1. Define the following terms:

James and Beth Davenport

James and Beth Davenport decide to set up a small business selling coffee and other light refreshments from a small mobile van. They forge links with local groups such as “Park Run” to sell their products at meetings and events. Equally, their service is also available to be hired for private gatherings and parties.

As with all businesses, they face both fixed and variable costs.

They estimate that the variable costs of a cup of coffee and tea are 22 pence per unit. The business borrowed £7000 to purchase the second-hand van and modernise it too. This loan is being paid off over 5 years. Annual interest charges are £460, leading to total interest of £2,300.

The price of a cup of coffee and tea is £1.60.

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| --- | --- |
| Variable costs |  |
| Fixed costs |  |
| Revenue |  |
| Raw materials |  |

2. Calculate the total monthly repayment on the loan, assuming that there are 60 equal payments and the total interest charge is split equally over each month.

3. Calculate the total profit that James and Beth make if they sell 300 cups of coffee per morning. (Remember to include the interest charges and assume that there are 4 Saturdays per month)

James and Beth cost out their own labour at the minimum wage of £7.20 per hour. Each Saturday morning they work a 4 hour shift when they set up their stall at the local park.

4. What other costs might James and Beth face in addition to wages, raw materials and interest charges?