

JOSLIN'S COSTS OF DOING BUSINESS

After Joslin moved her business to a larger store in the mall, Jane (her lawyer and largest stockholder) asked her to list all the costs she had to pay for one month. Joslin's list appears below. Study the list and indicate which costs are fixed and which are variable by writing an **F** or **V** in the answer space. If you think an item is a combination of fixed and variable costs, write **F/V** in the space.

Illustration 20b

Fixed or Variable?	Item	Costs for One Month
	Rent	\$ 1,600.00
	Utilities (electricity, phone, and so forth)	\$ 453.56
	Insurance	\$ 342.00
	Lease payment for cash register	\$ 88.50
	Cost of goods sold	\$ 8,600.00
	Advertising fee paid to the mall	\$ 200.00
	Joslin's salary (she has hired no help)	\$ 1,450.00
	Cost of cleaning service paid to the mall	\$ 240.00
	Paper, postage, and other supplies	\$ 143.39
	Depreciation on investment in equipment	\$ 245.00
		\$ 13,362.45

Answer the following questions about Joslin's costs.

1. Are most of Joslin's costs fixed or variable?
2. Joslin sold 1,200 bags at \$10 each. How much money did she earn from sales?
3. Did the business earn a profit or suffer a loss for the month?
4. How large was the profit or loss?

5. Do you think the business will have larger costs in the future? Explain why or why not.

6. Should Joslin consider offering a wider line of products in the store? Explain why or why not.

7. What else might Joslin do to improve her profit?