

Lemonade Activity

Provided by Rebecca Benedix, Maquoketa CSD

Lemonade Crashes

Johnny, Raymond, and Judy, the corporation owners of Lemon-Ade, have been thinking about expanding their business. They want to advertise their stands in the local newspaper. They want to make their stands larger and have a small refrigerator in them so they could keep the lemonade cooler longer. Unfortunately, they didn't have enough money to achieve these goals. Their parents wouldn't give them any money either. However, Johnny remembers something he had learned in school about the stock market.

Using Judy's computer, Johnny printed out **stock certificates**, pieces of paper offering a share in their profits in exchange for \$5.00 he offered the stocks to his friends at the pool. Six of his friends gave him \$5.00. He gave each of them one stock certificate. Johnny used the \$30.00 to advertise their stands in the newspaper. More people began buying lemonade from Lemon-Ade. At the end of the month, Lemon-Ade's profit had increased to the point where Johnny was able to pay his **investors**, his friends who had brought the certificates, \$5.50 for their stocks. His friends decided to keep their stocks because they were \$0.50 richer. If Johnny continued to make more money, they would also make more money.

Johnny's friends talked to Raymond's friends. Eight of Raymond's friends decided to invest in the lemonade business. They each bought a stock certificate for \$5.50 from Raymond which was what the stock was now worth. Raymond used the money to buy a small refrigerator for his stand. With the increased advertisement and colder lemonade at one of the stands, Lemon-Ade's profits again increased. The stock certificates were now worth \$6.25. The investors, all of the friend who had bought stock certificates from Raymond and Johnny, were very happy. They decided to keep their certificates.

The current stock holders all talked to the rest of their friends. Judy's friend heard about the money being made in the lemonade business and decide they wanted in, too. Ten of Julie's friends discussed whether or not to buy into the lemonade business. Two of her friends didn't have enough money saved from their allowance to buy any stocks. The other eight did buy a stock certificate from Judy. She used the money to buy insulated cups with plastic lids so the lemonade wouldn't spill and would stay colder even longer.

The next week school started. Johnny, Raymond, and Judy no longer had as much time to see their lemonade. Kelly, one of Johnny's investors, needed money in the middle of the month to buy a birthday present for her mother, so she turned in her

stock certificate and received her \$6.25. Katie, one of Raymond's investors, needed money to buy a new pair of shoes for a concert. She went to Raymond and turned in her stock certificate. She also received \$6.25. Now Lemon-Ade was in trouble. Profits were dropping and investors were wanting their money back. The investors, looking ahead to colder weather, realized people would not want to buy lemonade. The profits would be gone. Would Lemon-Ade have enough money to pay them all back for the stock certificates? All of the investors began dropping in on Johnny, Raymond, and Judy. What money they had made was quickly given away, and there was no money left to pay everyone. Lemon-Ade had crashed. Many of the investors never got any money back. They lost whatever money they had given to Johnny, Raymond, and Judy.

Epilogue:

Johnny needed to make money to buy Christmas present for all his disappointment investors who were no longer talking to him at recess. He decided to open a hot chocolate stand at the bottom of the local sledding hill. Do you think this is a good idea?

The Lemonade Stand (Student Copy)

A Story of Capitalism

Johnny wanted a new bike. When he asked his parents for one, they told him he was either going to have to wait for Christmas or earn enough money to buy one on his own. So Johnny decided to earn money through a lemonade stand. He lived on a corner between the downtown business section and the nearest parking garage, he thought when would have a lot of customers who were walking to and from their cars.

Johnny made a list of the supplies he needed for his stand. He went to the grocery store and bought 8 lemons for \$2.00 and a bag of sugar for \$1.50. He went to WalMart and bought a lemon squeezer for \$5.00, a bag of 30 styrofoam cups for \$1.50, and some poster board and markers for \$3.00. He had spent \$13.00.

When Johnny went home he made a sign for his stand using the poster board and markers. He charged \$0.25 for a cup of lemonade. He cut the lemons, squeezed the juice out of them into a pitcher his mother gave him, and stirred in some sugar. He added some ice cubes. He dragged an old table from the garage out to the street corner and put up his sign. He brought his pitcher of lemonade and his cups out to the table, sat down, and waited for customers to stop by. Since the day was hot, people were lined up to buy his lemonade. He quickly ran out of his supply of lemonade and went inside to count his money. Johnny was disappointed that he had not made any money. He decided to raise his prices from \$0.25 to \$0.75.

