

Instructor's Guide

Self-Employment: From Dream to Reality!, Third Edition

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Self-Employment: From Dream to Reality!, Third Edition: Instructor's Guide

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Contents

About	4
How to Use the Instructor Resources	5
Chapter 1 Lesson Plan: The World of Business	7
Quiz and Answer Key	13
Chapter 2 Lesson Plan: Defining Your Dream	15
Quiz and Answer Key	22
Chapter 3 Lesson Plan: Financing the Dream	24
Quiz and Answer Key	30
Chapter 4 Lesson Plan: Set Goals So You Take Action	32
Quiz and Answer Key	36
Chapter 5 Lesson Plan: Pricing Your Products and Services	38
Quiz and Answer Key	49
Chapter 6 Lesson Plan: Reaching Your Customers	51
Quiz and Answer Key	57
Chapter 7 Lesson Plan: Managing Your Cash Flow	59
Quiz and Answer Key	66
Chapter 8 Lesson Plan: The Business of Business Learning Objective	68
Chapter 9 Lesson Plan: Managing Your Records	73
Quiz and Answer Key	82
Chapter 10 Lesson Plan: Understanding Financial Statements	84
Quiz and Answer Key	90
Bonus Chapter Lesson Plan: Is an E-business Right For You?	92
Quiz and Answer Key	97
Key Terms	99

About

This resource is designed to accompany the workbook *Self-Employment: From Dream to Reality!*, Third Edition, by Linda D. Gilkerson and Theresia M. Paauwe. The workbook is based on the authors' experience in training novice entrepreneurs for success.

Here you'll find ideas, overviews, and activities to help you make the most of the workbook in a class, workshop, or other group setting. The material can help you explain self-employment to first-time entrepreneurs, including those with no money or business experience. Both the workbook and the instructor resources assume businesses run by one person as a starting point.

The resources are organized to match the workbook chapters and include workbook page references for your convenience. You can adapt the material here to suit your students and your setting. New and experienced instructors alike will save hours of preparation time. To help teachers get the most out of the workbook, the following is provided in the instructor resources:

- A **PowerPoint Overview** of each chapter, covering the chapter's main points and offering additional examples.
- **Lesson Plans** for each chapter containing objectives, key terms, discussion questions, and homework assignments. Each lesson plan also includes additional **Activities** to expand each chapter's lesson and to provide students with a variety of classroom interaction. The classroom activities include estimated times, a description of the process, and expected outcomes. You'll also find suggestions for when to include the activity and what materials you will need.
- **Worksheets** that you can modify, photocopy, and distribute to students for self-practice.
- A **Review Quiz** for each chapter to help assess students' comprehension of the chapter's main points.

Using the resources here alongside the workbook, you will give students the basic planning tools they need to get started and succeed in self-employment. You'll get students involved in decision making and show them examples of the many aspects of running a business.

Best of all, you'll teach others how to make their dreams of self-employment come true.

How to Use the Instructor Resources

1. You may reference, save, and print the resources in this guide as class handouts.
2. Locate instructor resources at <https://jist.com/resources/instructor-resources-workbooks>, including **PowerPoint Presentations**, **Worksheets**, **Templates**, and **Quizzes**. Simply click the hyperlink(s) for the resource(s) you want to access. Download or save the files to your computer. Browse files using Windows Explorer or your computer's file browsing system. Navigate to the file and then open it to find the information for the specific chapter you're teaching. *Note:* Resources are named by type (e.g., Worksheets) and the file content is organized by chapter. You can access the resources electronically and then print/save the student resources for classroom distribution as you see most appropriate (e.g., through a secure OneDrive site, your institution's website or FTP site, or as printed handouts).
3. Share access to student files at <https://jist.com/resources/instructor-resources-workbooks> directly with students, including **Worksheets**, **Templates**, and **Quizzes**. You may instruct students to download the student resources online by sharing with them the URL links to the resources at JIST.com. Students can fill out answers electronically and then save their work to their computers to then print/electronically submit to you.

Text-Only Files

If the file is an .rtf file, you can revise it as you wish and save the new version to your computer or disk. Most of the materials are text-only documents. This is to allow teachers and administrators the chance to manipulate them and print them as they see fit. Please note that JIST Publishing is not responsible for any added or modified content.

Microsoft Excel Files

If the file is a .xls file, it will open in Microsoft Excel. You can use these files to create or print new worksheets or e-mail them to students to use as record-keeping tools.

PDF Files

If the file is a .pdf file, it will open in Adobe Acrobat Reader. If you don't have the latest version of Adobe Reader installed on your computer, you can download it for free here:

<https://get.adobe.com/reader/>

PowerPoint Files

If the file is a .ppt file, it will open in Microsoft PowerPoint. You can use those files as presentations, or you can print them and distribute them to your class or group. Again, those files may be revised and saved to your computer or disk. PowerPoint Viewer is required to view those files. If you don't have PowerPoint Viewer installed on your computer, you can download it for free as part of Microsoft Office 365 here:

<https://products.office.com/en-us/student/office-in-education>

Troubleshooting

If a file does not open when you double-click on it, open the software program associated with the file. From within the software, choose File → Open, navigate to the file, and double-click the file name or icon.

If you have purchased the *Self-Employment: From Dream to Reality!*, Third Edition, workbook (ISBN: 978-1-59357-520-5) for each student in your classroom, you are authorized to make additional photocopies from the workbook and Instructor's Guide to complete any of the activities.

Chapter 1 Lesson Plan: The World of Business

Learning Objective

Chapter 1 will help aspiring or existing small business owners think about their motivation for self-employment, as well as how their personality traits relate to the demands of self-employment. This chapter explores why it is important to research and create a plan for a business and provides a simple business plan outline. This chapter includes:

- Reasons people decide to become self-employed
- Personality traits of successful entrepreneurs
- The most common reasons businesses fail (and how to avoid them)
- A simple business plan outline

Question “Parking Lot” (Use Every Class Session)

Before class, set up a board or flip chart at the front of the room. Draw a large square in the center and two columns of lines, representing a parking lot with painted lines. Put pens and colorful stacks of stick-on notes on the tables. Encourage students to jot down any questions they may have throughout the class and to place them in the Question “Parking Lot” during class.

Review the questions periodically and answer them before the end of class. If there are questions you cannot answer, acknowledge that you don’t know the answer but will research the question and address it during the next session. It may be appropriate to answer some questions in private; ask those students to meet you after class.

Chapter 1 Lesson Plan

Topic Description	Time (Minutes); Total: 120–150 minutes
Opening: Introductions (Facilitator and Students)	15–25
Activity 1: Self-Employment Self-Analysis	15–20
Discussion Topics:	
Do You Have What It Takes?	10
Business Failure	10
Planning Your Business Is Critical	10
Business Plan Outline	15
(Break)	(10–15)
Activity 2: Business Plan Checklist	15–20
Wrap-up: Homework, Q&A, Next Steps	20
Quiz and Answer Key	N/A

Opening Introductions

Introduce yourself briefly and state the name and purpose of the course so participants are assured they are in the right place. Set simple ground rules for the class. Explain that each session will start and end on time and there will be frequent breaks. Explain any attendance requirements you may have and your policies on homework assignments, cell phones, tardiness, etc. Explain that in this course, participants will be working towards the completion of a written business plan. The business planning process will be broken down into manageable sections, each corresponding with one chapter of their workbook. The course will include a series of homework assignments that, when completed and compiled, will result in a written business plan.

Point out that the class provides an excellent networking and support opportunity for participants; it's not every day that aspiring entrepreneurs get to meet others who share their dream of self-employment. Encourage participants to get to know each other before and after class and during breaks.

Activity 1: Self-Employment Self-Analysis

When: Open session with this activity or use as an introductory exercise

Materials needed: 3 × 5 index cards

5 minutes

Hand out 3 × 5 index cards. On one side of the card, ask each person to state the reasons they want to become self-employed. On the other side, ask them to write their biggest fears about becoming self-employed. This activity gets people to examine their own motivations and fears about self-employment.

10–15 minutes

Invite the group to share what they've written. Validate people's answers and fears and explain that fear can be good, as it tends to make us proceed cautiously. This activity encourages bonding among the group and allows people to verbalize their hopes and fears.

Discussion Topics

Page 4: Do You Have What It Takes?

Age, gender, education, and marital status: These are not significant factors for business success. Discuss the skills the group believes *are* significant to successful self-employment and list them on a flip chart. Have them take a few minutes to answer the questions on page 4. Review the list of personality traits commonly found among successful entrepreneurs.

Pages 5–6: Business Failure

A common belief is that the majority of small businesses fail. In reality, the familiar statistics we often hear quoted about the high number of business failures don't account for factors such as voluntary business closures or a business owner's decision to make a career change. And yet, many businesses do fail. Ask the class to list the things they believe might contribute to

business failures and write the answers on a flip chart. Pages 5–6 of the workbook list the most common reasons businesses fail. Discuss reasons from the list that have not already been discussed. When you are finished discussing the reasons, brainstorm as a group the steps business owners can take to *prevent* business failure.

Pages 6–7: Planning Your Business Is Critical

The process of business planning is often overlooked and undervalued. The primary advantage to planning a business is that there is no financial risk in the planning process, yet adequate planning can substantially reduce the risks involved in starting a business. Proper planning can help an entrepreneur anticipate future needs and develop appropriate management, sales, and financial strategies.

Page 7 of the workbook includes reasons a business plan is critical and ways business owners can use their completed business plans. The workbook includes all the elements of a business plan. In working through this course, students will learn to craft plans based on their own business dreams, one section at a time. The end result will be a written business plan.

Pages 7–9: Business Plan Outline

Review each section of the business plan outline found on pages 8–9. Consider providing a course syllabus that shows the correlation between the sections of a business plan and the sessions in which they will be covered.

**Activity 2:
Business Plan Checklist**

When: After reviewing the business plan outline

Materials needed: Business Plan Checklist worksheet

5 minutes

Distribute the Business Plan Checklist (see next page). Give group members 5 minutes to complete their inventories. This activity helps people identify and feel good about the steps they have already taken to plan their businesses, as well as realize what remains to be done in the planning process.

10–15 minutes

Break the group into smaller subgroups of 4–5 people. Have each person review what he or she has learned by completing the Business Plan Checklist. This activity encourages bonding, increases the perceived value of the class, and provides a planning road map.

Chapter 1: Business Plan Checklist

Instructions: Draw a dot in each column that best describes where you are in each of the following areas and then connect all the dots with a line. This inventory will help you identify the work you have already done and see what remains to be done in crafting your business plan.

	Completed	Started (Partially Completed)	Thinking (Need Assistance)	Stuck (No Idea How to Do It)	Have Done Nothing (Never Thought About It)
Have a business name					
Written a general description of my business idea					
Written a description of my products or services					
Researched and identified my potential customers					
Researched and identified my competition					
Have a strategy for selling products/services to potential customers					
Have a quality control plan					
Researched the best legal structure for my business					
Understand and have a plan to meet my business insurance needs					
Identified each aspect of daily business operations					
Identified all necessary staff and their responsibilities					
Identified my professional advisors (accounting, legal, and so on)					
Know exactly how much money I need to borrow to start or grow my business					
Have a plan to meet my daily business cash needs					
Prepared a budget for my business					
Know exactly how all borrowed money will be spent					
Have a plan to repay borrowed money					
Reviewed my personal credit history and resolved credit issues					

Wrap-up: Homework, Q&A, Next Steps

Ask the class to think about traits of successful entrepreneurs and decide whether self-employment seems like a good fit for them. Prepare the title page of the business plan, including the name of the business and business owner, the address and telephone number, and the words “Business Plan.” Create the table of contents (page numbers will be inserted when the plan is completed). A business plan Title Page template is included here (see next page).

The class should read Chapter 2 of the workbook before the next session and answer the questions on page 11 and the top of page 12. They should also look over the list of business ideas on page 13.

Ask if there are any questions. Don’t forget to answer any questions people may have placed in the Question “Parking Lot.”

Title Page Template

BUSINESS PLAN

Owners

Business name

Address

City, State, Zip

Phone number

Date

Table of Contents

	Page
Introduction	
Description of Business	_____
Marketing	
Product/Service Description	_____
Market Description	_____
Competition	_____
Marketing Strategy	_____
Organization	
Quality Control	_____
Legal Structure	_____
Insurance	_____
Management	_____
Advisors	_____
Financial Information	
Start-up Capital/Use of Funds Statement	_____
Cash Flow Projections	_____

Quiz and Answer Key

Chapter 1

Quiz

Instructions: Mark the following as either true (T) or false (F)

1. Entrepreneurs are generally high risk takers. T F
2. Seventy-five percent of all start-up businesses shut down within five years. T F
3. A common cause of business failure is insufficient planning or investigation. T F
4. A business plan is for the owner's use only—no one else sees it. T F
5. Many of today's business "failures" can be attributed to a simple change of careers.
T F
6. Successful entrepreneurs have good social skills. T F
7. You should not use your business plan to acknowledge and address problems with your personal credit history. T F
8. A business plan is a handy marketing tool. T F

Chapter 1

Quiz Answer Key

- | | |
|------|------|
| 1. F | 5. T |
| 2. T | 6. T |
| 3. T | 7. F |
| 4. F | 8. T |

Chapter 2 Lesson Plan: Defining Your Dream

Learning Objective

Students will be encouraged to visualize their business dreams and consider how being an entrepreneur will fit into their lives. Chapter 2 contains tips for naming one's business, exercises that will help entrepreneurs communicate their business ideas in a succinct yet interesting way, and encouragement for students to identify friends and family who will be supportive.

