

Igloo Ices - Profit Level

Marsha Mellow runs Igloo Ices, a sole trader business that sells ice cream. She currently owns one ice cream van, but dreams of eventually owning a chain of ice cream shops. Marsha finds the money-side of her business confusing, and feels that she needs to understand it better so asks for your help.



Marsha would like to be able to predict how much profit she might make next year. She has the relevant financial information, but is not sure what calculations she needs to complete. Complete the tasks below using the information Marsha has provided to help her.

Task 1

Complete the table below to calculate potential profit depending on the number of ice creams that Marsha might sell.

Start by writing down the formula for profit:

Profit = _____ - _____

Use this formula to complete the table below:

Ice Creams Produced	0	500	1,000	1,500	2,000	2,500	3,000
Fixed Costs (£)	2,900	2,900	2,900	2,900	2,900	2,900	2,900
Variable Costs (£)	0	25	50	75	100	125	150
Total Revenue	0	750	1,500	2,250	3,000	3,750	4,500
Total Costs (£)	2,900	2,925	2,950	2,975	3,000	3,025	3,050
Profit (£)							

Task 2

Marsha is pleased that it looks as if she can make a profit, and is already thinking about what she might treat herself to with the profit she might make.

Can you explain to Marsha why she may not be able to “spend” this profit, by outlining the difference between “profit” and “cash”?

Explain why cash flow is particularly important for a business such as Igloo Ices

Task 3

Marsha is very grateful for all of your work, but is a little confused. She wonders if she has made a mistake, so asks if you can calculate the profit per ice cream if she sells:

a) 2,500 ice creams:	Profit per ice cream
b) 3,000 ice creams:	Profit per ice cream

Can you explain to Marsha, why these two figures are different?

Task 4

Marsha is still a little confused. Use the diagrams below to illustrate the difference in unit costs when she is selling 2,500 ice creams compared to 3,000 ice creams - an example of selling 2,750 ice creams has been done for you:

