**Activity 8**

Steven James is a keen baker and has decided to set up his own baking business. He drew up a business plan received a bank loan of £10,000 and 6 months later he was up and running selling his fresh baked goods in Neath market.

He has been selling his cakes for £10 each as an average price.

He has been successful and sold 1250 cakes in the first year.

**Summary of Steven James costs for first year trading:**

Car and van rental: £2,500

Car and van insurance: £925

Staff wages: £775

Utilities: £1,000

Rent on market stall: £3,250

Raw materials e.g. flour, eggs: £1,250

Credit card fees: £500

1. What is the total fixed costs for the company? (2 marks)
2. What is the total variable costs of the company? (2 marks)
3. What is therefore the total costs of the company? (1 marks)
4. Calculate total revenue for the company? (2 marks)
5. Calculate total profit for the company (2 marks)

**Activity 8 Answers**

1. What is the total fixed costs for the company? (2 marks)

Car and van rental: £2,500

Car and van insurance: £925

Utilities: £1,000

Rent on market stall: £3,250

**Total fixed costs: 7,675**

1. What is the total variable costs of the company? (2 marks)

Staff wages: £775

Raw materials e.g. flour, eggs: £1,250

Credit card fees: £500

**Total variable costs: 2,525**

1. What is therefore the total costs of the company? (1 marks)

Total cost = Fixed costs x variable costs

Total cost = 7,675 – 2,525

**Total cost = 5,150**

1. Calculate total revenue for the company? (2 marks)

Total revenue = quantity sold x selling price

Total revenue = 1,250 x 10

**Total revenue = £12,500**

1. Calculate total profit for the company (2 marks)

Profit = total revenue – total costs

Profit = £12,500 – 5,150

**Profit = £9,850**