INTRO</p>	
<ul style="list-style-type: none"> • long term finance • external finance • start up / new businesses 	
PROS	CONS
<p>1. MAKES EXPANSION POSSIBLE</p> <ul style="list-style-type: none"> • ↑ risk ∴ BANK NOT INTERESTED! <p>2. NO REPAYMENT</p> <ul style="list-style-type: none"> • type of EQUITY FINANCE <p>3. REDUCE PERSONAL (founder) RISK</p> <ul style="list-style-type: none"> • VC FUND HAS TAKEN THE % OF RISK. <p>4. V.C HAVE EXPERTISE</p>	<p>1. GIVEN UP SHARE OF BUSINESS</p> <ul style="list-style-type: none"> • ∴ if profits made must be shared. <p>2. MAY LOSE CONTROL IF MORE THAN 50% OF SHARE GIVEN UP.</p> <ul style="list-style-type: none"> • ∴ lost decision making power. <p>3. V.C. ULTIMATELY IS LOOKING TO EXIT AS WANTS \$\$\$ IPO.</p>

Venture capital = Offered by venture capitalists to fund a high risk, high reward business in exchange for a share (they see potential)

- Long term finance
- External finance
- New businesses

Advantages

- Makes expansion possible
- No repayment
- Reduce personal risk
- Venture capitalists have expertise

Disadvantages

- Loss of control
- Given up share of business → profits must be shared
- Venture capitalists want to sell share for profit

New share issues

SOURCES OF FINANCE	
NEW SHARE ISSUES: WHEN A <u>LIMITED</u> COMPANY ISSUES SHARES IN EXCHANGE FOR A PAYMENT. <ul style="list-style-type: none">• long term finance• external finance• established businesses• called 'shareholders'• equity finance	
PROS	CONS
<ol style="list-style-type: none">1. NO INTEREST ... it's not a loan ... you keep the PAYMENT ... <u>no</u> repayment.2. IF PUBLIC LIMITED COMPANY → stock exchange ↑ OPPORTUNITY TO RAISE HUGE AMOUNT OF FINANCE EMPLOYEE INCENTIVE?<ul style="list-style-type: none">• PROFIT SHARING3. EXIT/CASH IN METHOD?	<ol style="list-style-type: none">1. GIVE UP SHARE OF BUSINESS ∴ give up 51%. ... you lose control?2. EXPECTED YOU PAY SHAREHOLDERS 'Dividends' ∴ ↓ Retained Profits3. IF PUBLIC LIMITED COMPANY 'Flotation' is as as ↑ as stock rules.

New share issues = Limited company issues shares in exchange for payment

New share issues

- Long term finance
- External finance
- Established businesses

Advantages

- No interest
- If PLC → stock exchange → increase opportunity of huge finance
- Create employee incentive → share profit with employees → increase productivity
- Exit/cash in method

Disadvantages

- Give up shares of business → lose control
- Expected to pay shareholders dividends → lower retained profits
- If PLC → go through flotation → expensive

Bank loan

SOURCES OF FINANCE	
BANK LOAN : WHEN A BUSINESS BORROWS A SUM OF MONEY AND PAYS IT BACK WITH <u>INTEREST</u>	
<ul style="list-style-type: none">• long term finance• external finance• used by new/start-up businesses (SME)	
OVER AN <u>AGREED</u> PERIOD OF TIME.	
PROS	CONS
COMMON TOOL FOR EXPANSION	
1. NO SHARE IN BUSINESS NEEDS TO BE GIVEN UP ∴ Keep Control!	1. ASSETS WILL BE TAKEN IF YOU FAIL TO REPAY → limited liability?
2. ↓ INTEREST RATE vs. Overhead ∴ ↓ COSTS OVERALL	2. NO FLEXIBILITY <u>MUST KEEP TO THE Repayment Terms</u>
3. ABLE TO BE RESTORED TO BUSINESS NEEDS e.g. Repayment Terms: <u>that when</u>	3. FAIL TO PAY WILL WORSEN CREDIT SCORE
4. FREQUENT REPAYMENTS MAY IMPROVE CREDIT SCORE.	4. INCREASES GEARING OF BUSINESS as long term debt finance
5. ↑ NET ASSETS ∴ ↑ NET WORTH of biz	

Bank loan

- Long term finance
- External finance
- Used by new businesses

Advantages

- No shares given up → Keep control
- Lower interest rate vs overdraft → lower costs overall
- Able to bespoke to business needs (able to decide when pay)
- Frequent payments → improve credit score
- Increase net assets → increase net worth of assets

