

## Theme 11: Revenue, Cost and Profit

In this theme we learned that business costs are divided into different classifications. Cost classification depends upon the actual cost and nature of the business.

### Worksheet

Complete the following questions by preparing a digital resource such as a web page or a Mahara page.

1. If output increases will a business's variable costs increase, decrease, or stay the same? Explain your answer.
2. If output decreases, will a business's fixed costs increase, decrease, or stay the same? Explain your answer.
3. Joe is in the process of setting up a business selling fresh fruit juices and milkshakes. He has many different costs. Some of these are included in the box below.

Rent, Sign for the shop, Milk  
Plastic cups, Staff salaries, Chiller cabinets, Cash register/till  
Electricity, Insurance, Fruit, Loan repayments  
Advertising , Juicing machine, Flavoured syrup

You are going to help Joe categorise his costs. Place the costs from the above box into the correct columns in the table below. Remember, some costs can be entered in more than one column.

Start-Up Costs	Direct Costs	Indirect Costs	Fixed Costs	Variable Costs

Start-Up Costs	Direct Costs	Indirect Costs	Fixed Costs	Variable Costs

4. Can you think of any other costs that Joe is likely to have? List them below and write next to them whether they are start-up costs, direct costs, indirect costs, fixed costs or variable costs.

5. If it's a cost you haven't come across before and are unsure whether it's a fixed or variable cost, one method to help you decide is to look at whether the cost is given over a period of time, or per unit. If a cost is given for a period of time it's a fixed cost. If a cost is given per unit it's a variable cost.

Using the following table, identify which costs you think are fixed and which are variable.

ITEM	FIXED/VARIABLE?	ITEM	FIXED/VARIABLE
Rent per month			
Maintenance on machines per annum			
Labour costs per unit			
Packaging per unit			
Mortgage payments per month			