Unit 3

Financial Management

Options, Options, Options

Directions: Read through the scenario and select the financing option that you and your partner prefer. State your reasons for choosing or not choosing the option. Be prepared to share your reasoning with the class.

You and your partner have decided to go into business together. After much discussion and calculation, you have determined that you need $800 to start your business. You and your partner are meeting today to explore various options for financing your start-up costs.

Option A:
You are a good bank customer and you know that you and your partner are eligible for a bank loan. When you checked with your bank loan officer, she told you that you could borrow the $800 at only 8% interest for 12 months.

How much would you owe with interest?

What happens if your business fails in 6 months?

Is this the option for you?

Option B:
Your partner's brother has shown an interest in the business. He has suggested that he is willing to invest $800 in the company for a 51% share in the company. He has some great ideas and he's ready to tell you how to run the company.

What would you be giving up in exchange for the $800 investment?

Is this the option for you?

Option C:
You have a part-time job that you were hoping to quit, but you could work for another 12 months and save up your money. Your partner could get a job and save up as well. If you both worked and saved up the money, you could probably start the business in 8-12 months.

What would you be risking if you wait to open your business in 8-12 months?

Is this the option for you?

Start-Up Cost$

Directions: Consider the business idea listed on the ***Business Idea card*** distributed to your group. Think about all the costs associated with starting that business. Remember, start-up costs are one-time-only expenses that must be paid to start the business. Estimate the cost of each item.

Business Idea: _____

Item	**Estimated Cost**
TOTAL	

Pro Forma Cash Flow Statement

Carver Cabinets

	Jan	Feb	Mar	Apr	May	June
Revenues	**$5,500**	**$5,000**	**$5,200**	**$5,700**	**$5,800**	**$5,900**
Operating Expenses						
Cost of Goods	2,900	2,600	2,650	3,000	3,000	3,100
Rent	950	950	950	950	950	950
Utilities	150	150	150	150	150	150
Salaries	2,000	2,000	2,000	2,000	2,000	2,000
Advertising	500	500	500	500	500	500
Supplies	20	15	35	50	50	50
Insurance	75	75	75	75	75	75
Payroll Taxes	175	175	175	175	175	175
Other	40	40	40	40	40	40
Total Expenses	6,810	6,505	6,575	6,940	6,940	7,040
Cash Flow	$ -1,310	$ -1,505	$ -1,375	$ -1,240	$ -1,140	$-1,140

Pro Forma Balance Sheet
Carver Cabinets

December 31, 20—

Assets		**Liabilities**	
Current assets		**Current liabilities**	
Cash	$ 1,500	Accounts payable	$13,000
Accounts receivable	$9,000		
Less allowance for uncollectible accounts	-800	**Long term liabilities**	$15,500
		Loans payable	
Inventory	$15,000		
Total current assets	**$24,700**	**Total liabilities**	**$28,500**
Fixed assets		**Net Worth**	
Equipment	$10,200	Mike Carver	$21,505
Less depreciation	$ -2,195		
Furniture	$2,300		
Less depreciation	$ -200		
Vehicles	$19,000		
Less depreciation	$ -3,800		
Total fixed assets	**$25,305**		
Total assets	**$50,005**	**Total liabilities & net worth**	**$50,005**

There Has To Be A Way…

Directions: Copy the start-up costs listed on the board. Review each one and brainstorm ways to reduce or eliminate the cost. Be creative in your approach. *Remember, entrepreneurs are able to see possibilities where others see problems.*

Business Idea: _____

Start-up costs:

Ways to reduce or eliminate costs:

Personal Financial Statement

ALL ABOUT YOU

Name _____ Phone Number _____

Address _____ Length of Time at Residence_____

City, State, Zip _____

Date of Birth _____

EMPLOYMENT INFORMATION

Employer _____ Phone Number_____

Employer Address _____ Length of Employment_____

Wage or Salary: Hourly $_____ Monthly $ _____ Position_____

Average Hours Worked per Week _____Amount of Other Income_____

BANK RELATIONSHIPS

Bank Name _____ ☐ Checking ☐ Savings

Bank Name _____ ☐ Checking ☐ Savings

LIABILITIES

Rent _____ Monthly Payment $ _____

Credit Cards_____Balance $ _____ Monthly Payment $ _____

Credit Cards_____Balance $ _____ Monthly Payment $ _____

Loans _____Balance $ _____ Monthly Payment $ _____

Car _____Balance $ _____ Monthly Payment $ _____

Other _____Balance $ _____ Monthly Payment $ _____

ASSETS

Cash, Savings $ _____ Stocks $_____

Money Market $_____ Automobile $ _____

Other $ _____

Where Did the Money Go?

Directions: Reflect on your recent spending. List everything you bought and what you paid for each item in the past five days. Checkmark any items for which you still have the receipt.

Receipt?	Item	Cost
☐	_____	$_____
☐	_____	$_____
☐	_____	$_____
☐	_____	$_____
☐	_____	$_____
☐	_____	$_____
☐	_____	$_____
☐	_____	$_____
☐	_____	$_____
☐	_____	$_____
☐	_____	$_____
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☐	_____	$_____
☐	_____	$_____
☐	_____	$_____
☐	_____	$_____
☐	_____	$_____
☐	_____	$_____
☐	_____	$_____

Recording Business Transactions

Directions: Using the Monthly Record Keeping Journal, record each transaction in the appropriate line on the journal. When you have finished recording the transactions, total each column.

4/30 You and your best friend brainstorm a name for your potential lawn mowing business and come up with *Green To Go*.

5/1 You and your best friend start a lawn mowing business by each investing $200 to mow and trim lawns within a 10 block radius.

5/2 You buy a used trimmer from your father, Jason Smith, for $20.

5/3 You pay Sir Speedy $18.67 for printing flyers advertising your business.

5/4 You purchase two pairs of work gloves from Home Depot for $15.95 each.

5/6 You get your lawn mower blade sharpened at A-1 Rentals for $13.76.

5/9 You hire your best friend's younger brother and sister to distribute flyers in the neighborhood. You pay them each $5 per hour in cash and they both work 2 hours.

5/12 Two people hire you to mow their lawns for $15 each. You do a great job for both new customers and receive the fee plus a $5.00 tip for each lawn.

5/15 Three new customers contact you and hire you to mow their lawns at $15 per lawn. You complete all three jobs and get paid. One customer tips you $3.00.

5/18 You order business cards from Sir Speedy and pay $8.43 for your order.

5/19 You run out of gas and have to fill up a 10-gallon container at Diamond Shamrock for $2.39 per gallon.

5/23 You mow a new customer's lawn for $15 and trim another customer's hedge for $10.

5/25 You decide to buy an edging tool since several customers have requested that you edge their lawns. The edger costs $29.95 at Ace Hardware.

5/30 Your first five customers' lawns are ready to be mowed! You complete all five lawns for $15 per lawn. You make a total of $20 in tips.

5/31 The string on your trimmer breaks and you replace it for $4.50 at Home Depot.

Monthly Record Keeping Journal

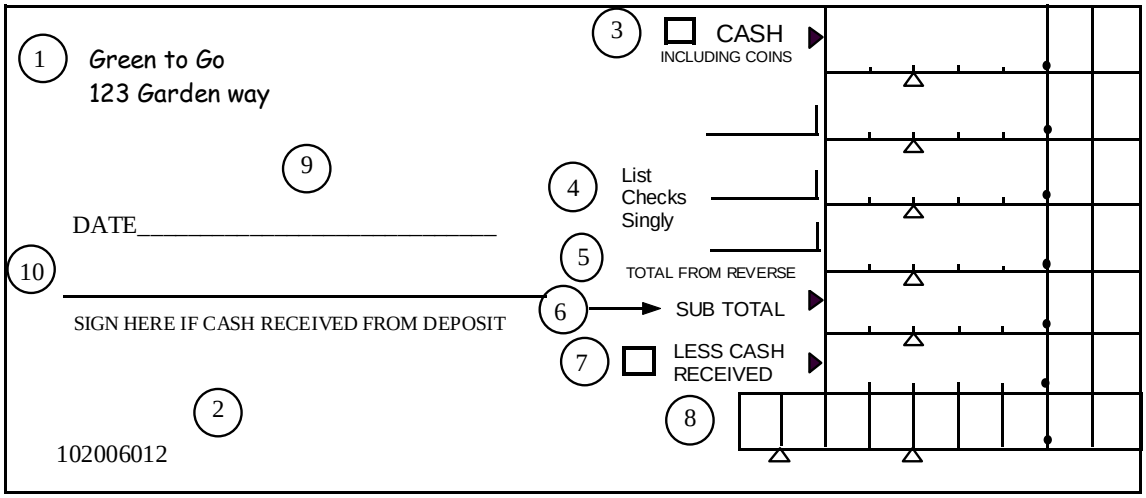
Business Name: _____

Page ___ of ____ **Month: _____ Year:_____**

Date	Check or Invoice Number	Transaction Description (Paid to or Received from)	AMOUNT				EXPENSE AMOUNT						
			Income	Sales Tax Collected	Owner's Capital	Owner's Withdrawal	Advertising	Auto/ Travel	Equipment	Inventory	Supplies	Rent	Misc.
TOTAL FOR THE MONTH													

How to Make a Deposit

A deposit is money put into an account. You must complete a deposit slip whenever you want to put money into your checking account. Follow the directions below to learn how to fill out a deposit slip.



1. Business deposit slips usually are preprinted with the business name and address. If the deposit slip is not preprinted, print the business name and address.

2. Business deposit slips usually are preprinted with the bank routing number and the business checking account number.

3. Write the total amount of cash, including coins you are going to deposit, on this line.

4. Write the amount of each check you plan to deposit on these lines. If you have more than three checks to deposit, write the amounts of the checks on the other side of the deposit slip.

5. Add the checks on the back of the deposit slip and write the total on this line.

6. Add all amounts listed on the front of the deposit slip together and write the total on this line.

7. Write the amount of cash you want back from the subtotal on this line.

8. Subtract the amount of cash you want from the subtotal and write the new total here. This is the amount you will add to your register.

9. Write the date you are making the deposit.

10. Sign your name on this line in cursive when you want the teller to give you cash back.

Business Deposit Worksheet

Directions: Refer back to the ***Recording Business Transactions*** worksheet in your Student Guide. Record your deposits using the deposit slips on this page and the next page. In some instances you may need to use the back of the deposit slip to list your checks. For this activity, simply total up the amounts of the checks that you are not able to list separately on the front and write the total in the space labeled "Total from other side."

Green to Go
123 Garden Way

DATE_____20_____

_____

SIGN HERE IF CASH RECEIVED FROM DEPOSIT

Young Americans Bank 102006012 2530301297

Currency		
Coin		
CHECKS		
Total from other side		
SUB -TOTAL		
Less cash received		
TOTAL DEPOSIT		

Green To Go
123 Garden Way

DATE_____20_____

_____

SIGN HERE IF CASH RECEIVED FROM DEPOSIT

Young Americans Bank 102006012 2530301297

Currency		
Coin		
CHECKS		
Total from other side		
SUB -TOTAL		
Less cash received		
TOTAL DEPOSIT		

Green To Go
123 Garden Way

DATE_____20_____

_____

SIGN HERE IF CASH RECEIVED FROM DEPOSIT

Young Americans Bank 102006012 2530301297

Currency		
Coin		
CHECKS		
Total from other side		
SUB -TOTAL		
Less cash received		
TOTAL DEPOSIT		

Business Deposit Worksheet # 2

Green to Go
123 Garden Way

DATE_____20_____

_____

SIGN HERE IF CASH RECEIVED FROM DEPOSIT

Young Americans Bank 102006012 2530301297

Currency		
Coin		
CHECKS		
Total from other side		
SUB -TOTAL		
Less cash received		
TOTAL DEPOSIT		