This chapter includes

- 35 business ideas to consider
- Visualization exercises
- A communication exercise
- Tips for naming a business
- How to identify your support team

Question “Parking Lot” (Use Every Class Session)

See the Chapter One Lesson Plan for details on how to use the Question “Parking Lot.” Be sure to respond to as many questions as possible before the end of this session and to answer any questions left over from last time that you promised to research.

Chapter 2 Lesson Plan

Topic Description	Time (Minutes); Total 120–150 Minutes
Opening: Welcome Back; Q&A	5–10
Activity 1: Homework Review	10–20
Discussion Topic: Who Are You?	5–10
Activity 2: Guided Visualization	15–25
Discussion Topics: Business Ideas	5
Activity 3: Communication Exercise	5
(Break)	(10–15)
Activity 4: Create a Sound Bite for Your Business	30–40
Discussion Topics: What's In a Name?	10
Identify Your Support Team	5
Wrap-up: Homework, Q&A, Next Steps	20
Quiz and Answer Key	NA

Activity 1: Homework Review

When: Beginning of session

Materials needed: Participant workbook

10 minutes

Ask people to share what they learned in answering the questions on pages 11–12 of the workbook. This activity validates what students learned about themselves and how their interests and passions relate to their business ideas.

5 minutes

Ask the class to share the business possibilities they identified on page 13 of the workbook, along with the advantages and disadvantages associated with each. Encourage discussion about their ideas. List answers on a flip chart. Students share business ideas and generate classroom discussion.

Discussion Topic

Who Are You?

Engage participants in a discussion about their gifts and talents, passions, interests, and values. Ask participants to jot down three values and/or personality traits they want others to identify with them.

Activity 2: Guided Visualization

When: After participants have identified their talents, passions, interests, and values.

Materials needed: Participant workbook, soothing background music (optional)

10 minutes

Have the group close their workbooks and get comfortable. Explain that you are going to lead them in a guided visualization in which they will be able to “see” their businesses in their own minds. If appropriate, turn down the lights or encourage students to close their eyes. In a soothing voice, prompt the visualization by making the following suggestions:

- Imagine you are at work in your business. What do you see?
- What sounds do you hear?
- What smells do you detect?
- Are you wearing a suit, uniform, casual attire?
- Look around you. What equipment do you see?
- What kind of work are you doing?

Imagine you are talking to a customer. Who is this person? Where is the conversation taking place? What are you saying? Before entrepreneurs can create a business, they need to be able to see it in their minds. Visualization can help them identify things they need to start or operate their business that they might not have considered before.

5 minutes

Instruct students to answer the questions at the bottom of page 12 of the workbook.

Discussion Topic

Pages 13–15: Business Ideas

Some people may not know what type of business they want to start. Use the PowerPoint slides included with this CD to facilitate a discussion about where to find potential business ideas. Encourage participants to do their research and talk to business owners, family, and friends. Remind them not to take comments personally and to listen to the feedback they receive.

Activity 3: Communication Exercise

Entrepreneurs tend to be so excited about their business ideas and the unlimited possibilities that they sometimes ramble on when talking about them. Effective communication doesn't just happen; it is an acquired skill. The following activity will help students understand how challenging it can be to effectively communicate even a simple idea and illustrates the interesting consequences that can result from miscommunication. Have the class read page 16 (Communication Exercise) and answer the questions on pages 16 and 17. Then have the class complete the activity.

When: After completing the exercise on page 16

Materials needed: Sheets of white bond paper

2 minutes

Distribute sheets of paper to the students. Instruct everyone to interpret and follow these simple, step-by-step directions (no questions allowed):

1. Fold the paper in half.
2. Fold it in half again.
3. Turn up the bottom corner.
4. Fold down the top third of the paper.
5. Tear out a small square below the fold.
6. Fold the paper in half again.

Now, compare your paper with other students in the class.

- Did everyone interpret the directions the same way?
- Were any of the directions complicated?
- Why were the results so different?
- What would have made the instructions more clear?

Illustrates how even simple statements can be misinterpreted when not clear and how miscommunication compounds itself with additional unclear information.

Discussion Topic

Pages 15–17: Create a Sound Bite for Your Business

Use the PowerPoint slides to introduce sound bites. Read the sample sound bite for Sam Jones and ask the class for feedback. Instruct the class to come up with a 15-second “sound bite” that briefly describes what they do. They should include just enough information to interest the listener and encourage a dialogue (not a monologue) about their business.

Effective sound bites should include the business’s and the business owner’s names, a brief description of what the business sells, who the target market is, and perhaps something interesting about the business or a memorable ‘tag’ line. Questions to consider when crafting the sound bite include:

- What problem does the business solve?
- Who needs this solution?
- How is the problem being solved now?
- How is my business different?

An effective sound bite will leave the listener interested and encourage them to ask questions.

Activity 4: Sound Bite

When: After a general discussion of sound bites and having introduced a few examples

Materials needed: Create a Sound Bite worksheet (see next page).

30 minutes

Hand out Create a Sound Bite worksheets. Give the class 10 minutes to work independently writing a sound bite for their small business. Break the class into small groups of 4 or 5. Ask each person to share his or her sound bite with the group. The group should provide constructive feedback on each other’s sound bites. Encourage them to answer the following questions:

1. Do you understand what the business is selling?
2. Do you or anyone you know have an interest in
3. what the business is selling?
4. What questions did this sound bite raise?

Encourage participants to continue working on their sound bites at home and to practice saying them out loud. Explain that at the beginning of each class, students will have the opportunity to share their sound bites. By the end of the course, students should feel comfortable talking about their business in public. Participants begin sharing their business dreams with each other. They start to compose a concise statement about their business. By giving each other feedback, they also start to think about what features make an effective sound bite. Bonding occurs as entrepreneurs begin to share with each other.

Entrepreneurs start to practice talking about their business out loud. Over time, confidence increases, and by the end of the course, participants should be able to describe their business idea succinctly.

Chapter 2: Create a Sound Bite

Effective sound bites should include

- Your name and the name of your business
- A brief description of what the business sells
- Who might be interested in buying what the business sells
- Something interesting about the business or a memorable 'tag' line

As you are crafting your sound bite, ask yourself:

- What problem does my business solve?
- Who needs this solution?
- How is the problem being solved now?
- How is my business different?

An effective sound bite will leave the listener interested and encourage them to ask questions. Below is a sample sound bite:

“My name is Sam Jones and my business, *YouJewels.com*, sells fair trade and handcrafted artisan jewelry from my Web-based storefront. Shopping with us is like having a unique jewelry store inside your computer. We allow busy individuals to purchase stunning jewelry while supporting a social cause.”

Write your own sound bite below:

Discussion Topics

Page 17: What's in a Name?

The names owners give their businesses are important. A good business name should tell people what the business does, be easy to pronounce and remember, not limit the business activities to just one thing (i.e., a Web design and computer consulting firm named Webs-R-Us), and not establish expectations the business cannot meet (i.e., Minute Man Meals).

Tell students to come up with lists of words—adjectives, verbs, and nouns—that convey an appropriate image for their business. Play around with putting different words together to come up a memorable business name. Use the Business Name Brainstorming worksheet included here (see next page). Tips for naming your business:

- Brainstorm a list of descriptive words
- Piece the words together
- Think of your prospective customers
- Share potential names with others

Page 18: Identify Your Support Team

Perhaps one of the most helpful things an entrepreneur can do is to identify those people who will be supportive of their business idea. Starting a business will create changes, which, in turn, can cause stress. Identifying who a business owner can turn to (or not turn to) for support can mean the difference between success and failure. Have participants list supportive people on page 18 of the workbook.

Wrap-up

Homework, Q&A, Next Steps

Students should spend some time reflecting on who they are and what they value. If they don't already have a business idea, they need to spend some time researching ideas. For the purpose of this class, they should commit to one idea and use it to write a business plan. Even if they decide against the idea later, they will gain valuable experience going through the business planning process.

Have students continue to work on and practice their 15-second sound bite. At the beginning of the next session, students will be asked to share and critique each other's sound bites for clarity, interest, and brevity. The class should read Chapter 3 of the workbook before the next session. Ask if there are any questions. Don't forget to answer any questions people may have placed in the Question "Parking Lot."

Quiz and Answer Key

Chapter 2

Quiz

Instructions: Mark the following as either true (T) or false (F)

1. The Internet is a good source of potential business ideas. T F
2. Defining your business requires a lot of honest self-reflection and analysis. T F
3. Your values have little value in determining what business is best for you. T F
4. It is crucial to share your business ideas with family and friends before making a decision. T F
5. A good “sound bite” describes your business in 2–3 minutes. T F
6. Your family members will always be supportive of your decision to start your own business. T F
7. Good business names should be easy to spell and pronounce. T F
8. Planning and running a business is not stressful if you plan ahead. T F

Chapter 2

Quiz Answer Key

- | | |
|------|------|
| 1. T | 5. F |
| 2. T | 6. F |
| 3. F | 7. T |
| 4. T | 8. F |

Chapter 3 Lesson Plan: Financing the Dream

Learning Objectives

Chapter 3 introduces common financial definitions and explains the process of borrowing money to start a business or to finance an existing business. Students will learn how to identify essential startup needs and how to read a financial projection. This chapter also reviews the typical loan application process and discusses how personal credit may affect a potential loan. This chapter includes:

- Definitions of financial terms
- Essential vs. non-essential startup costs
- The steps to develop a financial plan
- Preparing a Use of Funds statement
- The Five Cs of Lending
- The Four Ps of Finance
- Information about personal credit reports
- How principal and interest are calculated

Question “Parking Lot” (Use Every Class Session)

See the Chapter One Lesson Plan for details on how to use the Question “Parking Lot.” Be sure to respond to as many questions as possible before the end of this session and to answer any questions left over from last time that you promised to research.

Chapter 2 Suggested Lesson Plan

Topic Description	Time (Minutes); Total 120–150 minutes
Opening: Welcome Back; Q&A	5
Activity 1: Business Sound Bites	10–15
Discussion Topic: Financing 101	5–10
Lecture: The Language of Finance	5
Discussion Topic: The “Free Money” Myth	5–10
Activity 2: Identify Your Needs	15–20
(Break)	(10–15)
Lecture: Develop a Financial Plan	5
Activity 3: Dave’s Lawn Mowing Service	20–25
Lectures:	
The Application Process (Five Cs/Four Ps)	10
Personal Credit	10–15
Loan Approval/Cost of Borrowing	5
Wrap-up Homework, Q&A, Next Steps	10

Activity 1: Business Sound Bites

When: Beginning of session after homework review

Materials needed: Participant homework

15–20 minutes

Have participants share their sound bites and critique each other. Remind people to give positive, constructive advice. Students gain public speaking experience. Comments help improve sound bites.

Page 19: A Look at Your Business

Ask students to take a few minutes to answer the questions on page 19. (They will not be asked to share this information.)

Pages 20–22: Financing 101

Use the PowerPoint slides included on this CD to facilitate a discussion about financing small businesses. Starting a new business is risky for both the entrepreneur *and* any potential lender. The lender is taking a chance not only on an unproven business idea, but also that the business owner has the skills required to make the business succeed. The business owner has the greatest control over a business (and stands to gain the most from its success); therefore, lenders will expect the entrepreneur to assume most of the risk. This may include investing their savings, their home equity, and/or money borrowed from family and friends.

Even existing businesses can find credit to be a challenge. Many factors come into play, such as how long the business has been operating, if it is profitable, and how the owner plans to use and repay the money. Whether for a start-up or an existing business, the owner will have to prepare financial projections in order to borrow money.

Page 20: The Language of Finance

Use the PowerPoint slides to introduce and explain the following financial terms: *Capital, Equity, Collateral, Loan, and Working Capital*.

Page 22: The “Free Money” Myth

Use the PowerPoint slides to facilitate a discussion about the myth of government grants to start small businesses. It is a common misconception that any person wishing to start a small business in America can access “free” federal money to do so. In reality, most “small business grants” are only available to the nonprofit organizations that *support* small business. Grants to for-profit businesses are typically to develop some new technology and are very difficult to get.

The US Small Business Administration (SBA) *does* offer lending programs to small businesses. They don’t actually make small business loans, but they do act as a guarantor for bank loans. The advantage to utilizing the SBA loan program is that the business owner may qualify for a bank loan that they would never be able to get without the SBA guarantee. Point out that small business owners will be expected to sign a Personal Guarantee when they access an SBA loan; if their business defaults on the loan, the business owner will be held personally liable for it.

Activity 2: Identify Your Needs

When: After having explained the basic financing terms and before discussing financial plans in detail

Materials needed: Start-Up Costs worksheet (see next page)

Before applying for a loan, the business owner must identify his or her business needs. Discuss the difference between essential (things you *must* have in order to operate) and non-essential needs (things that would be nice to have, but which you can get by without, at least for now).

15 minutes

Have students work independently on the Start-Up Costs worksheet. If they already own the item, instruct them to make a check mark in the appropriate column. Next, they should start thinking about whether the item is essential or nonessential. If they know the cost of the item, they should fill it in. If not, they will need to research the cost. Students begin to identify the startup costs of starting or expanding their small business. They also recognize the owner's contribution they will be making to the business in the form of items they already own.

Page 24: Develop a Financial Plan

Discuss the importance of developing a financial plan to show money coming into and going out of your business. A potential lender will be very interested in seeing if the business owner's financial plan seems reasonable and whether or not it shows the business making a profit. An important element of the plan is showing that the business will generate enough operating income to repay loans.

