**Calculating a Food Business’ Profit or Loss**

**Class activity for Chapter 3**

***Food, Farms and Community***

**Material Requirements: Balance sheets from a food-related business (real or made up)**

**Time Requirement: 30-40 minutes**

Prior to the start of class, reach out to business you have contacts in or your state’s university extension service and acquire one year’s worth of financial data for a food-related business. Use this data to compose a simple profit-loss statement for the business and calculate whether the business made money (profit) or lost money during the timeframe of the data.

A profit-loss statement, sometimes also called an income statement, requires the summarizing of three broad classes of data: revenue, costs and expenses. Revenue, writ broadly, is all income that a business takes in over a specified period of time. Sales of products or services will likely make up most of the revenue in the business you choose to study, although investment income and interest may also fall into this category in some circumstances. An estimate of a business’ total revenue is often thought of as its ‘top line’.

Now calculate the costs and expenses associated with running the business. Costs include money spent on all products that are resold, or money spent on supplies. A farm business, for example, would include as part of its costs the money it spends on seed, fertilizer, and pesticides, among other things. A business also has expenses, which include money spent on labor, on services, on interest payments associated with debt, on tax expenses, capital depreciation, and other things like utility bills or rent that are associated with running its operation but are not specifically associated with products that are resold or directly used to produce products for resale. Calculate a business’ total costs and expenses by summing all of the money outlays of the business over a specified period of time.

The difference between a business’ revenues and its costs and expenses represent its profits or losses. This number is often called the ‘bottom line’, as opposed to revenues which, as noted above, are often termed the ‘top line’. For the business you are studying, did it turn a profit in the year that you looked at? What were some of its largest sources of revenue? What were its largest costs and expenses?