

# ADVANCED ENTREPRENEURSHIP COURSE GUIDE



# ***Advanced Entrepreneurship***

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**Introduction to**  
***Advanced Entrepreneurship***

**Section 1**

**Course Rationale**

Although entrepreneurship has occurred throughout history, the attention it currently receives has ballooned in recent years due to environmental shifts in the business world: downsizing, outsourcing, mergers, international competition, world markets, and technological innovations. These changes impact the skills, attitudes, and abilities needed for success in today's workplace—one created by others or by one's self.

Entrepreneurial career opportunities can be found in domestic and international businesses, organizations, offices, and agencies of all types and sizes—both profit and nonprofit. Entrepreneurial start-ups are expected to continue at a consistent, and at times, frantic pace.

Since more people than ever before are starting their own businesses, educational institutions, including colleges/universities, community colleges, and high schools, encourage the study of "entrepreneurship" through the addition of entrepreneurship courses, programs of study, and majors. At the high-school level, entrepreneurship is offered through a school's marketing and/or business department.

But, what is entrepreneurship? Its definition varies from source to source. Some focus on development of an entrepreneurial mindset or spirit that would enable students to think creatively, make decisions, and solve problems. Others approach the study of entrepreneurship from the viewpoint of business or product idea creation, while others incorporate small-business management strategies and techniques. Common themes found in its definitions include:

- **Vision:** The ability to see opportunities in problems
- **Calculated risk taking:** Careful determination of whether risks are worth pursuing
- **Persuasiveness:** The ability to convince others of a vision's viability and potential for success
- **Aggregation:** The pulling together and use of resources to accomplish a vision

For curricular purposes, *MBA Research* defines entrepreneurship as the process of creating a business vision through calculated risk taking, persuasiveness, and aggregation of resources. Thus, the curriculum will incorporate ideation, business planning, and business operations.

Entrepreneurial success hinges on the abilities to recognize opportunities and to act on them. Skills needed for entrepreneurial success include, but are not limited to, determination of customer needs, identification of markets, use of marketing research, identification of sources of capital to finance the business, and management skills.

**Premises of the Curriculum**

The *Advanced Entrepreneurship* curriculum was developed with certain premises in mind. We believe the curriculum should:

- Encourage students to think critically about the business world
- Stress the integration of and articulation with academics such as language arts, mathematics, and social studies
- Provide a foundation to support advanced study in entrepreneurship
- Enable students to acquire broad understandings of and skills in entrepreneurship
- Enable students to understand and use technology to perform entrepreneurial activities
- Stress the importance of interpersonal skills in diverse societies
- Foster a realistic understanding of business creation and operation
- Foster an understanding and appreciation of business ethics
- Utilize a variety of types of interactions with the business community

**Business Administration Curriculum**

The business administration curricular structure consists of four tiers of specificity: Business Administration Core, Cluster Core, Pathways, and Specialties. The content of the broad-based Business Administration Core is fundamental to an understanding of business and can be viewed as co-requisites and as prerequisites for the *Advanced Entrepreneurship* course.

**Business Administration Core**

The content of the Business Administration Core should be mastered in order for cluster-specific content to have relevance to student learning. There are 13 Business Administration instructional areas: Business Law, Communications, Customer Relations, Economics, Emotional Intelligence, Entrepreneurship, Financial Analysis, Human-Resources Management, Information Management, Marketing, Operations, Professional Development, and Strategic Management.

**Cluster Core**

The Cluster Core tier represents the skills and knowledge that were identified as common across the Pathways in a cluster. For example, the Marketing Cluster Core is composed of seven instructional areas: Channel Management, Marketing-Information Management, Market Planning, Pricing, Product/Service Management, Promotion, and Selling.

**Pathways**

The Pathways tier addresses the content of a variety of broad-based occupational opportunities within a cluster. In the Business Management and Administration Cluster, for instance, the skills and knowledge that are common across jobs in management appear in the General Management Pathway.

**Specialties**

The fourth tier, Specialties, focuses on specific job opportunities that are tied to a pathway. The job opportunities identified in the Specialties require knowledge and skills unique to a product or service. In Marketing, for example, Specialties for the Professional Selling Pathway include pharmaceutical sales, advertising sales, heavy-equipment sales, and medical-equipment sales.

Thus, the business administration curriculum can be viewed as a continuum that begins in the primary grades with career awareness and exploration and continues through postsecondary education with the emphasis becoming more specialized to the learner's individual interest in business. The graph depicting the relationship among the four tiers is shown in Figure 1.

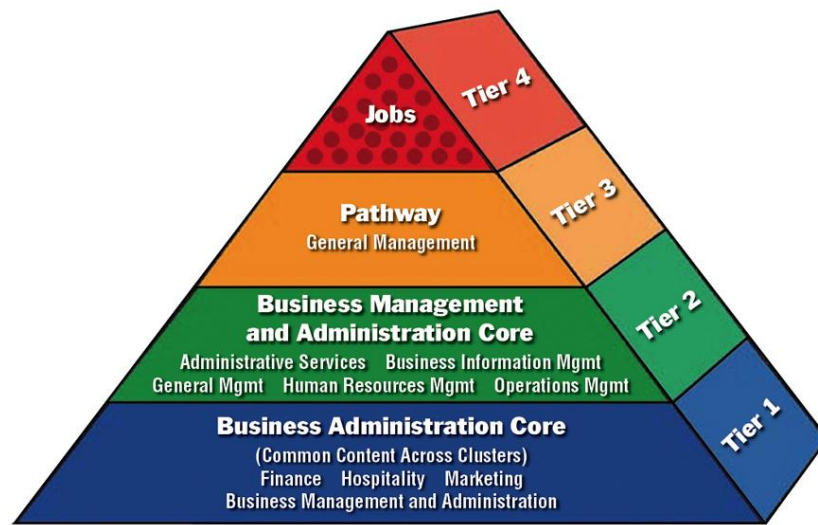


Figure 1. Relationship of Tiers

## Curricular Organization

Within each tier, the curricular content has been organized into Knowledge and Skill Statements, Performance Elements, and Performance Indicators. The Knowledge and Skill Statements are broad-based content standards. They identify what students should know and be able to do as a result of instruction in any of the business-related clusters. These statements encapsulate the overarching intent/purpose of a work function. The Knowledge and Skill Statements identified for the Business Administration Core are:

## Knowledge and Skill Statements

**Business Law:** Understands business's responsibility to know, abide by, and enforce laws and regulations that affect business operations and transactions

**Communication Skills:** Understands the concepts, strategies, and systems used to obtain and convey ideas and information

**Customer Relations:** Understands the techniques and strategies used to foster positive, ongoing relationships with customers

**Economics:** Understands the economic principles and concepts fundamental to business operations

**Emotional Intelligence:** Understands techniques, strategies, and systems used to foster self-understanding and enhance relationships with others

**Entrepreneurship:** Understands the concepts, processes, and skills associated with identifying new ideas, opportunities, and methods and with creating or starting a new project or venture

**Financial Analysis:** Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources

**Human Resources Management:** Understands the tools, techniques, and systems that businesses use to plan, staff, lead, and organize human resources

**Information Management:** Understands tools, strategies, and systems needed to access, process, maintain, evaluate, and disseminate information to assist business decision-making

**Performance Elements**

**Marketing:** Understands the tools, techniques, and systems that businesses use to create exchanges and satisfy organizational objectives

**Operations:** Understands the processes and systems implemented to monitor, plan, and control the day-to-day activities required for continued business functioning

**Professional Development:** Understands concepts, tools, and strategies used to explore, obtain, and develop in a business career

**Strategic Management:** Understands tools, techniques, and systems that affect a business's ability to plan, control, and organize an organization/department

Each Knowledge and Skill Statement is composed of multiple Performance Elements. These statements are broad-based work or cognitive performances that aid in defining the Knowledge and Skill Statements. The Performance Elements addressed in this course are:

**Communication Skills**

Write internal and external business correspondence to convey and obtain information effectively.

**Economics**

Acquire knowledge of the impact of government on business activities to make informed economic decisions.

Understand economic indicators to recognize economic trends and conditions.

Determine global trade's impact on business decision-making.

**Emotional Intelligence**

Use communication skills to influence others.

**Entrepreneurship**

Develop concept for new business venture to evaluate its success potential.

Determine needed resources for a new business venture to contribute to its start-up viability.

Actualize new business venture to generate profit and/or meet objectives.

**Financial Analysis**

Identify potential business threats and opportunities to protect a business's financial well-being.

Implement accounting procedures to track money flow and to determine financial status.

Conduct profit planning to forecast business profit.

Implement financial skills to obtain business credit and to control its use.

**Human Resources Management**

Understand human resources management models to demonstrate knowledge of their nature and scope.

Plan talent-acquisition activities to guide human resources management decision-making.

Staff a business unit to satisfy work demands while adhering to budget constraints.

**Information Management**

Utilize information-technology tools to manage and perform work responsibilities.

Maintain business records to facilitate business operations.



**Marketing**

Understand company's unique selling proposition to recognize what sets the company apart from its competitors.

**Operations**

Implement purchasing activities to obtain business supplies, equipment, and services.

Implement quality-control processes to minimize errors and to expedite workflow.

Implement expense-control strategies to enhance a business's financial wellbeing.

**Strategic Management**

Utilize planning tools to guide organization's/department's activities.

**Channel Management**

Develop channel-management strategies to minimize costs.

**Marketing-Information Management**

Analyze marketing information to make informed marketing decisions.

**Pricing**

Employ pricing strategies to determine optimal prices.

**Product/Service Management**

Position products/services to acquire desired business image.

Position company to acquire desired business image.

**Performance Indicators**

Performance Elements are defined through Performance Indicators that are specific work-based actions—either knowledge or skills. They specify what an individual worker must know or be able to do to achieve the Performance Elements. For example, the Performance Indicators for Financial Analysis's Performance Element—Implement accounting procedures to track money flow and to determine financial status—are:

Describe the nature of cash flow statements (FI:091, FI LAP 6) (SP)

Prepare cash flow statements (FI:092) (MN)

Explain the nature of balance sheets (FI:093) (SP)

Describe the nature of income statements (FI:094, FI LAP 4) (SP)

**Curriculum Planning Levels**

Each performance indicator is assigned to one of six curriculum-planning levels that represent a continuum of instruction ranging from simple to complex. The levels can serve as building blocks for curriculum development in that students should know and be able to perform the performance indicators at one level before tackling more complex skills and knowledge at the next level. The levels can also be used as the basis for developing an unduplicated sequence of instruction for articulation between high school and postsecondary business courses. In these cases, instructors can agree as to how far along the continuum students will advance in high school so that postsecondary instructors can initiate instruction at that point in the continuum. This will enable students to focus on new, more advanced subject matter rather than on content previously mastered. The curriculum-planning level for each performance indicator is referenced on the planning guide sheets found in Section 5. The six curriculum-planning levels are described as follows:

<b>Prerequisite (PQ)</b>	Content develops employability and job-survival skills and concepts, including work ethics, personal appearance, and general business behavior.
<b>Career-Sustaining (CS)</b>	Content develops skills and knowledge needed for continued employment in or study of business based on the application of basic academics and business skills.
<b>Specialist (SP)</b>	Content provides in-depth, solid understanding and skill development in all business functions.
<b>Supervisor (SU)</b>	Content provides the same in-depth, solid understanding and skill development in all business functions as in the specialist curriculum, and in addition, incorporates content that addresses the supervision of people.
<b>Manager (MN)</b>	Content develops strategic decision-making skills in all business functions needed to manage a business or department within an organization.
<b>Owner (ON)</b>	Content develops strategic decision-making skills in all aspects of business that are needed to own and operate a business.
<b>Curriculum Frameworks</b>	<p>In general, a framework is a skeleton structure that supports or encloses something. In education, frameworks are used to support and enclose the curriculum of a discipline by defining the discipline's main elements, thereby providing a big picture overview of the discipline's curriculum. They can act as gatekeepers by helping educators and curriculum developers make decisions about what should be addressed or eliminated from consideration in a curriculum. Once educators have determined what content should be addressed, they can use the scaffolding that frameworks provide as a basis around which curricular content is developed, organized, and implemented. Its visual presentation, or schematic, can serve as a communications tool to share with those interested in a discipline. It quickly communicates the main topics or areas of instruction that will be addressed.</p> <p>In the <i>Advanced Entrepreneurship</i> course, 10 of the 13 Business Administration Core's Knowledge and Skills Statements are addressed. The titles for each of the Knowledge and Skill Statements from the entire Business Administration Core are depicted in the schematic in Figure 2. The schematic also shows that the study of business integrates academic concepts from Language Arts, Mathematics, Social Sciences, and Social Studies. The successful application of these academic skills is imperative for obtaining a business career and advancing in business.</p>



Figure 2: Schematic of Curriculum Framework for the Business Administration Core

# **Course Philosophy and Goals**

## Section 2

**Philosophy**

*Advanced Entrepreneurship* should build on *Principles of Entrepreneurship* course content—furthering students' understanding of the dynamic processes involved in opening, managing, and growing a small business. The course should provide core content applicable to all entrepreneurial ventures regardless of the nature of a business's product.

A primary contributor to course success should be the use of and involvement with the local business community. Putting the activities and year-long project in the context of the local community should make them real to students, thereby creating student interest in the course.

To complete the activities and project, students should use technological business tools. Tools will be recommended; however, the instructor should modify the activity or project so that the most current, available technology can be used. In addition, this course should integrate academic skills such as writing, reading, communication, and research.

**Student Organization**

A business-oriented student organization should be an integral part of the *Advanced Entrepreneurship* course. Through membership in a student organization, students should develop respect for education that contributes to competence in the application of entrepreneurial skills. In addition, membership should promote leadership development and an understanding of the responsibilities of citizens in a market economy.

**Goals**

The broad goals of the *Advanced Entrepreneurship* course are to accomplish the following:

- Reinforce academic skills in such areas as mathematics, communication, reading, and writing
- Encourage innovation, creative thought, problem solving, and decision making
- Enable students to understand and appreciate entrepreneurship and its significance in business
- Enable students to perform critical marketing/business skills
- Stress the importance of calculated risk taking
- Encourage ongoing planning and analysis throughout a business's existence
- Stimulate student interest in entrepreneurship
- Increase student awareness of the increasingly complex business world
- Assist students in developing appropriate attitudes about business
- Encourage the use of technology in classroom projects
- Assist students in enhancing their teamwork skills
- Stimulate reflection on processes, performance, and outcomes

# **Course Description and Learning Outcomes**

## Section 3

<b>Course</b>	<i>Advanced Entrepreneurship</i>
<b>Program of Study</b>	<i>Advanced Entrepreneurship</i> is the fifth technical course in the MBA <i>Research Entrepreneurship Program of Study</i> .
<b>Credit</b>	One unit
<b>Grade Level</b>	12
<b>Prerequisites</b>	To enroll in <i>Advanced Entrepreneurship</i> , students must have successfully completed <i>Business and Marketing Essentials</i> , which is the tenth-grade technical course in the MBA <i>Research Entrepreneurship Program of Study</i> , and <i>Principles of Entrepreneurship</i> , which is the eleventh-grade technical course in the Entrepreneurship Program of Study. In addition, the two ninth-grade courses in the Entrepreneurship Program of Study— <i>Leadership</i> and <i>Personal Finance</i> —are strongly recommended as prerequisites.
<b>Admission Requirements</b>	Admission to the course should be open to all students who are interested in becoming an entrepreneur. Students with special needs should be admitted to the course after an individual educational plan (IEP) has been prepared. The course instructor should have input into the prescription process.
<b>Student Characteristics</b>	Students in <i>Advanced Entrepreneurship</i> represent a cross section of the student body in terms of gender, race, handicap, and academic ability. Students are 16- to 18-years old and have an interest in entrepreneurship.
<b>Description</b>	<i>Advanced Entrepreneurship</i> , which emphasizes planning and organizational processes integral to the start-up of new ventures, focuses on the continued development of students' small businesses. Students complete such tasks as: identifying resources necessary for business operations; developing personnel organizational plans; selecting sources of financing for their new ventures; completing loan applications; preparing pro forma financial statements; developing channel-management strategies; identifying key performance indicators; and developing detailed business plans. Communication skills, economics, emotional intelligence, human resources management, information management, marketing-information management, pricing, and product/service management are also addressed.
<b>Instructional Strategies</b>	<p>To encourage immediate excitement about a future in entrepreneurship, <i>Advanced Entrepreneurship</i> utilizes project-based learning for content delivery as well as traditional classroom instructional methods. Throughout the course, students work individually and in teams to conduct primary and secondary research to obtain the necessary knowledge required to plan and organize their own new business ventures. The course content is sequenced to that end in Sections 4 and 5 of the curriculum guide.</p> <p>A variety of additional instructional strategies should be utilized to deliver instruction effectively. Examples of these instructional strategies include, but are not limited to, small- and large-group activities, discussions, brainstorming, oral and written reports, online research, and community/school interactions.</p>

**Standards of Completion**

Use of instructional aids such as presentation software programs/transparencies, handouts, videotapes/DVDs, Internet access, CD-ROMs, and guest speakers is recommended.

Instructors should use formative and summative tests to evaluate student progress. Objective tests should be used for quizzes and end-of-semester testing. Two sample semester exams, complete with descriptive answer keys, appear in Appendix A.

Remedial activities should be planned and provided for students who do not meet the mastery level designated by the instructor. Successful completion of *Advanced Entrepreneurship* requires mastery of all learning outcomes identified in the course outline.



**Instructional Area****COMMUNICATION SKILLS****Performance Element**

**Write internal and external business correspondence to convey and obtain information effectively.**

**Performance Indicators**

Write executive summaries (CO:091) (SP)

**Instructional Area****ECONOMICS****Performance Element**

**Acquire knowledge of the impact of government on business activities to make informed economic decisions.**

**Performance Indicators**

Describe the nature of taxes (EC:072) (SP)

**Performance Element**

**Understand economic indicators to recognize economic trends and conditions.**

**Performance Indicators**

Describe the economic impact of inflation on business (EC:083) (SP)  
 Explain the economic impact of interest-rate fluctuations (EC:084) (SP)  
 Determine the impact of business cycles of business activities (EC:018, EC LAP 9) (SP)

**Performance Element**

**Determine global trade's impact on business decision-making.**

**Performance Indicators**

Describe small-business opportunities in international trade (EC:066) (SP)

**Instructional Area****EMOTIONAL INTELLIGENCE****Performance Element**

**Use communication skills to influence others.**

**Performance Indicators**

Persuade others (EI:012, QS LAP 10) (SP)  
 Give elevator pitch (EI:093) (SP)  
 Demonstrate negotiation skills (EI:062; QS LAP 3, EI LAP 8) (SP)

<b>Instructional Area</b>	<b>ENTREPRENEURSHIP</b>
<b>Performance Element</b>	<b>Develop concept for new business venture to evaluate its success potential.</b>
<b>Performance Indicators</b>	Assess the need to use external resources for concept development (EN:012) (ON)
<b>Performance Element</b>	<b>Determine needed resources for a new business venture to contribute to its start-up viability.</b>
<b>Performance Indicators</b>	Explain considerations in making the decision to hire staff (EN:018) (ON) Identify capital resources needed for the venture (EN:020) (ON) Assess the costs/benefits associated with resources (EN:021) (ON)
<b>Performance Element</b>	<b>Actualize new business venture to generate profit and/or meet objectives.</b>
<b>Performance Indicators</b>	Use external resources to supplement entrepreneur's expertise (EN:022) (ON)
<b>Instructional Area</b>	<b>FINANCIAL ANALYSIS</b>
<b>Performance Element</b>	<b>Identify potential business threats and opportunities to protect a business's financial well-being.</b>
<b>Performance Indicators</b>	Obtain insurance coverage (FI:082) (ON) Explain the nature of risk management (FI:084, FI LAP 8) (SP)
<b>Performance Element</b>	<b>Implement accounting procedures to track money flow and to determine financial status.</b>
<b>Performance Indicators</b>	Describe the nature of cash flow statements (FI:091, FI LAP 6) (SP) Explain the nature of balance sheets (FI:093) (SP) Describe the nature of income statements (FI:094, FI LAP 4) (SP)
<b>Performance Element</b>	<b>Conduct profit planning to forecast business profit.</b>
<b>Performance Indicators</b>	Prepare a pro forma cash flow statement (FI:602) (MN) Prepare a pro forma balance sheet (FI:511) (MN) Develop a pro forma income statement (FI:510) (MN)

<b>Instructional Area</b>	<b>FINANCIAL ANALYSIS (cont'd)</b>
<b>Performance Element</b>	<b>Implement financial skills to obtain business credit and to control its use.</b>
<b>Performance Indicators</b>	<p>Explain the purposes and importance of obtaining business credit (FI:023) (ON)</p> <p>Determine financing needed to start a business (FI:036) (ON)</p> <p>Determine financing needed for business operations (FI:043) (ON)</p> <p>Identify risks associated with obtaining business credit (FI:041) (ON)</p> <p>Explain sources of financial assistance (FI:031) (ON)</p> <p>Develop critical banking relationships (FI:039) (ON)</p> <p>Explain loan evaluation criteria used by lending institutions (FI:034) (ON)</p> <p>Complete loan application package (FI:033) (ON)</p>
<b>Instructional Area</b>	<b>HUMAN RESOURCES MANAGEMENT</b>
<b>Performance Element</b>	<b>Understand human resources management models to demonstrate knowledge of their nature and scope.</b>
<b>Performance Indicators</b>	Discuss factors that impact human resources management (e.g., availability of qualified employees, alternative staffing methods, employment laws/regulations, company policies/procedures, compensation and benefit programs, staff diversity, etc.) (HR:415) (SP)
<b>Performance Element</b>	<b>Plan talent-acquisition activities to guide human resources management decision-making.</b>
<b>Performance Indicators</b>	<p>Describe planning techniques used in the hiring process (e.g., succession planning, forecasting, etc.) (HR:416) (SP)</p> <p>Develop job descriptions (HR:495) (MN)</p>
<b>Performance Element</b>	<b>Staff a business unit to satisfy work demands while adhering to budget constraints.</b>
<b>Performance Indicators</b>	Determine hiring needs (HR:353) (SU)
<b>Instructional Area</b>	<b>INFORMATION MANAGEMENT</b>
<b>Performance Element</b>	<b>Utilize information-technology tools to manage and perform work responsibilities.</b>
<b>Performance Indicators</b>	<p>Establish specifications for selecting hardware/software systems (NF:091) (MN)</p> <p>Determine venture's information technology needs (NF:012) (MN)</p>

**Instructional Area****INFORMATION MANAGEMENT (cont'd)****Performance Element**

**Maintain business records to facilitate business operations.**

**Performance Indicators**

Describe the nature of business records (NF:001, NF LAP 1) (SP)

**Instructional Area****MARKETING****Performance Element**

**Understand company's unique selling proposition to recognize what sets the company apart from its competitors.**

**Performance Indicators**

Develop strategies to market an organization to potential employees (MK:021) (MN)

**Instructional Area****OPERATIONS****Performance Element**

**Implement purchasing activities to obtain business supplies, equipment, and services.**

**Performance Indicators**

Select vendors (OP:161) (SP)

**Performance Element**

**Implement quality-control processes to minimize errors and to expedite workflow.**

**Performance Indicators**

Describe crucial elements of a quality culture (OP:019) (SP)  
Describe the role of management in the achievement of quality (OP:020) (MN)

**Performance Element**

**Implement expense-control strategies to enhance a business's financial wellbeing.**

**Performance Indicators**

Negotiate lease or purchase of facility (OP:028) (MN)

**Instructional Area****STRATEGIC MANAGEMENT****Performance Element**

**Utilize planning tools to guide organization's/department's activities.**

**Performance Indicators**

Explain the nature of business plans (SM:007, SM LAP 1) (MN)  
 Develop a personnel organizational plan (MN:042) (MN)  
 Explain external planning considerations (SM:011) (MN)  
 Identify and benchmark key performance indicators (e.g., dashboards, scorecards, etc.) (SM:027) (MN)  
 Develop action plans (SM:012) (ON)  
 Develop business plan (SM:013, SM LAP 2) (ON)

**Instructional Area****CHANNEL MANAGEMENT****Performance Element**

**Develop channel-management strategies to minimize costs.**

**Performance Indicators**

Develop channel-management strategies (CM:014) (MN)

**Instructional Area****MARKETING-INFORMATION MANAGEMENT****Performance Element**

**Analyze marketing information to make informed marketing decisions.**

**Performance Indicators**

Identify industry/economic trends that will impact business activities (IM:363) (MN)  
 Analyze market needs and opportunities (IM:302) (MN)  
 Estimate market share (IM:350) (MN)

**Instructional Area****PRICING****Performance Element**

**Employ pricing strategies to determine optimal prices.**

**Performance Indicators**

Establish pricing objectives (PI:044) (MN)

Identify strategies for pricing new products (for imitative new products, for innovative new products) (PI:020) (MN)

Select product-mix pricing strategies (product line, option-product, captive-product, by-product, product bundle) (PI:021) (MN)

Determine discounts and allowances that can be used to adjust base prices (PI:022) (MN)

