

readysetgo

MODULE 8
LESSON PLAN

MODULE FORMAT:

Every module follows the structure below to make it easy for any adult to facilitate step by step:



Watch Module Video

Successful entrepreneurs explain the module's topic using their own business as an example. Found at www.clubkidpreneur.com/resource-centre/



Discuss Module Topic

Discuss theory & keywords using the Facilitation Notes in the lesson plans



Theory Activity

Activity to teach & reinforce the module's theoretical concepts. Each module contains one or both of the following:

- Interactive theory activity
- Worksheet theory activity



Applied Activity

Written activity using Ready Set Go Worksheets where kidpreneurs apply the theory to their own businesses



'CK Business Kit' Activity

Use the module's *CK Business Kit* item to practically build the real-world business



Goal Keep Reflection

Discuss how the decisions made in the module will help reach the business goal (decided in module 2)

MODULE 8

How much money can I make?

MODULE	8	
RSG STAGE	SET	
LESSON TITLE	<i>How much money can I make?</i>	
LESSON FOCUS	Setting prices to identify how many products to sell to reach the business goal. Calculating expected business profit.	
OUTCOMES	<ul style="list-style-type: none"> • Understand that revenue = number items sold x price • Understand how to set appropriate prices for products • Understanding that not all money from sales is kept as costs must be taken off • Learn how to calculate business profit (revenue – costs) • Understand that revenue & profit are only earned if products are sold • Understand what businesses do with their profit • Calculate how much profit could be made if all products are sold 	
KEYWORD	REVENUE	The total amount of money received from selling products
	COST	The amount paid for raw materials and equipment to produce business products.
	PROFIT	The amount of made from selling products after paying for business costs
BUSINESS KIT RESOURCE	Business Registration Certificate (part 3) – Loan Contract	
VIDEO	VIDEO #8 - How much should I charge for my products?	
WORKSHEET	Module 8 - How much should I charge for my products?	



LEARNING SEQUENCE:

1. Watch Module Video

- Found at www.clubkidpreneur.com/resource-centre/

2. Discuss Module Topic (see notes over leaf)

- Revenue
- Profit
- Setting product prices

3. Theory Activity

- *Interactive:* The Cake Game
- *Worksheet:* Revenue & Profit Calculator Examples

4. Applied Activity

- Expected Revenue & Profit

5. CK Business Kit Activity

- Business Registration Certificate (part 3) – Loan Contract

6. Goal Keep Reflection

FACILITATION NOTES:



MODULE 8 VIDEO

See www.clubkidpreneur.com/resource-centre/ to view the module video



MODULE TOPIC NOTES

While entrepreneurs start businesses for reasons more than making money, (recall reasons businesses exist in module 1), a business owner must still focus on making enough money to achieve the business' mission (module 2). A business needs to make enough money to a) pay for its costs; b) to grow and c) to achieve its sale goals & mission statement. There are two ways to describe the money that a business earns – REVENUE and PROFIT.

REVENUE

Money is generated for the business by customers paying money for its products.

The total amount of money received from the products that are sold is called REVENUE.

The amount of revenue a business has earned is calculated using the following formula:

$$\text{REVENUE} = \text{NUMBER OF PRODUCTS SOLD} \times \text{PRICE PER PRODUCT}$$

COST

All products cost money to make. Costs can include the cost of buying raw materials (module 7), the cost of equipment (module 7), the cost of any people paid to help make the product (employees) and more.

For the purposes of the CK Challenge, the cost for each business to produce its products is the cost of the startup materials inside the CK Business Kit (\$75), plus the cost of any additional raw materials purchased to make products. (Note, freely obtained or recycled materials do not increase business costs.)



$$\text{CK CHALLENGE COST} = \$75 \text{ CK BUSINESS KIT} + \text{COST OF ADDITIONAL RAW MATERIALS}$$

PROFIT

While revenue is the total amount of money earned from selling products, this is not the amount of money the business gets to keep. The business will use some of its revenue to pay for its business costs.

