

MoneyWi\$e

A Consumer Action-Capital One Financial Education Project

Micro Business Basics

Seminar Lesson Plan

*For more information about the MoneyWi\$e project, visit
www.money-wise.org*

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Micro Business Basics

Seminar Lesson Plan & PowerPoint Presentation Notes

(For use by the MoneyWi\$e instructor.)

Course Purpose

To help participants learn basic information about the creation and financial management of a micro business.

Course objectives

Participants will learn:

- What a micro business is.
- How to anticipate the needs of a new business.
- Business planning and bookkeeping.
- How to read key business financial documents.
- Different ways that businesses are organized.
- How to estimate start-up costs.
- How to borrow from the Small Business Administration and other lenders.
- Considerations when hiring lawyers, financial planners and other professionals who assist small business people.
- How to find government contracting opportunities.

Materials

Participants' folders, which include:

- “Micro Business Basics” (brochure) Note: The brochure is available in Chinese, English, Korean, Spanish and Vietnamese.
- Activities (attached to the end of this lesson plan)
 - “Hair & Now” Business Model (Class Activity)
 - Sample Projected Profit and Loss Statement (Class Activity)
- Evaluation of the MoneyWi\$e Micro Business Basics Seminar

For the trainer:

- “Micro Business Basics Leader’s Guide”
- “Micro Business” slides (PowerPoint presentation with notes)
- Easel, flip chart pad and markers

Seminar duration: There are two sessions of two hours each. Each two-hour session includes a 15-minute break.

Training Outline

First Session (Two hours)

Suggested time allotment	Topic
5 minutes	Welcome and training overview
15 minutes	Group introductions
10 minutes	Micro businesses
15 minutes	Are you ready for business?
15 minutes	Break
10 minutes	Anticipating your business needs
15 minutes	Business planning and bookkeeping
20 minutes	“Hair & Now” Business Model (Activity)
10 minutes	Start-up costs
5 minutes	First session wrap up

Second Session (Two hours)

Suggested time allotment	Topic
5 minutes	Welcome participants
10 minutes	Business structure and organization
15 minutes	Finding funds for your business
15 minutes	SBA Loans
5 minutes	Government contracting
15 minutes	Break
15 minutes	Reading a projected profit-loss statement (Activity)
10 minutes	Government requirements
10 minutes	Top five micro business mistakes
15 minutes	Questions and answers
5 minutes	Wrap up and evaluation

Training Design/Lesson Plan

Session One

(Two Hours)

Before conducting the seminar, familiarize yourself with this lesson plan, the “Micro Business Basics” brochure, the “Micro Business Leader’s Guide” and the PowerPoint presentation.

Welcome and Training Overview (5 minutes)

Review the topics you will cover:

- What distinguishes micro businesses from other small businesses.
- Anticipating the financial needs of a new micro business.
- Micro business planning and bookkeeping.
- Reading key business financial documents.
- Ways to structure (or organize) micro businesses.
- Estimating start-up costs.
- Borrowing from the Small Business Administration and other lenders.
- Hiring lawyers and other professionals.
- Finding government contracting opportunities.

Review the day’s agenda, emphasizing that topics will be broken down into short, easily digestible sections of 10-20 minutes each and that there will be a 15-minute break about half-way through the session.

Group Introductions (15 minutes)

Ask participants to introduce themselves and say what they hope to get out of the seminar.

Write down participants’ expectations on the easel pad. This activity will serve as an icebreaker to help workshop participants get to know each other and feel more comfortable, and to give you an idea of what participants are expecting from the seminar. Save the page for the final wrap-up and evaluation at the end of the second session, so that you can revisit it and ask for feedback on how participants feel about the seminar.

RESOURCE: Direct attention to the savings brochure in participants’ folders. Give the class five minutes to review the brochure before you continue.

Micro business (10 minutes)

Review the Leader’s Guide, page 2.

Introduction: Micro businesses are very small companies run by their owners with few or no employees. They are often home-based, with annual sales under \$250,000. Many micro businesses start with a hobby or a great idea.

Questions to generate discussion:

Do you think that micro businesses must remain small?

- No. Micro businesses can qualify for loans to help them grow into large regional, national or franchise businesses.

Can you suggest some ideas for micro businesses?

- Cooking, child care, housecleaning, sewing, photography, errand-running, computer services, bicycle repair and medical records transcription. Any others?