Use psychological pricing to adjust base prices (PI:005) (MN)

Select promotional pricing strategies used to adjust base prices (PI:023) (MN)

**Instructional Area****PRODUCT/SERVICE MANAGEMENT****Performance Element**

**Position products/services to acquire desired business image.**

**Performance Indicators**

Explain the nature of product/service branding (PM:021, PM LAP 6) (SP)

Develop positioning concept for a new product idea (PM:228) (SP)

Communicate core values of product/service (PM:214) (SP)

Identify product's/service's competitive advantage (PM:246) (SP)

**Performance Element**

**Position company to acquire desired business image.**

**Performance Indicators**

Explain the nature of corporate branding (PM:206, PM LAP 10) (SP)

**Introduction**

To aid with instructional planning, a listing of supporting objectives for each of the performance indicators is provided. The performance indicators are sequenced by instructional area and are not intended to provide instructional sequence for the course. That information is found in Section 4 of the course guide.

**Instructional Area****COMMUNICATION SKILLS****Performance Indicator and Objectives****Write executive summaries (CO:091) (SP)**

- a. Explain the purpose of executive summaries.
- b. Identify the primary audience for executive summaries.
- c. Discuss situations when executive summaries are needed.
- d. Describe the components/format of executive summaries.
- e. Discuss what an executive summary can do to appeal to the audience (e.g., establish the need or problem, recommend a solution and explain its value, and create your competitive advantage).
- f. Identify questions to answer when writing an executive summary.
- g. Identify tips that writers can use to appeal to executive-summary readers.
- h. Demonstrate how to write an executive summary.

**Instructional Area****ECONOMICS****Performance Indicator and Objectives****Describe the nature of taxes (EC:072) (SP)**

- a. Define the following terms: tax, revenue, expenditure, excise tax, income tax, property tax, and sales tax.
- b. Explain the importance of taxes in a market economy.
- c. List sources of tax monies paid to different levels of government.
- d. Identify ways that tax monies are used by the different levels of government.
- e. Describe tax structures.
- f. Explain the Internal Revenue Service's roles.
- g. Illustrate the impact of taxation on the circular flow of income model.
- h. Explain how government expenditures are financed.

**Performance Indicator and Objectives****Describe the economic impact of inflation on business (EC:083) (SP)**

- a. Define the following terms: inflation, inflation rate, deflation, Consumer Price Index, standard of living, targeted inflation rate, and price stability.
- b. Describe causes of inflation.
- c. Explain how inflation impacts the economy.
- d. Describe the relationship between price stability and inflation.
- e. Explain problems associated with deflation.
- f. Discuss reasons why the inflation rate should be above zero.
- g. Explain how businesses can use the Consumer Price Index.
- h. Discuss the purpose of the Consumer Price Index (CPI).
- i. Describe how the Consumer Price Index is determined.
- j. Identify the major kinds of consumer spending that make up the Consumer Price Index.
- k. Explain how the Consumer Price Index is used to find the rate of inflation.
- l. Describe limitations on the use of the Consumer Price Index.

**Instructional Area****ECONOMICS (cont'd)****Performance Indicator and Objectives****Explain the economic impact of interest-rate fluctuations (EC:084) (SP)**

- a. Define the following terms: interest rate, nominal interest rate, real interest rate, interest-rate fluctuation, default risk, liquidity risk, maturity risk.
- b. Discuss causes of interest-rate fluctuations.
- c. Explain the impact of interest rate fluctuations on an economy.
- d. Describe the relationship between interest rates and the demand for money.
- e. Describe the relationship between inflation and interest rates.
- f. Discuss factors that create differences in the amount of interest charged on credit transactions (e.g., levels and kinds of risk, borrowers' and lenders' rights, and tax considerations).
- g. Describe kinds of risk associated with variances in interest rates (i.e., default, liquidity, and maturity).
- h. Explain how fiscal policies can affect interest rates.

**Performance Indicator and Objectives****Determine the impact of business cycles of business activities (EC:018, EC LAP 9) (SP)**

- a. Define the following terms: business cycles, expansion, peak, contraction and trough.
- b. Identify the phases of a business cycle.
- c. Describe the expansion phase of a business cycle.
- d. Describe the peak phase of a business cycle.
- e. Describe the contraction phase of a business cycle.
- f. Describe the trough phase of a business cycle.
- g. Explain how knowledge of business cycles benefits businesspeople.
- h. Describe internal causes of business cycles.
- i. Explain external causes of business cycles.

**Performance Indicator and Objectives****Describe small-business opportunities in international trade (EC:066) (SP)**

- a. Describe advantages of growing a small business internationally.
- b. Explain the importance of stability when considering international trade.
- c. Describe types of risks frequently encountered by small businesses that engage in international trade.
- d. Identify considerations in launching a small-business abroad.
- e. Discuss issues facing entrepreneurs who open small-businesses abroad.
- f. Explain the significance of trade agreements and trade-preference programs for small businesses engaged in international trade.
- g. Describe traditional paths for getting into international business.
- h. Explain the role that the Internet can play in international business.
- i. Discuss ways to get into the import/export business.



**Instructional Area****EMOTIONAL INTELLIGENCE****Performance Indicator and Objectives****Persuade others (EI:012, QS LAP 10) (SP)**

- a. Explain the importance of being able to persuade others.
- b. Describe occasions in business for persuading others.
- c. Identify factors that determine a person's credibility with others.
- d. Explain techniques for persuading others.
- e. Demonstrate procedures for persuading others.

**Performance Indicator and Objectives****Give elevator pitch (EI:093) (SP)**

- a. Explain reasons for giving an elevator pitch.
- b. Describe the importance of having an elevator pitch.
- c. Discuss characteristics of effective elevator pitches.
- d. Explain planning required for delivering effective elevator pitches.
- e. Demonstrate how to give an elevator pitch.

**Performance Indicator and Objectives****Demonstrate negotiation skills (EI:062; QS LAP 3, EI LAP 8) (SP)**

- a. Define the term negotiation.
- b. Identify business situations in which negotiation skills are needed.
- c. Describe negotiation techniques.
- d. Use negotiation skills in business situations.

**Instructional Area****ENTREPRENEURSHIP****Performance Indicator and Objectives****Assess the need to use external resources for concept development (EN:012) (ON)**

- a. Describe external resources useful to entrepreneurs during concept development.
- b. Discuss the need for outside assistance during concept development.
- c. Explain types of assistance that can be provided by outside resources during concept development.
- d. Demonstrate procedures for assessing external resources for concept development.