The amount of money made from selling products after paying for business costs is called PROFIT.

$$\text{PROFIT} = \text{REVENUE} - \text{COST}$$

The cost for businesses in the CK Challenge is \$75 (CK Business Kit) plus the cost of any additional materials. So for the CK Challenge:

$$\text{PROFIT} = \text{REVENUE} - \$75 \text{ (plus any extra costs)}$$

WHAT IS PROFIT USED FOR?

Profit is used in 3 main ways different ways in businesses. The way profit is used will depend on the business' mission statement and goals.

- **SAVE IT:**

Profit can be kept within the business. It might be used to buy more raw materials, or it might be saved up to spend on something expensive like a new piece of equipment help the business get bigger.
(This is called reinvestment.)

- **SPEND IT:**

Profit can be given to the owners of the business to spend on personal things outside the business.
(This is called 'owners drawings' for small businesses or 'shareholder dividends' for large businesses with shareholders.)

- **SEND IT:**

Profit can be donated to a worthy cause like a charity, the local community or someone in need.
(This is called 'profit for purpose'.)



In the CK Challenge kidpreneurs take the SEND IT option and 100% of their profits earned to a worthy cause of their choice. .

The aim of the CK Challenge is to show kidpreneurs how the money generating ability of business can be used to make the world a better place. Business is a powerful way of generating resources to help fund important social and environmental causes.

Many business owners are passionate about doing well and changing the world through their business. They setup their enterprise to make profit, which they can give to different social causes. A business that gives a minimum 51% of its profits to a worthy cause is called 'social enterprise'. (Discussed further in module 12.)

The central purpose of Club Kidpreneur is to spark an entrepreneurial spirit in kids and develop an awareness of how to use the power of business for social impact by choosing (social) entrepreneurship as a career path.

This is a key point to emphasise throughout the Ready-Set-Go curriculum, but especially as it nears completion. You can give your kidpreneurs a tangible sense of how influential entrepreneurs can be in changing our world for the better, and equip them with the skills to do this.

SETTING PRODUCT PRICES

It is important to note that revenue and profit are calculated using the quantity of **products actually sold**, not the amount produced. A product must be sold in order for the business to earn any money from it. For this reason it is important to think carefully about what prices to charge for products.

Here are some guidelines for pricing products

- The product price must suit what the target market are prepared to pay for the product design and quality
- Look for products that are similar to the business products and find out what price they are. Decide if you will charge slightly less to attract customers, or slightly more because your products are better quality.
- The price must be higher than the cost of producing the product so that a profit can be made. (E.g. a price of \$5 for a product that cost \$10 to make means the business will not make a profit, instead it will lose money.)
- The price must not be so high that the target market does not want to buy the product. The business will have lots of products left over at the end of the day and won't make as much money.
- Don't make the price too low otherwise the products might all sell out very quickly and the business won't make as much profit as it could if it had slightly higher prices.

The trick is to find the pricing sweet spot:



THEORY ACTIVITY INSTRUCTIONS

INTERACTIVE: THE CAKE GAME

The goal of The Cake Game is to see how the various raw materials that make up a product equate to its cost, and to see how this affects total profit.

The goal is to make an imaginary cake from ingredients of various costs, where students are each labelled as one of the cake ingredients.

A cake is made from a collection of “base” ingredients plus one “flavour” ingredient.

Preparation:

Write the cake ingredients up on the board as follows:

Base ingredients: Egg \$1, Flour \$1, Milk \$1

Flavour Ingredients: Chocolate \$1, Caramel \$2 and Sprinkles \$3

Write the three possible types of cake on the board as follow:

- **Chocolate cake:** Egg+ Flour + Milk + Chocolate
- **Caramel cake:** Egg + Flour + Milk + Caramel
- **Sprinkle cake:** Egg + Flour + Milk + Sprinkles

Create one ingredient label (written on small pieces of paper) per kidpreneur in your group by following the below instructions:

1. Divide the total number of kidpreneurs in your group by 4 to find out how many cakes there will be. Now write enough labels for one base ingredient per cake. Labels should say the name of the ingredient and its price. E.g. If you have 26 kidpreneurs, 26 divided into four is 6 (with 2 extra), so create 6x egg labels, 6x flour labels and 6x milk labels.
2. Write enough labels for the flavor ingredients so the total of the flavour ingredients totals the number of cakes. E.g. For a group of 26 with 6 cakes (as above), a total of 6x flavour ingredients would be created – i.e. 2x chocolate, 2x caramel, 2x sprinkles
3. If you have an extra number of students, which didn't divide into 4, create one more product label per remaining student. E.g. for a group of 26 with 6 cakes, there would be 2 extra students (as above), so create 2 more flavour labels e.g. 1x chocolate, 1x caramel. This means there will be 2 'super cakes' that can have 2 flavour ingredients.
4. Now there should be enough ingredient labels for 1 per kidpreneur in the group. Put all ingredient labels into a hat.

To play The Cake Game:

Direct kids through the process of baking a metaphorical cake using their pieces of paper and imaginations. Note that the steps in **red** are optional calculations for extension work where students calculate the cost, revenue and profit per unit.

1. **Get your ingredients:** Kidpreneurs draw an ingredient out of the hat one at a time and once everyone has one ingredient they move around the room trying to form a group with the correct amount and type of ingredients to 'bake' one of the flavours of cake.
2. **Mix the cake:** Once all groups have formed with the correct ingredients to make a specific type of cake, direct the group to huddle in a team and run around in a circle three times to 'mix their cake'.
3. **Bake the cake:** Direct students to lie on the floor in a row side-by-side on their backs with faces looking at the ceiling. They must lie there completely silent for one minute (60 seconds) to 'bake their cake'.
4. **Cost calculations:**
 - a. Ask each group to calculate the total cost of making their cake and write it down on the board.
Answer: Add the cost of each of the ingredients on their pieces of paper together.
 - b. Tell students the cake makes 10 slices and ask each group to calculate cost of each slice of cake, and then write this down too.
Answer: Divide the total cost of the cake from art 4a by 10.
5. **Revenue Calculations:** Now tell the students there are 10 slices of cake and each slice can be sold for \$8.
 - a. Ask each group to state the revenue they would make from selling one slice of cake.
Answer: \$8



- b. Ask each group to calculate the total revenue if they sold all 10 pieces of their cake.
Answer: 10 slices x \$8 = \$80 (Revenue = number sold x price per product)

6. Profit Calculations:

- a. Ask each group to calculate the profit they would make from selling one slice of cake.

Answer: \$8 – cost per slice (4b) (Profit = Revenue – Cost)

- b. Ask each group to calculate the total profit they would make if they sold all 10 slices of cake.

Answer 1: Total profit = Total revenue (5b) – Total costs (4a)

Answer 2 (alternative): Profit per slice (6a) x 10 slices

7. Repeat steps 5 and 6 but this time change the price of each slice to \$5.

Use the answers written on the board for cost, revenue and profit at the two different product prices for a discussion about product pricing.

Compare and discuss the profit made at each of the two sales prices and ask the following questions:

- Which products could be sold for \$8 to make a profit?
- Which products could be sold for \$5 to make a profit?
- What would happen if the price for each slice were too high? (People might not want to buy the product so the business won't make enough revenue to cover its costs.)
- What would happen if the price for each slice were too low? (The business might sell out of products before they make enough money to cover their costs so they won't make a profit.)

The figures demonstrate how charging a higher price per unit can lead to greater profit in total. But remember, this is only true if all of the products are sold.

