

Costs of Production

Kitchen Equipment	4,542	Furniture	2,232
Dishes & Utensils	2,627	Wiring & Plumbing	2,769
Rent of Six Months	3,920	License & Fees	520
Insurance (1/2 Year)	3,500	Food Inventory	3,434
Paper Products	1,356	Cash Register	862
Utilities (Water, Electricity, etc.)	792	Advertising	550

Bill and Rita chose to leave their job at Sal's diner to open their own fast-food burger shop. Listed above are the expenses (costs) Bill and Rita paid to start up their restaurant. All of these costs are before they even opened for the first time.

- 1) What is the total cost to open this restaurant?
- 2) Bill and Rita had together saved \$35,000 before leaving Sal's.
 - a) How much money did they have left over after getting the restaurant ready to open for the first day?
 - b) In addition to the expenses listed above, Bill and Rita also had personal expenses they had to pay while putting together their business: Health Insurance: \$387/month; Rent on their apartment: \$900/month; Food: \$400/month.
 - If it took 4 months to open the store, would Bill and Rita have had enough money from their savings? (Show your work).
 - If it took 6 months to open the store, would Bill and Rita have had enough money from their savings? (Show your work).
 - c) If Bill and Rita did not have enough money from savings to pay for personal expenses, what choices did they have to make sure they did have enough money to cover the startup expenses for the business and their personal expenses?

- 3) Now that the restaurant is up and running. Bill and Rita are discovering what their operating costs will be for each month:

Rent	\$8,000	Labor (4 Employees x \$8/hour x 30 days)	9,600
Utilities (electricity, natural gas, water)	6,200	Insurance (On the Restaurant)	1,800
Supply of Food	22,000	Advertising	800
Paper Products (napkins, plates, plastic utensils, paper cups, straws)	16,500		

- a) Calculate the Total Costs for the month.
- b) Fill in the table below with the Fixed Costs and Variable Costs.

Fixed Costs		Variable Costs	
<i>Total Fixed Costs</i>		<i>Total Variable Costs</i>	

c) If Bill and Rita sell 300 orders of food per day, what are their Average Costs?

- Average Total Costs:
- Average Fixed Costs:
- Average Variable Costs:

d) How can Bill and Rita decrease their Average Total Costs?