

CALCULATING COSTS

Working out how much it costs to make a product or create a service is important to enable you to then consider your selling price.



EXAMPLE: 'Knit for Hope' is a social enterprise which runs free knitting and craft classes for people who feel isolated and lonely in the community. Those who come along can learn to knit and have a natter with other like minded people. They sell knitted worry monsters and also give away knitted baby hats to the nearby hospital.

PRODUCT / SERVICE

What are we selling?



COSTS TO MAKE:

Wool	£5.00	
Buttons	£2.50	
Needles	-----	* existing resource
Thread	£2.00	
Packaging	£1.50	
Stuffing	£5.00	
	£16.00	(makes 10 monsters)

Cost to make one item:
(£16 divided by 10 = £1.60) = **UNIT COST**

PRODUCTION TIMES:

How long does it take to make?

Estimate: 5 a week
20 a month

Work out how many you could make to then be able to estimate how many you have to sell.

SELLING PRICE:

How much will people pay?

- Higher than the unit cost by at least 50%
- This is called 'Mark Up'
- Too low = less profit
- Too high = people won't pay

UNIT COST	£1.60
SELLING PRICE (50% Mark Up)	£3.20
FROM MARKET RESEARCH	£4.99

POTENTIAL MONTHLY INCOME:

How much money could we make?

Number of units to sell x Selling Price

20 worry monsters x £4.99

POTENTIAL INCOME: £99.80

Your Social Enterprise Name: _____

PRODUCT / SERVICE

What are we selling?

COSTS TO MAKE:

Cost to make one item:

(___ divided by ___ = ___) = **UNIT COST**

PRODUCTION TIMES:

How long does it take to make?

SELLING PRICE:

How much will people pay?

- Higher than the unit cost by at least 50%
- This is called 'Mark Up'
- Too low = less profit
- Too high = people won't pay

UNIT COST	£ _____
SELLING PRICE (50% Mark Up)	£ _____
FROM MARKET RESEARCH	£ _____

POTENTIAL MONTHLY INCOME:

How much money could we make?

Number of units to sell x Selling Price