

# Business plans and profits

## TEACHER'S NOTES



### Directions

Ask if anyone has thought about becoming an entrepreneur. Explain that entrepreneurs are people who have an idea that fills a need. To create a business, they must have a plan. The goal is to create a plan that will enable their business to earn a profit. A profit is the money you have left from your sales, after you have paid for all of your expenses.

### Directions

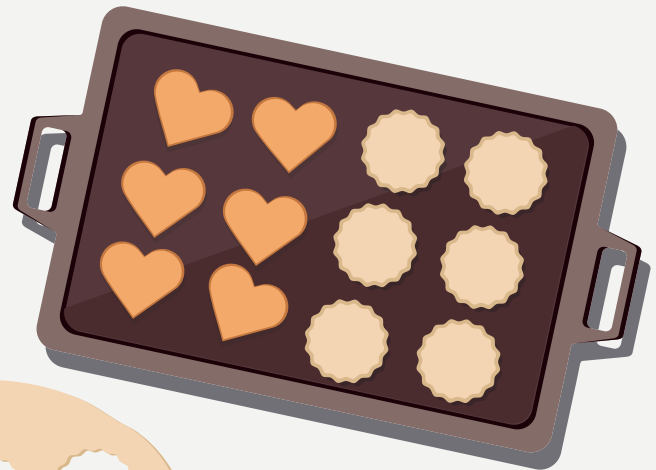
Guide students to complete the plan for Biscuit Bakes. They must first tally their expenses and then determine the unit cost by dividing the total expenses by the number of units. Lead a discussion about the price they should charge per biscuit to earn a profit, but be reasonable enough for people to purchase.

Then discuss how they might reinvest in their business by purchasing items and baking again. Guide them to understand that the price per unit will decrease the second time they bake, since they will already own the reusable biscuits sheets and reusable pens. Help them to see that as the unit price decreases, profit increases.

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	Item (for 100 biscuits)	Price
<b>Product</b>	Flour	£3.90
	Sugar	£2.65
	Salt	£1
	Butter	£4.20
	Reusable biscuit sheet	£8.70
	Baking powder	£2.00
<b>Packaging</b>	Bags	£3.49
	Card	£2.70
<b>Advertising</b>	Reusable pens	£5
	<b>TOTAL</b>	<b>£33.64</b>



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- 1. Assume that your ingredients will produce 100 biscuits. How much does it cost to make each biscuit?** How will you find out? Divide the total costs by 100 to determine the cost per biscuit ( $\pounds 33.64 \div 100$ ) = .3364 or 33p.
- 2. What will you charge for each biscuit to earn a profit?** Answers will vary. You have to charge more than 33p to earn a profit per biscuit, because your expenses are more than 33p per biscuit.
- 3. Do you think people will pay that price? Why or why not?** Answers will vary. Guide students in a discussion to understand that the size of the biscuits, the availability of other biscuits, the quality of the biscuits and other factors may influence the answer.
- 4. What will you do with your profit? Will you reinvest it in your business or pay yourself? How might you grow your business?** Answers will vary. If students wish to grow the business, ask them how they will pay for additional expenses, like more equipment or more people to bake. If they wish to pay themselves, ask them whether they factored their own labour into their pricing.
- 5. Which items will not need to be repurchased for the next batch of biscuits?** Pens, biscuit sheet.
- 6. Will the price per biscuit go up or down? Why?** The price per biscuit will go down, because the pens and biscuit sheet are already paid for.
- 7. How much will it cost to make 100 biscuits the second time you bake?**  $\pounds 19.94$ . Ensure that students understand that the second time they bake biscuits, they do not need to include the costs of the reusable biscuit sheet or the reusable markers. They still require the other items, so these need to be included in the calculation.
- 8. If you continue to sell your biscuits for the same price, will your profits go up or down? By how much?** Your profits will go up. Since it costs over 10p less to make the same 100 biscuits, your profits per 100 will go up accordingly.