

Name: \_\_\_\_\_ Date: \_\_\_\_\_

## 1:6 Completing a Balance Sheet

Each team will put together a balance sheet and income statement following the sale of their lemonade.

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

(cash)

(amount of debt)

(total owned by business owners)

Balance Sheet Lemonade Sale	
<b>Current Assets</b>	
Cash	\$
Supplies	\$
<b>Total Current Assets</b>	\$
<b>Current Liabilities</b>	
Accounts Payable	\$
Capital	\$
<b>Total Liabilities and Capital</b>	\$

Instructions for completing the balance sheet:

1. List the balance for your **cash** account. Include all deposits from lemonade sales, owners' equity and net income invested into the business.
2. **Supplies** is the total inventory value that you have on hand. To get the supplies value, multiply the quantity of items that you have for sale times the cost of the items. Include this amount in Supplies on the Balance Sheet.
3. Add the **Cash** and **Supplies** amounts for the **Total Current Assets**.
4. List the accounts payable balances that you owe to others. Total the amounts and include in **Accounts Payable** on the Balance Sheet.
5. Total the investments made into the company. Include your initial owners' investment and add the retained earnings from net income that was not withdrawn by the owners.

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## 1:7 Completing an Income Statement

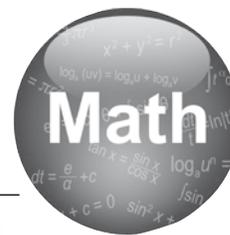
Income Statement Lemonade Sale	
Revenue	\$
Supplies	\$
Advertising	\$
Total Expenses	\$
	<b>Net profit</b> \$

Instructions for completing the income statement:

1. Determine how much revenue you have earned from the lemonade sale. Calculate the number of items sold times the selling price. Enter the total in the **revenue** row of the income statement.
2. List the supply costs and total the amounts for the period. Enter the total in the **supplies** row of the income statement.
3. List the advertising costs and total the amount for the period. Enter this amount in the **advertising** row of the income statement.
4. Add all expenses for the period and enter in the **total expenses** row. Subtract total expenses from revenue to get **net profit**.

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# 1:12 Start-up Cost



## Calculating the Start-Up Cost

**Scenario:** You received \$500 of seed money to start your company from an angel investor. You need to purchase the start-up materials and pay for advertising costs.

Start-Up Materials	Cost
Flour	
Brown Sugar	
Vanilla Flavoring	
Sugar	
Baking Soda	
Salt	
Eggs	
Chocolate Chips	
Measuring Cups	
Cookie Sheets	
Bowls	
Spoons	
Spatula	
Other	
<b>Total \$</b>	

### Learning Objectives

- **Prepare** a budget based on the amount given.
- **Understand** the process of budgeting with a certain amount of money.
- **Research** ways to cut costs and manage start-up expenses.
- **Demonstrate and apply** knowledge of starting a business with limited funding and determine what items are crucial to purchase and why.

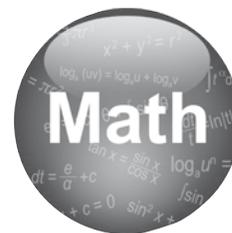
### Resources

- Sales ads
- Newspaper ads
- Visiting stores
- Internet



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# 1:15 Cost Analysis



## What is mark-up?

An amount added to the cost price in calculating a selling price, especially an amount that accounts for overhead and profit.

## What is wholesale?

Selling in large quantities at a discount price. The more they buy, the lower the unit cost is to the customer. The mark-up for wholesale is 20-30 percent. Wholesale mark-up is lower than retail.

## What is retail pricing?

The mark-up percentage added to the cost to get the retail selling price can be 100% and higher depending on the material/overhead expenses. The mark-up can be low as 50%.

### Learning Objectives

**Demonstrate** various pricing strategies in a cost accounting format.

**Compute** material costs, mark-up, profit and loss, breaking even, retail and wholesale pricing.

## First Step Pricing Questions

1. Are the cookies sold individually? \_\_\_\_\_
2. Are the cookies sold by the dozen? \_\_\_\_\_
3. How much does it cost to make the quantity of the recipe?  
(Use the formula below to answer this question.) \_\_\_\_\_

Add the material and advertising costs together. Divide the total by the number of dozens produced and/or by the number of individual cookies, depending on how you are selling them. If you are selling them both individually and by the dozen, you have to calculate the formula for both.

### Formula:

**Material cost + Advertising Cost/# of cookies OR # of dozens = Unit Cost per cookie or per dozen**

Wholesale Price		Retail Price	
Unit cost per dozen	\$	Unit cost per dozen	\$
Mark-up	%	Mark-up	%
Advertising cost	\$	Advertising cost	\$
Package cost	\$	Package cost	\$
<b>Total Price</b>	\$	<b>Total Price</b>	\$

- Final cost to wholesale customers: \_\_\_\_\_
- Final cost to retail customers: \_\_\_\_\_
- How many dozens need to be sold to break even? \_\_\_\_\_
- How many dozens need to be sold to have ROI? \_\_\_\_\_
- What is the profit margin when sold to wholesalers? \_\_\_\_\_
- What is the profit margin when sold to retailers? \_\_\_\_\_

Team Challenge 1

