

Are Two Eds Better Than One?

Eddie Bull and Ed Ache are partners in a small street food business called "Say Cheese". They attend events in the local area, making and selling their cheese grilled sandwiches from their converted campervan. Eddie is usually responsible for making the food, while Ed keeps an eye on the accounts, and deals with suppliers and bookings.



Just lately though, Ed has started to make a number of mistakes, so Eddie has challenged him to complete a number of different calculations for an event they are attending this Saturday.

All the information they need, along with the assumptions they have used, to carry out the calculations are shown below:

Information for Saturday's event

Based on previous visits to this event, we can expect to sell 250 sandwiches, if we charge a price of £2.25 per sandwich. We also know that our costs will include the following:

Pitch Fee	=	£280.00
Cheese (Per Sandwich)	=	£0.18
Petrol (Return Journey)	=	£40.00
Bread (Per Sandwich)	=	£0.06
Greaseproof Paper (Per Sandwich)	=	£0.01
Electricity Charge	=	£30.00

TASK 1

Both Eddie and Ed have completed a number of calculations based upon the information and assumptions shown. Their answers are given on the table over the page, along with any working out. For each calculation, you should identify who, if anyone, is correct, by completing the calculation yourself. Use can use another piece of paper if necessary.

Calculation	Eddie's Answer	Ed's Answer	Your Answer	Who Was Right?
Variable cost per sandwich	Variable costs are Cheese and Bread VC = £0.24 per sandwich	VC = £0.18 + £0.06 + £0.01 VC = £0.25 per sandwich		
Total costs for the event	TC = FC + VC FC = £350 VC = £0.24 x 250 VC = £60 TC = £410	TC = FC + VC FC = £350 VC = £0.25 x 250 VC = £62.50 TC = £412.50		
Total revenue for the event	TR = £2.25 x 250 TR = £562.50	TR = 250 x (£2.25 - 0.25) TR = £500		
Profit per sandwich	Profit = £2.25 - (£410/250) Profit = £2.25 - £1.64 Profit = £0.61 per sandwich	Profit = Price - TC per sandwich Profit = £2.25 - £1.65 Profit = £0.60 per sandwich		
Total profit	Profit = TR - TC Profit = £562.50 - £410 Profit = £152.50	Profit = TR - TC Profit = £500 - £412.50 Profit = £87.50		
Break-even level of sales	BE = FC/(P-VC) BE = £350/ (£2.25 - £0.24) BE = 174.13 sandwiches	BE = FC/(P-VC) BE = £350/ (£2.25 - £0.25) BE = 175 sandwiches		

TASK 2

Use the table you completed in Task 1 to help you answer the following questions:

1. Who do you think should do these types of calculations for the “Say Cheese” in future? Explain your answer.

2. Based on the calculations that you have made, recommend whether or not it is worth “Say Cheese” attending the event on Saturday.

