

Wennick Ceramics: revenue, costs and profit

Student workbook | Pearson Edexcel A level Economics A (9EC0), Theme 3: revenue, costs and profit | Year 12 or 13 | Original TBS three-lesson pack

Wennick Ceramics is a small pottery that is about to launch a new product, the Slate mug. The owner must decide what price to charge and how many mugs to make each week. In three lessons you will work as the owner's economic adviser: how much money will the mug bring in, what will it cost, and where is profit highest?

Lesson	Question	You will
1	How much revenue will the mug bring in?	calculate total, average and marginal revenue from a demand trial, plot AR and MR, calculate price elasticity of demand and link it to total revenue
2	What will it cost?	work out marginal product, the fixed, variable and total costs, and the cost per mug, then plot the cost curves and explain their shape
3	What should Wennick do?	find the profit-maximising output, show profit on a diagram, relate short-run and long-run average cost, test a pay rise and write a recommendation of about 160 words

Wennick Ceramics at a glance

Feature	Details
Business	A small independent pottery that sells stoneware to gift shops and online.
Workshop	One rented workshop with one kiln and seven potters' benches, so it can take on between one and seven potters.
The decision	The Slate mug is a new line. Wennick sells every mug it makes in the same week at one price. The owner must choose the price and the weekly output.
Money	All money is in pounds (£). A week is the time period for all figures.

Wennick Ceramics and every figure, quote and trial result in this workbook are fictional and invented for teaching; they are not real data and describe no real business. You need a calculator, a pencil and a ruler. The case file is on pages 2 and 3, and each task repeats the figures it needs. This is original classroom practice, not an exam paper, and it is not endorsed by Pearson.

Free sample

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Contents of the full pack

Lesson 1: How much revenue will the mug bring in?

Lesson 2: What will it cost?

Lesson 3: What should Wennick do?

Student workbook and teacher guide, as PDF and as editable Word files.

The teacher guide has lesson plans, full worked answers and indicative guidance.

This sample is the cover and the first two pages of Lesson 1 of the student workbook. It contains no answers. The pages that follow are exactly as in the full pack.

Lesson 1: How much revenue will the mug bring in?

By the end of this lesson you can calculate total, average and marginal revenue, plot AR and MR, calculate price elasticity of demand and use it to say what happens to total revenue when the price changes.

Starter: which term?

Write the economic term for each description.

Description	Term
1. Price x quantity sold	
2. Total revenue divided by the quantity sold	
3. The extra revenue from selling one more unit	
4. Percentage change in quantity demanded divided by percentage change in price	
5. A PED whose size (ignoring the minus sign) is more than 1	
6. A PED whose size is between 0 and 1	
7. A PED whose size is exactly 1	

Task 1: the revenue table

Table C (demand trial) is repeated below. $TR = \text{price} \times \text{quantity}$. $MR = \text{change in } TR / \text{change in quantity}$ (for example from 200 to 250 mugs). The first MR figure cannot be found, so it is shown as a dash.

Price per mug (£) = AR	Quantity a week	TR (£)	MR (£ per extra mug)
14	200		-
13	250		
12	300		
11	350		
10	400		
9	450		
8	500		
7	550		

a. Complete the TR and MR columns.

b. Look at $TR / \text{quantity}$ in your table. What do you notice about average revenue and the price? Explain why.

c. Describe how MR changes as the price falls, how it compares with the price, and what happens to TR when MR is negative.