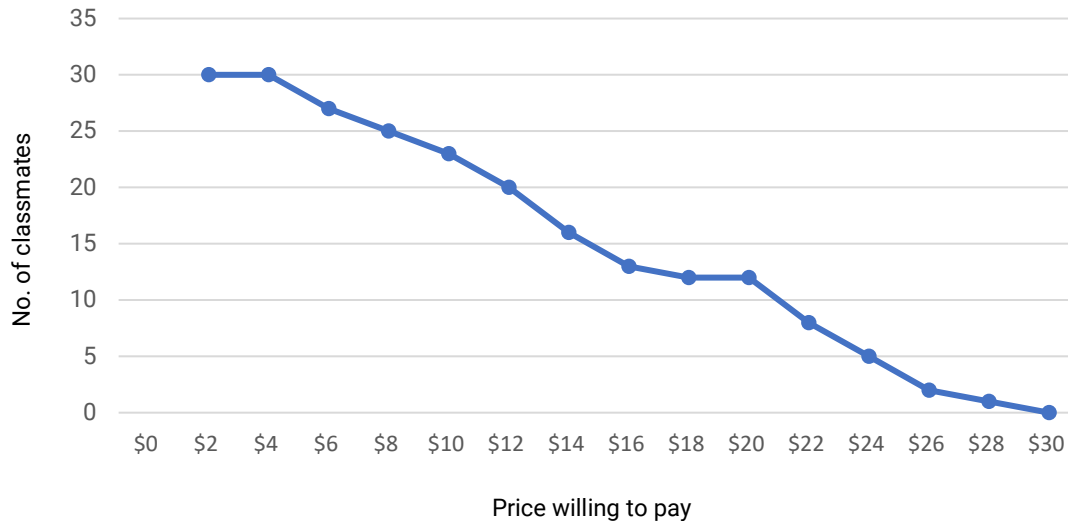




The Adviser: Sweater Weather Teacher Answer Key

The Adviser is a monthly activity where students take on the role of an accounting guru whose expertise will help local businesses. It is their job to make sure their clients are on the path to financial success.

1. Allow students five to ten minutes to design their own sweatshirt for SubZero.
2. Once complete, ask students to hang or place their sweater design worksheet around the room. Allow all students to review their other classmates work and rank the maximum price they're willing to pay for each sweater; this should take approximately an additional five to ten minutes to complete.
3. At their desk, students should then plot their data on a graph of number of classmates versus price willing to pay. If the student's classmates state that they would buy the sweater for a particular price, we can assume that they would also buy it for any price less than that. For example, if a student says he or she would pay \$20 for the sweater, they will most likely buy it for any price between \$2 to \$20. This should be reflected in the graph.



4. Based on their graph, students should answer the following questions:

- At what price will you sell no shirts? That is, what price is higher than anyone will pay?
 - Answers will vary, depending on the students' data. Using the graph above, it appears that \$30 and over is more than anyone would pay.
- For what price would you bring in the most total revenue?
 - Answers will also vary by student data. Students should calculate the revenue for each price point. In the graph above, it appears that the maximum revenue will occur when the price is \$12; SubZero will sell 20 sweaters with the total revenue equaling \$240 [$\$12 \times 20 = \240]. As the price decreases, more sweaters will sell but the SubZero will make less money. For example, the company can sell 30 sweaters at \$4 but the revenue will only equal \$120. The principle also applies to sweaters priced over \$12; the company will make more money per sweater but less overall revenue.

5. After students have figured out their maximum revenue, bring them back together and discuss the following questions.

- Is it always in a business's best interest to raise the price of its product(s)?
 - There are several ways to answer this question. Generally, the answer is no; it is not always in a business's best interest to raise prices. However, here are a few reasons why they should raise prices and why they shouldn't.
 - Businesses should raise prices for its products if:
 - Supply chain costs (particularly with raw or partial materials) have grown, causing lower total revenue for a business.
 - The business is a market leader or its products are perceived as a premium.
 - A price increase will cause little-to-no disruption over its demand.

- Businesses should not raise prices for its products if:
 - A competitor is already selling a similar product for less.
 - Sales are slowing.
 - The goal is to increase the product's market share.
- What effect do you think the law of supply and demand has on your life?
 - Encourage students to come up with ideas about how supply and demand affect the prices of items they want, such as video games, cameras, headphones, and clothes. Call on 3 to 5 students to share some of their thoughts with the class.

BONUS STEP

6. At the end of the discussions, have your students compare their maximum total revenue results with their classmates. One option is to figure out who has achieved the highest revenue by sorting students out in \$25-100 increments (e.g. you can ask all students to stand and then ask them to sit if their maximum total revenue is below \$50. You repeat this in increments until you discover the student with the highest revenue). Provide the student with the highest maximum total revenue praise or a prize of your choosing.