Disadvantages

- Assets taken if fail to pay → limited/unlimited?
- No flexibility
- Fail to pay → worsen credit score
- Increase gearing of business

Retained profit

SOURCES OF FINANCE	
Retained Profits:	WHEN A BUSINESS USES HISTORICAL PROFITS FROM PREVIOUS YEARS TO INVEST.
<ul style="list-style-type: none"> • long term finance • internal finance • usually established businesses 	
PROS	CONS
<ol style="list-style-type: none"> 1. NO FINANCIAL COST <ul style="list-style-type: none"> • no interest like with debt finance 2. NO CONTROL/SHARE GIVEN UP <ul style="list-style-type: none"> • no external influence • control remains internal 3. SAFE LOW RISK APPROACH <ul style="list-style-type: none"> ... make sense in recession? 	<ol style="list-style-type: none"> 1. MAY CREATE CONFLICT WITH Shareholders <ul style="list-style-type: none"> • using RP = ↓ dividends ∴ ☹️ 2. USUALLY FINITE RETAINED PROFIT ∴ Slow growth & ONLY source of finance 3. NO 'EXPERTISE' ADDED <ul style="list-style-type: none"> • debt: banks • equity: shareholders

Retained profit = When business uses historical profit from previous years to invest

- Long term finance
- Internal finance
- Used in established businesses

Advantages

- No financial cost
 - No interest like debt finance
- No control/equity given up
 - No external influence → Control remains internal
- Safe low risk approach (makes sense in recession)

Disadvantages

- May create conflict with shareholders

- Using retained profit → Lower dividends → Become unhappy
- Finite retained profit
 - Slow growth if only retained
- No expertise added
 - Debts → Banks
 - Equity → Shareholders

Types of profit

TYPES OF PROFIT	
①	GROSS PROFIT = REVENUE - DIRECT COSTS • PRICING DECISIONS • PRODUCTION EFFICIENCY +ve. control excess production costs
②	OPERATING PROFIT = GROSS PROFIT - INDIRECT COSTS • OPERATING EXPENSES • OPERATING PERFORMANCE +ve. control excess operating costs
③	NET PROFIT = OPERATING PROFIT - INTEREST & TAXES • OVERALL PROFITABILITY +ve. conversion of sales → profit
① ② ③ ALL FOUND ON INCOME STATEMENT	
£M	
20	REVENUE → sales × price
5	DIRECT COSTS → cost of goods sold (COGS) or manufacturing cost
15	GROSS PROFIT
3	INDIRECT COSTS → expenses or operating expenses ↳ rent, marketing, insurance
12	OPERATING PROFIT
4	INTEREST & TAXES → cost of debt finance (external finance)
8	NET PROFIT

Gross profit

- Pricing decisions
- Production efficiency
- Control excess production costs

Operating profit

- Operating expenses
- Operating performance
- Can control excess operating costs

Net profit

- Overall profitability
- Shows you conversion of sales → profit

Retained profit

Sources of finance evaluation

SOURCES OF FINANCE EVALUATION

1. CASH FLOW FORECAST → to inform decision
2. AMOUNT OF FINANCE → internally
 - CASH
 - WORKING CAPITAL
3. TIMEFRAME → short term external
 - OVERDRAFT
 ↓
 - long term
 - FIXED ASSET SALES
 - RETAINED PROFITS
4. TYPE OF BUSINESS → sole trader/partnership
 - debt (bank loan)
5. COST EXTERNALLY → if company
 - DEBT or EQUITY
 - LOAN
 - SHARES

... it depends on

- interest rate (↓d, ↑e)
- existing debt (gearing ratio)
- risk of business (↓d, ↑e) *dividends optional*
- existing shares (51% voting control)

Rarely an ideal source of finance

↳ the key is PROS, CONS and it depends on points ∴ SUPPORTED JUDGEMENT

Think: TacT

Deciding which finance to use (TACT)

- Should do cashflow forecast → make informed decisions
- Amount of finance
- Timeframe
- Type of business → sole trader/partnership
- Cost externally (debt/equity)
 - Depends on
 - Interest rate
 - Existing debt
 - Risk of business
 - Existing shares

CALCULATING INTEREST
Calculating interest on a BANK LOAN (%)

$$\frac{\text{Total Repayment} - \text{Borrowed Amount}}{\text{Borrowed Amount}} \times 100$$

Example:

- Bank loan of £20,000
- Total Repayment £24,000

$$\frac{£24,000 - £20,000}{£20,000} \times 100 = 20\%$$