

Teacher Overview

The Ice Cream Sundae activity allows your students to continue to practice calculating COGS and Price and Profit. This activity will build upon that foundation by adding in labor costs.

When to Use This Lesson

You can do the Ice Cream Sundae activity at any time during the Youth Entrepreneurs course. It is included in the Business Finance Unit as well as the Market Day Unit. You may choose to use the Ice Cream Sundae activity as a way to reinforce your students' understanding while working through their Market Day financials.

Students will need to have a basic understanding of Costs and Unit of Sale to be successful with this activity.

Time



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ACTIVITY AT ANY TIME DURING THE
YOUTH ENTREPRENEURS COURSE.

BEFORE CLASS PREPARATION

- > Review entire Ice Cream Sundae Activity Guide.
- > Purchase all materials for the activity.
- > Make copies of Ice Cream Sundae Price and Profit Worksheet
- > Use your receipt(s) to create your answer key for the Ingredients and Supplies table.
- > Determine an area in your classroom that will provide your students ample space to prepare their ice cream sundae. You will want to wait until you are ready to begin the activity to set the ice cream out. You can have all other ingredients and supplies out and ready. **Protip:** Remove safety seals ahead of time.

LEARNING OBJECTIVES

- > Business Finance 1b, 1h, 1d, 1e

KEY TERMS

- > Costs
- > Costs of Goods Sold (COGS)
- > Unit of Sale
- > Labor
- > Price and Profit

FOUNDATIONAL VALUES

- > Sound Judgment

MATERIALS

- > Ice cream - one for each student to receive a minimum of one serving
- > Chocolate syrup - enough for each student receive a minimum of one serving
- > Cherries - enough for each student to receive a minimum of one serving
- > Whipped topping - enough for each student to receive a minimum of one serving
- > Sprinkles - enough for each student to receive a minimum of one serving
- > Bowls - one per student
- > Plastic spoons - one per student
- > Napkins - at least one for each student
- > Ice Cream Sundae Price and Profit Worksheet - one per student
- > Ice cream scoop
- > Measuring cups and measuring spoons

ACTIVITY DIRECTIONS

- > Ask students what COGS and Price and Profit are. (They should be familiar with these concepts. You may have already done Dirt and Worms or other similar COGS and Price and Profit activities.)
 - Review the concepts as well as why they are important.
- > Tell them this activity will continue working with those same concepts while adding concepts to it.
- > Tell your students they will be making ice cream sundaes and they will get to eat them. However, they must do some work at the same time.
- > The first step is to determine what the cost per unit is for each ingredient and supply. After we figure this out, you can then make your "prototype" sundae. When making your "prototype" sundae, you must keep track of what you put in it.
 - You will need your receipt(s). Share with your students the cost of each ingredient and supply. They will put these numbers in the Cost column of the Ingredients and Supplies table.
 - Next are Servings per Unit column. You may also want to explain how to determine the servings per unit.
 - Do the first few ingredients with them. Then let them complete the chart on their own.
- > Once they have shown you their answers and they are correct, allow them to make their "prototype" ice cream sundae using those ingredients and supplies. Remind them to keep track of what they put in their "prototype" sundae in the My Ice Cream Sundae table.
- > After all students have made their "prototype" sundae (and hopefully eaten it) you can discuss the cost of the different prototypes. **Protip:** Have your students write their name and total COGS on the board when they have it calculated. That will give you a visual to help with the discussion.
 - Possible trends you might notice
 - all the COGS are about the same
 - a few outliers - a really high COGS and/or a really low COGS
- > The next step is Calculating Labor Cost, which will be new for your students. You will want to explain to your students the various ways in which employers might payout for labor: salary, hourly, etc. For this example, we will use hourly.
 - Have your students decide what they think someone hired to produce ice cream sundaes should get paid per hour.
 - They must decide how long they think it takes to make one ice cream sundae.
 - They will then calculate the Labor Cost per Unit.
- > Economics of One Unit is determined by using the numbers from the previous tables. Students will first need to determine at what price they think they can sell their ice cream sundae.
 - From their selling price they must subtract COGS and labor costs. This will give them their Gross Profit per Unit.
- > Making Sales Projections is the final step in the Ice Cream Sundae Activity. During this step your students will gain knowledge necessary for a successful Market Day experience.
 - To complete the Making Sales Projections table your students must first know how long they will be selling their product. For the sake of this activity, you can say that it is one hour or any other amount of time you would like to use.
 - The next problem that needs to be solved is how long it takes to sell one unit. It is hard for your students to understand that, depending on the circumstances, they may need to include things

ACTIVITY DIRECTIONS CON'T

other than producing the actual product. For instance, during Market Day they may need to include the time it takes to greet the customer, take the order, make the order, take their money, and make change.

- After they have determined the amount of time it takes to sell one unit, they can then determine how many units they could potentially sell during the selling period.
- To determine their Net Profit for the selling period, they will multiply the gross profit per unit by the number of units they can produce.

ACTIVITY DEBRIEF

- > Below are some suggested questions to use to begin debrief discussions.
- > What is the difference between fixed costs and variable costs?
 - Were the costs experienced in this activity fixed or variable?
- > What could you have done to decrease the COGS you experienced?
- > What effects does a high COGS have on your product?
- > Why is it important to pay attention to COGS when developing and producing a product?
- > What are ways you can apply Sound Judgment to keeping COGS under control?
- > What effect does labor have on the cost of a product? What effect does labor have on the price of a product? Does this change your mindset on the how much you should pay your labor?
- > What things must one consider when making sales projections? What are the potential pitfall with projections?
- > What can happen if you do not meet your sales projections? Higher demand or lower demand for your product?
- > Once you have calculated your COGS, how can you use that knowledge as you sell to customers? If a customer were to ask for extra of an item, would it be important to have knowledge of your COGS? Why?
- > What did you take into consideration when making decisions on how many units of an item to include in one cup of ice cream sundae? Do you believe this represented sound judgment? Why or why not?
- > As you decided how many units of an item to put in each ice cream sundae did you consider what the best use of resources was in making those decisions? Did you weigh the benefits versus the costs?
- > Is there a relationship between understanding subjective value, using sound judgment and pricing one unit for sale?
- > As you reflect on this activity do you see a relevant relationship between knowledge and sound judgment?

Additional activities to reinforce understanding:

You can reiterate this activity with just about any product you want your students to produce in your classroom. You can reproduce the tables in the Ice Cream Sundae worksheet or have your students write their own sheets. Some examples can be found below.

- > Sandwiches - bread, cheese, meat, condiments, plates, napkins
- > Gift bags - gift bags, tissue paper, and gifts. Tell students they must put items in the bag that stays with the theme of the bag.
- > Caramel Apples - apples, caramel, bowls, sticks, napkins