Activity 3: Dave's Lawn-Mowing Service

When: Use to introduce financial projections

Materials needed: Participant workbooks

15 minutes

Break the class into small groups. Have each group begin Exercise #1 on page 25 and discuss and answer the questions at the bottom of the page. Discuss answers with the whole group.

Encourage students to review this plan from the lender's point of view, asking themselves if they would offer this loan to Dave. Students learn to read a simple financial projection and to recognize obvious flaws in it.

15 minutes

Have each group read Dave's revised projections on page 26. Discuss and answer the questions at the bottom of the page. Discuss answers with the whole group. Students learn how to make realistic financial projections, as well as how to look at a loan request from a lender's perspective.

Page 27: The Application Process

Discuss the typical loan application process. Point out the Use of Funds statement on page 27. This information will be required when applying for a business loan. Suggest that it may also be helpful to establish a relationship with a lender before you apply for a loan. The Five Cs of Lending can also be found on page 27. These factors guide the lender in making the loan decision.

Page 28 of the workbook gives the Four Ps of Finance—some helpful things to remember while working through the application process.

Page 28: Personal Credit

Some people may not realize that their financial history has been tracked and is available in the form of a credit report. Students should obtain a copy of their personal credit report and check it for accuracy, as the process of correcting errors can be time-consuming.

Lenders will obtain a copy of a business owner's credit report; it is a factor in the loan decision because the owner will be expected to personally guarantee the business loan. Depending on the information contained in the report, it may be a help or a hindrance.

It is important to be honest about what is on the report and to have reasonable explanations for any credit issues that may appear. Hardships such as medical catastrophes or divorce are often taken into consideration, but the lender will be looking for indications that the crisis is over and the entrepreneur has made an attempt to rebuild their credit.

Page 29: You've Been Approved! Now What?

After you've been approved, the lender will outline the terms and conditions of the loan, including the annual percentage rate (APR) of interest. Other documents may include promissory notes, security agreements (pledging collateral), and a personal guaranty.

An amortization schedule may be provided (sample on pages 30–31) that outlines the principal and interest breakdown of each payment, as well as the remaining loan balance.

Wrap up:
Homework, Q&A, Next Steps

Students should begin compiling a list of what they will need to start or expand their business. They should also begin researching costs. If they plan to borrow money to start the business, they will need to draft an appropriate Use of Funds statement

Also, students should begin work on a six-month financial projection following the example of the revised projection for Dave's Lawn-Mowing Service. Assure them that they are likely to have questions as they attempt their projections, but the process of contemplating what the numbers will be is important. Consider scheduling one-on-one time to review and assist students with their projections.

The class should read Chapter 4 of the workbook before the next session. Ask if there are any questions. Don't forget to answer any questions people may have placed in the Question "Parking Lot."

Quiz and Answer Key

Chapter 3

Quiz

Instructions: Mark the following as either true (T) or false (F)

1. It is important for all entrepreneurs to understand some financing basics. T F
2. Equity is what remains when everything a company *owes* is subtracted from everything a company *owns*. T F
3. Working capital is the money and resources you use to start your business initially. T F
4. Existing businesses always have an easier time getting credit than new businesses. T F
5. The U.S. Small Business Administration awards grants to most small for-profit businesses. T F
6. A financial plan must show how you intend to use the loan money coming into your business, as well as your plan for paying the loan back. T F
7. When considering whom to loan money to, banks are not interested in the owner's personal character, only the business's financial strength. T F
8. Your personal credit history has no bearing on a lender's decision to finance your business. T F

Chapter 3
Quiz Answer Key

- | | |
|------|------|
| 1. T | 5. F |
| 2. T | 6. T |
| 3. F | 7. F |
| 4. F | 8. F |

Chapter 4 Lesson Plan: Set Goals So You Take Action

Learning Objective

Chapter 4 introduces students to the need to set clear and reachable goals. Entrepreneurs use goals not only to help plan the direction of their business, but also as tools for self-motivation. It is important to define goals that are reasonable, are clear, are measurable, and have time frames. Once their goals are set, students should outline the steps they need to take to attain those goals with an action plan. This chapter includes:

- The justification behind setting goals
- Steps to self-motivation
- Steps to writing clearly defined, measurable goals with specific time frames
- How to create effective action plans

Question “Parking Lot” (Use Every Class Session)

See the Chapter One Lesson Plan for details on how to use the Question “Parking Lot.” Be sure to respond to as many questions as possible before the end of this session and to answer any questions left over from last time that you promised to research.

Chapter 4 Lesson Plan

Topic Description	Time (Minutes); Total 110–140 minutes
Opening: Welcome Back; Q&A	5
Activity 1: Business Sound Bites	10–15
Discussion Topic: Set a Goal	10–15
Lectures:	
Establishing Effective Goals	10
Self-Motivation—The Driving Force	5
(Break) 10–15	
Lectures:	
Write Effective Goals	10–15
Create an Action Plan	10–15
Activity 2: Three Scenarios	25–30
Wrap-up: Homework, Q&A, Next Steps	10

Activity 1: Business Sound Bites

When: Beginning of the session

Materials needed: None

10–15 minutes

Have participants share sound bites and critique each other. Remind people to give positive, constructive advice. Students gain public speaking experience. Comments help improve sound bites.

Discussion Topic

Page 33: Set a Goal

Use the PowerPoint slides to facilitate a discussion about why setting goals is important. Ask students to take a few minutes to answer the questions on page 33, “What was your accomplishment?” and “What steps did you take to achieve this?” (They will not be asked to share this information.) Point out that while most people think goal-setting is important, only about 3% of people actually set goals. Ask why they think this is.

Lectures

Page 34: Establishing Effective Goals

Use the PowerPoint slides to discuss the following guidelines for setting goals:

- Visualize your goals
- Make your goals specific
- Make your goals challenging but realistic
- Understand the cost of reaching your goals
- Reward yourself when you reach your goals

Page 34: Self-Motivation—The Driving Force

Discuss that in order to reach goals, one must first make things happen. This often requires self-motivation. Use the PowerPoint slides to discuss steps to remain self-motivated. Be sure to cover the following steps:

- Believe in yourself
- Think only positive thoughts
- Welcome challenges
- Start now
- Focus on rewards
- Take pride in your accomplishments
- Set goals that are stimulating, challenging, and achievable
- Start small
- Once you have a goal, list all of the barriers and figure out how to overcome them
- Take control of your fears
- Be disciplined
- Take responsibility for yourself
- Be flexible

Pages 34–36: Writing Effective Goals

Goals should be realistic, be measurable, and include a stated target date. Ask the class to turn to page 35 and practice writing effective goals.

Pages 36–37: Create an Action Plan

Action plans are the steps you must take to turn a dream into reality. Use the PowerPoint slides to talk about action plans (how you will get to your goal) and the associated tasks (specific steps

you must take) in order to accomplish a goal. Use the goal of opening a childcare business (such as the Dana's Day Care scenario outlined in the workbook), describing the action and the tasks required to achieve the goal. Remind students to consider the cost and time each action in the plan will require.

**Activity 2:
Three Scenarios**

When: Before writing personal goal statements
Materials needed: Participant workbook

15 minutes

Divide the class into small groups. Have each group read one of the three scenarios on pages 38–40. Have each group predict and then discuss the possible outcomes. Students learn to evaluate reasonable goal statements.

**Wrap-up:
Homework, Q&A, Next Steps**

Students should complete page 40 of the workbook, writing their goals and corresponding action plans (see Action Plan worksheet on next page). Remind them to include the time and money required to complete their goals. The class should read Chapter 5 of the workbook before the next session. Ask if there are any questions. Don't forget to answer any questions people may have placed in the Question "Parking Lot."

Quiz and Answer Key

Chapter 4

Quiz

Instructions: Mark the following as either true (T) or false (F)

1. Your goals and business objectives should be in agreement with your basic values.
T F
2. Effective goals are specific, realistic, and measurable. T F
3. Self-motivation is the driving force behind high achievement. T F
4. It is important to stay firm and to resist change as much as possible as you pursue your goals. T F
5. An effective action plan outlines both the tasks and the requirements (in time and money) to perform them. T F
6. You should reward yourself for effort, even if the goal did not turn out as expected. T F
7. About half of all Americans actually write down their goals and monitor them. T F
8. Fear can be helpful, provided that you don't let it prevent you from taking action.
T F

Chapter 4
Quiz Answer Key

1. T

2. T

3. T

4. F

5. T

6. T

7. F

8. T

Chapter 5 Lesson Plan: Pricing Your Products and Services

Learning Objective

Proper pricing of products and services is vital to the success of any business. Chapter 5 explores ways to establish effective pricing. It also provides a means for determining how reasonable your business idea is, based on being able to pay all business expenses and earn a profit. The importance of building the business owner's compensation into the pricing structure is also discussed. This chapter includes

- Multiple ways to establish prices
- How to identify and categorize business expenses
- How to perform a break-even analysis and use it to analyze your pricing structure
- Pricing for combinations of products (product mixes)
- Pricing for service providers

Question “Parking Lot” (Use Every Class Session)

See the Chapter One Lesson Plan for details on how to use the Question “Parking Lot.” Be sure to respond to as many questions as possible before the end of this session and to answer any questions left over from last time that you promised to research.

Chapter 5 Lesson Plan

Topic Description	Time (Minutes); Total 120–150 minutes
Opening Welcome Back; Q&A	5
Discussion Topic: Importance of Proper Pricing	5
Lectures:	
Pricing Strategies	5–10
What Price Is Right?	10
What Are Your Expenses	5
Activity 1: Introduction to Sarah Sue’s Sandwich Shop	5
Lectures:	5
Owner’s Compensation	
Break-Even Analysis/Financial Terms	15–25
(Break)	(10)
Activity 2: Henri’s Hemp Tote Bags	15–20
Lecture: Selling Multiple Products	5–10
Activity 3: Mary’s Lions, Tigers, and Bears	15–20
Lecture: Pricing for Service Providers	10
Wrap-up: Homework, Q&A, Next Steps	10

Discussion Topic

Pages 41–42: Proper Pricing

Use the PowerPoint slides to facilitate a discussion about the importance of proper pricing and the consequences of improper pricing. The true price of a product or service is only as much as a customer is willing to pay.

Lectures

Pages 42–43: Pricing Strategies

Introduce the many strategies businesses use to price their products or services. Point out that while some are appropriate for small businesses, many are not because they require deep pockets of cash reserves that most small businesses don't have. Brainstorm with the group additional examples of each pricing strategy. Consider discussing what makes each of these strategies effective or ineffective.

In this class, entrepreneurs should learn to base their pricing on four factors:

- what the market will bear
- what the competition is charging
- production costs
- the business's break-even point

Page 44: What Price is Right?

Use the PowerPoint slides to facilitate a discussion about ways to determine what the market will bear. Three common ways are to conduct customer surveys, shop the competition, and do market research sales. Discuss ways to survey potential customers (mail surveys, conduct focus groups, conduct marketing surveys in shopping centers, etc.).

Discuss how to shop the competition and what to look for. Retailers are easier to shop: Just visit their stores and make notes about product lines, prices, specials, how many customers shop there, store hours, customer service, cleanliness of store, and value-added features they offer.

Non-retail businesses can be more challenging to shop. Entrepreneurs may need to ask for price quotes, send a relative or friend to request a bid, or maybe even shop a business in a similar but different marketplace (a nearby city with similar demographics). When shopping the competition, business owners should be able to describe their competition by name, identify their strengths and weaknesses, understand their pricing strategies, and know what they offer customers. Business owners should start thinking about how they can set themselves apart from the competition.

Market research may include selling a small quantity of items at flea markets, at craft fairs, at art shows, in a temporarily sublet space, etc. By doing market research, business owners can experiment with varying prices and see how customer respond.

Pages 44–45: What Are Your Expenses?

With each product or service sold, the price must be adequate to cover the cost of production and delivery, plus contribute to the cost of operating the business. Knowing what production, delivery, and operations costs are is the first step to establishing appropriate prices. The cost of goods sold (COGS) is the cost of production and delivery. These include materials, labor, shipping and packaging costs. We refer to all other operating costs not directly related to production or

delivery as fixed expenses. These are also sometimes referred to as overhead expenses. Examples of typical fixed expenses include rent, utilities, and insurance.

Capital expenditures are purchases of major, nonrecurring items, such as equipment, furniture, etc. Many capital expenses are part of a business's start-up costs. Eventually, most businesses will grow and need new or replacement capital expenditures. These should be paid for out of net profits that the owner reinvests into the business. For the purposes of this class, capital expenditures are not included in the pricing/break-even analysis.

Activity 1: Sarah Sue's Sandwich Shop

When: After introducing types of expenses

Materials needed: toy food and beverage items (serving tray, sandwich, soft drink cup with lid and straw, napkins, condiment packets, waxed paper sandwich wrapper)

5 minutes

Explain that the class has just entered Sarah Sue's Sandwich Shop and ordered a sandwich. Pick up a toy serving tray that contains a (plastic) sandwich and beverage and explain that their sandwich order is up. Now STOP the action and ask the class to identify all of the items in this transaction that represent COGS. Remind them that COGS includes the sandwich wrapper, straw, cup, etc. Also remind them that production labor is included in COGS.

Now ask what other expenses Sarah Sue's Sandwich Shop has. Point out that the lights are on, AC or heat is running, etc. If necessary, remind the class about trash removal, pest control, accounting service, insurance, etc. These are her Fixed Expenses. The cost of covering COGS and Fixed Expenses must be considered in Sarah's pricing strategy. However, capital expenditures (the booths, serving counter, ovens, etc.) won't be. Students will have a visual example of the difference between COGS and Fixed Expenses.

