



Starting a Lawn Care Business

Extension Activity

You and two of your friends want to start a lawn-mowing business to earn spending money and to begin saving for college. Your parents have agreed to lend you their lawn mower and other tools (for a fee). You need to talk to people in your neighborhood (in other words, perform market research) to see if they are interested in your service. As a result of your survey, you discover the following:

- 35 customers will hire you to mow their lawn each week for \$25.00
- 20 customers will hire you to mow their lawn each week for \$30.00
- 5 customers will hire you to mow their lawn each week for \$35.00

Your summer schedule is 12 weeks. You figure that by working as a team, you will be able to mow one lawn in an hour.

- Assignment: Using the information below, decide if it makes sense to enter into the lawn care business. Calculate the numbers on Page 22.

Vocabulary

Fixed cost

A business cost that remains the same, such as rent.

Market research

Gathering consumer preferences for products and services.

Variable cost

A business cost that increases or decreases, such as labor.

Cost Analysis

Fixed Costs (the cost of equipment)		Rental Fees
Mower		\$300.00
Hand Clippers		10.00
Electric trimmer and cord		60.00
3-gallon gas can		10.00
Rake and broom		20.00
*Total fixed costs		\$400.00
*Costs covered by your parents to be paid back at the end of the summer		

Variable Costs (the costs of maintenance, labor, and supplies)		Variable Cost Per Lawn
Gas	\$3.00 per gallon	\$ 0.75
Plastic bags	\$0.50 per bag	1.50
Oil	\$1.00 per quart	0.05
Maintenance		0.20
Wages	\$7.25 per worker per hour	21.75
		\$24.25

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- Calculate your total revenue for the summer at each price.
 - $\$25.00 \text{ per lawn} \times 35 \text{ lawns per week} \times 12 \text{ weeks} = \underline{\hspace{2cm}}$
 - $\$30.00 \text{ per lawn} \times 20 \text{ lawns per week} \times 12 \text{ weeks} = \underline{\hspace{2cm}}$
 - $\$35.00 \text{ per lawn} \times 5 \text{ lawns per week} \times 12 \text{ weeks} = \underline{\hspace{2cm}}$
- Calculate your total variable costs for the summer at each price.
 - $35 \text{ lawns per week} \times 12 \text{ weeks} \times \$24.25 \text{ variable cost} = \underline{\hspace{2cm}}$
 - $20 \text{ lawns per week} \times 12 \text{ weeks} \times \$24.25 \text{ variable cost} = \underline{\hspace{2cm}}$
 - $5 \text{ lawns per week} \times 12 \text{ weeks} \times \$24.25 \text{ variable cost} = \underline{\hspace{2cm}}$
- Calculate your total costs for the summer at each price (fixed costs + variable costs). Remember, fixed costs are the same regardless of price or number of lawns mowed.
 - Fixed cost \$ $\underline{\hspace{1cm}}$ + Variable cost \$ $\underline{\hspace{1cm}}$ = Total cost $\underline{\hspace{2cm}}$
 - Fixed cost \$ $\underline{\hspace{1cm}}$ + Variable cost \$ $\underline{\hspace{1cm}}$ = Total cost $\underline{\hspace{2cm}}$
 - Fixed cost \$ $\underline{\hspace{1cm}}$ + Variable cost \$ $\underline{\hspace{1cm}}$ = Total cost $\underline{\hspace{2cm}}$
- Calculate your potential profit at each price (Total revenue – Total cost = Profit). Remember, wages of \$7.25 per hour for each of the partners is included in your costs. Your business profit is over and above the money earned in wages.
 - Total income \$ $\underline{\hspace{1cm}}$ - Total cost \$ $\underline{\hspace{1cm}}$ = Profit $\underline{\hspace{2cm}}$
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- How much should you and your friends charge to mow each lawn? Explain why.
- Because the partners will share the profit (or loss) earned by their business, will the success of their summer work be determined by their total wages or by the total income (or loss) of the business? Why?