

LuxeThreads

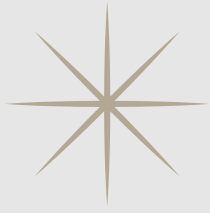


You're the accountants for LuxeThreads, a luxury fashion brand. Your job is to calculate profits for different products, account for fixed company costs, and decide if the company is successful this season.

ACTIVITY

TEACHER GUIDE

STUDENT HANDOUT



You're the Accountant

FOR *LuxeThreads*

OBJECTIVE:

Students see how accountants handle multiple products, variable costs, and fixed costs to figure out if a company is profitable—and what decisions they should make.

STEP 1: SET THE SCENE (3 MINUTES)

Tell students:

"You're the accountants for LuxeThreads, a luxury fashion brand. You're analyzing 3 products for the upcoming season. Each product has different costs and selling prices. You also have fixed company expenses (like rent, staff, and showroom costs) that must be covered before profit."

STEP 2: THE PRODUCT DATA (HANDOUT/TABLE))

Fixed Costs (per season):

- Rent & Showroom: **\$50,000**
- Salaries (designers, admin, etc.): **\$100,000**
- Other Overhead: **\$25,000**

Total Fixed Costs = \$175,000

Product Line (Variable Costs & Prices per unit):

Product	Selling Price	Materials	Labor	Marketing	Variable Cost (per unit)	Profit per unit
Designer Jacket	\$500	\$150	\$100	\$50	\$300	\$200
Luxury Handbag	\$800	\$250	\$150	\$100	\$500	\$300
High-End Sneakers	\$300	\$100	\$50	\$25	\$175	\$125

Estimated Sales (Season):

- Jackets: **500 units**
- Handbags: **300 units**
- Sneakers: **800 units**



You're the Accountant

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STEP 3: STUDENT CHALLENGE (12 MINUTES)

1. **Calculate profit for each product:**
 - (Profit per unit × units sold)
2. **Calculate total profit before fixed costs.**
3. **Subtract fixed costs (\$175,000).**
4. Determine: Did LuxeThreads make an overall profit or loss?
5. Brainstorm:
 - Which product is most profitable? Least profitable?
 - Should LuxeThreads adjust prices, cut costs, or change sales focus?

STEP 4: GROUP WORK & DECISIONS (8 MINUTES)

Each team (accounting department) decides:

- Should LuxeThreads continue with all 3 products?
- Should they raise/lower prices?
- What's one recommendation to improve profit for the next season?

STEP 5: WRAP-UP (2 MINUTES)

Emphasize that accountants in fashion:

- **Track costs** (fixed + variable)
- **Help set prices**
- **Guide business strategy** (which products to invest in)
- Ensure the company makes money while protecting brand image.

LEARNING OUTCOME:

Students understand how accountants manage multiple products, calculate profit with fixed & variable costs, and make strategic business recommendations.



Teacher's Guide.

This guide provides the solutions and discussion points for the LuxeThreads accounting activity. Use this to facilitate the classroom discussion and check student answers.

SOLUTIONS.

Profit Calculations:

- Designer Jacket: $\$200 \times 500 = \$100,000$
- Luxury Handbag: $\$300 \times 300 = \$90,000$
- High-End Sneakers: $\$125 \times 800 = \$100,000$

Total Profit before Fixed Costs: $\$100,000 + \$90,000 + \$100,000 = \$290,000$

Subtract Fixed Costs: $\$290,000 - \$175,000 = \text{\textcolor{green}{\$115,000 Profit}}$

Most Profitable (per unit): Handbag (\$300 per unit)

Most Profit Overall: Jacket & Sneakers tied at \$100,000

Least Profit Overall: Handbag (\$90,000)

DISCUSSION PROMPTS.

- Should LuxeThreads focus on selling more handbags (higher profit per unit) or sneakers/jackets (higher overall sales)?
- How can accountants recommend changes to prices, costs, or product mix?
- What risks come with cutting costs (e.g., cheaper materials may hurt brand image)?
- How do accountants balance numbers with brand reputation in high-end fashion?



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FIXED COSTS (PER SEASON):

Expense	Amount
Rent & Showroom	\$50,000
Salaries (designers, admin, etc.)	\$100,000
Other Overhead	\$25,000
Total Fixed Costs	\$175,000

PRODUCT LINE (VARIABLE COSTS & PRICES PER UNIT):

Product	Selling Price	Materials	Labor	Marketing	Variable Cost (per unit)	Profit per unit
Designer Jacket	\$500	\$150	\$100	\$50	\$300	\$200
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ESTIMATED SALES (SEASON):

Product	Estimated Units Sold
Designer Jacket	500
Luxury Handbag	300
High-End Sneakers	800

YOUR CHALLENGE:

1. Calculate profit for each product (Profit per unit × Units Sold).
2. Calculate total profit before fixed costs.
3. Subtract fixed costs (\$175,000). Did LuxeThreads make an overall profit or loss?
4. Which product is most profitable? Least profitable?
5. Suggest one cost-saving idea and one growth idea for the next season.