Johnny made more lemonade and settled down at his stand. His stand was the only one in town (**monopoly**) so he again was busy selling lemonade. Johnny sold all 30 cups, cleaned up, and went inside to count his money.

One of Johnny's customers was Judy, a girl from his class who lived just down the street from him. When she learned why Johnny was selling lemonade she got an idea. She had wanted a skateboard for a long time, but her parents couldn't afford one. Maybe if she sold lemonade she could make enough money to buy one herself.

Judy went to WalMart and bought a large container of sweetened Kool-Aid lemonade mix for \$3.50 and the large box of 150 paper cups for \$5.00. She created lemonade signs on her computer and ran them off on her printer. She was charging \$0.50 for a cup of lemonade.

Judy tacked up her signs advertising her lemonade stand around the downtown business area. She made her lemonade in a big cooler, added plenty of ice, and set up her stand one block closer to the downtown area than Johnny's. Since she was selling the same product that Johnny was she became his

competition. People working and shopping downtown saw her signs and came to her stand to buy lemonade.

People still stopped at Johnny's stand to buy lemonade but not as many as before. Johnny was not earning very much money. He was spending more money than he was made. He was losing money. (**loss= spend more than make**) Johnny went to Judy's stand to see how she was doing. He watched her and spoke with her and learned how she was making her lemonade. He thought she had some good ideas.

Johnny met his friend Raymond at Judy's stand. Raymond lived on the other side of town. Johnny got an idea. What if he cut his cost by buying the cheaper lemonade, more cups, cut the cost of his lemonade, and had Raymond sell his lemonade on the other side of town? Johnny was setting up a **corporation**.

Johnny approved Raymond with his idea. If Raymond helped him, he would pay Raymond $\frac{1}{4}$ of his profit. Raymond wanted to get a new X-Box game, so he agreed. Johnny went and bought two large containers of sweetened Kool-Aid lemonade mix for \$7.00 and two large boxes of 150 paper cups for \$10.00. Johnny decided to charge \$0.50 for a cup. Both Johnny and Raymond made computer signed advertising their stand and talked them up both downtown and around their neighborhoods. They even tacked some up at the pool and at the parks.

Raymond and Johnny set up their stands and waited for their customers. The continued hot spell made people thirsty. Lemonade always sound good on a hot day, so all three stands were busy. At the end of the afternoon Judy, Johnny, and Raymond were hot, tired, and out of lemonade. Raymond brought his money over to Johnny's house to count.

All three children were content with the day's profits. Judy and Johnny took some of their profits and bought more supplies to the next day. By the end of the summer they would have all have made enough money to purchase the bicycle, the skateboard, and the game. Capitalism was working for them.

The Lemonade Stand (Teacher's copy)

A Story of Capitalism

Johnny wanted a new bike. When he asked his parents for one, they told him he was either going to have to wait for Christmas or earn enough money to buy one on his own. So Johnny decided to earn money through a lemonade stand. He lived on a corner between the downtown business section and the nearest parking garage, he thought when would have a lot of customers who were walking to and from their cars.

Johnny made a list of the supplies he needed for his stand. He went to the grocery store and bought 8 lemons for \$2.00 and a bag of sugar for \$1.50. He went to WalMart and bought a lemon squeezer for \$5.00, a bag of 30 styrofoam cups for \$1.50, and some poster board and markers for \$3.00. He had spent \$13.00.

When Johnny went home he made a sign for his stand using the poster board and markers. He charged \$0.25 for a cup of lemonade. He cut the lemons, squeezed the juice out of them into a pitcher his mother gave him, and stirred in some sugar. He added some ice cubes. He dragged an old table from the garage out to the street corner and put up his sign. He brought his pitcher of lemonade and his cups out to the table, sat down, and waited for customers to stop by. Since the day was hot, people were lined up to buy his lemonade. He quickly ran out of his supply of lemonade and went inside to count his money.