Do you know how many small businesses fail, and why they fail?

- The U.S. Small Business Administration says that more than half of small businesses fail in their first year.

- Many businesses fail because they lack adequate funding.

Are you ready for business? (15 minutes)

Review the Leader's Guide, page 3.

Introduction: Are you really the kind of person who can be your own boss? Some people are better off as employees rather than as business owners.

People who are thinking about starting a business must consider many issues. Before you start a business, you have to be able to answer some important questions.

Go over these questions with the class and ask for feedback on why each one is important.

- Is your idea feasible?
- Do you have the experience and background to make your idea flourish?
- Is this a business with little or no competition, one in which you have a good chance of success?
- Are there too many companies in this line of business?
- Is there demand for your product or service?
- How will you let people know that you are in business?

There are many reasons that motivate people to go into business—some are more realistic than others. It can be tremendously rewarding to own your own business, but some people have unrealistic expectations. Review this list of some of the reasons that people go into business for themselves. Read some of the following statements and ask the class what is involved in making these statements come true.

- "I want to be my own boss."
- "I want to be fixed for lifetime employment."
- "I want to spend more time with my family."
- "I want to set my own schedule."
- "I want to be recognized for my talents."
- "I want to make a reliable living."

Questions to generate discussion:

What are some attributes of a good businessperson?

- Discipline, experience, patience, people skills, aptitude with numbers

Why is it important to research and prepare before you start a business?

- You could lose money if you do not adequately plan the steps you need to take to be successful.
- You could enter a market that has too much competition.
- You could fail to estimate the amount of money you need to start and grow your business.

Break (15 minutes)

Announce a 15-minute break. Ask the group to return promptly, as you have lots of information to cover before you adjourn.

Anticipating your business needs (10 minutes)

Review the Leader's Guide, page 3.

Introduction: Sound financial planning is key to a successful business. Predicting what it will cost to run your company will help you to prepare a budget that closely reflects your business plan.

RESOURCES: Two of the most important sources of help for small business owners and people who are considering a business are SCORE and the SBA. Both offer free services and resources in addition to classes and workshops (for which there may be a reasonable fee).

- SCORE, the Service Corps of Retired Executives (www.score.org), is a national organization offering free and confidential small business advice. Reach SCORE by phone at 800-634-0245. SCORE's 60-second guides give you quick and practical tips on business success.
- The U.S. Small Business Administration (www.sba.gov) provides many free resources and services for micro business owners. You can reach the SBA at 800-827-5722.

Hiring professionals, such as tax advisors, financial planners, accountants, etc.: You may need advice that is specific to your situation. Always compare fees and check references before hiring a professional.

Questions to generate discussion:

Why is it necessary to keep your business finances separate from your personal finances?

- The Internal Revenue Service (IRS) recommends that you do not mix business and personal accounts.
- "Co-mingling" personal and business transactions makes it hard to track business activity.
- Co-mingling personal and business transactions might raise questions about whether your deductions are allowable.

How can you keep your business finances separate from your personal finances?

- Set up a business checking account.
- Apply for credit cards in the name of your business.
- Keep a daily log or record of all your business-related activities.

How can you find and compare rates on business credit cards and business checking accounts?

- Ask business associates for recommendations.
- Use the Yellow Pages and call several banks for information.
- Go online to Bankrate.com or Cardweb.com.

How are business credit cards useful to small business owners?

- If used carefully, a business credit card can help you manage cash flow and keep your business obligations separate from your personal obligations.
- Business cardholders can earn discounts on supplies, rental cars and other services.

How can I find a business partner?

- Start by asking friends and acquaintances.
- Your local chamber of commerce, SCORE chapter or industry trade group may have networking events at which you can search for a business partner.

- Never mention how much money you have to invest until you have checked the backgrounds of potential partners.

Business planning and bookkeeping (15 minutes)

Review the Leader's Guide, page 4.

Introduction: Keeping accurate, organized records is vital to the success of your business. A lost receipt is a lost deduction and a lost deduction means more of your money paid out in taxes. Developing good record-keeping habits can save you thousands of dollars. For a start-up business, the documents that you use to present your idea and intentions to lenders, investors, potential partners and government entities are especially important. A well-written business plan accompanied by well-prepared supporting financial documents is vital in making sure your business starts off on the right footing.

