

### Teacher Overview

**M**arket Day allows students to deepen their entrepreneurial way of thinking by giving them the opportunity to own and operate a startup for a designated period of time. One of the most important pieces of your students' planning will be researching and calculating their financials. These worksheets will help your students outline their Cost of Goods Sold, Selling Price, and potential Net Profit.

### When to Use This Lesson

This lesson is to help students prepare their financials for Market Day. It could also be used as part of the Revenue Streams and Cost Structure sections of the BMC.

### Time



### BEFORE CLASS PREPARATION

- > Students should have an idea of what product/service they would like to sell for Market Day.

### MATERIALS

- > Copies (electronic or physical) of the following worksheets for each Market Day group:
  - Market Day Cost of Goods Sold Worksheet
  - Market Day Projected Net Income Statement Worksheet

### LEARNING OBJECTIVES

- > Business Finance LOs 1b, 1c, 1d, 1h

### KEY TERMS

- > Cost of Goods Sold (COGS)
- > Revenue
- > Gross Profit
- > Net Profit

### FOUNDATIONAL VALUES

- > Sound Judgment
- > Responsibility
- > Knowledge
- > Be Principled

## ACTIVITY INTRODUCTION

As you are planning your Market Day business, it is important that you do thorough research to adequately prepare your financials. You need to know how much your product will cost and how many units you plan to sell, so your price can be set so you earn a profit.

### NOTES

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## ACTIVITY DIRECTIONS

### Part 1: Market Day Cost of Goods Sold

- > Using the "Market Day COGS Worksheet", students will break down the cost for one unit of their Market Day product/service.
  - If you are selling multiple items, create multiple tables – Only one COGS table per item.
- > If a student is offering a service, their COGS will be mostly their direct labor – They can list this in their COGS table.
- > Use the internet, advertisements, in-person visits, calls to the stores, etc. to get the prices for the materials needed to make the product/service.
- > The Cost of Goods Sold for each product includes all of the items necessary to provide the product to the customer – This includes plates, bowls, utensils, napkins, condiments, etc.
- > Once students calculate Total COGS, they will determine the selling price. Remind students that if we try to set our selling price before we know how much it will cost to create the product/service, then there is a chance we will set the selling price too low and actually lose money for each unit that we sell.
  - If the student feels like the selling price is too high, help them consider ways they could adjust the Total COGS – Could they use different ingredients? Could they find lower prices at a different store? Should they select a different serving size? Or should they increase the selling price?
- >  $\text{Gross Profit} = \text{Selling Price} - \text{Total COGS}$

### Part 2: Market Day Projected Net Income Statement

- > Using the financial figures from the "Market Day COGS" worksheet, complete the "Market Day Projected Net Income Statement" worksheet.

## ACTIVITY DEBRIEF

- > How did you determine the Cost of Goods Sold for your product(s)? What challenges did you face?
- > How did Knowledge help you determine Cost of Goods Sold for your product(s)?
- > Why is it important to understand the difference between Gross Profit and Net Profit?
- > After you calculated your Net Profit, did you adjust any of your numbers? Why?
- > Why is using Sound Judgment important when calculating the financials for your Market Day business?
- > How does Responsibility play a role in your Market Day financial calculations?

### NOTES

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