In order for Johnny to be able to buy his bike, he must make a profit. He must make more money than he spent. It cost Johnny \$13.00 to make lemonade. How many cups of lemonade does Johnny have to sell to make \$13.00? (52 cups) Why is this a problem? (only bought 30 cups, will have to go buy more) What can Johnny do to make a more of a profit? (either charge more per cup or cut costs)

Johnny was disappointed that he had not made any money. He decided to raise his prices from \$0.25 to \$0.75. ***How many cups will Johnny have to sell now to make a profit? (18 cups= \$13.50)***

Johnny made more lemonade and settled down at his stand. His stand was the only one in town (***monopoly***) so he again was busy selling lemonade. ***Is a monopoly bad? (yes, prices high, quality low, low wages, no incentive to make better products, lower process, pay better)*** Johnny sold all 30 cups, cleaned up, and went inside to count his money. ***How much money did Johnny make? (\$22.50) How much profit did he make? (\$9.50)***

One of Johnny's customers was Judy, a girl from his class who lived just down the street from him. When she learned why Johnny was selling lemonade she got an

idea. She had wanted a skateboard for a long time, but her parents couldn't afford one. Maybe if she sold lemonade she could make enough money to buy one herself.

Judy went to WalMart and bought a large container of sweetened Kool-Aid lemonade mix for \$3.50 and the large box of 150 paper cups for \$5.00. She crated lemonade signs on her computer and ran them off on her printer. She was charging \$0.50 for a cup of lemonade.

In order for Judy to be able to buy her skateboard, she must make a profit. What is a profit? (make more than cost) What did it cost Judy to make her lemonade? (\$8.50) How many cups of Lemonade does Judy have to sell to make \$8.50? (17 cups = \$8.50) If she sold all 150 cups of lemonade, how much money would she make? (\$75.00) How much profit would she make? (\$66.50) Judy is a capitalist, a business owner who makes a profit.

Judy tacked up her signs advertising her lemonade stand around the downtown business area. She made her lemonade in a big cooler, added plenty of ice, and set up her stand one block closer to the downtown area than Johnny's. Since she was selling the same product that Johnny was she became his ***competition. Why is competition a good thing? (makes products cheaper. Makes quality better)*** People working and shopping downtown saw her signs and came to her stand to buy lemonade. ***What is another reason why people might want to buy her lemonade instead of Johnny's? (cheaper)***

People still stopped at Johnny's stand to buy lemonade but not as many as before. Johnny was not earning very much money. He was spending more money than he was made. He was losing money. (***loss= spend more than make***) Johnny went to Judy's stand to see how she was doing. He watched her and spoke with her and learned how she was making her lemonade. He thought she had some good ideas.

Johnny met his friend Raymond at Judy's stand. Raymond lived on the other side of town. Johnny got an idea. What if he cut his cost by buying the cheaper lemonade, more cups, cut the cost of his lemonade, and had Raymond sell his lemonade on the other side of town? Johnny was setting up a ***corporation. Do you think this is a good idea?***

Johnny approved Raymond with his idea. If Raymond helped him, he would pay Raymond $\frac{1}{4}$ of his profit. Raymond wanted to get a new X-Box game, so he agreed. Johnny went and bought two large contains of sweetened Kool-Aid lemonade mix for \$7.00 and two large boxes of 150 paper cups for \$10.00. Johnny decided to charge \$0.50 for a cup. Both Johnny and Raymond made computer signed advertising their stand and talked them up both downtown and around their neighborhoods. They even tacked some up at the pool and at the parks. ***What is***



**their cost? (\$17.00) How many cups would they have to sell to make a profit?
(35 cups= \$17.50)**

Raymond and Johnny set up their stands and waited for their customers. The continued hot spell made people thirsty. Lemonade always sound good on a hot day, so all three stands were busy. At the end of the afternoon Judy, Johnny, and Raymond were hot, tired, and out of lemonade. Raymond brought his money over to Johnny's house to count. **If all the lemonade had sold, how much money did Judy make? (\$75) What is her profit? (\$66.50) How much did Raymond and Johnny make? (\$150) What is their profit? (\$133) How much did Raymond earn? (\$33.25) What is Johnny's actual profit? (\$99.75)**

All three children were content with the day's profits. Judy and Johnny took some of their profits and bought more supplies to the next day. By the end of the summer they would have all have made enough money to purchase the bicycle, the skateboard, and the game. Capitalism was working for them. **Do you suppose they sold all their lemonade every day? What are some things that could cause problems? What are some things they could do to make more money?**