Green To Go
123 Garden Way

DATE_____20_____

_____

SIGN HERE IF CASH RECEIVED FROM DEPOSIT

Young Americans Bank 102006012 2530301297

Currency		
Coin		
CHECKS		
Total from other side		
SUB -TOTAL		
Less cash received		
TOTAL DEPOSIT		

Green To Go
123 Garden Way

DATE_____20_____

_____

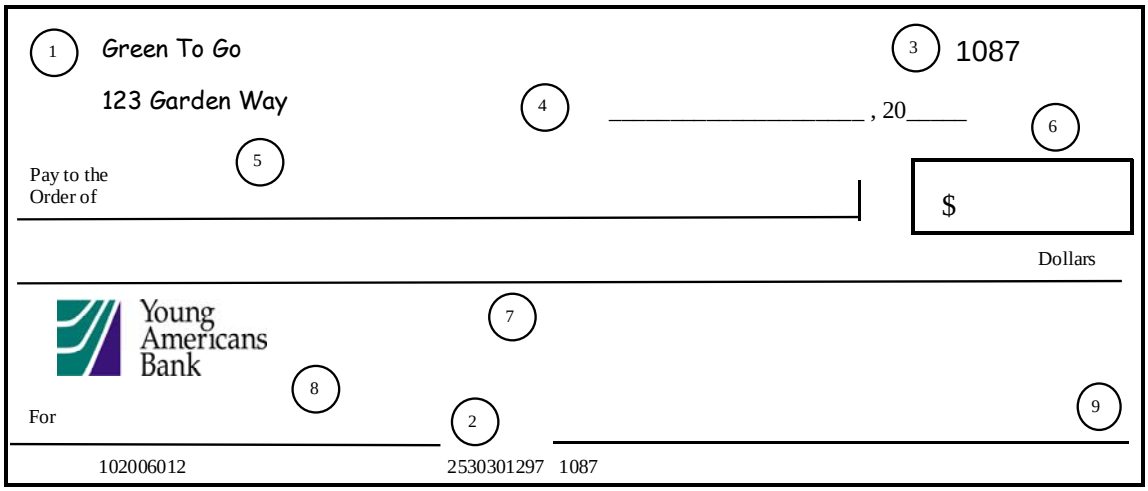
SIGN HERE IF CASH RECEIVED FROM DEPOSIT

Young Americans Bank 102006012 2530301297

Currency		
Coin		
CHECKS		
Total from other side		
SUB -TOTAL		
Less cash received		
TOTAL DEPOSIT		

How to Write a Business Check

Writing a check is a way to give someone money without actually giving cash. When you write a check, the amount of money written on the check is taken from your account and given to the person or business. Review the directions below to learn how to fill out a check.



1. Business name and address are usually preprinted.

2. Business checks usually have the bank routing number and the business checking account number preprinted at the bottom of the check.

3. Checks usually have preprinted check numbers in the right hand corner.

4. Write the date you are writing the check.

5. The name of the person or business you are paying goes on this line. Be sure to write clearly. If you are writing the check to get cash from your account, write the word “cash” on this line.

6. Write the amount of the check in numbers and decimals in this box.

7. Write the amount of the check in words on this line. Start as close to the left edge of the line as possible and fill leftover space with a squiggly line.

8. Use this line to keep track of the reason for writing the check.

9. Sign your first and last name in cursive on this line. Only properly signed checks can be cashed.

Business Checking Worksheet

Directions: Refer back to the ***Recording Business Transactions*** worksheet in your Student Guide. Using the checks below, write checks #1001—1009. Fill in the date, the name of the business or person you are paying, the amount of the check, and make a note of what the check is for on the line available. Sign the check with your name.