One of the first documents you need to prepare is a "business plan." You will need a business plan when you approach lenders and potential partners. Your business plan is an essential written document that:

- describes your concept
- outlines your objectives
- forecasts costs
- details the strategies you will take to achieve your goals.

A well-prepared business plan includes:

- A profit and loss statement. A profit and loss (or income) statement is a financial report that summarizes revenues and expenses every three months (quarterly) and annually (each year). It shows your net income—the amount you have left after all expenses are subtracted from revenues.
- A balance sheet. A balance sheet is a financial report that shows what you own and what you owe—the difference is the value of your company.
- A cash flow forecast. A cash flow forecast is a report to help you calculate future expenses to make sure you will have money to pay your bills.

(Examples of these documents can be found in the Micro Business Leader's Guide on pages 17-20.)

Questions to generate discussion:

How can I find help in writing my business plan?

- It is important to write your own business plan, not to let someone else do it for you.
- You can find help from community groups that offer free or low-cost classes in writing a business plan.
- SCORE (www.score.org) and the SBA (www.sba.gov) offer examples of business plans and list available classes.
- Many web sites offer free business plan templates that you can customize in preparing your own plan.

What should my business books contain?

- Your books should include receipts and records of every sale, payment and expenditure.
- By keeping accurate books you can closely monitor your profits and the value of your business.
- On a daily or weekly basis, transfer sales and receipts to a ledger.
- A ledger is a book or computer program used to track money taken in and paid out by your business.

“Hair & Now” Business Model (Activity) (20 minutes)

Ask participants to take out the “Hair & Now” activity sheet from their folders. Stress that this is not a test, but a learning activity. The goal of this activity is to prompt participants to think critically about the potential success or failure of a business model.

Divide the meeting participants into three equal groups by having them number off. Ask each group to choose a leader. Give the groups 15 minutes to discuss the Hair & Now Business Model. Tell the groups that one person must take notes and be ready to read their list to the whole room on completion of the assignment. After 15 minutes, call everyone back into general session to exchange feedback with the whole group.

Start up costs (10 minutes)

Review the Leader’s Guide, page 8.

Introduction: Many fast-growing companies are started with the founder’s personal savings, in some cases no more than \$10,000. Start-up funding should cover operating expenses for at least one year.

Review these typical start-up costs with the class:

- Salary needs. If you are leaving a salaried job to start a business, you need to include money to live on.
- Initial costs. These may include equipment, installations, remodeling, utility deposits, licenses and professional and legal fees.
- Direct costs. These may include inventory or the raw materials you need to make a product.
- Overhead. This includes rent, maintenance, supplies and utilities.
- Recurring costs. This includes salaries, insurance, interest payments, payroll taxes and advertising and promotion.

Ask the class:

Can you think of any other costs we haven’t mentioned?

RESOURCE: For help with estimates of business costs, suggest that participants visit the Small Business Administration or SCORE.

First session wrap up (5 minutes)

Thank the class for its attention and participation. Quickly review the topics that will be covered in the upcoming MoneyWi\$e session:

- Business structure and organization
- Finding funds for your business
- SBA Loans
- Reading a projected profit-loss statement
- Government requirements
- Top five micro business mistakes

Ask participants to read the “Micro Business Basics” brochure before the next session.

Let the class know that there will be a question-and-answer period at the next session. If they have questions about today’s session, or after reading the brochure, suggest that they make notes and keep them in their folders.

Second Session (Two hours)

Welcome participants (5 minutes)

Greet participants and welcome them back. This will help the group to reconnect.

Quickly review the topics that will be covered in the upcoming MoneyWi\$e session. (See the list printed on the prior page.)

Business structure and organization (10 minutes)

Review the Leader's Guide, page 7.

Introduction: Businesses can be established legally in different ways. The legal method in which a business is created is known as its business "structure" or "organization." No one legal structure is best for all micro businesses. Simpler choices include the sole proprietorship or a simple partnership. More complex forms of business structure include incorporation or forming a limited liability company (LLC). Each business must consider several factors in making the decision about its structure. These considerations may include the size and profitability of your business, how many people own it and whether your business has liabilities that are not covered by insurance.

Sole proprietorships and partnerships

- Sole proprietorships are one-person businesses and partnerships are businesses formed by two or more owners.
- In both sole proprietorships and partnerships, the owners have authority over all business decisions.
- Owners report business income and losses on their personal tax returns and are personally liable for all business-related debts.
- If your business fails, you may have to file personal bankruptcy.
- If you abandon debts or file bankruptcy, your personal credit history will be damaged.

