

# 5. Making Money

## How does your business make money?

**Revenue**  
 The total amount of money your business receives from selling its products or services.

**Costs**  
 The total amount of money your business spends to produce its products or services.

**Profit**  
 The amount of money your business has left after paying all its costs.

**Fixed Costs**  
 Costs that do not change with the level of production, such as rent, salaries, and insurance.

**Variable Costs**  
 Costs that change with the level of production, such as raw materials and direct labor.

**Break-Even Point**  
 The point at which total revenue equals total costs, resulting in zero profit.

**Contribution Margin**  
 The amount of revenue left over after variable costs are subtracted, which is used to cover fixed costs and generate profit.

**Operating Leverage**  
 A measure of the sensitivity of a company's operating income to changes in sales volume.



**Break-Even Analysis**  
 A tool used to determine the sales volume needed to cover all costs and start making a profit.

**Operating Income**  
 The profit earned from a company's core business operations, excluding interest and taxes.