Green To Go
123 Garden Way

1001

_____ 20_____

Pay to the
Order of _____ $ _____

_____ Dollars

Young Americans Bank

For _____ _____

Green To Go
123 Garden Way

1002

_____ 20_____

Pay to the
Order of _____ $ _____

_____ Dollars

Young Americans Bank

For _____ _____

Green To Go
123 Garden Way

1003

_____ 20_____

Pay to the
Order of _____ $ _____

_____ Dollars

Young Americans Bank

For _____ _____

Business Checking Worksheet # 2

Green To Go
123 Garden Way

1001

_____ 20_____

Pay to the
Order of _____ $

_____ Dollars

Young Americans Bank

For _____ _____

Green To Go
123 Garden Way

1002

_____ 20_____

Pay to the
Order of _____ $

_____ Dollars

Young Americans Bank

For _____ _____

Green To Go
123 Garden Way

1003

_____ 20_____

Pay to the
Order of _____ $

_____ Dollars

Young Americans Bank

For _____ _____

Business Checking Worksheet # 3

Green To Go
123 Garden Way

1001

_____ 20_____

Pay to the
Order of _____ $

_____ Dollars

Young Americans Bank

For _____ _____

Green To Go
123 Garden Way

1002

_____ 20_____

Pay to the
Order of _____ $

_____ Dollars

Young Americans Bank

For _____ _____

Green To Go
123 Garden Way

1003

_____ 20_____

Pay to the
Order of _____ $

_____ Dollars

Young Americans Bank

For _____ _____

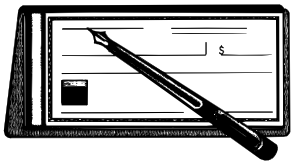
Business Checkbook Register

Check Number	Date	Paid to? or Deposit For what reason?	Balance Forward	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	

Business Checkbook Register, page 2

Check Number	Date	Paid to? or Deposit For what reason?	Balance Forward	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	
			Subtract check - Add deposit +	
			Balance	

Tips for Business Checking



Writing a Check

- Write in ink. Pencil can easily be erased and amounts changed.
- Use the correct date on the date line.
- Clearly write the name of the person or business after "Pay to the order of."
- Write the amount of the check in numbers next to the $.
- Write the amount of the check in words on the second line. Write the cents as a fraction over 100. Example: 25 cents is written as 25/100. Fill in unused space with a squiggly line so that the check cannot be altered by adding more words.
- Sign the check only when it is completely filled out.
- Use the “for” line to write what you paid for.

Using the Checkbook Register

- Record your checks and deposits immediately before or after you make them and keep the running total up to date to avoid overdrawing the account. Know your balance at all times!

Endorsing a Check

- Do not endorse a check until you are ready to deposit it.
- To deposit a check, use the restrictive endorsement "For Deposit Only," and then write your business name and account number.

Making a Deposit

- List the total of currency and separately list all checks you are depositing. Record the customer's name and the amount of each check on the deposit slip so you will have a record of who has paid you.
- Always get a receipt for your deposits and add the total of the deposit to your check register. Keep all receipts until you receive your next statement in the mail. If there is a mistake you will need to show the bank your receipt so they can correct it.

Safeguarding a Checking Account

- Keep blank checks in a safe place like you would do with cash. If checks are lost or stolen, notify the bank immediately and report the theft to police.
- Never sign checks until they are completely filled out.
- Destroy any remaining blank checks if you close your account.
- When you receive new checks, make sure your account number and other information are correct.
- Notify the bank immediately if you have a change of address.
- Call the bank to stop payment on checks you have written that you think are lost or stolen. The bank usually charges a fee to do this.
- If you make a big mistake while writing a check, write VOID across the front of the check, tear up it up and start over with a new one. Write VOID in your checkbook register for the check number you discarded. If the mistake is small, such as the date, draw a line through the error, write it correctly and initial any changes.
- Cash or deposit checks as soon as possible. State law requires you do so within 6 months, but as a rule of thumb, do not wait more than 30 days. Do not accept checks that are more than six months old.
- Do not endorse a check until you are ready to make a deposit.
- Carefully review checks received from customers, verifying that the numerical and written amounts match and that the check is properly signed and dated.