Corporations

- A corporation is a legal entity, organized under state or federal laws, that is legally separate from the people who own it.
- Corporations, like people, can own property, incur debt and sue or be sued.
- In most cases, business owners who incorporate are protected from personal liability arising from their business dealings or lawsuits against the company.

Limited liability companies

- A limited liability company (LLC) is a business structure designed to combine features of a corporation and a sole proprietorship or partnership.
- Lawyers charge about \$1,500-\$2,000 to create an LLC.
- LLCs offer better protection for businesses at risk of being sued by customers.
- LLCs can help business owners protect their personal assets if the business fails.
- LLCs allow businesses to have multiple owners or one owner and have fewer legal requirements than incorporation. LLCs offer protection of personal assets, protection from personal liability and favorable tax treatment of profits.
- LLCs require more legal preparations and ongoing legal responsibilities than a sole proprietorship

or partnership.

- Most businesses require legal or tax counsel to prepare LLC documents. LLC status must be renewed annually.

Finding funds for your business (15 minutes)

Review the Leader's Guide, page 8.

Introduction: Many people use their own money to start successful businesses and are able to expand the business out of revenues. Even if you are going to seek a loan, you will need some cash because lenders want to see that you are risking your own money before asking for a loan. If you don't have cash to invest, consider selling possessions to raise money. In the next session, we will review Small Business Administration loans. Now let's discuss some other ways you can find funding for a new business:

Form a partnership

- Find an individual who has money to invest in your business, such as a retired businessperson or a friend or family member.
- Start by asking friends and acquaintances.
- Seek a partner who has the skills you require as well as money to invest in your business.
- Your local chamber of commerce, SCORE chapter or industry trade group may have networking events at which you can search for a business partner.
- To be safe, never mention how much money you have to invest until you have checked the backgrounds of potential partners.

Credit

- A business "line of credit" helps you meet temporary, short-term cash flow needs.
- When you apply for a loan, be prepared to answer tough questions about your business.
- You may have to create a "loan package" with several funding sources.

Business credit cards

- If used carefully, a business credit card can help you manage cash flow and keep your business obligations separate from your personal obligations.
- Business cardholders can earn discounts on supplies, rental cars and other services. Unfortunately, most card companies require you to accept personal liability for the charges as a condition of using their card.
- Payments and balances on your business credit card show up on your personal credit reports, so late payments or large balances could hurt your credit score.

Vendor financing

- Vendors sometimes play a role in business development by extending favorable terms and financing on supplies, equipment and business vehicles.
- Ask your suppliers about such services or inquire about opportunities at SCORE, the SBA or through industry or trade associations you belong to.

Questions to generate discussion:

What are the advantages of leasing equipment instead of buying it?

- When you lease equipment you don't tie up large amounts of cash. Equipment leases also may cover maintenance and repairs.

What is a business line of credit?

- A business line of credit is a loan that helps you meet temporary, short-term cash flow needs.
- To find such a loan, consider your own bank as well as other banks and credit unions.

SBA Loans (15 minutes)

Review the Leader's Guide, page 11.

Introduction: The Small Business Administration (SBA) can help you prepare loan documents and it also guarantees loans. You pay for these services through fees when your loan is approved. The SBA sets the maximum rate banks may charge, allowing you to negotiate the actual rate with the bank. SBA loan approvals are based on whether the business generates enough cash flow to repay the loan, on the character and background of the borrowers and on the borrowers' down-payment or collateral. The SBA helps streamline the lending process with lower downpayments, longer terms and lower interest rates than conventional loans.

The SBA sponsors several lending programs:

- A loan guaranty program for start-ups and small businesses
- Building and renovation loans
- Loan preapproval services
- Small-scale financing and technical assistance for start-ups through SBA-funded nonprofit business development programs.
- Federal contracting assistance for minority and economically disadvantaged businesses.

The SBA Microloan Program

- Provides small loans to start-up, newly established or growing micro businesses.
- The maximum loan amount is \$35,000; the average loan is about \$13,000.
- The funds are made available through third-party nonprofit community-based lenders.
- In most cases, micro borrowers must undergo training and fulfill planning requirements.
- If your business fails, you will still be responsible for the loan.

