



Teacher Version
The Lemonade Stand
A Story of Capitalism
Rebecca Benedix

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 he 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 posterboard and markers for \$3.00. He had spent \$13.00.

When Johnny went home he made a sign for his stand using the posterboard and markers. He charged 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 and buy. Since the day was hot, people were lined up to buy his lemonade. He quickly ran through his supply of lemonade and went inside to count his money.

Questions to Pose:

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 a batch of lemonade.

***How many cups of lemonade does Johnny have to sell to make \$13.00?
(52 cups)***

Why is this a problem? (He only bought 30 cups, will have to buy more)

What can Johnny do to make 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 25¢ to 75¢.

***Q: 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.

Q: Is a monopoly bad? (Yes, prices high, quality low, low wages, no incentive to make better products, lower prices, pay better)

Johnny sold all 30 cups, cleaned up, and went inside to count his money.

Q: 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 created lemonade signs on her computer and ran them off on her printer. She was charging 50¢ for a cup of lemonade.

Q's: In order for Judy to be able to buy her skateboard, she must make a profit.

What is a profit? (Sell product for more \$\$ than it costs to make.)

How much 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**.

Q: 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 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 costs 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 **partnership**. (***Q: Do you think this is a good idea?***)

Johnny approached Raymond with his idea. If Raymond helped him, he would pay Raymond 1/4 of his profit. Raymond wanted to get a new X-Box game, so he agreed. Johnny went and bought 2 large containers of sweetened Kool-Aid lemonade mix for \$7.00 and 2 large boxes of 150 paper cups for \$10.00. Johnny decided to charge 50¢ for a cup. Both Johnny and Raymond made computer signs advertising their stands and tacked 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 sounds 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 has 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, Johnny, and Raymond took some of their profits and bought more supplies for the next day



at WalMart. They ended up standing by each other at the checkout counter. As they bought their purchases they discussed how their business was going. Raymond came up with the idea of all three of them joining together in a **corporation. (Why would this be a good idea? They would not be in competition with each other.)** Judy and Johnny thought this was a great idea. Because they were the only lemonade stands in town, everyone would have to buy from their corporation. They would have a **monopoly. (Is this a good idea?)** They raised the price of lemonade back to 75¢. By the end of the summer they had made enough money to purchase the bicycle, the skateboard, and the game. Capitalism was working for them.

Questions:

Do you suppose they sold all of their lemonade every day?

What are some things that could cause problems?

What are some things they could do to make more money?



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Lemon-Ade Crashes

Rebecca Benedix
Maquoketa CSD in Iowa

Johnny, Raymond, and Judy, the corporation owners of Lemon-Ade, have been thinking about expanding their business. They wanted to advertise their stands in the local newspaper. They wanted 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 remembered 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. **(How much money did Johnny have? \$30)** He gave each of them one stock certificate. Johnny used the \$30 to advertise their stands in the newspaper. More people began buying lemonade from Lemon-Ade. At the end of the month, Lemon-Ade's profits had increased to the point where Johnny was able to pay his **investors**, his friends who had bought the certificates, \$5.50 for their stocks. His friends decided to keep their stocks because they were 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. **(How much money did Raymond now have? \$44)** 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 friends who had bought stock certificates from Raymond and Johnny, were very happy. They decided to keep their certificates. **(How much profit have Johnny's investors now made? \$1.25 Do you think Johnny's investors should sell at this point or keep their stocks? Why or why not? How much profit have Raymond's friends made? 75¢ Do you think Raymond's investors should sell at this point or keep their stocks? Why or why not? Would you buy stock in this corporation? Why or why not?)**



The current stock holders all talked to the rest of their friends. Judy's friends heard about the money being made in the lemonade business and decided 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 Julie. **(How much money did Julie now have? \$50)** Judy 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 sell 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 **(why? no time to sell)** 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. **(How much money did Johnny's investors lose? How much money did Raymond's investors lose? How much money did Judy's investors lose? What do you think the investors will do now?)**

Epilogue:

Johnny needed to make money to buy Christmas presents for all of his disappointed 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?



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Questions to pose:

How much profit have Johnny's investors now made? \$1.25

Do you think Johnny's investors should sell at this point or keep their stocks? Why or why not?

How much profit have Raymond's friends made? 75¢

Do you think Raymond's investors should sell at this point or keep their stocks? Why or why not?

Would you buy stock in this corporation? Why or why not?



