

The Cost of a Cupcake

SUBMITTED BY: WGYE Summer Educator

SUBJECT(S): Accounting

GRADE LEVEL(S): 9, 10, 11, 12

≡ OVERVIEW:

The lesson introduces ideas about accounting and finance associated with developing a new business. The article, “Red Velvet Revolution: The Rise of the Cupcake Entrepreneur,” and the accompanying video on the Wharton Global Youth Program website set the stage for an initial business or math class lesson about fixed and variable costs associated with the development of a new business and an introduction into basic accounting. Students will use the resources to launch into a discussion and brainstorming session about the initial steps for designing the financial plan for a new business and variables that must be considered. Students will begin researching different costs and learn about basic accounting using Excel.

≡ NBEA STANDARD(S):

- Accounting, V. Accounting Process

≡ WHARTON GLOBAL YOUTH PROGRAM ARTICLE:

- [“Red Velvet Revolution: The Rise of the Cupcake Entrepreneur”](#)

Standards:

- Complete the steps in the accounting cycle in order to prepare the financial statements.

Common Core Standard(s):

- CCR Standard for Speaking & Listening: Prepare for and participate effectively in a range of conversations and collaborations with diverse partners, building on others' ideas and expressing their own clearly and persuasively.

Objectives/Purposes: Students will be able to identify fixed and variable costs associated and basic accounting. Students will develop their computer skills and other 21st century communication and business skills throughout the lesson.

Other Resources/Materials:

- WGYP Video
- Computers
- Internet Access
- Excel

Activity:

1. Do Now: First 5 minutes of class students come in and read the article *Red Velvet Revolution: The Rise of the Cupcake Entrepreneur*. As they finish they are asked to brainstorm what they think it means to be an entrepreneur. (5 mins)
2. Teacher plays video for students. Leads a discussion using the article, video and students' brainstorm to talk about what it means to be an entrepreneur. (5 mins)
3. Class discussion and brainstorm. Use a concept map to record and organize students' ideas about the following questions on the board. (10 mins)
 - What is an entrepreneur?
 - What types of costs might a cupcake entrepreneur consider when developing a business plan? (Teacher categorizes into fixed and variable)
4. Teacher will guide the class to describe the different types of costs, and eventually define fixed and variable costs. Watch the glossary video on WGYP website.
5. Move into a short accounting lesson using Excel to begin building a financial plan for a new business and begin recording fixed and variable costs. (15-20 min)
 - Teacher demonstrates how to set up an Excel file and with the support of the students fill in a fixed cost and variable cost.

- Classwork. In pairs, students begin to setup their own cupcake Excel file :

- Set up an Excel document for a new cupcake business
- Identify at three to five fixed costs and three to five variable costs
- Using the web, research those different costs and complete the Excel sheet
Remind students they should keep some notes about why they made certain decisions. They will present at the end of class. (i.e. Maybe they bought more expensive non-disposable supplies because they chose to be more environmentally conscious, or maybe they chose more expensive ingredients because they wanted to be health conscious, or maybe they went with the less expensive baking tools to save money). This will have connections to later lessons.

6. Wrap Up: The teacher will ask each pair to share either a fixed or variable cost and any decisions that were made with regard to that cost. (5 mins)

Tying It All Together:

The class brainstorm/discussion session, lesson on fixed/variable costs and introduction of accounting using Excel to organize work laid the foundation for students to begin working on a larger group project. In future classes, they will be designing a proposal for their own business, for which they will draw ideas based on their personal interest and community. This lesson and the larger unit project have interdisciplinary connections to health class and introduction to computers.

What Worked and What I Would Do Differently:

Teacher should anticipate some common student misconceptions about what are fixed vs. variable costs. Also expect a range of student perceptions about the types of decisions entrepreneurs might have to make. This lesson needs to focus on developing understanding of the concepts and practicing basic accounting that will launch into a larger unit.

The teacher should consider how and when the students can make personal connections to the topic, and make sure those connections are relevant. This lesson and the larger unit can be adapted in a way that is culturally relevant.