WRITTEN: REVENUE & PROFIT CALCULATOR

On the student worksheet is an example of how to calculate the total revenue and profit earned by a business owned by Curtis the Kidpreneur (from the novel *Curtis the Kidpreneur: Codename Hawaii* inside each Business Kit). Read and discuss Curtis' business example, then have students apply the formula for calculating revenue and profit to Harvey and Raglan's businesses. For each business, 40 items are being sold. This will enable students to compare how different prices and costs affect total revenue when the same amount of products are sold. Discuss the following points:

- Harvey makes more revenue and profit than Curtis because she charges a higher price and has the same costs. She needs to make sure her customers are willing to pay this much for her plants or she won't make more money than Curtis if people don't buy them.
- Raglan makes less profit than Curtis because he has higher costs, but charges the same price. Raglan could try to charge a higher price to make more profit if his customers are willing to pay this amount.

Model answers for the exercise are below:

	CURTIS	HARVEY	RAGLAN
Number of products sold	40 cards	40 plants	40 bags
x PRICE PER PRODUCT	\$3.00 each	\$5.00 each	\$3.00 each
= REVENUE	\$120.00	\$200.00	\$120.00
- COSTS	\$75	\$75	\$100 (\$75+\$25)
= PROFIT	\$45	\$125.00	\$20.00



APPLIED ACTIVITY INSTRUCTIONS

MY EXPECTED REVENUE & PROFIT

Now kidpreneurs can apply their understanding of revenue and profit to their own business in order to plan their product prices. On each worksheet is a template to calculate expected revenue and profit for their business at two different prices. Kidpreneurs should try one lower price and one higher price to see how this will affect the money earned.

Note: if kids have multiple products, they should complete the template for one product only and repeat for other products they might have.

Here are the steps to complete the template:

1. Begin with the number of products each student expects to sell. This will be the number of products produced using the production line in module 7 and is the

same for each calculation. Kidpreneurs write this quantity in row 1 of both columns.

2. Choose a low price and a high price to sell this product for and write each price in the correct column of row 2.
3. Multiply the figure in row 1 by the figure in row 2 separately for each column and write in row 3. This equals the total revenue the business expects to make if it sells all its products at each of the respective prices.
4. Next business costs must be subtracted. This will be the \$75 cost of the CK Business Kit plus the cost of any additional raw material added to make the products. Write the same business cost in each column for row 4.
5. Subtract the costs figure from the revenue figure for each column and write the answer for each in row 5. This figure reflects the amount of profit expected if all products were sold.

Ask kidpreneurs to answer the following questions:

- Which price will help the business achieve its sales goal? (*Recall the sales goal in module 2 is for the amount of money the business aims to earn*)
- Which price would the target market be willing to pay for each product?
- What price will kidpreneurs choose for their product at market day?

Discussion points:

- It is important to emphasise that this amount of profit will ONLY be made if all of the products in row 1 are sold. A price must be set which the target market is willing to pay so that the total amount of profit can be earned.
- Students should set a price which meets all of the following criteria:
 - The target market would be willing to pay the price so that all the products are sold in order to earn profit.
 - The chosen price will help the business cover its costs of \$75+ any other costs incurred. (Otherwise the business will lose money.)
 - The chosen price will help the business achieve its sales goal set in module 2.



'CK BUSINESS KIT' ACTIVITY INSTRUCTIONS

BUSINESS REGISTRATION CERTIFICATE – part 3

LOAN CERTIFICATE

To reinforce the key learning outcome that the amount of money made (profit) is only calculated after all business costs have been paid for, kidpreneurs complete part 3 of their Business Registration Certificate. This part of the certificate is an agreement between Club Kidpreneur and the owners of the business. Club Kidpreneur has loaned \$25 to each kidpreneur (\$75 per business) for their start up materials (CK Business Kit). After making money at market day each business must repay this loan by paying its first \$75 of revenue to Club Kidpreneur. Each Kidpreneur owner must sign this certificate as the borrower, and the program mentor must sign as a representative of Club Kidpreneur.

Club Kidpreneur will send an invoice for \$75+GST per CK Business Kit to the program mentor at the end of the term of commencement. The mentor should collect the \$75 from each business and use this to make payment to Club Kidpreneur.



GOAL KEEP REFLECTION

Will the price you have set and the number of products you have available to sell be the right amount to reach your sales goal from module 2? If not, you may need to change your prices or make more products to sell.