Lectures

Page 51: Owner's Compensation

Business owners must include their own compensation when calculating the break-even point. If owner's compensation is not built into the pricing structure, there will never be any money left to pay the owner. Ideally, the owner should include a salary amount in fixed expenses to cover the cost of managing the business operations, plus an hourly labor rate to produce or deliver the products or services. Explain that until the business reaches breakeven, owners may not pay themselves anything, or may only pay themselves the hourly labor rate. Eventually, when the business reaches or exceeds the break-even point, there will be enough money built into the pricing structure to pay the owner the hourly labor rate plus a management salary. The owner does not need to cut two separate checks; this is merely a strategy to make sure that there will be adequate funds for owners to compensate themselves fairly.

Pages 45–46: The Break-Even Analysis

The break-even analysis tells how many products a business must sell within a specific amount of time (workbook examples use one month) at a specific price in order to pay all the production and delivery costs, as well as the daily operating expenses of the business. If a business does

not break even, it will be operating at a loss. The reason to determine the break-even point is to establish if the business idea is a viable one, given production capacity, market prices, and estimated expenses. The examples on pages 46–48 show how to calculate the break-even point. Use the PowerPoint slides to introduce the financial terms students will need to know to calculate break-even (gross income, gross profit, net profit) and explain how they are calculated. Walk through the examples of calculating the break-even point for both a widget business and Sarah Sue’s Sandwich Shop. Explain that once a monthly break-even point is calculated, a daily break-even point can easily be derived.

Throughout this session, stress the importance of manipulating the selling price of the products or services on paper. While the price must remain within market range, the owner should “play with the numbers,” trying slightly lower and higher prices to see what effect this has on the break-even point. Sometimes even a small price increase can have a profound effect. Once owners know the break-even point, they must ask themselves if this is a reasonable goal to sell (or produce and sell) that many products or services, given the business hours of operation, available labor, etc.

Activity 2: Henri’s Hemp Tote Bags

When: After reviewing break-even calculations

Materials needed: Participant workbooks

15 minutes

Divide the class into small work groups. Have the groups work through the exercise on pages 48–49 of the workbook. Encourage classmates to assist each other. Have each group share their answers. Be sure to point out that Henri included both salary and an hourly labor rate to account for her owner’s compensation. Students get hands-on experience calculating break-even for a small business. Again, makes the point that the owner’s compensation must be built into the pricing structure.

Activity 2 Answer Key

Following is the solution to Henri’s Hemp Tote Bags Activity:

Monthly Fixed Expenses:

High speed Internet Service \$ 50

Telephone \$ 60

Office Supplies \$ 50

Bookkeeper service \$ 75

Owner’s Compensation \$1,500

Total Fixed Expenses: \$1,735

Gross Income – COGS = Gross Profit

\$35 – \$13 = \$22

Fixed Expenses ÷ Gross Profit = Break-Even Point

\$1,735 ÷ \$22 = 79 bags per month to break even

If Henri’s Hemp Tote Bags is open 25 days per month, she must sell 3.2 bags per day to reach break-even.

Lecture

Pages 49–51: Selling Multiple Products

Most businesses sell more than one product. Break-even points can be calculated on each individual item, but there is a simple way to calculate the break-even sales point for these businesses. Follow the four-step method of calculating break-even for multiple items on pages 49–50. Note that by calculating break-even this way, business owners do not learn how many of each item they must sell; rather, this calculation tells what total sales income (on all items combined) must be in order to break even.

Activity 3:

Mary's Lions, Tigers, and Bears

When: After reviewing break-even calculations for multiple products

Materials needed: Participant workbooks

35 minutes

Divide the class into small work groups. Have the groups work through the exercise on pages 51–56 of the workbook (see the next pages). Encourage classmates to assist each other. Have each group share their answers. **Note: Students do not need to complete Worksheet 2 (see next pages) in order to calculate the monthly break-even point. It can be used as practice for calculating break-even on individual products for this activity or for their own business.**

Be sure to point out that Mary included both salary and an hourly labor rate to account for her owner's compensation. Students get hands-on experience calculating breakeven for a small business. Again makes the point that the owner's compensation must be built into the pricing structure.

Activity 3 Answer Key

Following are answers to Worksheets 1 and 3 on pages 52 and 56 (see the next pages).

Worksheet #1: Fixed Expenses

Rent \$ 300

Telephone \$ 75

Owner's compensation \$1,000

Total Monthly Fixed Expenses: \$1,375

Worksheet #3: Pricing/Break-Even Analysis for Multiple Products

Product Category Average Selling

Price Average Cost Gross Profit Gross Profit

Margin

Small Animals \$35 \$15 \$20 $20 / 35 = 57\%$

Large Animals \$70 \$33 \$37 $37 / 70 = 53\%$

Giant Animals \$150 \$75 \$75 $75 / 150 = 50\%$

Overall Average \$85 \$41 \$44 $44 / 85 = 52\%$

Monthly Fixed Expenses Divided by Gross Profit

Margin = Monthly Break-Even Sales

\$1,375 Divided by 52% = \$2,644

Worksheet #1: Fixed Expenses

You can use this copy of the worksheet to calculate the fixed expenses for your own business. When identifying your monthly fixed expenses, use the average of what you expect your monthly expenses to be in the first six months. Include your target amount for owner's compensation. If you do not include your compensation in your pricing structure, you will never be able to afford to pay yourself this amount.

Fixed Expenses

Rent _____
Utilities _____
Telephone _____
Office supplies _____
Postage _____
Equipment repairs & maintenance _____
Insurance _____
Loan payments _____
Marketing costs _____
Subscriptions/Dues/Fees _____
Legal/Accounting _____
Owner's compensation _____
Other _____

Total Monthly Fixed Expenses: _____



Worksheet #2: Pricing/Break-Even Analysis

You can use this copy of the worksheet to calculate the break-even for your own products.

Individual Products

Product Name:

Part 1

Gross Income – COGS = Gross Profit

--	--	--

Part 2

Fixed Expenses ÷ Gross Profit = Break-Even Point

--	--	--

Product Name:

Part 1

Gross Income – COGS = Gross Profit

--	--	--

Part 2

Fixed Expenses ÷ Gross Profit = Break-Even Point

--	--	--

Product Name:

Part 1

Gross Income – COGS = Gross Profit

--	--	--

Part 2

Fixed Expenses ÷ Gross Profit = Break-Even Point

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Worksheet #3: Pricing/Break-Even Analysis for Multiple Products

Part 1

A. Product Category	B. Average Selling Price	C. Average Cost	D. Gross Profit (selling price – cost)	E. Gross Profit Margin (gross profit / selling price)
Category 1				
Category 2				
Category 3				
Category 4				
Category 5				
Overall Averages				

Part 2

Monthly Fixed Expenses ÷ by Gross Profit Margin = Monthly Break-Even Sales

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Worksheet #3: Pricing/Break-Even Analysis for Multiple Products

You can use this copy of the worksheet to calculate the monthly break-even point for your own business.

Part 1

A. Product Category	B. Average Selling Price	C. Average Cost	D. Gross Profit (selling price – cost)	E. Gross Profit Margin (gross profit / selling price)
Category 1				
Category 2				
Category 3				
Category 4				
Category 5				
Overall Averages				

Part 2

Monthly Fixed Expenses ÷ by Gross Profit Margin = Monthly Break-Even Sales

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Lecture

Page 57: Pricing for Service Providers

Some businesses primarily sell their time (bookkeepers, Web site designers, personal trainers, etc.). These service providers usually want to determine the hourly rate they should charge in order to reach their income goals. Pages 57–58 offer directions for calculating an hourly rate for service providers. Use the PowerPoint slides to facilitate a discussion about pricing for service providers as well.

When estimating billable hours, stress that entrepreneurs must make reasonable assumptions based on their industry. Consultants who sell more than 1,200 hours per year are considered highly successful. Attorneys might reasonably bill 1,700–1,800 hours per year, while accountants may bill about 1,400 hours per year. The Service Provider/Hourly Rate worksheet is on the next page.

<intentionally left blank; Worksheet on next page>

Service Providers/Hourly Rate Worksheet

Annual Operating Expenses

Rent			
Utilities	+		
Telephone	+		
Office supplies	+		
Postage	+		
Equipment repairs & maintenance	+		
Business insurance	+		
Loan payments	+		
Marketing costs	+		
Subscriptions/Dues/Fees	+		
Legal/Accounting	+		
Travel & entertainment	+		
Other _____	+		

Total annual operating expenses:	=		
Owner's annual compensation:	+		
Self-employment taxes:	+		
Annual health insurance cost:	+		
#1. Total income required:	=		
Total working hours per year (52 weeks x 40 hours)		2,080	
Less vacation hours:	-		
Less holiday hours:	-		
#2. Available working hours per year	=		
Available working hours per quarter (available hours per year ÷ 4)	=		

Estimated Billable Hours per Quarter

	Available Hours per Quarter		Percent Billable Hours		Billable Hours per Quarter
Quarter 1:		x		=	
Quarter 2:		x		=	
Quarter 3:		x		=	
Quarter 4:		x		=	

#3. Estimated billable hours per year: = _____

#4. Total income required ÷ total billable hours per year = hourly rate: = _____

#5. Is this reasonable? _____

**Wrap-up:
Homework, Q&A, Next Steps**

Using the worksheets in the workbook as a guide, have students research what price the market will bear for their products or service and shop their competition. Students should also calculate their COGS and fixed expenses for their business and calculate a break-even point using Worksheets 1, 2, and 3 (also in these pages). They should determine if the break-even point seems viable. Expect this homework assignment to raise many questions. Consider scheduling one-on-one time to work with students. The class should read Chapter 6 of the workbook before the next session. Ask if there are any questions. Don't forget to answer any questions people may have placed in the "Question Parking Lot."

Quiz and Answer Key

Chapter 5

Quiz

Instructions: Mark the following as either true (T) or false (F)

1. A break-even analysis can be used to determine if your pricing structure is effective and profitable. T F
2. Loss-leader pricing involves selling a product below cost in order to get customers into your store. T F
3. Shopping your competition not only gives you a good sense of pricing, but also can help you get a feel for your competition's level of customer service. T F
4. Cost of goods sold (COGS) includes the start-up expenditures you incurred when first building your business (such as a building or furniture). T F
5. Gross profit is what remains when you subtract the cost of goods sold from the gross income. T F
6. Fixed expenses divided by gross income equals break-even. T F
7. Destroyer pricing is an effective strategy for small businesses and microenterprises. T F
8. Business owners should include the cost of their compensation both as a salary (for managing the business) and as an hourly wage (for producing products). T F

Chapter 5

Quiz Answer Key

1. T

2. T

3. T

4. F

5. T

6. F

7. F

8. T

Chapter 6 Lesson Plan: Reaching Your Customers

Learning Objective

Chapter 6 covers vital information regarding selling products and services to customers and then keeping those customers happy through good customer service. Students should learn how to define their potential customers and learn how to most effectively market to them. They will also learn strategies for differentiating themselves from their competition. This chapter includes

- The five marketing questions
- How to differentiate your product or service
- Characteristics that help define potential customers
- Where to find information about local markets and a potential customer base
- Ideas for getting products or services in front of potential customers
- How to identify direct and indirect competition
- How customer service affects businesses

Question “Parking Lot” (Use Every Class Session)

See the Chapter One Lesson Plan for details on how to use the Question “Parking Lot.” Be sure to respond to as many questions as possible before the end of this session and to answer any questions left over from last time that you promised to research.

Chapter 6 Lesson Plan

Topic Description	Time (Minutes); Total 120–150 minutes
Opening: Welcome Back; Q&A	5
Activity 1: Business Sound Bites	10–15
Lecture: Five Marketing Questions	5
Discussion Topic: What Is Your Product or Service?	10
Activity 2: Who Is Your Customer?	5–10
Discussion Topics:	
Who Are Your Potential Customers?	10
Research the Market	5
(Break)	(10–15)
Activity 3: Storytelling (Balloon Invasion)	10
Discussion Topics:	
How Do You Reach Your Customers?	15–20
Who Is Your Competition?	10
Keep Customers Coming Back For More	10
Activity 4: What Does Good Customer Service Look Like?	15
Wrap-up Homework, Q&A, Next Steps	10

Activity 1: Business Sound Bites

When: Beginning of the session

Materials needed: None

10-15 minutes

Have participants share sound bites and critique each other. Remind people to give positive, constructive advice. Students gain public speaking experience. Comments help improve sound bites.

Lecture

Page 61: Five Marketing Questions

Use the PowerPoint slides to facilitate a discussion about what marketing is and the five key questions related to marketing:

1. What is your product or service?
2. Who are your potential customers?
3. How do you reach your customers?
4. What other businesses are offering the same product or service?
5. How will you deliver your product or service to keep customers coming back for more?

Discussion Topic

Pages 61–63: What is Your Product or Service?

It is important that business owners be able to talk about their products or services in ways that differentiate them from others. Go through the list of examples of entrepreneurs and their products and services on pages 62–63. Ask students to evaluate the examples and discuss ways to improve them.

Discuss the difference between a *need* and a *market*. While there may be a need for low-income housing, if the people who need it can't afford it, then there is no market for it. Ask for other examples of business ideas that might have a need but a limited or no market (i.e., nonmedical, in-home services for the elderly on fixed incomes). Point out that these needs are often best filled by nonprofit agencies designed to serve social causes, not for-profit businesses.

Activity 2: Who Is Your Customer?

When: Before discussing potential customers

Materials needed: Assortment of four different colors of marbles or candy

5–10 minutes

6. Scatter marbles or candy on a table at the front of the room. Invite students to gather around the table.
7. Set the scenario: You own a business that sells handcrafted leather briefcases.