**Performance Indicator and Objectives****Explain considerations in making the decision to hire staff (EN:018) (ON)**

- a. Explain factors to consider in determining a venture's human-resources needs
- b. Explain when it is the right time to hire staff.
- c. Discuss the importance of evaluating the business's financial position when making the decision to hire staff.
- d. Explain how the stability of work flow/volume can impact the decision to hire staff.

**Instructional Area****ENTREPRENEURSHIP (cont'd)****Performance Indicator and Objectives****Identify capital resources needed for the venture (EN:020) (ON)**

- a. Discuss considerations in selecting capital resources (e.g., return on investment, cost—initial, repair, and replacement—payback period, quality, vendor reputation/relationship, vendor accessibility, space requirements/availability, installation requirements, customer reviews/feedback).
- b. Identify sources to contact for information about equipment needs.
- c. Describe the impact that the type of business has on equipment needs.
- d. Explain the use of a cost-benefit analysis in identifying equipment needs.
- e. Demonstrate procedures for identifying capital resource needs.

**Performance Indicator and Objectives****Assess the costs/benefits associated with resources (EN:021) (ON)**

- a. Define the following terms: differential cost/benefit, marginal cost/benefit, sunk costs, opportunity cost.
- b. Explain the need to analyze costs/benefits associated with resources.
- c. Discuss the importance of relevance in assessing costs/benefits.
- d. Describe the potential impact of subjectivity in determining benefits of resources.
- e. Demonstrate procedures for assessing the costs/benefits associated with resources.

**Performance Indicator and Objectives****Use external resources to supplement entrepreneur's expertise (EN:022) (ON)**

- a. Identify external resources available to entrepreneurs.
- b. Explain reasons for obtaining assistance from external resources.
- c. Demonstrate procedures for using external resources to supplement entrepreneur's expertise.

**Instructional Area****FINANCIAL ANALYSIS****Performance Indicator and Objectives****Obtain insurance coverage (FI:082) (ON)**

- a. Define the terms direct writers and independent agents.
- b. Describe the primary objectives for obtaining insurance coverage.
- c. Identify sources of insurance.
- d. Compare the advantages and disadvantages of dealing with direct writers versus independent agents.
- e. Explain the benefits of purchasing a package of insurance policies versus individual policies.
- f. Describe requirements needed to obtain insurance coverage.
- g. Identify factors to evaluate in obtaining insurance coverage.
- h. Demonstrate steps for obtaining insurance coverage.

**Instructional Area****FINANCIAL ANALYSIS (cont'd)****Performance Indicator and Objectives****Explain the nature of risk management (FI:084, FI LAP 8) (SP)**

- a. Define the terms risk, probability, impact, and mitigation.
- b. Identify categories of risk.
- c. Discuss complaints associated with risk-management efforts.
- d. Describe processes used to address risk-management issues (e.g., risk identification, risk quantification, risk response development, and risk monitoring and control).
- e. Explain activities involved in the risk identification process.
- f. Discuss the relationship of impact and probability on how to address risks.
- g. Discuss how to quantify risks based on impact and probability.
- h. Describe strategies for responding to risks (i.e., avoid, transfer, mitigate, and accept).
- i. Explain activities involved in the risk control process.
- j. Describe the components of Enterprise Risk Management (ERM) systems.
- k. Explain steps that can be used to set up an Enterprise Risk Management plan.

**Performance Indicator and Objectives****Describe the nature of cash flow statements (FI:091, FI LAP 6) (SP)**

- a. Define the terms cash flow and cash flow statement.
- b. Describe importance of adequate cash flow to business success.
- c. Identify sources of cash that flow into a business.
- d. Cite examples of sources of cash that flow out of a business.
- e. Explain how cash flow statements tell when, where, and how much money will flow into and out of a business.
- f. Distinguish between how new and established businesses estimate their cash flow figures.
- g. Describe the components of a cash flow statement.
- h. Explain how cash flow is calculated.

**Performance Indicator and Objectives****Explain the nature of balance sheets (FI:093) (SP)**

- a. Define the terms balance sheet, assets, accounts receivable, depreciation, liabilities, accounts payable, net worth, and accounting equation.
- b. Explain why a balance sheet is considered a snapshot of a business's financial condition.
- c. Discuss the preparation of a balance sheet as it relates to that of a profit-and-loss statement.
- d. Describe the components of a balance sheet.
- e. Identify types of assets.
- f. Categorize examples of assets as current or fixed.
- g. Identify types of liabilities.
- h. Categorize examples of liabilities as current or long-term.
- i. Explain ways that a business can use its balance sheet.

**Instructional Area****FINANCIAL ANALYSIS (cont'd)****Performance Indicator and Objectives****Describe the nature of income statements (FI:094, FI LAP 4) (SP)**

- a. Define the terms: income statement, profit-and-loss statement, revenue, cost of goods sold, gross profit, operating expenses, and net income.
- b. Explain the purpose of an income statement.
- c. Identify other names by which an income statement is known.
- d. Describe the categories of components on an income statement.
- e. Explain why an income statement is cumulative.
- f. Describe how financial ratios are determined.
- g. Explain how financial ratios calculated from the income statement are used in business decision making.
- h. Explain who analyzes the information found in income statements.

**Performance Indicator and Objectives****Prepare a pro forma cash flow statement (FI:602) (MN)**

- a. Describe the importance of adequate cash flow to business start-ups.
- b. Explain the importance of research in estimating cash-flow needs.
- c. Identify sources of cash coming into a new business.
- d. Identify cash to be paid out of a new business.
- e. Describe factors that affect (i.e., speed up and slow down) a business's cash flow.
- f. Explain methods that can be used to estimate cash flow.
- g. Demonstrate procedures for preparing a pro forma cash-flow statement.

**Performance Indicator and Objectives****Prepare a pro forma balance sheet (FI:511) (MN)**

- a. Explain reasons for creating a projected/estimated balance sheet.
- b. Describe the relationship of an estimated/projected income statement and estimated cash-flow statement with an estimated/projected balance sheet.
- c. Demonstrate procedures for developing an estimated/projected balance sheet.