Record Keeping Word Search

P	A	T	Q	U	J	H	I	E	W	N	Y	L	O	B	M	F	S	A	G	X	K
C	V	E	U	H	C	F	A	S	S	L	K	J	G	D	E	O	I	P	P	I	N
C	R	N	O	W	N	E	R	S	C	A	P	I	T	A	L	O	T	C	M	S	I
B	A	C	T	N	O	T	E	P	O	K	M	B	E	Q	L	Q	G	H	I	O	L
E	D	P	B	E	M	I	S	C	E	L	L	A	N	E	O	U	S	L	K	J	H
T	V	R	D	W	E	P	H	A	N	I	B	V	K	I	P	M	E	N	G	V	A
N	E	P	O	E	Q	B	J	K	M	N	S	E	I	T	I	L	I	T	U	A	M
R	R	E	N	T	O	J	I	K	F	F	X	M	P	L	N	H	L	J	Y	F	T
D	T	F	C	X	Z	Y	U	E	M	O	C	N	I	C	A	P	P	I	T	L	S
P	I	N	O	S	Z	E	M	Q	U	I	M	F	J	K	L	S	P	T	V	B	O
I	S	M	E	R	E	N	L	U	Y	P	V	B	W	Y	T	G	U	H	M	F	X
T	I	N	P	T	K	B	V	I	S	I	T	I	N	S	A	H	S	O	I	B	G
A	N	P	U	I	L	I	S	P	W	B	I	T	M	K	J	L	D	S	Y	C	A
O	G	J	K	L	G	E	C	M	M	O	N	N	E	Y	O	U	O	S	R	E	W
C	C	O	U	T	N	L	L	E	N	G	Y	D	V	C	W	N	T	V	E	N	M
N	B	G	Y	R	T	D	U	N	Y	O	P	W	Q	E	B	A	A	N	P	I	T
O	R	Y	S	A	L	E	S	T	A	X	E	S	A	L	N	I	U	Y	I	A	X
P	E	T	M	V	A	S	Q	R	V	E	L	X	T	B	N	T	T	O	T	B	S
N	O	C	E	E	B	J	K	I	A	B	F	O	P	K	L	V	O	R	Y	A	Y
X	T	A	E	L	K	I	G	S	P	O	K	W	Y	L	I	F	T	R	S	N	M
B	P	L	A	W	A	R	D	H	T	I	W	S	R	E	N	W	O	G	Y	D	X
O	N	R	W	E	S	D	R	A	L	T	E	N	O	W	N	R	M	Y	O	P	B

Locate and circle the categories that are usually listed on a general recordkeeping journal:

Advertising
Auto
Equipment
Income
Inventory
Miscellaneous
Owners Capital
Owners Withdrawal
Rent
Sales tax
Supplies
Travel
Utilities

Choosing a Bank That's Right for You

Name of Bank: _____
Date Visited: _____
Name of Person Contacted: _____
(Attach business card)

Branch information:

- ✓ Branch nearest your home: _____
- ✓ Branch nearest your school: _____
- ✓ Number of branches: _____

Number of ATMs: _____
Bank Hours: _____
Are your funds FDIC insured? _____
Types of accounts available: _____
_____
_____
Amount of initial deposit required: _____

Fees:

- ✓ Must maintain a minimum daily balance of: _____
- ✓ Must maintain an average daily balance of: _____
- ✓ Monthly maintenance charge: _____

Interest:

- ✓ How much interest do you earn on your account? _____
- ✓ How is interest calculated? _____

Charges:

- ✓ Printing checks_____
- ✓ Bouncing checks_____
- ✓ Stopping checks_____
- ✓ Certifying checks_____

Balance inquiries:

- ✓ At teller window_____
- ✓ Over the Internet_____
- ✓ At ATMs_____
- ✓ By phone_____

Special services:

- ✓ Internet banking_____
- ✓ Fund transfer by phone_____
- ✓ Debit card_____
- ✓ Educational classes_____

Company Profiles

Directions: Create a separate income statement for each company. Three blank sheets follow this page for you to use to create the income statements. Review the completed income statements and answer the questions at the bottom of the next page.

Company A: Silvia's Scarves

Silvia purchases 100 hand painted scarves for $8 and sells them for $20 each. Her total COGS is _____. Her revenue is _____.
Silvia pays her friend a 15% commission on everything she sells. This month her friend sold 45 of the 100 ties. Therefore, Silvia paid her friend $_____.