8. The marbles represent “everybody.”
9. The red marbles represent those people who don’t use briefcases and are not in the market to buy leather briefcases as gifts.
10. Remove the red marbles.
11. The green marbles represent those people who use briefcases but already have them and are not in the market to buy a replacement or a gift. Remove the green marbles.
12. The blue marbles represent those people who are in the market to buy a briefcase, but either don’t like leather or cannot afford the briefcases in your price range. Remove the blue marbles.
13. The yellow marbles that remain represent people in the market to buy a leather briefcase in your price range. These represent your target market. Get students to think about eliminating people who are not potential customers and identifying those who are by their buying or personal characteristics.

Discussion Topics

Page 63: Who Are Your Potential Customers?

After discussing the idea that nearly every entrepreneur starts out thinking that “everybody” is their target market (although that is rarely true), study the examples of customer characteristics of individual customers and organizations on pages 63–64. Review this list and then ask students to give examples of who they think their potential customers are based on customer characteristics. Have students turn to page 64 of the workbook and write a description of their potential customer.

Pages 64–66: Research the Market

Use the PowerPoint slides to facilitate a discussion about how to research the market. Discuss how to access and read Census Bureau data available through the <http://factfinder.census.gov> Web site. Use the example in the PowerPoint slides to illustrate how entrepreneurs can narrow census data to a city or zip code and identify how many people in that area fit their target market characteristics. By estimating their ability to capture a reasonable share of the marketplace, they can discover whether or not there are enough potential customers to make their business idea viable.

Discuss community resources entrepreneurs can use to research their target market (i.e. the library, local chamber of commerce, etc.). Refer to the resources listed in the workbook on pages 65–66.

Activity 3: Storytelling (Balloon Invasion)

When: Before discussing how to reach customers

Materials needed: A colorful and inspiring anecdote or story about the importance of marketing directly to your target customers

10 minutes

Ask the class to get comfortable and imagine this scenario as you share the Balloon Invasion (or other equally inspirational) marketing story below. Illustrate to entrepreneurs that it doesn’t take

a lot of money to effectively market a small business. It does, however, require knowing who the target market is, plus a bit of creativity to capture their attention.

Balloon Invasion: Launching a Balloon Bouquet Business

In 1980, Linda Gilkerson and a co-worker, Jeanne, went on vacation together. They spent the entire week complaining about their employers. By the end of the week, Linda was asking, “If we’re so smart, why don’t we start our own business?” But what business should they start? Over the next few weeks the women decided to start exploring potential business ideas. They stumbled across an article in a women’s magazine about Mylar balloon bouquets and decided the idea was worth researching.

They found a company in Georgia that had operated a retail balloon shop for several years and had expanded to a wholesale operation. The owners agreed to meet with the women and share everything they knew about the balloon business. On the trip to Georgia, Linda and Jeanne made plans to keep working full time, start their business on the side as a part-time venture, use a personal vehicle to make deliveries of balloon bouquets, and operate the business from one of their garages. They were so inspired by what they learned on their trip to Georgia that on the way back, they decided to quit their jobs, start the business full time, rent a storefront, and lease a delivery van—and that’s exactly what they did.

They found the perfect space to lease, right next door to an exclusive chocolate shop. They spent what was left of their money on balloon inventory and opened *Balloon Invasion* on February 2, 1981. They didn’t have many customers for the first few weeks, but Valentine’s Day was just around the corner. Due in part to their strategic location, they received orders for and delivered more than 50 Valentine bouquets (which they weren’t prepared to handle, but that’s another story....). The women thought, “Okay, we’re ready to rock and roll.”

The next day, except for a couple of complaints about mix-ups in deliveries, the phone all but stopped ringing, a condition that lasted several months. Linda and Jeanne feared they had made a terrible mistake.

One day a good friend stopped by the shop and immediately picked up on the women’s gloom. She started asking questions: “Why don’t you advertise?” (They had no money left.)

“Who is your target market?” (They had no clue.) As the women continued talking, a quick look at their customer list from Valentine’s Day helped them define some common characteristics of their customers. They recognized that many of their customers were young people with disposable income.

Because Linda was young and single, she spent many Friday and Saturday evenings in local nightclubs. She quickly recognized that this is where her target market spent much of their time. A marketing strategy was born!

That weekend, Linda and Jeanne assembled a large balloon bouquet, gathered a group of young, single friends, piled into the delivery van, and headed for the closest nightclub. One person stayed in the van while the rest seated themselves at a table at the farthest corner of the bar. After a few minutes, in walked the ‘delivery person’ carrying a huge “Happy Birthday” bouquet. She

walked all the way across the room and delivered it to the table of friends. Just in case anyone missed her entrance, the group broke into a loud chorus of “Happy Birthday.” On the way out, the delivery person handed out business cards to everyone she passed.

After a few minutes, the ‘birthday’ party finished their drinks, picked up their bouquet, piled back into the van, and moved on to the next nightspot. They used the same bouquet all night and took turns being the “delivery person” and “birthday girl” (and the designated driver). In just a few weeks Balloon Invasion business cards were in the hands of hundreds of potential customers. The cost was minimal: a few Mylar balloons and some gasoline for the van.

Pages 66–70: How Do You Reach Your Customers?

Ask the class to give examples of ways they can expose their products or services to potential customers. List answers on a flip chart. Answers might include advertising, giving away samples, offering discounts, volunteering services, and so on.

Discuss the importance of relationships, branding, networking, and advertising, using the PowerPoint slides and the material found on pages 66–70 of the workbook.

Pages 70–72: What Other Businesses Are Offering the Same Product or Service?

Just as “Everybody!” is a common answer to the question “Who is your customer?” “Nobody!” is a common answer to the question “Who is your competition?” In reality, virtually every business has direct or indirect competition, and it is in the business owner’s best interest to identify and analyze the competition’s strengths and weaknesses. Have students complete pages 71 and 72 of the workbook, identifying both direct and indirect competition.

Page 72: Keep Customers Coming Back For More

Use the PowerPoint slides to facilitate a discussion about how to keep customers coming back. Discuss why good customer service is key to business success. Ask the following questions:

Q: What is the number-one reason American companies lose business?

A: Poor customer service.

Q: How do most customers react to poor service?

A: They take their business elsewhere.

Q: Do customers usually tell a company when they are unhappy with customer service?

A: No, but they do tell their family and friends about the poor service. This is why \$1 of an existing customer’s business can cost \$10 to replace with new customer business.

Activity 4:

What Does Good Customer Service Look Like?

When: Before discussing customer service

Materials needed: Flip chart, marker

10–15 minutes

Ask the class for examples of excellent customer service. Write these on the flip chart. Now ask what bad customer service looks like. Write answers on the flip chart. Hang completed pages around the room. Gets students to think about what they appreciate or find offensive about service from a customer's perspective.

Wrap-up:
Homework, Q&A, Next Steps

Have students complete Section 2 of their business plan: Marketing. Have them refer to the sample business plan outline in their workbooks and tell them to be sure to answer each of the questions regarding product or service description, market description, competition, and selling strategy. Consider scheduling one-on-one time with students outside of class to provide assistance. The class should read Chapter 7 of the workbook before the next session. Ask if there are any questions. Don't forget to answer any questions people may have placed in the Question "Parking Lot."

Quiz and Answer Key

Chapter 6

Quiz

Instructions: Mark the following as either true (T) or false (F)

1. Marketing involves any strategy for making potential customers aware of your product or service and getting them to try it. T F
2. Having a market for your product is the same as having a need for it. T F
3. You should try to market your product or service to everyone. T F
4. Demographics refers to the selected population characteristics such as race, age, and income. T F
5. Census data can be valuable when researching potential customers. T F
6. Business is about relationships. T F
7. Television and radio advertising is always an effective marketing strategy for small business owners. T F
8. It takes \$1 of new business to replace \$1 of lost business. T F

Chapter 6
Quiz Answer Key

- | | |
|------|------|
| 1. T | 5. T |
| 2. F | 6. T |
| 3. F | 7. F |
| 4. T | 8. F |

Chapter 7 Lesson Plan: Managing Your Cash Flow

Learning Objective

In Chapter 7, students discover the importance of developing a cash-flow management plan and learn some strategies for improving cash flow in their own small businesses. This chapter includes:

- The importance of cash-flow management
- Consequences of not projecting or managing cash flow
- Strategies for maintaining positive cash flow
- Start-up and existing business worksheets
- Guidelines about cash-flow projections for lenders

Question “Parking Lot” (Use Every Class Session)

See the Chapter One Lesson Plan for details on how to use the Question “Parking Lot.” Be sure to respond to as many questions as possible before the end of this session and to answer any questions left over from last time that you promised to research.

Chapter 7 Lesson Plan

Topic Description	Time (Minutes); Total 120–150 Minutes
Opening: Welcome Back; Q&A	5
Activity 1: Business Sound Bites	10–15
Discussion Topic: What Is Cash Flow?	5–10
Activity 2: Cathy’s Cleaning Service	25–30
Discussion Topics: Improving Cash Flow Predicting the (Cash) Future	5
(Break)	(10–15)
Lecture: Predicting the (Cash) Future	5–10
Activity 3: Sandra’s Sewing Circle	35–40
Lecture: What Does Your Lender Want?	10
Wrap-up: Homework, Q&A, Next Steps	10

Activity 1: Business Sound Bites

When: Beginning of the session

Materials needed: None

10–15 minutes

Have participants share sound bites and critique each other. Remind people to give positive, constructive advice. Students gain public speaking experience. Comments help improve sound bites.

Discussion Topic

Page 75: What Is Cash Flow?

Ask the class for examples of personal cash flow *in* (paychecks, tax refunds, interest on investments, child support, and so on). Then, ask for examples of personal cash flow *out* (payment of rent, utilities, groceries, child support payments, and so on). Write the answers on a flip chart. Point out that if anyone has experienced greater cash flow out than in, even for a short time, they can understand the importance of planning and managing cash flow.

Activity 2: Cathy's Cleaning Service

When: To introduce cash flow management

Materials needed: Participant workbooks

5 minutes

Set up the scenario for Cathy's Cleaning Service (page 76 of the workbook).

10 minutes

Walk through the weekly transactions of Cathy's Cleaning Service, using the PowerPoint slides to facilitate. Point out the ending cash balance with each transaction, with emphasis on Cathy's negative cash balances. Ask if anyone can relate to Cathy's problems. Point out that Cathy has had to ask both her mother and a friend to help her out of her cash-flow crunch. Discuss how uncomfortable this must have been for Cathy. Then discuss the fact that this is a cash-flow reality for many small businesses. This activity allows students to safely experience the angst of negative cash and encourages empathy for the difficulties of small business cash-flow management.

5 minutes

After the transactions have been read, ask the class if it appears Cathy had a cash-flow management plan (she didn't). Review the types of transactions that occurred and ask how many were predictable (most of them). Ask students if they have any suggestions for how Cathy might have created a cash management plan and what, if anything, she could have done differently. This activity helps students recognize the importance of creating a plan.

5 minutes

Use the PowerPoint slides to introduce "Two Rules for Positive Cash Flow." Review and discuss the strategies Cathy can use to establish positive cash flow. On pages 80–81, review the "before" and "after" scenarios. Point out the big differences in Cathy's ending cash balances and discuss why Cathy's balances are so much higher in the "after" scenario. Discuss whether or not creating a cash-flow plan is a worthwhile use of time. This activity helps students recognize how a cash flow crisis can be avoided through proper planning.

Discussion Topics

Pages 82–83: Improving Cash Flow

Use the PowerPoint slides to facilitate a discussion about strategies for improving cash flow.

Pages 83: Predicting the (Cash) Future

Discuss how to create effective cash-flow projections by starting with predictable information (rent payments, insurance premiums, contract income, etc.) and then adding information that the business owner must assume (sales income for a specific month, utility expenses, etc.). Remind students to take into consideration factors that will affect their business (seasonality, holidays, road construction, etc.). Reassure students that in the beginning their forecasts may be difficult to create, but they will become easier and more accurate over time.

Activity 3: Sandra’s Sewing Circle

When: After discussing Cathy’s Cleaning Service

Materials needed: Participant workbooks

Note: Review the cash flow worksheet before facilitating this activity, and be sure you understand the “change in cash” line (line 30). To calculate change in cash, subtract line 29 (total cash out) from line 6 (total cash in). Change in cash represents the net change in cash for the current period without regard to the bank balance; in other words, did the business take in more cash than it spent, or did it spend more cash than it took in *this month*? This number is important because it reflects how a business is managing its cash flow on a monthly basis. A trend of negative change in cash (more negative than positive months) is a red flag for a business owner. An owner may still have a positive bank balance (if they started with ample funds) but be operating at negative cash flow. A quick review of the change in cash line will reveal if this is the case.

25 minutes

Divide the class into small groups. Have them turn to page 84 of the workbook and complete the Sandra’s Sewing Circle activity. The answer key to the completed worksheet follows (see next page). This activity allows students to consider cash-flow elements and create a cash-flow projection worksheet.

10 minutes

Review the correct answers to the Sandra’s Sewing Circle activity and discuss. Note that although the ending cash balance remains positive, the *change in cash* (total cash in less cash out each week) is negative each week, indicating a negative *trend* (the direction it is going most of the time) in cash flow. This is important to note, because if the trend doesn’t change, it’s just a matter of time before Sandra runs out of cash. This activity allows students to recognize the importance of analyzing cashflow trends.

Sandra's Sewing Service Exercise Answer Key

Following is the solution to the Sandra's Sewing Service activity.

