



**WHAT I NEED TO KNOW  
ABOUT THE COSTS, REVENUE  
AND PROFIT IN MY BUSINESS?**

# Learning Goals and Objectives:

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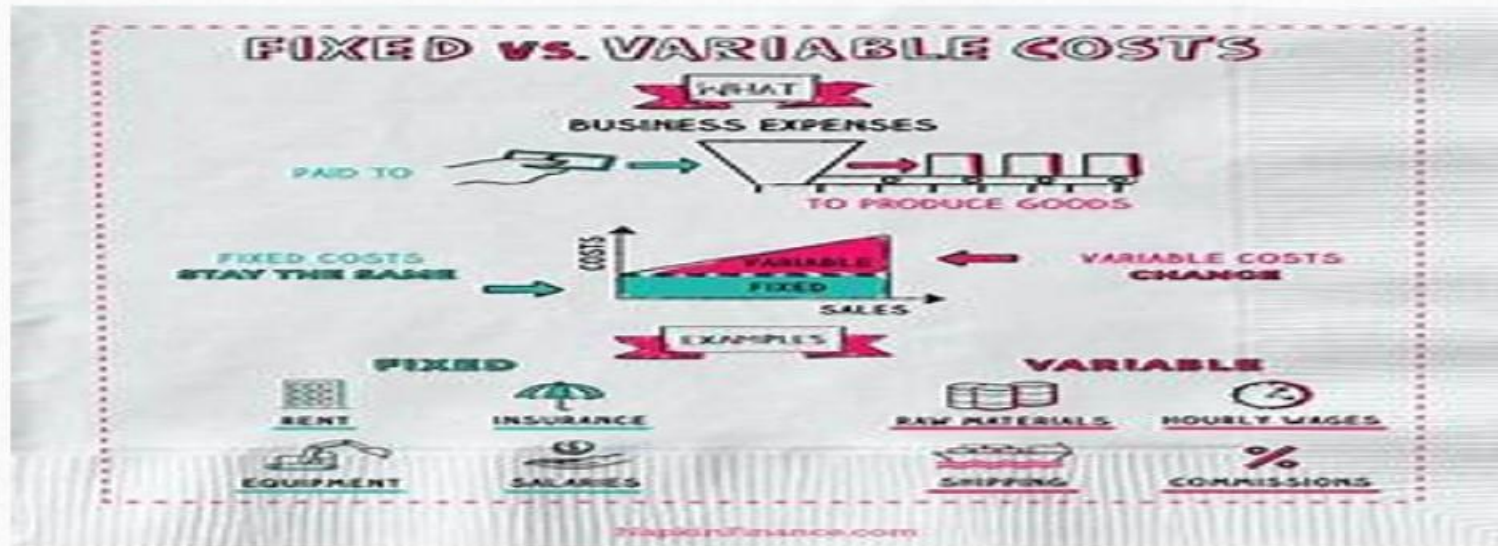
Students should *define* and *calculate*:

- Total Revenue
- Total Fixed Costs
- Total Variable Costs
- Average Total Costs
- Profit

Students should create a customized e-shop.

# Activity 1: Brainstorming

- Students are divided into groups of 4-5 persons. The teacher gives them a worksheet without explain anything or analyze the economic terms. With the help of the following infographic, students will try to answer the questions.



## Pearson Edexcel International GCSE (9-1) Economics - Case Study (Lesson 16): Greenway Construction (activity 1)

### CASE STUDY: GREENWAY CONSTRUCTION

Finders Construction is a specialist house builder. It is established family business with a successful 79-year trading history. The company buys plots of land and builds residential properties, which it markets to individuals. Like any other business, it incurs a wide range of costs. Some examples of costs incurred in the construction of a house include bricks, sand, cement, timber, pipes, glass, electrical wire, glass, plastic window frames and insulation materials. Other costs include: labour; machinery, such as cement mixers, lifting gear, vehicles; tools and equipment, such as spades, trowels, wire cutters, saws, power tools; protective clothing; computers; smartphones and office furniture at the company office.

