Name:	
Team: _	

Production Costs Activity: Marshmallow Towers

Overview

Your goal in this activity is the san	ne goal of every business, to make	e You wil
remember that profit is the difference betw	veen total revenue and total cost.	There is only two ways to
increase profits. You can	total revenue or you can	total costs.
Your assignment is to earn the most profit	as you make a tower made only o	of toothpicks and mini-
marshmallows. Good luck.		

Group Responsibilities

- 1. Planner- makes final design and strategy decisions
- 2. Purchaser- maintains invoice and purchases raw materials
- 3. Builder- oversees construction of the tower
- 4. Manager- organizes labor and materials and keeps track of time limits

Revenue

- Price of every inch below 4 inches= \$1,000
- Price of every inch above 4 inches = \$2,000
- Integrity Bonus (ability to stand alone for 10 seconds) =\$2,000
- Strength Bonus (ability to hold a sheet of paper on top for 5 seconds) = \$3,000

Definitions of Key Terms

- Total Revenue (TR)-
- Fixed Costs (FC)-
- Variable Costs (VC)-
- Total Cost (TC)-

Fixed Costs (Overhead)		
Rent (Newspaper)	\$500	
Property Tax	\$100	
Insurance	\$100	
Labor (only in this case)		
Opportunity Cost		
Total Fixed Costs->		

Cost of Variable Resources		
1 Toothpick	\$100	
1 Marshmallow	\$50	
Keefe Consulting	\$500	
Unused Materials	\$50 each	
Damaged/Eaten Materials	\$200 each	

Design #1

Design #2

Name:	
Team:	

PURCHASING INVOICE FOR VARIABLE RESOURCES

Item(s)	Quantity	Individual Price	Total
ex: Toothpicks	8	\$100 each	\$800
		nused Materials (\$50 Each)	
	Add Dama	aged Materials (\$200 Each)	
	Total Variable Costs		
		Total Fixed Costs	
		Total Cost (TC)→	

Total Revenue	
Height Revenue below 4 inches	
Height Revenue above 4 inches	
Integrity Bonus	
Strength Bonus	
Total Revenue (TR) →	

Determine your Economic Profit by subtracting Total Costs from Total Revenue: (Profit = TR-TC)

Total Economic Profit	