	Start-up cash flow	Week 1	Week 2	Week 3	Week 4
Beginning cash	-0-	920	885	695	800
Cash in					
Owner's investment	1000				
Loan proceeds	500				
Sales income		120	145	245	120
Total cash in	1500	120	145	245	120
Cash out/start-up					
Initial rent/deposits					
Initial utility/deposits	80				
Equipment purchases					
Initial inventory purchases	450				
Initial office supplies					
Fees/Licenses	50				
Cash Out					
COGS, labor					
COGS, materials		40	50	75	40
Rent		40	40	40	40
Insurance			75		
Payroll					
Payroll taxes					
Loan payments					200
Advertising/Marketing				25	
Travel expenses					
Owner's compensation			150		150
Office supplies		75			
Telephone					60
Utilities			20		
Total cash out	580	155	335	140	490
Change in cash	+920	-35	-190	+105	-370
Ending cash	920	885	695	800	430

Note that rent is a weekly expense and should be reflected in all four weeks, not just the first week (a common mistake students make). Ask students whether the change in cash in Sandra's business shows a positive or negative trend and discuss what this means. Given Sandra's projections, ask students whether or not Sandra's plan seems feasible. If not, what suggestions might they give Sandra (i.e., operate the business from home, ask her mother for an extension of the loan repayment, etc.).

Pages 86–87: Start-Up and Existing Business Cash-Flow

The workbook provides worksheets (see next pages) for students to create their own cash-flow projections.

Page 88: Projections for Lenders

Traditional lenders typically look for one to three years of cash-flow projections. When they get them, they tend to discount the numbers (reduce the income and inflate the expenses) to create a worst-case scenario. It may be helpful if borrowers submit three cash-flow projections using low, middle, and high projections. A lender will tend to give the greatest consideration to the middle projection. Cash-flow projections must include assumption statements. These are brief sentences at the bottom of the projections that tell the lender how the numbers were calculated (such as "1. Assume an inflation rate of 4% each year" and "2. Assume an annual increase in sales of 3%").

Start-Up Business Cash-Flow Worksheet

Start-up cash flow	Week 1	Week 2	Week 3	Week 4
1. Beginning cash				
Cash in				
2. Owner's investment				
3. Loan proceeds				
4. Sales income				
5. Other:				
6. Total cash in (add lines 2–5)				
Cash out/start-up				
7. Initial rent/deposits				
8. Initial utility/deposits				
9. Equipment purchases/deposits				
10. Initial inventory purchases				
11. Initial office supply purchases				
12. Fees/License				
13. Other:				
Cash out				
14. COGS, labor				
15. COGS, materials				
16. Rent				
17. Insurance				
18. Payroll				
19. Payroll taxes				
20. Loan payments				
21. Advertising/Marketing				
22. Travel expenses				
23. Owner's compensation				
24. Office supplies				
25. Telephone				
26. Utilities				
27. Other:				
28. Other:				
29. Total cash out (add lines 7–28)				
30. Change in cash (line 6 minus line 29)				
31. Ending cash (line 1 plus line 30)				
Note: Ending cash for one period becomes the beginning cash for the next period.				

Existing Business Cash-Flow Worksheet

	Period 1		Period 2		Period 3	
	Projected	Actual	Projected	Actual	Projected	Actual
1. Beginning cash						
Cash in						
2. Owner's investment						
3. Loan proceeds						
4. Sales income						
5. Other:						
6. Total cash in (add lines 2–5)						
Cash out						
7. COGS, labor						
8. COGS, materials						
9. Rent						
10. Insurance						
11. Payroll						
12. Payroll taxes						
13. Loan payments						
14. Advertising/Marketing						
15. Travel expenses						
16. Owner's compensation						
17. Office supplies						
18. Telephone						
19. Utilities						
20. Other:						
21. Other:						
22. Other:						
23. Other:						
24. Other:						
25. Total cash out (add lines 7–24)						
26. Change in cash (line 6 minus line 25)						
27. Ending cash (line 1 plus line 26)						

Note: Ending cash for one period becomes the beginning cash for the next period.

**Wrap-up:
Homework, Q&A, Next Steps**

As part of their homework, students should prepare cash-flow projections to be included in their business plans. Use the worksheets in the workbook as a guide or print copies of the worksheets (included on this CD as well). Business plans should include at least 12 months of cash-flow projections. Consider scheduling one-on-one time with students, in or outside of class, to assist with their projections. The class should read Chapter 8 of the workbook before the next session. Ask if there are any questions. Don't forget to answer any questions people may have placed in the Question "Parking Lot."

Quiz and Answer Key

Chapter 7

Quiz

Instructions: Mark the following as either true (T) or false (F)

1. Having cash is the same thing as being profitable. T F
2. To maintain positive cash flow, schedule cash to come in sooner and hang on to it longer. T F
3. Billing more frequently has a negative effect on cash flow. T F
4. It is impossible to predict cash flow because there are too many variables. T F
5. Potential lenders will expect a cash-flow projection as part of your financial plan. T F
6. Owners often spend so much time “being” the business that they don’t take the time to “manage” the business. T F
7. One way to increase cash flow is to bundle fast-selling items with complementary slower-selling items. T F
8. Maintaining a lot of excess inventory is one way to better manage your cash flow. T F

Chapter 7

Quiz Answer Key

1. F

2. T

3. F

4. F

5. T

6. T

7. T

8. F

Chapter 8 Lesson Plan: The Business of Business Learning Objective

Chapter 8 gives students basic information about legal forms of business and business insurance issues. This chapter includes

- Advantages, disadvantages, tax issues, and steps to forming sole proprietorships, general partnerships, limited liability companies, and corporations
- Types of insurance
- Steps for insurance planning

Question “Parking Lot” (Use Every Class Session)

See the Chapter One Lesson Plan for details on how to use the Question “Parking Lot.” Be sure to respond to as many questions as possible before the end of this session and to answer any questions left over from last time that you promised to research.

Chapter 8 Lesson Plan

Topic Description	Time (Minutes); Total 120–150 Minutes
Opening: Welcome Back; Q&A	5–10
Activity 1: Business Sound Bites	10
Lecture: Legal and Tax Terms	10
Lecture: Legal Forms of Business	30–35
(Break)	(10)
Activity 2-Option 1:* Choose the Best Business Form	(20–25)
Lectures:	
Insuring Your Success; Types of Insurance	15-20
Steps for Insurance Planning	10-20
Activity 2-Option 2:* Insurance Gamble Game	(20–25)
Wrap-up: Homework, Q&A, Next Steps	10

* Choose one of these two activities to discuss legal forms of business OR insurance needs.

Activity 1: Business Sound Bites

When: Beginning of the session

Materials needed: None

10–15 minutes

Have participants share sound bites and critique each other. Remind people to give positive, constructive advice. Students gain public speaking experience. Comments help improve sound bites.

Lecture

Pages 89–95: Legal Forms of Business

Review the advantages, disadvantages, and steps to forming and maintaining sole proprietorships, general partnerships, limited liability companies, and corporations (subchapter S and C and nonprofit). Consider having an attorney or certified public accountant available to answer specific legal and tax-related questions.

Activity 2 (Option 1 of 2): Choose the Best Business Form

When: After reviewing the various forms of business

Materials needed: None

20 minutes

Divide the class into small groups. Have each group read the scenarios on pages 96–97 and discuss which they feel would be the best legal form for each business. Have each group explain why they chose their answers. Students learn to consider tax and liability issues for various businesses.

Lectures

Pages 97–98: Insuring Your Success; Types of Insurance

Many businesses can benefit from having the right kind of insurance. Discuss the types of insurance listed on page 98. Ask students to consider what type of insurance policies they might need or want based on their business idea and why.

Page 99: Insurance Planning

Use the PowerPoint Slides to facilitate a discussion about the steps for insurance planning.

Note: Instead of using Activity 2, Best Business Form, to discuss legal forms of business, consider using this alternate activity, Insurance Gamble, to discuss insurance considerations.

Activity 2 (Option 2 of 2): Insurance Gamble

When: After discussing types of insurance

Materials needed: Insurance Gamble game board, dice, player pieces, Tragedy or Triumph cards, play money, list of insurance policies and their costs.

- Create a simple board game out of posterboard. Draw squares around the perimeter, similar to a Monopoly board.
- In each square, describe a different common daily business transaction depicting either a cash in or cash out transaction (such as “A \$400 sale is made,” “A \$150 telephone bill must be paid,” and so on).

- Be sure to include six squares on your board that are labeled “Tragedy or Triumph.”
- Create 12 different Tragedy cards (such as “Your office is struck by lightning: damage cost = \$500”) and 12 different Triumph cards (such as “You discover a rare coin worth \$500”).
- Make a list of insurance policies that cover each Tragedy situation; use the list in the workbook on page 98 as a guideline.

15–20 minutes

- Ask for four volunteers to play the game.
- Give each volunteer \$500 in play money.
- Give each player the chance to buy as much or as little insurance as they want (or none at all). They must pay for the insurance out of the \$500. At any time during the game, players can purchase additional insurance. They cannot cash in or sell a policy that has been purchased.
- Have players roll the dice and move their game pieces the appropriate number of squares.
- Depending on where they land, either give or take cash from the players.
- If a player lands on a “Tragedy or Triumph” square, they must choose a card from the pile of 24 cards. If a tragedy occurs for which they are insured, there is no cost to the player. If a tragedy occurs for which they are not insured, the player must pay the cost.
- When a player is out of money, they are out of the game.
- The last player remaining wins.

This simulation game of chance allows players to appreciate the importance of having the right types of insurance. Because real life is unpredictable, students may make “right” or “wrong” insurance decisions. However, gathering information before starting a business is paramount to making the best decisions.

5 minutes

Discuss with players and observers their thoughts about this simulation and how it does or does not parallel real life. Generates an active discussion that gets students thinking about real-life decisions.

Wrap-up: Homework, Q&A, Next Steps

Students should research the legal form of business that is most suitable for their type of business. If necessary, they should meet with a certified public accountant or attorney to make this determination or to file the appropriate documents. Students should also complete the Choose the Right Insurance case studies on page 100 and the Insurance Priorities questions on page 101. They should then complete the Organization section of their business plan and include their legal structure, insurance information, and list of advisors. Consider scheduling one-on-one time with students to provide assistance.

The class should read Chapter 9 of the workbook before the next session, but instruct them not to complete the exercises, as these will be completed in class. Ask if there are any questions. Don’t forget to answer any questions people may have placed in the Question “Parking Lot.”

Quiz and Answer Key

Chapter 8

Quiz

Instructions: Mark the following as either true (T) or false (F)

1. Sole proprietorships are the simplest form of businesses. T F
2. The owner of a sole proprietorship is not responsible for that business's debts.
T F
3. Partnerships are not considered "pass-through" entities. T F
4. In an LLC, members are protected from personal liability for business debts and claims. T F
5. Corporations are managed by a board of directors elected by the shareholders.
T F
6. In general, corporations have a harder time finding investors. T F
7. Any small business owner can easily qualify as a not-for-profit company and avoid paying taxes. T F
8. Loss prevention programs are one way to avoid having to pay for costly insurance in some cases. T F

Chapter 8
Quiz Answer Key

1. T

2. F

3. F

4. T

5. T

6. F

7. F

8. T

Chapter 9 Lesson Plan: Managing Your Records

Learning Objective

Chapter 9 discusses why an efficient and simple-to-maintain record-keeping system is vital to a small business. This chapter includes information about creating and maintaining a manual record-keeping system.

- This chapter includes
- Common record-keeping terms
- Information about obtaining an Employer Identification Number
- An example of a manual record-keeping system
- How documentation works together
- A sample chart of accounts
- How to record manual entries to journals
- How to determine if someone is an employee or an independent contractor

Question “Parking Lot” (Use Every Class Session)

See the Chapter One Lesson Plan for details on how to use the Question “Parking Lot.” Be sure to respond to as many questions as possible before the end of this session and to answer any questions left over from last time that you promised to research.

Chapter 9 Lesson Plan

Topic Description	Time (Minutes); Total 120–150 Minutes
Opening: Welcome Back; Q&A	5
Activity 1: Business Sound Bites	10
Lectures:	
Keep Your Records Well	
Record-Keeping Terms	5–10
It’s Not Personal, It’s Only Business	5–10
Activity 2: Managing the Paperwork	20–30
(Break)	(10–15)
Lecture: Recording Transactions	5–10
Activity 3: Exercise #1	10
Lecture: Cash Receipt and Disbursement Journal	5
Activity 4: Journaling Activity	20
Lectures:	
Accounting Software	5
Keeping Records; Selecting an Accountant; IC Versus Employee	10
Wrap-up: Homework, Q&A, Next Steps	10

Activity 1: Business Sound Bites

When: Beginning of the session

Materials needed: None

10–15 minutes

Have participants share sound bites and critique each other. Remind people to give positive, constructive advice. Students gain public speaking experience. Comments help improve sound bites.

Lectures

Page 103: Keep Your Records Well

Use the PowerPoint slides to facilitate a discussion about why business owners should keep records and guidelines for keeping good records.

Page 104: Record-Keeping Terms

Introduce common record-keeping terms found on page 104 of the participant workbook.

Page 105: It's Not Personal, It's Only Business

Use the PowerPoint slides to facilitate a discussion about keeping personal and business transactions separate. Discuss steps for opening a bank account and obtaining an Employer Identification Number. Stress the importance of not co-mingling funds. Consider providing examples like the ones presented on page 106.

