

Business Busters - PART A

You are going to create a business plan for a product.

To do this you'll need to work through the following tasks as a group.

Task 1: Deciding on your product

Think about something you could make and sell in school.

Our product will be: _____



Task 2: Work out the costs involved in making your product

Fixed costs (equipment, room rental, marketing etc.)



This includes things that you will need to buy no matter how many units of your product that you make. An example could be a pair of scissors or a mixing bowl. Assume you cannot borrow any equipment, you will have to buy it all.

Item	Cost	Notes
Total fixed costs:		

Variable costs (cost of materials etc)

The variable costs are the ones that change depending on how many units of your product you make.

You will need to work out your variable costs per unit.



Remember - some of the materials you buy will be used for more than one unit.

Use the table below to work out your total variable costs per unit.



If you have access to the internet you can use it to research prices.

Item	Cost	Number of units item can be used for	Cost of item per unit
Total variable costs per unit:			

Task 3: Costing your product

Decide how much you want to sell your item for.

Think about how much your product costs to make.

How much would you like to sell it for? Why?

How much do other businesses sell similar products for?

Is your product better, worse or a similar quality to theirs?

How does this affect your pricing?

If you had lots of extra stock you could not get rid of, what would you do?
Why?

Sketch a rough design of your product below. What will you call it?

Business Busters - PART B

Task 4 - Working out your break-even point

Complete this table to summarise your financial data so far.

Variable costs (per unit)	
Fixed costs	
Cost per item (selling price)	

Your total costs are worked out by adding together your variable and fixed costs.

Your variable costs depend on the number of units of your product you make.

Let C = Total costs

V = Variable costs (per unit)

F = Fixed costs

n = number of units made



Write a formula to work out your total costs:

Your revenue is how much money you gain from selling your product.

Let R = Revenue

S = Selling price (per unit)

n = Number of items sold



Write a formula to work out your total revenue:

Your **contribution margin** tells you how much each item you sell contributes to the fixed costs of the business. It is useful to know this as it helps you work out how many units you will need to sell to pay off all your fixed costs.

$$\text{Contribution margin} = \text{Revenue per unit} - \text{variable costs per unit}$$

Work out the contribution margin for your product.

Contribution margin =

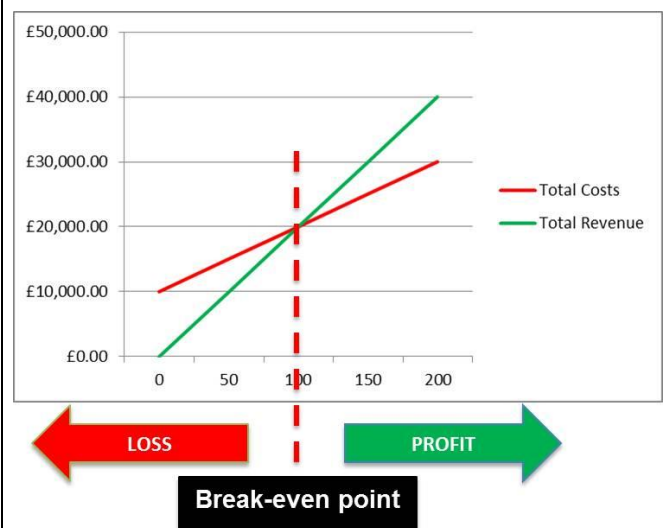
The amount of units you need to sell to pay off all your fixed costs is called the **breakeven point**.

$$\text{Breakeven point} = \frac{\text{Fixed costs}}{\text{Contribution margin}}$$

It is always **rounded up** to the next number of whole units.

Work out the breakeven point for your product.

Breakeven point =



Task 5 - Calculate target profit

If you decide how much profit you want to make, you can work out how many units you need to sell to do this.

Decide what you target profit is:

Our target profit is _____

PROFIT

Now use this formula to work out how many units you need to sell to attain this profit.

$$U = \frac{TP}{CM} + BEP$$

Where:

U = Number of units you must sell to reach target profit

TP = Target Profit

CM = Contribution Margin

BEP = Breakeven point



U =

Is this realistic? How many units do you think you could sell? Work out a new target profit based on this.

Business Busters - PART C

Create a presentation on your product for your class. Make sure to build a strong financial case for your product. Students will decide which products they will invest in. Each group has £500 to invest.