Finders Construction employs 140 people and builds about 350 houses each year. In 2016, its total costs were US\$56 450 200 and total revenue from selling houses was US\$64 340 700.

- 1 Suggest **four** costs incurred by Finders Construction that will rise when more houses are built.
- 2 Suggest **four** costs incurred by Finders Construction that remain unchanged when more houses are built.
- 3 Calculate the profit made by Finders Construction in 2016.



▲ Construction at a building site

## Activity 2: Game for finding the well-known logos

- Students play with "The Logo Game" application that shows various images of business logos (or parts of logos) and ask users to identify each business. <https://apps.apple.com/us/app/logo-game-quiz/id953721694>



## Activity 3: Playing the quizzes about the six terms

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- Students working either individually or in small groups, play a Kahoot quiz-game prepared by the teacher. They try to answer multiple choice questions on the 6 economic terms without being taught it, with what they have understood from the first activity. <https://kahoot.it/>



## Activity 4: Definition of the economic terms

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- Teacher's presentation and plenary discussion, based on students' findings of the previous activities, defines the terms: costs, average costs, revenues and profit. The correlation with examples from real life is important and helpful. Through calculations and small case studies, students answer 5 questions in the end of the following presentation.

# Business Costs, Revenue and Profit

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- Firms incur expenses when they produce goods and services. These expenses are called costs.
- These costs are classified by economists according to how they behave when output changes.

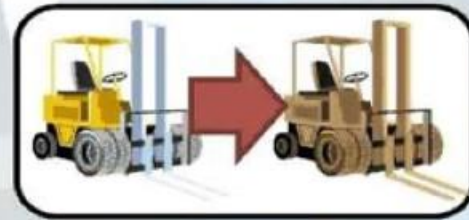


# Fixed and Variable Costs

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- Fixed Costs (**FC**): costs that do not vary with the level of output .For example, rent and insurance.
- Variable Costs(**VC**) : Costs that change when output levels change. For example , raw materials and fuels.
- Total Costs(**TC**) : Fixed and Variable Costs added together  $TC=FC+VC$