Silvia's monthly fixed costs are:

- $25 for utilities (cell phone)
- $100 for Salary (Silvia's)
- $45 for Advertising
- $10 for Insurance
- $0 for Interest
- $35 for Rent (storage space)
- $0 for Depreciation

Silvia uses 20% to calculate her taxes.

Company B: Pedro's Pet Care

Pedro provides a pet-sitting and pet-walking service for dog and cat owners. He sells his service in one-hour blocks for $18. Pedro values his time at $8 per hour. This month Pedro has sold 45 hours of service. His total COSS is _____. His revenue is $_____. Pedro pays his customers a $5 referral fee for every customer they help sign up. This month he received 3 referrals. Therefore, Pedro paid out $ _____.

Pedro's monthly fixed costs are:

- $18 for Utilities (cell phone)
- $0 for Salaries (figured into COSS)
- $10 for Advertising
- $15 for Insurance
- $0 for Interest
- $0 for Rent
- $0 for Depreciation

Pedro uses 15% to calculate his taxes.

Company Profiles, page 2

Company C: Gina's Gems
Gina designs and makes wooden bead and stone necklaces. Gina sells each necklace for $25. This month she sold 60 necklaces. She purchases her beads and stones and has determined that each necklace uses $4 in materials and supplies. She pays herself $8 an hour. Each necklace takes Gina 1.5 hours to make. Her total COGS is _____. Her total revenue is $_____.

Gina's monthly fixed costs are:

- $35 for Utilities
- $0 for Salaries (figured into COGS)
- $40 for Advertising
- $15 for Insurance
- $15 for Interest (loan from mother)
- $30 for Rent (space at local bead store)
- $0 for Depreciation

Gina uses 20% to calculate her taxes.

1. Which business is doing the best? How do you know?

2. Which business' gross profit represents the greatest percentage of sales?
   Note: Prove your answer by creating a percentage analysis for each company and use sales as 100%.

3. List each business' ROS:

   Sylvia's Scarves:

   Pedro's Pet Care:

   Gina's Gems:

Income Statement Template

Name of Company: _____ **Time Period:** _____

Sales/Revenue:		**$**_____
Variable Costs		
Cost of Goods/Services Sold		
Total Labor/Wage Costs:	$_____	
Total Supplies:	_____	
Total Cost of Goods Sold:	$_____	
Other Variable Costs:		
Commission:	$_____	
Shipping:	_____	
Total Other Variable Costs	$_____	
Total Variable Costs:	**$**_____	_____
Gross Profit:		**$**_____
Fixed Operating Costs		
Utilities:	$_____	
Salary:	_____	
Advertising:	_____	
Insurance:	_____	
Interest:	_____	
Rent:	_____	
Depreciation:	_____	
Other:	_____	
Total Fixed Operating Costs	**$**_____	_____
Profit:		**$**_____
Taxes:		_____
Net Profit:		**$**_____

Income Statement Template #2

Name of Company: _____ **Time Period:** _____

Sales/Revenue:		**$**_____
Variable Costs		
Cost of Goods/Services Sold		
Total Labor/Wage Costs:	$_____	
Total Supplies:	_____	
Total Cost of Goods Sold:	$_____	
Other Variable Costs:		
Commission:	$_____	
Shipping:	_____	
Total Other Variable Costs	$_____	
Total Variable Costs:	**$**_____	_____
Gross Profit:		**$**_____
Fixed Operating Costs		
Utilities:	$_____	
Salary:	_____	
Advertising:	_____	
Insurance:	_____	
Interest:	_____	
Rent:	_____	
Depreciation:	_____	
Other:	_____	
Total Fixed Operating Costs	**$**_____	_____
Profit:		**$**_____
Taxes:		_____
Net Profit:		**$**_____