What steps do you need to take to apply for an SBA loan?

- Ask the SBA for a list of banks in your area.
- Compare your choices by arranging an initial interview with a bank's SBA lending officer.
- Decide which lender you will apply to.
- Compile the financial and business records required by the bank.
- The bank will submit your loan to the SBA for approval.

Government contracting (5 minutes)

Review the Leader's Guide, page 14.

Questions to generate discussion:

What are minority and economically disadvantaged businesses?

- Although the specific definitions differ by business and by the agency categorizing such businesses, a general definition is usually a small business owned by women or individuals who represent a minority population such as African Americans, Latinos, Native Americans or Asian Americans, or disabled veterans.

What is government contracting?

- The U.S. government is the world's largest buyer of products and services.

- By law, a generous percentage of all government purchases are earmarked for small business contracts.
- In addition, goals exist for contracting with businesses owned by women, by veterans who were disabled during their service and by economically disadvantaged businesses.

Break (15 minutes)

Announce a 15-minute break. Ask the group to return promptly, as you have lots of information to cover before you adjourn.

Sample Projected Profit and Loss Statement (Class Activity) (15 minutes)

Ask participants to take the Sample Projected Profit and Loss Statement worksheet from their folders.

Introduction: A profit and loss statement is a financial statement that shows a historical record of a business' income (revenue) and expenses and operating activities for a year or more. A projected profit and loss statement is a financial statement that estimates how the company will be situated in upcoming years. Start-up companies, which have no track record, must attempt to predict how they will grow.

Review the components of the Sample Projected Profit and Loss Statement using the numbers in the left-hand column of the spreadsheet:

1. Sales: Total annual customer revenues from the business.
2. Operating Expenses: The costs of running your business.
3. Interest Expense: Interest you pay on your business loans.
4. Net Profit: Your profit after operating expenses, interest expense and taxes are subtracted from the amount you earned from sales.
5. Net Profit as a Percentage of Sales: This figure shows how much profit a company makes. In 2009, Beach House Lodging put about 25¢ profit in the bank for every dollar of sales—an excellent net profit margin. In future years, Beach House Lodging's expenses are projected to be higher, resulting in a lower profit margin despite an increase in revenues from sales.

After you have completed your review, ask the class the following questions to generate discussion:

Can you give an explanation of why Beach House Lodging's net profit is projected to fall in 2010?

— The company's payroll is more than doubling in 2010, which is not unusual for a growing business. The increase in employee wages will also cause the company's payroll taxes to rise.

What does the company predict that its net profit margin will be in 2011?

— The company expects to earn 18.81¢ in profit for every dollar of sales.

Government requirements (10 minutes)

Review the Leader's Guide, page 13.

Introduction: When you start a business, you must comply with local, state and federal regulations. Requirements vary by business and by state. The SBA or your local chamber of commerce or office of economic development can help you learn about requirements.

City or county agencies, tax collector and zoning authority:

- Business licenses
- Building permits
- Special requirements for your industry

State:

- Sales permit
- Sales and income tax documentation
- Withhold employee state income taxes
- Licenses required by your state
- Workers' compensation insurance for your employees

Federal:

- Verify your employees' right to work in the U.S.
- Withhold employee income taxes
- Comply with minimum wage, overtime and child labor laws
- Make estimated income tax payments for yourself
- Pay Social Security and Medicare taxes for yourself and your employees

Micro business mistakes (10 minutes)

Review the "Top five micro business mistakes" given here with the class. After you read each one, stop and discuss the problems that could be created by such a mistake.

- Inadequate planning
- Failure to discipline yourself financially
- Insufficient cash reserves to sustain growth
- Poor record-keeping
- Excessive debt

Questions and answers (15 minutes)

Open the floor to questions. The Leader's Guide is written in question-and-answer format to help you anticipate frequently asked questions.

Wrap up and evaluation (5 minutes)

Review participants' expectations from the beginning of the course. Discuss whether or not the seminar lived up to their expectations.

Congratulate participants on their attention and participation in the day's training. Ask them to fill out the "Seminar Evaluation Form" (attached at the end of this lesson plan) and leave it with you on the way out. The feedback from the evaluations can help you fine-tune future presentations.