Activity 2: Managing the Paperwork

When: After discussing separating business from personal transactions

Materials needed: one 31-pocket (daily) accordion file folder, one 12-pocket (monthly) folder, and two 26-pocket (alphabetical) folders. You will also need the following documents (see Paperwork Worksheet on next page):

- Gas bill, due February 15
- Telephone bill, due February 25
- Invoice to Mr. Smythe, due February 17
- Invoice, Superior Stuff Co., due March 8
- Check from Mr. Smythe, dated February 18

Chapter 9: Paperwork Worksheet

Facilitator: Print and then cut apart the following “documents” for use with Activity 2: Managing the Paperwork.

GEEWHIZ GAS COMPANY
BILL

MIDTOWN TELEPHONE COMPANY
BILL

MY GREAT COMPANY!!

Customer Invoice #9876

Customer name: Mr. Smythe

Terms: 15 Days

Vendor Invoice from

The Superior Stuff Company

DUE DATE: MARCH 8

Check # 12456

February 18

Pay to the order of My Great Company

\$\$\$\$\$\$

Amount: Lots of Money!

Mr. Smythe

20–30 minutes

Following the directions on pages 106–109 of the participant workbook, demonstrate how a small business can manage documents using accordion file folders. Hold up each transaction as it is discussed and then move it to the appropriate file folder pocket. Explain that other documents, such as bank statements and cash register tapes, should be kept in separate file folders. For businesses that use business credit cards, collect credit card receipts as charges are made. Keep receipts in a separate envelope. When the monthly credit card bill comes in, pull out receipts, match and then staple them to the credit card bill, and file the bill as you would any other, according to its due date. Point out that at the end of the year, all relevant business documents will be neatly gathered in one place, ready to be delivered to a tax professional or filed. Students learn that document management can be a simple task if maintained daily.

Lecture

Page 109: Recording Transactions

Use PowerPoint slides to facilitate a discussion about recording transactions into a simple disbursement journal (see next pages). Consider bringing samples of columnar pads.

Activity 3: Exercise #1

When: After introducing journals

Materials needed: Participant workbook

15 minutes

Have students turn to page 111 of their workbooks, Exercise #1. Introduce the concept that in accounting, every transaction has two sides. Introduces students to the idea that transactions must be classified by type.

5 minutes

Review the chart of accounts and give brief examples of transactions that might be posted to each account. Review the five transactions with the class and ask students if they can identify the other side of each transaction based on the chart of accounts provided. The correct answers are listed at the bottom of page 111. Students learn to think of transactions as being two-sided.

Lecture

Page 112: Cash Receipt and Disbursement Journal

Review the Leaf It to Me journal (see next pages). Point out that individual transactions are posted in two columns, one representing either cash in or cash out of the bank account, and the other representing the type of income or expense (sales income, chemical expenses, etc.). Note that at the end of the month, columns are totaled and a quick summary showing income, expenses, and profit or loss is written at the bottom of the journal. A bank balance is obtained as well. Ask if there are any questions about how the journal is posted.

GENERAL CASH DISBURSEMENT JOURNAL

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Year:	20XX														
Month:	XXXX														
Date	Description	Check #	Cash In	Cash Out	Sales Income	Other Cash In	Expense 1	Expense 2	Expense 3	Expense 4	Expense 5	Expense 6	Owner's Comp.	General Desc.	Amount
	Expenses														
	Beginning Bank Bal														
	Monthly Totals														
	Ending Bank Bal														
21															
22	Total Sales Income (column 6)														
23	Total Expenses (add columns 8-16)														
24	Profit or Loss														
25															
26	Beginning Bank Bal														
27	+/- Profit (Loss)														
28	+ Other Cash In														
29	Ending Cash Balance														
30															

Activity 4: Journaling Activity

When: After discussing general journals

Materials needed: Workbook, additional blank August journal handouts for Leaf It to Me (included in Student Templates at JIST.com; also see image of worksheet on previous page), and hand-held calculators (one for each small group)

15 minutes

Divide the class into small groups. Have each group read the directions for the journaling activity on page 114. Consider bringing extra copies of the blank journal for anyone who might not have their workbook. Note that blank Excel files are also included on this CD for creating your own exercises or to hand out or e-mail to your students.

After each group has posted the August transactions, have groups compare their journals to the completed journal on page 116. Students gain experience posting simple accounting entries to a journal.

10 minutes

Have the class answer the questions about Sally's business on page 114.

The correct answers are:

1. Sally's beginning bank balance: \$1,909.84
2. Sally's ending bank balance: \$1,914.84
3. August sales: \$2,200.00
4. August expenses: \$2,195.00
5. Sally paid herself: \$1,500.00
6. Profit/Loss for August: \$5.00

Students learn that a great deal of financial data can be obtained from a simple journal.

Lectures

Page 117: Accounting Software

Use the PowerPoint slides to facilitate a discussion about accounting software packages and the features of QuickBooks software. If you have access to a computer and projector and have any of this software available to you, consider taking some time to show how it works.

Page 117–119: How Long to Keep Records; Selecting an Accountant; Employee or Independent Contractor?

Use the PowerPoint slides to facilitate discussions about how long to keep records, how to interview an accountant, and how the IRS defines employees versus independent contractors.

Wrap-up: Homework, Q&A, Next Steps

Students should consider obtaining an EIN and opening a bank account as they approach the

launch of their new businesses. Students with existing businesses who haven't done so yet should do so now.

If appropriate, students should set up a manual record-keeping system, set up a manual journal, and/or purchase bookkeeping or accounting software. They should also begin working with an accounting professional as needed. Feel free to offer recommendations of local accountants you know.

Encourage entrepreneurs to continue working on their business plans. By this time, they should be able to complete all the sections of the plan. Consider scheduling one-on-one time with students who require assistance.

The class should read Chapter 10 of the workbook before the next session, but instruct them not to complete the exercises, as these will be completed in class. Ask if there are any questions. Don't forget to answer any questions people may have placed in the Question "Parking Lot."

Quiz and Answer Key

Chapter 9

Quiz

Instructions: Mark the following as either true (T) or false (F)

1. A good record-keeping system can help you establish whether you are operating at a profit or a loss. T F
2. It is crucial to keep business and personal transactions separate. T F
3. The IRS recommends you keep business records for 1–2 years. T F
4. There is a small fee to obtain an EIN number from the IRS. T F
5. In accounting, every transaction has at least two sides. T F
6. Even if you keep track of all of your records and transactions, you should still enlist the help of an accountant to review your files and produce financial statements. T F
7. When trying to tell the difference between an employee and an independent contractor, someone who is told *what* work to do but not *how* to do it is generally considered an independent contractor. T F
8. All accounting software tends to be overly complicated and should be avoided by first-time entrepreneurs. T F

Chapter 9
Quiz Answer Key

1. T

2. T

3. F

4. F

5. T

6. T

7. T

8. F

Chapter 10 Lesson Plan: Understanding Financial Statements

Learning Objective

In Chapter 10, students learn to read and analyze financial statements. Successful business owners use financial statements to examine the effects of their business decisions and make future plans based on past performance. This chapter includes:

- The who, what, when, and why of financial statements
- The balance sheet
- The income statement
- Calculating net worth
- The fundamental accounting formula
- Cash vs. credit entries on financial statements
- A small business chart of accounts
- How to calculate and reflect retained earnings
- Questions used to analyze financial statements

Question “Parking Lot” (Use Every Class Session)

See the Chapter One Lesson Plan for details on how to use the Question “Parking Lot.” Be sure to respond to as many questions as possible before the end of this session and to answer any questions left over from last time that you promised to research.

Chapter 10 Lesson Plan

Topic Description	Time (Minutes); Total 120–150 Minutes
Opening: Welcome Back; Q&A	5
Activity 1: Business Sound Bites	15
Lectures: Just the Facts, Ma’am: Who? What? When? Why?	5
You Ought to Be in Pictures!	10–15
Discussion Topics: Mary’s Balance Sheet	10–15
Is This Picture in Focus?	10–15
(Break)	(10–15)
Lectures: The Whole Family Album	10
The Chart of Accounts	5
Retained Earnings Accumulate	5–10
Activity 2: Exercise 2	20–25
Discussion Topic: Examine Your Financial Picture	5
Wrap-up: Homework, Q&A, Next Steps	10

Activity 1: Business Sound Bites

When: Beginning of the session

Materials needed: None

10–15 minutes

Have participants share sound bites and critique each other. Remind people to give positive, constructive advice.

Students gain public speaking experience. Comments help improve sound bites.

Lectures

Page 121: *Just the Facts, Ma'am—Who? What? When? Why?*

Use the PowerPoint slide to discuss how business owners use financial statements to effectively manage their operations. The information reflected on a financial statement can affect short- and long-term plans. Too often, business owners make the mistake of generating these reports only because a lender or investor requires them. Whether financial statements are internally generated or produced by an accountant or bookkeeper, the business owner must learn to read and analyze those statements.

Page 122: *You Ought to Be in Pictures!*

Use the PowerPoint slides to explain that the balance sheet shows what a business is worth at a particular *point* in time. The income statement shows how well a business operated within a specific period of time, for example, one month. The income statement also reflects a business's profit or loss. (See the Income Statement Worksheet on next page.)

Discussion Topics

Page 123: *Mary's Financial Statements*

Use the PowerPoint slides to introduce Mary's personal balance sheet and income statement. Review the common transactions and how they would be reflected on Mary's personal financial statements. First, describe each item as an asset, liability, or equity (all balance sheet items) or as income, expense, profit, or loss (income statement items).

Note the format in which a balance sheet is prepared (assets on the left side, liabilities and equity on the right side). Balance sheets must balance: the left side must be equal to the right side. $\text{Assets} = \text{Liabilities} + \text{Equity}$. Mary's income statement is also on page 123. Note that Mary had a personal profit of \$500 (her income exceeded her expenses). Where does Mary keep this profit? Look at the balance sheet again. Under Assets (things Mary owns) is a bank account with a \$500 balance. This is where Mary keeps her profit. Her balance sheet must balance, so the \$500 profit must also be reflected on the right side of her balance sheet. Because her profit increases her financial worth, or equity, her profit is reflected under Equity as Profit.

Chapter 10: Income Statement

You can use this blank income statement to analyze the performance of your own small business.

Income Statement for Period Ending _____

Income

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

Expenses

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

Profit (Loss)

\$ _____

Page 124: Is This Picture in Focus?

This section more closely examines the relationship between assets, liabilities, and equity. If you liquidated your assets and then paid off your liabilities, you'd be left with your equity or net worth. The equation $\text{Assets} - \text{Liabilities} = \text{Equity}$ can also be expressed as $\text{Assets} = \text{Liabilities} + \text{Equity}$. This is *the* fundamental accounting equation. Note that in this format, the accounting equation is the same as the balance sheet: assets on the left, liabilities and equity on the right. Add everything together, and both sides should be equal, or *balance*.

Lectures

Page 125: The Whole Family Album

While the balance sheet expresses financial net worth at a specific time, the income statement shows how well a business is operated over a specific period of time. It makes sense that if a business is profitable, then it should be worth more than one that is *not* profitable. Somehow, that profit must show up on the balance sheet indicating an increased net worth. Profit for a specific period of time is called *retained earnings*. Retained earnings is an equity account. Review the example of ABC Widgets, a profitable business, and XYZ Gadgets, an unprofitable business. Note that the ending equity is greater for the profitable business than the business that operates at a loss.

Page 129: The Chart of Accounts

In a previous chapter, we looked at an example of a simple chart of accounts. The PowerPoint slides provide examples as well. The sample business chart of accounts is fairly detailed, allowing the business owner to more closely examine account balances, as well as specific types of expenses and sources of income. Note that all of the accounts are numbered. The numbering is somewhat arbitrary and varies from business to business, but there is a consistent factor in the numbering system. Accounts are arranged in the same order they appear on financial statements: Assets (account numbers 100–199) are followed by Liabilities (200s) and Equity (300s) and then Income (400s) and Expenses (500+).

Page 130: Retained Earnings Accumulate

Note that retained earnings is a cumulative number. That is, if a business has a profit in its first month of operations and another profit in its second month, the retained earnings at the end of month two is the sum of both amounts. Likewise, when a business has a loss, the amount is subtracted from the accumulated retained earnings. This is true because the balance sheet shows what a business is worth at a specific point in time. If a business has a history of large profits followed by a small loss, the balance sheet should reflect the cumulative profits and losses to date in order to accurately reflect its net worth.

Activity 2: Exercise #2

When: After discussing the fundamentals of financial statements

Materials needed: Participant workbooks

25 minutes

Divide the class into small groups. Have each group follow the instructions for Exercise #2 on pages 131–132. Each small group must discuss and agree on their answers. Encourage students to be creative. Check with each group to see if their balance sheets balanced. Note: Did they remember to post their profit or loss from the bottom of the income statement to retained earnings? Likewise, did they record the profit in a bank account under assets? Students gain experience creating financial statements, resulting in increased comprehension of financial reports.

Chapter 10: Balance Sheet

You can use this blank balance sheet to analyze the performance of your own small business.

Balance Sheet as of _____

Assets		Liabilities	
_____	—	\$ _____	_____
_____	—	\$ _____	_____
_____	—	\$ _____	_____
_____	—	\$ _____	_____
_____	—	\$ _____	_____
_____	—	\$ _____	_____
_____	—	\$ _____	_____
_____	—	\$ _____	_____
_____	—	\$ _____	_____
_____	—	\$ _____	_____
			Equity (net worth)

Total Assets		\$ _____	Liabilities & Equity
			\$ _____

Discussion Topic

Page 133: Examine Your Financial Picture

Use the PowerPoint slides to introduce questions business owners should ask themselves when examining their own financial statements. Lenders and investors will be asking these questions when analyzing these statements. The answers to these questions should assist the business owner in making informed management decisions.

