

LESSON 09

BUSINESS EXPENSES PART II

Today's Objective:

Today's Date:

- ✓ Identify specific types of expenses to analyze and manipulate units of sale.

Bell Ringer:

Thinking about what you learned in Lesson 8 about **start-up**, **fixed**, and **variable expenses**, define each one in your own words.

1. What are **start-up expenses**?

2. What are **fixed expenses**?

3. What are **variable expenses**?

Step 1:

A **unit of sale** is what a customer gets when they pay a business. Which of the following examples are true units of sale?

Business	Unit of Sale	True or False:
Pizzeria	ONE piece of pizza	
Pizzeria	ONE whole pizza	
Grocery Store	ONE pound of strawberries	
Grocery Store	ONE strawberry pie	

Step 2:

What is your real food business's unit of sale? What will your customers receive?

Step 3:

Share and adjust your unit of sale based on peer feedback.

Step 4:

To create or produce the products or services that make up a unit of sale, your real food business will have expenses. Thinking about your supply chain and your unit of sale, brainstorm a list of expenses that your business will incur for each type of expense.

Start-up Expenses: Expenses that a business owner needs to pay before they can provide their product or service		Fixed Expenses: Expenses that a business owner needs to pay on a regular basis even if they don't sell any products or services for an entire month		Variable Expenses: Expenses that a business owner needs to pay to create their product or service	
Start-up Expenses	Estimated \$	Fixed Expenses	Estimated \$	Variable Expenses	Estimated \$
Add up your expenses and estimate your total start-up expenses: \$		Add up your expenses and estimate your total fixed expenses: \$		Add up your expenses and estimate your total variable expenses: \$	
This is how much it costs to OPEN your business.		This is how much it costs to keep your business open EACH MONTH.		This is how much it costs to create a product or provide a service.	

Step 5:

Your **contribution margin** is the amount of money that a business makes PER sale to cover your fixed expenses.

1. How many units do you need to sell each month just to pay your fixed expenses? Use this formula.

Fixed Expenses

(Unit Selling Price – Variable Expenses)

= _____ units

Note: This is the number of units that must be sold to cover your monthly fixed expenses.

Step 6:

It is important in entrepreneurship to be okay with changing parts of your business plan! Now that you see how many units you'll need to sell each month, think about the following questions:

1. Do you need to change your price?
2. Can you lower your variable expenses?
3. Can you lower your fixed expenses?