

§4-2

Fluctuating Factors of Production

- Examine many costs of producing items for sale in a small business
- Establish prices that cover costs of production

- Commodity-an item that has not yet been enhanced, refined or packaged to become a consumer good.

- Add on Costs-expenses that add to the price of a product as it goes through processing, marketing and distribution
 - Labor
 - Packaging
 - Advertising
 - Energy
 - Transportation
 - Etc.

- Labor-cost incurred to turn commodity into a good. Labor costs include employee wages and benefits

- Packaging-cost of material and design of packaging

- Advertising-TV,
Magazines, Radio,
Pamphlet, Booklet,
posters, internet,
etc.

- Energy-
Electricity,
natural gas, fuel
oil

- Utility-heat, water, electricity, natural gas, phone, internet

- Transportation- fuel, maintenance, upkeep, depreciation, labor

- Find the total cost to make 12 t-shirts, 12 sweatshirts in 1 week
 - Materials-t-shirts \$2.50, sweatshirts \$14
 - Paint \$1 per item
 - Labor \$5/hr
 - T-shirts 6/hr
 - Sweatshirts 2/hr
- Packaging small plastic bags \$2 for 100 bags
- Advertise-\$5.55 for 200 color copies
- Energy-\$12.50 week for all utilities
- Transportation- \$40 week

Example

- Try Your Skills
- P147 #1-7
- P148-149, #1-4, 6-16 even, 17-19

Assignment