Wrap-up: Homework, Q&A, Next Steps

Encourage entrepreneurs to continue working on their business plans. By this time, they should be able to complete all the sections of the plan. Consider scheduling one-on-one time with students who require assistance. If you plan on discussing e-businesses, the class should read the Bonus Chapter of the workbook before the next session. Ask if there are any questions. Don't forget to answer any questions people may have placed in the Question "Parking Lot."

Quiz and Answer Key

Chapter 10

Quiz

Instructions: Mark the following as either true (T) or false (F)

1. Financial statements are only used by accountants and bankers. T F
2. Most businesses should produce monthly financial reports to keep track of their performance. T F
3. The income statement is a financial snapshot of your business at a given point in time. T F
4. Equity is equal to assets minus liabilities. T F
5. If a business suffers a loss, equity increases. T F
6. Profit or loss is posted to the balance sheet in an equity account called retained earnings. T F
7. Retained earnings accumulate from one period to the next. T F
8. The balance sheet reports the net worth of the business. T F

Chapter 10
Quiz Answer Key

1. F

2. T

3. F

4. T

5. F

6. T

7. T

8. T

Bonus Chapter Lesson Plan: Is an E-business Right For You?

Learning Objective

In the Bonus Chapter, students learn what an e-business is, what the advantages and disadvantages of owning an e-business are, and the steps required to launch an e-commerce Web site. This chapter is not integral to the creation of the business plan, but it can be helpful for any students interested in starting their own Internet business or moving their existing business online. This chapter includes:

- What is an e-business?
- What are you selling?
- Setting your e-business apart from the competition
- Steps to launch a Web site
- A Web site planning worksheet

Question “Parking Lot” (Use Every Class Session)

See the Chapter One Lesson Plan for details on how to use the Question “Parking Lot.” Be sure to respond to as many questions as possible before the end of this session and to answer any questions left over from last time that you promised to research.

Bonus Chapter Lesson Plan

Topic Description	Time (Minutes); Total 120–150 Minutes
Opening: Welcome Back; Q&A	5
Lecture: What Is an E-business?	5
Discussion Topic: E-business Pros and Cons	10
Lecture: What Are You Selling?	10
Discussion Topic: Setting Your E-business Apart	15–20
Activity 1: E-business Marketing Case Studies	20–25
(Break)	(10–15)
Lecture: Launching Your Web Site	20
Activity 2: Web Site Design: How to Be One in a Billion	20–30
Wrap-up: Q&A, Next Steps	10

Lecture

Page 135: What Is an E-business?

Use the PowerPoint slide to introduce the definition of e-business. An e-business uses the Internet to sell goods and service to other businesses (B2B) or to consumers (B2C). “Bricks-and-mortar” businesses—that is, businesses with physical locations that customers can visit— can also have an e-business presence. Some businesses only do business over the Internet; these are sometimes referred to as virtual or Internet businesses.

Discussion Topic

Page 136: E-business Pros and Cons

Use the PowerPoint slides to discuss the pros and cons of owning and operating an e-business. Most likely the class will come up with several more not listed here. See if you come to a consensus about the overall value of starting an e-business.

Advantages

- Access to world-wide markets
- Open for business 24/7
- Low start-up and operating costs
- Can operate from home
- Flexible; can make frequent changes at low cost

Disadvantages

- Reliance on technology (can be unstable)
- Lose human interaction with customers
- Must maintain online security
- Must possess or hire technical expertise

Lecture

Page 136: What Are You Selling?

Discuss the many things people sell over the Internet. Most of these things can be categorized as products, information, or services. Use the PowerPoint slides to discuss examples of products, information, and services e-businesses sell. Ask whether students have purchased or sold any of these items. Ask for examples of positive or negative Internet buying experiences.

Discussion Topic

Page 141: Setting Your E-business Apart

Use the PowerPoint slides to facilitate a discussion about how to set an e-business apart from the competition. Remind students to go back to marketing basics and identify their target customers, define the problem or problems their products or services solve, and outline the benefits their customers will realize.

Activity 1: E-Business Marketing Case Studies

When: After a discussion of what sets one e-business apart from another.

Materials needed: E-business Case Study Handouts.

20–25 minutes

Break the class into small groups and have each group read and answer the questions on the e-business case study handouts. Ask each group to share their marketing strategies with the class.

Students gain experience identifying the target market and developing a marketing strategy for an e-business.

Bonus Chapter: E-Business Marketing Case Studies

1. Matthew and the Purple Martins

Matthew makes and sells birdhouses from his home-based workshop. He specializes in making multi-story houses for Purple Martins (large North American Swallows and agile hunters that eat a variety of winged insects while in flight). He would like to launch an e-business but hasn't come up with a name for his business yet. Answer the following marketing questions about Matthew's e-business:

- Identify a target customer for this business.
- What problem does this business solve or what need does it fill for customers?
- What benefits would this business's customers realize?
- What feature might this business offer on its Web site to attract customers?
- What would you name this business?



2. Cassandra's Garden Variety Articles

Cassandra has been a master gardener and professional writer for many years. She would like to launch an e-business writing articles about gardening. She believes people will buy her articles and feature them in their magazines and newsletters and on their Web sites. Answer the following marketing questions about Cassandra's e-business:

- Identify a target customer for this business.
- What problem does this business solve or what need does it fill for customers?
- What benefits would this business's customers realize?
- What feature might this business offer on its Web site to attract customers?
- What would you name this business?

3. Raymond the Rare Bookseller

Raymond has been collecting rare books most of his life. He now owns a collection of a few thousand books and would like to start selling them through an e-business. Answer the following questions about Raymond's business:

- Identify a target customer for this business.
- What problem does this business solve or what need does it fill for customers?
- What benefits would this business's customers realize?
- What feature might this business offer on its Web site to attract customers?
- What would you name this business?

4. Maggie's Collection Agency

Maggie has worked in the collection industry for nearly thirty years. She would now like to work from home providing patient debt collection services for medical offices. Answer the following questions about Maggie's business:

- Identify a target customer for this business.
- What problem does this business solve or what need does it fill for customers?
- What benefits would this business's customers realize?
- What feature might this business offer on its Web site to attract customers?
- What would you name this business?

5. Barbara's Secretarial Service

Barbara has been an executive administrative assistant for more than twenty years. She would like to start a part-time online secretarial service from her home. Answer the following about Barbara's business:

- Identify a target customer for this business.
- What problem does this business solve or what need does it fill for customers?
- What benefits would this business's customers realize?
- What feature might this business offer on its Web site to attract customers?
- What would you name this business?

6. Pamela's Pet Clothes

Pamela makes custom pet clothing for small dogs and cats. Her clothing items start at \$75 and some sell for as much as \$2,500. All of her items are one-of-a-kind designs. Answer the following questions about this business:

- Identify a target customer for this business.
- What problem does this business solve or what need does it fill for customers?
- What benefits would this business's customers realize?
- What feature might this business offer on its Web site to attract customers?
- What would you name this business?

Lecture

Page 142: Launching Your Web Site

Introduce the basic steps to launching a Web site: registering a domain name, building the site, hosting the site, and promoting the site. Use the PowerPoint slides to discuss each of these steps in detail. You might emphasize that there are already 30 billion pages of data out on the Internet already and the importance of getting the consumer's attention.

Activity 2:
Web Site Designs: How to Be One in a Billion

When: As part of a discussion about designing and launching Web sites

Materials needed: Sample pages from both well- and poorly designed Web sites. If you have access to a computer and projector or a computer lab, visit the Internet and explore live samples of both well- and poorly designed Web sites.

20 minutes

Break the class into small groups and give each group some sample pages printed from both well- and poorly designed Web sites. (Or visit Internet Web sites and explore them together as a class. The chapter lists several sites with features that help them stand out from the crowd. You can start with these.) Ask each group to identify what makes the Web site design either good or bad. By exploring examples of good and bad Web design, students can avoid making the same mistakes with their own Web sites.

Wrap Up:
Q&A, Next Steps

Answer any questions remaining in the Question Parking Lot. Students interested in launching an e-business should complete the Web Site Planning Worksheet on pages 147–148. Encourage entrepreneurs to complete their business plans. Consider scheduling one-on-one time with students who require assistance.

From Dream to Reality

This course should provide students with the fundamentals of writing a simple business plan as outlined in Chapter 1. It may be helpful to continue providing one-on-one assistance to students as they refine their plans. If appropriate, consider ending the course by handing out certificates of completion.

Quiz and Answer Key

Bonus Chapter

Quiz

Instructions: Mark the following as either true (T) or false (F)

1. A “clicks-and-mortar” business sells products exclusively online. T F
2. E-businesses generally have lower start-up and operating costs. T F
3. Drop shipping allows you to sell products and have them shipped directly to the customer without you holding excess inventory. T F
4. A Web site must have a “.com” extension in its domain name if it is going to sell something. T F
5. One strategy for getting more customers to your Web site is to optimize its placement in search engines. T F
6. Most companies that will host your Web site will also help you register your domain name and provide other features for an additional charge. T F
7. There are an estimated 10 million Web pages currently available online. T F
8. The Internet marketplace is much less competitive than the traditional “bricks-and-mortar” one. T F

Bonus Chapter
Quiz Answer Key

1. F
2. T
3. T
4. F

5. T
6. T
7. F
8. F

Key Terms

Chapter 1

Entrepreneur: One who manages, organizes, and assumes **the** risk of a business enterprise.

Microenterprise: A very small business with five or fewer employees (often only one: the business owner) that can benefit from loans of \$35,000 or less and is often too small to access commercial banking services.

Business plan: A written plan to start, maintain, and grow a business. The business plan helps the business owner develop a business strategy, remain focused, and anticipate future needs. Business plans are used as management tools and to attract potential investors, employees, and lenders.

Chapter 2

N/A

Chapter 3

Capital: Money, equipment, or other major contributions invested by the owner or investors to start a business.

Equity capital: Money the business owner or other people invest. (It carries with it a share of ownership and, usually, profits.)

Debt capital: Money borrowed to start a business. (It has to be repaid to the lender with interest.)

Equity: What remains when you take the value of everything you own and subtract from it the value of everything you owe.

Collateral: Something of value a borrower owns and is willing to pledge to secure a loan.

Loan: Money borrowed that must be repaid, usually under specific conditions.

Chapter 4

N/A

Chapter 5

Cost of Goods Sold: Direct expenses involved in producing a product or providing a service.

Fixed expenses: Recurring expenses for things that are consumed or used up during normal business operations (such as rent, insurance, office supplies, and marketing materials).

Capital expenditures: The cost of purchasing major, nonrecurring items for your business that are not consumed during normal business operations (such as buildings and equipment).

Gross income: Revenues generated from the sales of products or services.

Gross profit: What remains when you subtract cost of goods sold (COGS) from gross income.

Net profit: What remains when you subtract fixed expenses from gross profit.

Chapter 6

Direct competition: Any business that sells the same or similar products or services to your potential customers.

Indirect competition: Any business that sells an alternative product or service meant to meet the needs of your potential customers. *Example: An ice cream store is direct competition to another ice cream store. A dessert shop that specializes in baked goods is indirect competition. Both compete for the same customer dollars.*

Chapter 7

Cash flow: Cash coming in and going out of your business.

- **Examples of cash flow in:** Cash from sale of products or services; cash from the sale of capital items, such as equipment, land, or buildings; loan proceeds.
- **Examples of cash flow out:** Payments to vendors, refunds to customers, loan payments, payments to purchase capital equipment.

Chapter 8

Use the PowerPoint slides to define the following legal and tax-related term.

Liability: Being legally obligated or responsible for a debt, a claim, or a loss.

Limited liability: Business owners are protected from personal liability for business debts and claims.

Exceptions to limited liability: Limited liability protection is not absolute; a business owner can be held personally liable if he or she

- Intentionally acts in a way that is fraudulent, illegal, or reckless.
- Personally injures someone.
- Defaults on a bank or business debt for which a personal guarantee was signed.
- Fails to deposit taxes withheld from employee wages.

- Treats the business as an extension of their personal affairs rather than a separate legal entity.

Pass-through entity: Some business structures are pass-through entities for tax purposes, meaning the business itself pays no federal or state income taxes and that taxable income is 'passed through' to the business owners, who report their share of business profits or losses on their personal tax returns.

Self-employment taxes: Self-employed people are responsible for both the employee and the employer portions of this tax.

Chapter 9

Accounts payable/Trade payable: Money you owe to your regular business creditors.

Accounts receivable/Trade receivable: Money owed to you by customers.

Cash sales: Sales made to customers when no credit has been extended. Cash sales are paid for at the time the sale is made.

Cash receipts: Any receipt of money. A cash receipt occurs both when a customer pays your accounts receivable and when a customer pays a cash sale.

Credit memo: A reduction or credit applied to a previously issued invoice.

Debit memo: An increase applied to a previously issued invoice.

Invoice: A bill sent from a creditor to a customer.

Packing slip: A document a business encloses itemizing contents of a shipment and often indicating if items are on backorder.

Purchase order: A form a business uses to place an order with a creditor.

Chapter 10

Balance sheet: A balance sheet shows what your business is worth at a specific point in time. Balance sheets include *assets* (what you own), *liabilities* (what you owe), and *equity* (the difference between what you own and what you owe).

Income statement: Income statements are also called "profit and loss" or "P/L" statements. They show how well your business is operated within a specific period of time (a month, quarter, or year). Income statements include *income*, *expenses*, and *profit or loss* (difference between income and expenses).