

Name: _____

Team: _____

Production Costs Activity: Marshmallow Towers

Overview

Your goal in this activity is the same goal of every business, to make _____. You will remember that profit is the difference between 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 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

Team: _____

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

Total Economic Profit	