The current stock holders all talked to the rest of their friends. Judy's friends heard about the money being made in the lemonade business and decided 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 Julie. **(Q: How much money did Julie now have? \$50)** Judy used the money to buy insulated cups with plastic lids so the lemonade wouldn't spill and would stay colder even longer.

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Questions to pose:

How much money did Johnny's investors lose?

How much money did Raymond's investors lose?

How much money did Judy's investors lose?

What do you think the investors will do now?)

Epilogue: Johnny needed to make money to buy Christmas presents for all of his disappointed 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?



Johnny's New Deal

Rebecca Benedix
Maquoketa CSD in Iowa

Johnny was feeling pretty low. His lemonade business was out of business due to lack of funds. His previous partners, Raymond and Judy, were avoiding him. His investors, his friends, were all mad at him because they lost their money. Johnny's mom thought that he should figure out what to do next by himself, so she didn't give him any advice. Johnny spent a few days feeling sorry for himself before he went to talk with his dad, Franklin.

Johnny explained everything that had happened: why he had started the lemonade stand, how he had formed a corporation with his friends to eliminate competition, the selling of stock certificates so he could have extra money to improve his stands, how business had begun dropping off, and how his investors had wanted their money back. His dad listened patiently to everything Johnny said before asking him what he wanted to do now. Johnny explained that he wanted to open a hot chocolate stand at the base of the sledding hill to make enough money to pay back his friends, but he had no money left and no other way to make money. His dad thought for a moment. "I'll make a deal with you, Johnny. I'll pay you a fair wage to do odd jobs around the house without complaining. I will take half of the money you earn and keep it in a special fund for you. When you have enough money saved, I'll help you get your hot chocolate stand up and running. You can pay me back with half of the profits from your stand. Deal?"

Johnny thought a moment before saying, "Deal!" and shaking his father's hand. Johnny spent the next several weeks doing everything he could around the house. He dusted, vacuumed, took out the trash, made the beds, set the table, loaded and unloaded the dishwasher, and folded laundry. Everytime he wanted to complain he thought about his friends and how disappointed they had felt. Each week his father handed him the money he had earned. Johnny then gave half of it back to his dad for his hot chocolate stand.

By the time of the first big snow in late November, Johnny had earned enough money doing chores around the house to buy supplies for his stand. He went out and bought insulated cups with lids, hot chocolate mix, whipped cream, and a big thermos. He printed up a sign on his computer. His father surprised him with a small enclosed hut he had built. Johnny and his dad took



everything out to the bottom of the hill and set it up. Johnny mixed up his hot chocolate and poured it into the thermos to stay warm. He set up his cups, tacked up his sign, and waited patiently for customers.

It wasn't long before the first cold sledders showed up. They were very glad to warm up with a steaming cup of hot chocolate. Whipped cream on top cost extra. Johnny got pretty cold himself, but he consoled himself with thoughts of how happy his friends were going to be.

Every afternoon Johnny opened his hot chocolate stand at the bottom of the sledding hill. Every week he and his father sat down and divided his profits. Johnny put aside enough money from what remained to buy fresh supplies. The rest of the money, no matter how small an amount, Johnny put into a special investor account. It took a long time to save enough money, but Johnny persevered. By the time the snow season was over in March, Johnny had earned enough money to pay back the loans from his father. He had also saved enough money so he was able to pay back all of the money his friends had lost. He didn't have a lot of money left, but it was enough to start up a small lemonade business when summer came.

"Thanks for the new deal, Dad," Johnny said. "It really helped me get back on track. I feel better and so do my friends."

"You're welcome, Johnny. I'm glad I could help. Do I get a free glass of lemonade?" responded Dad. Dad and Johnny laughed and high-fived each other. Franklin's new deal had helped Johnny get back in business.

Johnny had learned some valuable lessons. He kept his business small and saved part of each week's profits in a special account in the bank. He had a seasonal plan which allowed him to sell lemonade in the summer and hot chocolate in the winter. Raymond and Judy eventually asked to become his partners again. They sat down with Johnny's dad and came up with a financial plan for spending and saving. Even some of his other friends felt secure enough to invest in his businesses again. It took a long time and a lot of hard work, but Johnny's business plan, with some help from his dad, was successful.

Johnny eventually went to college and graduated with a business degree. He now owns and operates the lemonade concessions at all Major League baseball games and the hot chocolate concessions at all U.S. National Figure Skating competitions. Johnny became a successful corporate owner.