



# BUSINESS INCOME AND EXPENSES

*Garden*

EST. TIME 45 minutes SEASON spring 

GRADE 7 | LESSON #16

## ? ESSENTIAL QUESTION(S)

- How is a basic income and expense model created?

## MATERIALS

- Resources for students to research local market price (technology, grocery store advertisements, etc.)
- Chart Paper, Easel, Markers
- Student Journals
- Clipboards
- (1 per student)
- Pencils, Colored Pencils, Handheld Sharpeners

## Abc VOCABULARY

- Local market price
- Income
- Expenses
- Profit
- Yield
- Unit price

## ASSESSMENT

- Observational checklist

## PREPARATION (APPROXIMATELY 15 MINUTES)

To prepare for this lesson, gather materials listed on the left.

## TEACHER BACKGROUND

An income and expense model shows projected revenues along with projected expenses during a particular period of time or for a specific project. Combined, those result in expected net income or net profit.

## LESSON DESCRIPTION

In this lesson, students will work together to create a basic income and expense model for their business plans developed in the winter. After listing all expenses, they will determine an appropriate unit price based on their goal for profit and the market price in their local community.

## LEARNING OBJECTIVES

### Content Learning Objectives

**BP.7.3** Create basic income/expense model.

### Life Skills Learning Objectives

**PLS.5** Students develop the ability to make informed and responsible decisions.

## ACADEMIC STANDARD CONNECTIONS

**Social Studies:** Economics.

**CCSS.MATH.CONTENT.7.NS.A.3.** Solve real-world and mathematical problems involving the four operations with rational numbers.



Use the lesson template to create your own and share with us!

CULTIVATE CURIOSITY (5 MINUTES) *engage*

1. Revisit student business plans created in **Lesson #9: Planning Our Business, Part 1**, for creating a food business project to generate profit for the school garden gift in Grade 8.

ROOT AROUND (10 MINUTES) *explore*

1. Guide students in exploring what some **local market prices** are for the product they intend to sell. Ensure that information on the size and unique features of each company's product is collected as well in order to determine the different factors that may have led to pricing.

GROW UNDERSTANDING (2 MINUTES) *explain*

1. Explain to students that they are going to build a basic **income** and **expense** model to collect information that will guide them in pricing their product and help ensure they will make a profit to go toward their garden gift in Grade 8.

OBSERVE THE FRUITS (25 MINUTES) *elaborate*

1. First, students will start to calculate their **yield** (how much of the product will be possible to make) by reviewing their planting list, anticipated harvest, and recipe yields. This will guide their understanding of the quantity of each additional product they will need.
2. Then, students will begin to explore their **expenses** (or how much it will cost to make their product). Their only known expenses so far should be the cost of the plants. Challenge students to consider other inputs that have gone into growing the plants beyond just the such as time, energy, resources (tools, beds, soil), etc. Inform students that they will not be putting a dollar value on those inputs today but it's important to consider when planning a business.
3. Then, have students consider all of the other materials they will need (i.e., jars, labels, etc.), each listed with a price and priced around the quantity that they determined in Step 2 (above).
4. Now, with a full list of expenses of both plants and materials, divide the amount that must be spent by how many units of the product will be produced with these plants and materials. That will give you a minimum **unit price** (or what each unit should cost). Consider that at this price, no **profit** will be made (or no money above the expenses will be made).

5. With students, consider how much they would like their **income** (or the money they make) to be to ensure that it is high enough above the expenses to make a profit. Students should also consider the market price from earlier in the lesson, to determine a price that is feasible for their product.
6. When students have agreed on how much to sell their product for, have them subtract their total expenses from their total income to determine their total profit that will go toward their Grade 8 garden gift. Throughout this work session, use the observational checklist while they are working to assess development of Personal and Community Life Skills.

#### REFLECT (5 MINUTES) *evaluate*

1. Recognize students behaviors that aligned with being the best for themselves, their communities, and their environment. Ask students to reflect on how this process will help them make informed, responsible decisions.
2. Challenge students to consider creative ideas on how to increase income and/or decrease expenses to increase profit.



#### ADAPTING FOR INDOORS

In the case of inclement weather, this lesson in its entirety can occur indoors.

#### CONNECTIONS TO KITCHEN LESSONS

Students will make the product for the business planned here in **Grade 8 Kitchen Lesson #2: Preparing the Product for Our Business.**

#### POSSIBLE EXTENSIONS

**Community:** Interview value-added product vendors about the decisions they have made to lower their expenses so their business can be more profitable.

#### ADDITIONAL RESOURCES

- Biz Kids, Young Entrepreneurs  
<http://bizkids.com/episode/understanding-income-and-expenses>
- Investopedia, Income and Expenses  
<http://www.investopedia.com/university/teaching-financial-literacy-tweens/teaching-financial-literacy-tweens-income-and-expenses.asp>