

Lesson Plans for adult educators/teachers/trainers which will be used for the FINE2WORK EDUCATIONAL PACK.

Module Name: Financial Literacy	
Topic 2 Title: Pricing and costs structure	
Lesson Plan 7 – fixed and variable costs	
Duration: 60 minutes	
Aim	The main goal of this lesson plan is to provide all the necessary information to adult learners about the basic principles of fixed and variable costs.
Target Group	Adults (especially women)
Facility/ Equipment	<ul style="list-style-type: none"> • Classroom • Internet access • Projector • White board
Tools/ Materials	<ul style="list-style-type: none"> • A3 paper • Sticky notes • Handout 1
Main Tasks	<p>1. Task 1: Understand the basics of fixed and variable costs</p> <p>1.1 Explain to the learners the following definitions: (20 mins) (<i><u>see Handout 1</u></i>)</p> <p>1.2 Give individual task for everybody to write on sticky notes the fixed and variable costs they think they will have for their business start.</p> <p>1.3 Divide the class to work in teams. Teams should be formatted out of 2-3 people. (5 mins)</p> <p>1.4. Provide your students with A3 paper. They need to match the sticky notes with the definitions (<i><u>see Handout 1</u></i>) (15 mins)</p>

	2. Task 2: Wrap up (10 mins)
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HANDOUT 1: Understand the costs structure

Definition:	Description:
<p>Fixed costs</p>	<p>Fixed costs are incurred regularly and are unlikely to fluctuate over time.</p> <p>Examples of fixed costs are overhead costs such as:</p> <ol style="list-style-type: none"> 1. rent, 2. interest expenses, 3. property taxes, 4. depreciation of fixed assets., 5. direct labour cost. <p><i>While direct labour cost tends to vary according to the number of hours an employee works, it still tends to be relatively stable and, thus, may be counted as a fixed cost, although it is more commonly classified as a variable cost where hourly workers are concerned.</i></p>
<p>Variable Costs</p>	<p>Variable costs are expenses that vary with production output.</p> <p>Examples of variable costs include:</p> <ol style="list-style-type: none"> 1. direct labour costs, 2. direct material cost, 3. utilities, 4. bonuses and commissions, 5. marketing expenses.