**Instructional Area****FINANCIAL ANALYSIS (cont'd)****Performance Indicator and Objectives****Develop a pro forma income statement (FI:510) (MN)**

- a. Distinguish between development of a pro forma income statement for a business start-up versus one for an existing business.
- b. Describe reasons for preparing pro forma income statements.
- c. Identify financial-planning tools that should be used to create the pro forma income statement.
- d. Identify assumptions that will need to be made when preparing a pro forma income statement.
- e. Identify sources of information to consult to create a pro forma income statement.
- f. Explain assumptions that will need to be made about the general business environment when creating a pro forma income statement (e.g., interest rates, potential customers, etc.).
- g. Describe assumptions that will need to be made about the business when creating a pro forma income statement (e.g., productivity, capacity, cash flow, costs, reliability of equipment, expenses, timing requirements, management skills, etc.).
- h. Discuss assumptions that need to be made about how the business will respond to changes in factors outside its control when creating a pro forma income statement (e.g., economic, climatic changes, etc.).
- i. Describe sources of information that should be consulted to create a pro forma income statement.
- j. Demonstrate preparation of a pro forma income statement.

**Performance Indicator and Objectives****Explain the purposes and importance of obtaining business credit (FI:023) (ON)**

- a. Explain reasons that businesses need to obtain credit.
- b. Identify types of credit available to businesses.

**Performance Indicator and Objectives****Determine financing needed to start a business (FI:036) (ON)**

- a. Define the term start-up costs.
- b. Identify types of start-up costs
- c. Explain factors affecting a business's start-up costs.
- d. Describe types of loans used to finance a new business.
- e. Determine monies needed for a business start-up.

**Performance Indicator and Objectives****Determine financing needed for business operations (FI:043) (ON)**

- a. Explain the need for ongoing financing for business operations.
- b. Explain how a business is affected by insufficient financing.
- c. Describe factors affecting a business's ongoing financing.
- d. Identify reasons that additional capital is needed by a business.
- e. Determine monies needed for a business's ongoing financing.

**Instructional Area****FINANCIAL ANALYSIS (cont'd)****Performance Indicator and Objectives****Identify risks associated with obtaining business credit (FI:041) (ON)**

- a. Define the terms variable (floating) interest rate, prepayment penalties, financial covenants, financial restrictions, subordination agreements, and personal guarantees.
- b. Identify direct financial costs associated with obtaining business credit.
- c. Discuss periodic reporting requirements required by lenders.
- d. Explain financial covenants and restrictions included in loan agreements by lenders.
- e. Discuss the use of subordination agreements in financial covenants.
- f. Explain the use of personal guarantees in lending policies.
- g. Identify factors that can be negotiated to replace the use of personal guarantees.

**Performance Indicator and Objectives****Explain sources of financial assistance (FI:031) (ON)**

- a. Define the terms equity sources and debt sources.
- b. Identify sources of credit for businesses.
- c. Describe the advantages and disadvantages of obtaining credit from each source.

**Performance Indicator and Objectives****Develop critical banking relationships (FI:039) (ON)**

- a. Explain the importance of establishing a relationship with a banker.
- b. Explain the importance of determining a bank's sincerity in servicing an account.
- c. Identify services provided by banks.
- d. Discuss reasons for evaluating a banker's personality and experience.
- e. Identify questions to ask to determine a match between a business's needs and a bank's capabilities.
- f. Identify techniques for establishing a relationship with a banker.
- g. Describe ways for a businessperson to enhance his/her credibility with a banker.
- h. Demonstrate procedures for analyzing banking relationships.

**Performance Indicator and Objectives****Explain loan evaluation criteria used by lending institutions (FI:034) (ON)**

- a. Identify loan evaluation criteria used by lending institutions.
- b. Explain reasons that lending institutions use loan evaluation criteria.
- c. Explain how loan evaluation criteria are used in making lending decisions.

**Performance Indicator and Objectives****Complete loan application package (FI:033) (ON)**

- a. Describe the components of a loan application package.
- b. Identify information needed to complete a loan application package.
- c. Describe the process for obtaining a loan.
- d. Explain procedures for completing loan application packages.
- e. Demonstrate how to complete a loan application package.

**Instructional Area****HUMAN RESOURCES MANAGEMENT****Performance Indicator and Objectives**

**Discuss factors that impact human resources management (e.g., availability of qualified employees, alternative staffing methods, employment laws/regulations, company policies/procedures, compensation and benefit programs, staff diversity, etc.) (HR:415) (SP)**

- a. Discuss how the availability of qualified employees can impact human resources management.
- b. Identify alternative staffing methods (e.g., temporary workers, telecommuting, retirees, employee leasing, contract workers, job sharing, part-time employees, internship programs, outsourcing, etc.)
- c. Explain how alternative staffing methods can impact human resources management.
- d. Describe how employment laws/regulations can impact human resources management.
- e. Discuss how company policies/procedures can impact human resources management.
- f. Explain how compensation and benefit programs can potentially impact human resources management.
- g. Describe how staff diversity can impact human resources management.

**Performance Indicator and Objectives**

**Describe planning techniques used in the hiring process (e.g., succession planning, forecasting, etc.) (HR:416) (SP)**

- a. Discuss the importance of a business's goals/objectives to the hiring process.
- b. Explain considerations in forecasting demand for human-resources (e.g., product demand, economic condition, technology, funding, job turnover, company growth, managerial philosophy, etc.)
- c. Describe quantitative techniques that businesses use to forecast demand for employees (e.g., trend analysis, modeling, predictive techniques).
- d. Explain qualitative techniques that businesses use to forecast employee demand e.g., expert forecasts, Delphi techniques)
- e. Describe internal factors that should be considered in the hiring process (e.g., current employees, size of the organization, image of the job/company, company policies, etc.)
- f. Discuss tools businesses use to forecast supply based on internal factors (e.g., staffing tables, Markov analysis, skills inventories, management inventories, replacement charts, succession planning).
- g. Explain external factors that impact a business's ability to forecast supply of human resources (e.g., demographic changes, workforce education labor market mobility, unemployment situation, and labor laws).
- h. Discuss actions businesses take to balance supply and demand for human resources.

**Performance Indicator and Objectives**

**Develop job descriptions (HR:495) (MN)**

- a. Define the following terms: job descriptions, job qualifications, and job analysis.
- b. Explain the uses of job descriptions.
- c. Describe how job descriptions can be developed.
- d. Demonstrate how to develop job descriptions.