# Fixed Costs



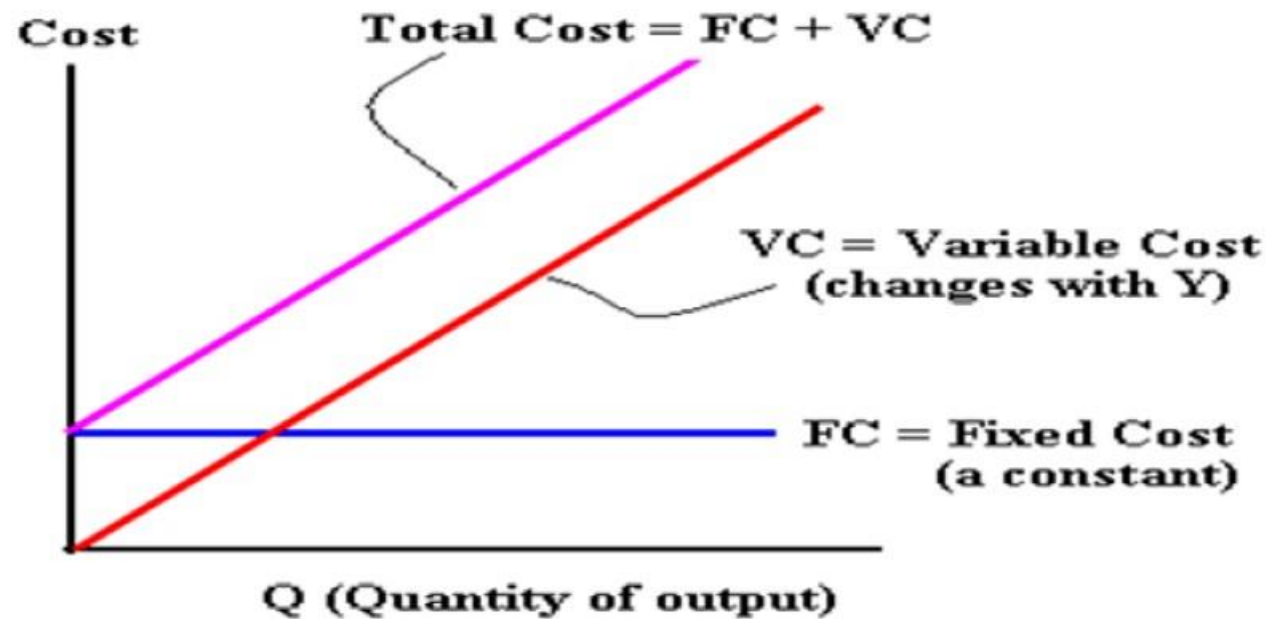
# Variable Costs



# Capital Expenditure



## Costs can be presented graphically...



# Average Costs

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- The average Cost(**AC**):the cost of producing a single unit of output. The formula is:

## Unit costs formula

*Average cost per unit is calculated using this formula:*

$$\frac{\text{Total production costs in period (£)}}{\text{Total output in period (units)}}$$

# REVENUE AND PROFIT

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- REVENUE : The amount of money a firm receives from selling its output is called total revenue.  
 $TR=P*Q$
- PROFIT: The difference between total revenue and total costs .       $PROFIT=TR-TC$
- **IF TOTAL COSTS EXCEED TOTAL REVENUE ,THEN A LOSS IS MADE!!!!**

$$\text{Profit} = \text{Revenue} - \text{Costs}$$

↑  
To increase this:

↑  
increase this or

↑  
decrease this

1) If total cost is €35.000.000 and output is 100.000 units ,what is average cost?

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- A)€100.000
- B)€35
- C)€350
- D)€3.500

2) If variable Cost is €10 per unit and fixed Costs are €400.000, what is the total cost of producing 50.000 units?

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- A) €900.000
- B) €450.000
- C) €4.000.000
- D) €500.000



3) A business has fixed costs of €100.000 and variable costs of \$5 per unit. Units of output are sold for €25. What is total variable cost if 50.000 units are produced?

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- A. €100.000
- B. €250.000
- C. €350.000
- D. €1.250.000

4) Which of the following is not a fixed cost for a company?

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- A) Rent
- B) Insurance
- C) Fuels
- D) Advertising

5) Calculate the profit made by a company, if 150 units are sold by €5.000 each . You are advised to show your working

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## Activity 5: Case study

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- The following worksheet will help students to organize the data (table) and apply all the terms that they have already learned. The questions, based on the STEAME investigative approach, develop their critical minds. Students will summarize their knowledge via the worksheet, as a case study.



### Worksheet-Activity 5

The next table shows some cost information for a factory, which manufactures plastic chairs.

Rent	60.000€
Insurance	2.000€
Other fixed Costs	8.000€
Raw Materials	30€ per unit
Labour	50€ per unit
Bills	10€ per unit
Other variable costs	20€ per unit

In 2018, the factory produced and sold 1.000 chairs for 200€ per unit.

- 1) Calculate the Total Fixed Cost, Total Variable Cost and Total Cost.
- 2) Calculate the Total Revenue.
- 3) Calculate the Profit.
- 4) Calculate the Average Cost.

In 2019, fixed costs and the price remained the same. However, variable costs rose to 130€ per unit.

- 5) Calculate the profit made in 2019 if 1200 chairs were sold.

## Activity 6: Creation of the e-shop

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- Every group of students creates a customized e-shop, where the consumers can choose their outfit (quality, design, color combinations etc.). As far as the application of this concept is concerned, students will separate in groups and every group will choose the style of the outfit (casual/formal) which it wants to produce and promote. We are going to investigate the market, to locate suppliers and learn about similar businesses (competitors).
- Template for e-shop <https://www.umlet.com/>

THANK  
YOU!