Income Statement Template #3

Name of Company: _____ **Time Period:** _____

Sales/Revenue:		**$**_____
Variable Costs		
Cost of Goods/Services Sold		
Total Labor/Wage Costs:	$_____	
Total Supplies:	_____	
Total Cost of Goods Sold:	$_____	
Other Variable Costs:		
Commission:	$_____	
Shipping:	_____	
Total Other Variable Costs	$_____	
Total Variable Costs:	**$**_____	_____
Gross Profit:		**$**_____
Fixed Operating Costs		
Utilities:	$_____	
Salary:	_____	
Advertising:	_____	
Insurance:	_____	
Interest:	_____	
Rent:	_____	
Depreciation:	_____	
Other:	_____	
Total Fixed Operating Costs	**$**_____	_____
Profit:		**$**_____
Taxes:		_____
Net Profit:		**$**_____

Business Name:

12-Month Income Statement

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total Year 1
Units Sold*													
Unit Selling Price*													
Sales/Revenue													
Total Cost of Goods Sold													
Total Other Variable Costs													
Total Variable Costs													
Gross Profit													
Total Fixed Costs													
Profit													

- Total Sales/Revenue = Units Sold x Unit Selling Price
- Total Cost of Goods or Services Sold = Units Sold x Cost of Goods or Services Sold per Unit
- Total Other Variable Costs = Units Sold x Other Variable Costs per Unit
- Total Variable Costs = Total Cost of Goods or Services Sold + Total Other Variable Costs
- Gross Profit = Total Sales – Total Variable Costs
- Total Fixed Costs = Total of USAIIRD
- Profit/(Loss) = Gross Profit – Total Variable Costs
- Taxes = Profit x .20 (estimated)
- Net Profit = Profit – Taxes

Less Taxes (20%)	
Net Profit	

* Units Sold and Unit Selling Price are not part of the Income Statement but when multiplied together give Total Sales/Revenue

Negotiation Situations

Directions: In your group, brainstorm all the situations in which an entrepreneur may need to negotiate in order to do business. For example, if an entrepreneur is renting space for his or her business, he/she may need to negotiate the terms of the building lease.

Think of as many situations as possible!

Elements of a Contract

A contract is a legally binding agreement between two or more persons or parties. As an entrepreneur, you will enter into contracts as you start and operate your business. For a contract to be considered legally binding, certain elements must be included. These elements are:

- **Agreement**
  This occurs when there is a meeting of the minds. Each party must be clear as to the essential details, rights and obligations of the contract.

- **Consideration**
  If the other party is to be held to the contract, you must give up something in exchange. No party can have a free way out or the ability to obtain something of value without providing something in exchange. Money is the most common form of compensation, but it can be property, giving up a right or valid claim, making a promise to do or not to do something or anything of value.

- **Capacity**
  For a contract to be valid, each party must have the capacity to enter into it. Most people and companies have the sufficient legal competency. An intoxicated, drugged or mentally impaired person has impaired capacity and chances are a court may not hold that person to the contract. Minors (i.e., usually individuals under eighteen) cannot generally enter into a binding contract without parental consent, unless it is for the necessities of life, such as food, clothing or student loan contracts.

- **Legality**
  Agreeing to perform an illegal or illicit act is not consideration and the contract is void.

Sample Contract

Directions: Based on the issue assigned, your group will draw up a sample contract. Pay close attention to the elements of a contract and be sure to include them in your sample contract.

Competition: Who Wins?

Directions: Consider the role your group has been assigned. Develop a strong argument supporting your viewpoint. You will have approximately 5 minutes to state your viewpoint at the city council meeting. Once all parties have been heard, you will have approximately 3 minutes for rebuttal. The city council will make a decision to either allow the big-box store to build or not. Good luck!

The scenario: The community is a suburb of a metropolitan area. Small businesses line the main street of the business district. A big-box store has applied for a permit to build a superstore in an undeveloped area approximately one mile from the main part of town. The city council is considering preliminary approval. The small business owners are up in arms. The big-box store considers this town to be a prime location. The city council meeting is tonight.

So What’s a Little Sharing Among Friends?

Directions: Consider the question: “Is it okay to download music from ‘free’ sites on the Internet or burn a CD for a friend?”

Based on the role your group was assigned, develop either an affirmative position or a negative position and list your major reasons. Develop a two-minute opening statement stating your group’s position. In addition, develop a one-minute closing statement that is persuasive.