

## Lesson Plan—Pricing Using *Virtual Business*<sup>®</sup>

Instructor:	Date:
Course Title:	
Unit:	Specific Topic: <b>Pricing</b>
Instructional Goal: (outcome that students should be able to demonstrate upon completion of lesson)  1) Students will be able to define and explain identified terminology. 2) Students will use pricing strategies to maximize gross margin.	
Performance Objective: (use an action verb in a description of measurable outcome)  1) Using the Pricing Activity of <i>Virtual Business</i> , students will change the prices of products. 2) Using the information gained throughout this lesson, gross margin will increase from the beginning amount of \$5,486. 3) Students will interpret results to see the relationship between price, sales, and gross margin.	
Rationale: (brief justification of why you feel the students need to learn this topic)  Students will apply the knowledge gained in this lesson to their <i>Virtual Business</i> simulation activity.	
Instructional Procedures:  <u>Introduction</u> (5 minutes)  Show students three items you may have in your classroom (e.g., a pencil, a watch, and a sneaker). Ask students how much they would pay for each item. Write the responses on the board. As they are providing answers to you, ask them why they would pay that price.  Tell students to imagine they run a store that sells those products. How do they determine what to charge customers for each item? Lead students in a discussion about the costs of running a business and earning enough money to cover those costs plus make a profit. Also point out that some people are more cost conscious than others.	

Instructional Procedures (continued)

Presentation and Activity (5–10 minutes)

Vocabulary Sheet

To be completed with the teacher using an overhead or by having students look up the words using Help in *Virtual Business*.

Words: price, margin points, gross margin\*, unit sales

Introduction of *Virtual Business* Activity (5 minutes)

*Handout: Pricing and “How-To” Sheets*

Review with students the directions and purpose of the “How-To” Sheet to get information for the table they are filling in.

Activity (20 minutes)

Have students begin the activity and complete the handout. Assist students when necessary.

Stop the activity with about 10 minutes left. Tell students to answer the last question on their handout.

Closure (5 minutes)

Ask students their responses to the last question on the activity handout. Stress the importance of coming up with a pricing strategy that meets the types of customers there are while trying to maximize product sales and gross margin.

Evaluation Procedures:

Completed handouts will be part of a *Virtual Business* portfolio. The portfolios are graded for completeness.

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\* *Glencoe Accounting* uses the term “gross profit on sales” and defines it as net sales minus cost of goods sold (page 526). Ask students, “If gross margin is 37.5 percent of sales, then what percent of sales is cost of goods sold?” (Answer: 62.5 percent)

Materials and Aids:

- Pen/pencil
- Handout/overhead for vocabulary words
- Pricing handout
- “How-To” Sheet
- Computer/LCD projector (if available)/*Virtual Business* program for demonstration if needed