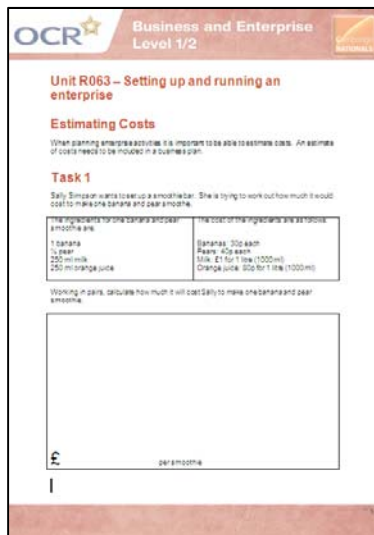# Unit R063 – Setting up and running an enterprise

Estimating Costs

Instructions and answers for Teachers

*These instructions should accompany the OCR resource 'Estimating Costs',
which supports Cambridge Nationals in Business and Enterprise Level 1/2 Unit R063 – Setting up and running an enterprise.*

Associated Files:
Estimating costs

Expected Duration:
Task 1 - approx 15-20 minutes
Task 2 - approx 30-45 minutes
Task 3 - approx 15-20 minutes

This resource comprises of three tasks.

The tasks are best completed in pairs.

Learners will need access to prices in a local grocery store or the Internet for Task 2.

Learners will need access to the Internet for Task 3.

When planning enterprise activities it is important to be able to estimate costs. An estimate of costs needs to be included in a business plan.

Task 1

Sally Simpson wants to set up a smoothie bar. She is trying to work out how much it would cost to make one banana and pear smoothie.

The ingredients for one banana and pear smoothie are:	The cost of the ingredients are as follows:
1 banana ½ pear 250 ml milk 250 ml orange juice	Bananas: 30p each Pears: 40p each Milk: £1 for 1 litre (1000 ml) Orange juice: 80p for 1 litre (1000 ml)

Working in pairs, calculate how much it will cost Sally to make one banana and pear smoothie.

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1 banana             = 30p
½ pear               = 20p   (40p/2)
250 ml milk          = 25p   (£1.00/4)
250 ml orange juice  = 20p   (80p/4)
                        -----
                        95p
                        ===
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£0.95   per smoothie

Task 2

You and your partner are considering setting up a sandwich bar. Decide on a sandwich to sell. By filling in the boxes below, work out the cost of making one of these sandwiches.

Example answer:

Sandwich chosen:

Egg mayonnaise with tomato on brown bread

The ingredients for one egg mayonnaise with tomato on brown bread sandwich are:	The cost of the ingredients are:
1. 2 slices of brown bread	1. Brown bread £1.54 per loaf
2. 5g margarine	2. Margarine £1.00 for 250g
3.1 boiled egg	3. Eggs 6 for £1.80
4.30g mayonnaise	4. Mayonnaise £2.80 for 600g
5.1 medium tomato	5. Medium tomato 20p each
6.	6.

The cost to make one egg mayonnaise with tomato on brown bread sandwich:

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2 slices brown bread  =   14p  (£1.54/22 slices per medium sliced loaf = 7p per slice)
 5g margarine         =    2p  (£1.00/250g x 5g)
1 boiled egg          =   30p  (£1.80/6 eggs)
30g mayonnaise        =   14p  (£2.80/600g x 30g)
1 medium tomato       =   20p
                          -----
                           80p
                          ===
```

£0.80   per sandwich

Task 3

Use the Internet to find out the typical price charged for a sandwich like yours. Why is the price charged so much more than the cost which you can make it for? Explain your answer.

Example answer:

Typical price of an egg mayonnaise and tomato sandwich on brown bread is £2.50.
This is £1.70 more than the cost of ingredients because the business needs to cover other costs such as rent, electricity and wages. The business also needs to make a profit if it is to be commercially successful.

These activities offer an opportunity for English and maths skills development.

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