Evaluation of the MoneyWi\$e “Micro Business” Seminar (For class distribution)

Thanks for attending! Before you leave today, please help us improve future presentations by giving us your opinion of today’s seminar. **Check the response that reflects your feelings about each statement:**

I have a better understanding of what micro business is.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Strongly Agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly Disagree</i>

I have a better understanding of the issues involved in starting and running a micro business.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Strongly Agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly Disagree</i>

I have a better understanding of how to find funding for a new business.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Strongly Agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly Disagree</i>

The instructor was well informed.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Strongly Agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly Disagree</i>

The materials I was given are easy to read and understand.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Strongly Agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly Disagree</i>

I would like to attend another class like this.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Strongly Agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly Disagree</i>

On a scale of 1 to 10 (10 being the highest), how would you rate the seminar? _____

What else would you like to tell us about how we could improve future MoneyWi\$e seminars?

Return this form to the instructor. Thank you for giving us your thoughts!

“Hair & Now” Business Model (Class Activity)

Instructions

The goal of this activity is to help you think critically about the potential success or failure of a business model. Read the case study and evaluate the business’ chances of success. It will help you to think of yourself as a bank manager who is considering whether or not to give these women a bank loan.

“Hair & Now”

Caroline and Typhanny are young stylists working at a popular high-end local hair salon in a medium-sized city. They each make about \$30,000 per year in salary and tips. They have a plan to go into business together by starting a new salon called Hair & Now that would attract a younger, hipper crowd. The women plan to resign from their current salaried positions, take \$7,000 a piece from their savings and borrow \$25,000. The start-up capital will be used for leasing, design, improvements and equipment for the salon. They have chosen a run-down storefront that rents for \$800 per month in a neighborhood near a college, where many young people are purchasing older homes. Improvements to the new salon will be constructed by their boyfriends and will cost about \$3,500. They plan to buy used salon equipment for about \$20,000. The women will charge an average of \$45 to each customer and expect the cash flow from the business to be good from the start. They will be the salon’s sole employees until the business grows. The women plan to use word-of-mouth to promote their business.

Evaluate this business’ chances of success and list reasons to support your conclusion.

Do you think this business will _____ succeed _____ fail?

Please give at least three reasons for your conclusion:

1.

2.

3.

Sample Projected Profit and Loss Statement (Class Activity)

A profit and loss statement is a financial statement that shows a historical record of a business's income (revenue) and expenses and operating activities for a year or more. A projected profit and loss statement is a financial statement that estimates how a company will be situated in upcoming years. Start-up companies, which have no track record, must attempt to predict how they will grow.

Beach House Lodging	2009	2010	2011
Sales	\$125,000	\$132,000	\$150,000
Operating Expenses			
Payroll	\$12,000	\$33,000	\$35,000
Marketing	\$2,000	\$3,000	\$4,000
Depreciation	\$3,440	\$2,700	\$550
Insurance	\$2,500	\$2,550	\$2,600
Telephone	\$2,100	\$2,500	\$3,500
Dues & Subscriptions	\$200	\$200	\$1,500
Rent	\$12,000	\$12,000	\$12,000
Housecleaning	\$400	\$550	\$1,500
Groceries	\$1,500	\$2,000	\$2,400
Payroll Taxes	\$2,500	\$5,000	\$5,750
Total Operating Expenses	\$38,640	\$63,500	\$68,800
Profit Before Interest and Taxes	\$86,360	\$68,500	\$81,200
Interest Expense	\$50,000	\$49,000	\$48,000
Taxes	\$5,454	\$3,330	\$4,980
Net Profit	\$30,906	\$16,170	\$28,220
Net Profit as a Percentage of Sales	24.72%	12.25%	18.81%

Use the back of this sheet if you need more room for your answers.

Can you give an explanation of why Beach House Lodging's net profit is projected to fall in 2010?

What does the company predict that its net profit margin will be in 2011?

Key to Spreadsheet:

1. *Sales: Total annual customer revenues from the business.*
2. *Operating Expenses: The costs of running the business.*
3. *Interest Expense: Interest paid on business loans.*
4. *Net Profit: Profit after operating expenses, interest expense and taxes are subtracted from the amount earned from sales.*
5. *Net Profit as a Percentage of Sales: This figure shows how much profit a company makes. In 2009, Beach House Lodging put about 25¢ profit in the bank for every dollar of sales—an excellent net profit margin. In future years, Beach House Lodging's expenses are projected to be higher, resulting in a lower profit margin despite an increase in revenues from sales.*