



## The Legendary Lemonade Stand

### Dear Parent/Guardian:

Thank you for downloading this Financial Literacy Feature. We hope the information and activities offered will be helpful in strengthening your family's financial literacy skills.

All children are consumers—they want to buy things nearly every time they enter a store. Just giving children money might bring smiles to their faces, but it does not teach them its value or the value of work to earn it. It's important for our children to understand that working helps us earn money to buy what we need and want. Children can earn money by doing chores, caring for a neighbor's pet, or even running a business.

A lemonade stand has been one of the staples of childhood businesses for decades, and it remains a way for young people to learn about costs, expenses, revenue, and profit.

Read the story below, and help your children understand that we achieve our consumer goals by earning money. This activity provides good practice in solving problems using math. Help your children solve the problems, but encourage them do most of the work.

### Activity

Aidan wants to buy a new skateboard. He decides that selling lemonade might be a good way to earn the amount he needs. He thinks he'll have a lot of sales, because the weather has been hot and humid. At his desk, he lays out a plan. "I'll need lemonade mix, cups, and ice. I'll also have to get some paper and markers to make advertising signs to hang around the neighborhood." (Continued on Page 2.)



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Here's how much Aidan spent to start his business:

- 2 Cartons of lemonade mix (each carton makes 32 cups).....\$6.00
- 64 Paper cups.....3.00
- Bag of ice for 64 cups.....1.50
- Paper and markers.....2.00
- Water and a plastic pitcher ..... Free
- Table and chair from Mom..... Free
- Cooler from Dad..... Free
- Total start-up cost.....\$12.50**

"If I charge 20 cents a cup and sell 64 cups of lemonade, I'll have a total revenue of \$12.80, but that's only 30 cents more than my expenses. It's not worth all my work to profit just 30 cents," Aiden thinks. "If I want to earn a bigger profit, I'll have to charge more for each cup." He decided to make a chart to see what his profit would be at different prices.

**Directions:** Complete the chart below to figure Aidan's total revenue and his profit.

A	B	C	D
No. of cups sold	Price per cup	Total Revenue (A x B)	Profit (C – start-up cost)
64	\$0.20	$64 \times .20 = \$12.80$	$\$12.80 - 12.50 = \$0.30$
64	\$0.25	$64 \times .25 = \$16.00$	$\$16.00 - 12.50 = \$3.50$
64	\$0.30		
64	\$0.35		
64	\$0.40		

- If you were advising Aidan, what price would you suggest? Explain why. \_\_\_\_\_
- What might happen to Aidan's business if the weather is cool and rainy? \_\_\_\_\_
- What could Aidan do to encourage people to buy lemonade even on a rainy day? \_\_\_\_\_
- The skateboard Aidan wants to buy is on sale for \$40. If he charges 30 cents a cup, how many batches of lemonade (at 64 cups each) will he have to sell to buy the skateboard? \_\_\_\_\_

A	B	C	D
No. of cups sold	Price per cup	Total Revenue (A x B)	Profit (C – start-up cost)
64	\$0.20	$64 \times .20 = \$12.80$	$\$12.80 - 12.50 = \$0.30$
64	\$0.25	$64 \times .25 = \$16.00$	$\$16.00 - 12.50 = \$3.50$
64	\$0.30	$\$19.20$	$\$6.70$
64	\$0.35	$\$22.40$	$\$9.90$
64	\$0.40	$\$25.60$	$\$13.10$

- Answers:  
 1. Answers will vary.  
 2. Fewer sales.  
 3. Lower the price per cup.  
 4. 6

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