



Profit & Loss Lemonade Stand P&L Analysis - Key

Answers are based on the
Lemonade Stand P&L Statements – Key.

1. Which shows more profit, P&L#1 or P&L#2? P&L#2

2. What is the difference in profit between P&L#1 and P&L#2?

$$\$5.22 - \$4.04 = \$1.18$$

3. Why is the profit higher in P&L#2 than in P&L#1?

Expenses are \$1.18 less in P&L#2 than in P&L#1. There are no marker or tape expenses.

4. Why does P&L#3 show even more profit?

P&L#3 shows more profit because expenses are reduced even further. Cup and poster board expenses have been eliminated too. We are going to use cups and poster board that we already have at home.

5. Why is P&L#4 more profitable than P&L#3? What changed?

P&L#4 is more profitable than P&L#3 because we have switched from ready-made lemonade to powdered lemonade. The ready-made lemonade is more expensive. To sell 20 cups of lemonade, we need to purchase two cartons of ready-made lemonade for a total of \$3.00. To sell the same 20 cups of lemonade using powdered lemonade, we need to purchase only one can of powdered lemonade at \$1.50.

6. How did pricing in P&L#5 affect the profit?

In P&L#5, the price per cup increased \$.10 from \$.50 to \$.60. This increased gross income by \$2.00 (20 cups selling for \$.10 more each). Since expenses did not increase from P&L#4, the \$2.00 in additional gross income turned into all profit.

7. Which scenario would you choose to make the most profit if you kept the price per cup of lemonade at \$.50?

P&L#4 shows the most profit with a price of \$.50 per cup. We would have to keep expenses low and use powdered lemonade to have the most profit at this selling price.

8. Which P&L shows the highest profit margin %?

P&L#5 has the highest profit margin at 87.5%