Time allocated: 15 minutes.

Joe is the new product manager at a chain of take-away food stores. He is planning to introduce a new type of 'fast food' – a pizza or a curry. He has two product options but the business can only afford to buy the equipment and advertising material needed for one of these options.

He has undertaken some market research and forecasted the main costs for the two product options. He has asked you to help him complete the following tables.

Forecasts for one year	Pizza option	Curry Option
Sales Revenue	50,000 units @ $ 3	40,000 units @ $ 5
Cost of Goods Sold	Unit cost of $ 1 each	Unit cost of $ 2 each
Gross Profit		
Annual equipment costs	$ 13,000	$ 12,000
Annual advertising costs	$ 15,000	$20,000
Other expenses	$ 13,000	$ 15,000
Net Profit		

Read the case study. Write out the two income statements.

a. Fill in the totals for the sales revenue and the cost of goods sold. *(4 marks)*
b. Calculate the gross profit and net profit of both product options.*(4 marks)*
c. Identify and explain two other factors Joe should consider before making the decision. *(4 marks)*
d. Joe finally decides on the curry option. After one year, he finds that profit from this product is much lower than expected. Evaluate two ways which Joe could use to try to increase profits from this product. *(4 marks)*