**Scenario**

You are a young and ambitious entrepreneur. It has been several years since high school and you figure it is time to take a risk and start your own business. Before starting any business, there are several factors that must be addressed to see if your business idea would be feasible. Namely, how the forces of supply and demand will interact with your chosen good or service to produce. One of the most difficult choices facing new business owners is one simple question “how much should I charge?” Remember, consumers want the cheapest prices possible while suppliers, driven by the profit incentive, want to charge as much as possible.

**Your Task**

Students will develop a thoroughly researched supply and demand schedule that attempts to predict the equilibrium price for the goods/services they plan on producing. This project is going to require substantial number crunching using basic mathematical skills.

**Process**

Students will identify their one primary good/service they intend to produce and research all of the factors of production, land and labor (do not worry about capital) that will go into producing their one chosen good or service. This research is how the supply schedule will be developed. Students will also conduct a survey of their target market (most likely other students) to gauge demand interest of their chosen good or service. You must include your supply and demand schedule.

**End Result**

After conducting the supply research and demand survey, students will be able to estimate the equilibrium price of their produced good or service. The final product will be a brief, one page, formally typed professional paper that outlines the research and survey results. In the end, the student should know how much they can reasonably charge for their good/service in a market economy. The paper requirements are as follows (standard APA formatting):

* Times New Roman 12 point Font, 1 inch margins
* Double Spaced
* A reference page where you will cite what websites you pulled information from

**Business structure**

Choose 1 of the four business structures we discussed in class. Include exactly how your business would run and all of the details needed to start a business of that structure. Also include a couple of sentences explaining why you choose this type.

**Grade**

This project is worth 300 points. This project is due on October 13th for 1,3,5,7 periods and October 14th for 4,6 periods. Your paper must be submitted online using the assignment submission page on my website [www.econcraddock.weebly.com](http://www.econcraddock.weebly.com)

Jarrett’s Juice Bar Example

Good/Service to be produced: Beet Juice

Factors of production that go into making beet juice:

Land: 2 Organic Beets, 1 Organic Red Pepper, 1 Organic Cucumber, 1 Organic Lemons

Labor: Two shop employees (other than myself) who I pay $11 an hour

Capital: Two Industrial Juicers, Serving cups, straws and lids

Researched costs associated with each factor of production:

Land: Case of Organic Beets from California: $42, 40 beets per case. $2.10 for two beets

Case of Organic Red Pepper from Florida: $50, 50 peppers per case. $1 for one pepper

Case of Organic Cucumbers from Florida: $100, 200 cucumbers per case. $.50 for one cucumber

Case of Organic Lemons from Chile: $74, 100 lemons per case. ~$.75 per Lemon

Total cost of all Land components to make one juice: $4.35

Labor: Two workers at $11 an hour: How many juices will I need to sell per hour and at what price to cover labor costs? Approximate by adding ~ .75 to cost of juice to cover labor costs, assuming enough quantity will be sold. **$5.25:** This is my current break-even price (remember, we still have not factored in the cost of capital). That is, in order to not lose money, I cannot sell my juice for less than $5.35. Now develop a supply schedule with this information. Each hour being open is costing me $22 in labor costs (once again, there are many capital expenses that have not yet been factored in). So my minimum QS must at least cover labor costs. ($22 for labor between two employees/$5.35 per juice) always round up.

This row represents the best case scenario. Being able to charge the *predicted* maximum for my product while also selling a larger quantity. This will lead to high profits. Remember, we have not done the demand survey yet…

This row represents the absolute minimum I must sell per hour and at what price to break-even. Not making a profit but not losing money.

|  |  |
| --- | --- |
| **Price** | **QS (per hour)** |
| 5.25 | 5 |
| 5.75 | 10 |
| 6.25 | 15 |
| 6.75 | 20 |
| 7.25 | 25 |