**Instructional Area****HUMAN RESOURCES MANAGEMENT (cont'd)****Performance Indicator and Objectives****Determine hiring needs (HR:353) (SU)**

- a. Identify factors to consider when identifying hiring needs.
- b. Distinguish between determining hiring needs for a large company vs. determining hiring needs for a small company.
- c. Explain procedures for determining hiring needs.
- d. Demonstrate procedures for determining hiring needs.

**Instructional Area****INFORMATION MANAGEMENT****Performance Indicator and Objectives****Establish specifications for selecting hardware/software systems (NF:091) (MN)**

- a. Describe components of hardware systems.
- b. Explain reasons for establishing hardware/software specifications (e.g., to provide consistency and compatibilities among users; to maintain a clean, productive system/network environment; to enable the computer system to grow with evolving technology; to provide a basis for maintaining system operability and reliability).
- c. Discuss considerations in establishing hardware/software specifications (e.g., user needs, capabilities, ease of use, compatibility, mobility, technical support, security, performance, cost, licensing, reliability, upgrades/updates, training).
- d. Identify resources that can be consulted about alternative information technology products (e.g., manufacturers, consultants, catalogs, product reviews in computer magazines or on the Internet, Internet newsgroups).
- e. Demonstrate procedures for establishing specifications for selecting hardware/software systems.

**Performance Indicator and Objectives****Determine venture's information technology needs (NF:012) (MN)**

- a. Describe components of information systems (i.e., people, equipment—hardware and software, processes/procedures, data).
- b. Discuss the general functionalities of hardware/software components.
- c. Explain how information technology systems aid in achieving company goals (e.g., improved efficiency, improved effectiveness, improved communication, reduced errors, improved quality).
- d. Identify ways to determine a venture's information technology needs (e.g., talk with managers of similar businesses, brainstorm, ask experts, administer survey, talk with manufacturers, research capabilities of software/hardware)
- e. Discuss the importance of understanding business processes when determining a venture's information technology needs.
- f. Demonstrate procedures for determining a venture's information technology needs.



**Instructional Area****INFORMATION MANAGEMENT (cont'd)****Performance Indicator and Objectives**

- Describe the nature of business records (NF:001, NF LAP 1) (SP)**
- Define the following terms: record, record keeping, personnel records, administrative records, promotional records, financial records, inventory records, and legal records.
  - Identify factors that affect the types of records kept by businesses.
  - Describe methods for keeping records.
  - Explain the phases of a record-keeping process.
  - Identify reasons for keeping records.
  - Explain the types of records.

**Instructional Area****MARKETING****Performance Indicator and Objectives**

- Develop strategies to market an organization to potential employees (MK:021) (MN)**
- Define the following terms: employer branding, workplace culture.
  - Identify reasons for employer branding.
  - Explain the benefits of employer branding.
  - Identify factors that can influence a company's employer brand (e.g., community support, office location(s), company size, employee turnover, dress code, and employee demographics such as age, race, and alumni).
  - Discuss the importance of determining what motivates potential employees.
  - Describe ways to determine what motivates potential employees.
  - Explain the importance of sharing an effective business message with potential employees.
  - Discuss characteristics of effective business messages that are used to market to potential employees.
  - Apply the 4 Ps (product, price, place, and promotion) to employee recruitment.
  - Demonstrate how to market an organization to potential employees.

**Instructional Area****OPERATIONS****Performance Indicator and Objectives**

- Select vendors (OP:161) (SP)**
- Describe factors to consider when selecting vendors.
  - Explain reasons for analyzing vendors.
  - Cite reasons that a business may want to select more than one vendor.
  - Compute weighted scores for vendor selection.
  - Develop grading scales for criteria selected for evaluation.
  - Explain guidelines for selecting vendors.
  - Implement guidelines for selecting vendors.

**Instructional Area****OPERATIONS (cont'd)****Performance Indicator and Objectives****Describe crucial elements of a quality culture (OP:019) (SP)**

- a. Identify ways in which quality can affect a business.
- b. Explain reasons that businesses focus on quality strategies.
- c. Explain considerations in developing a quality culture (e.g., involving everyone, breaking down barriers among employees and management, eliminating numerical quotas, instituting training, developing leadership, recognizing employees' contributions to quality, communicating the quality policy/message, etc.).
- d. Discuss the importance of top management commitment in a quality culture.
- e. Describe the role of suppliers in a quality culture.
- f. Discuss the role of the customer in a quality culture.
- g. Discuss barriers to the adoption of a quality focus.

**Performance Indicator and Objectives****Describe the role of management in the achievement of quality (OP:020) (MN)**

- a. Explain the importance of management's commitment to quality achievement.
- b. Describe tools that management can use to improve quality.
- c. Discuss steps that management can take to develop a plan/program for achievement of quality.

**Performance Indicator and Objectives****Negotiate lease or purchase of facility (OP:028) (MN)**

- a. Compare the costs/benefits of leasing versus purchasing a facility.
- b. Identify the terms of facility leases and contracts.
- c. Describe factors that are often negotiated when leasing or purchasing a facility.
- d. Explain techniques for negotiating lease and purchase terms with the building owner.
- e. Demonstrate procedures for negotiating the lease or purchase of a facility.

**Instructional Area****STRATEGIC MANAGEMENT****Performance Indicator and Objectives****Explain the nature of business plans (SM:007, SM LAP 1) (MN)**

- a. Define the term business plan.
- b. Identify situations in which business plans are needed.
- c. Describe the components of a business plan.
- d. Explain types of business plans (e.g., mini-plan, working plan, presentation plan, electronic plan).

**Performance Indicator and Objectives****Develop a personnel organizational plan (MN:042) (MN)**

- a. Define the terms: organizational plan, line, and staff.
- b. Identify information obtained from organizational plans.
- c. Describe purposes of organizational plans.
- d. Explain guidelines for developing a personnel organizational plan.
- e. Demonstrate how to develop a personnel organizational plan.

**Instructional Area****STRATEGIC MANAGEMENT (cont'd)****Performance Indicator and Objectives****Explain external planning considerations (SM:011) (MN)**

- a. Define the terms environmental analysis and proactive planning.
- b. Explain how a business's market influences business planning.
- c. Describe the impact of competition on business planning.
- d. Identify ways that the use of intermediaries affects business planning.
- e. Describe the impact of demographics on business planning.
- f. Explain the impact of technology on business planning.
- g. Identify ways that government regulation impacts business planning.
- h. Explain the impact of the economy on business planning.
- i. Explain how environmental analysis acts as a valuable forecasting tool.
- j. Describe the importance of proactive planning to business success.

**Performance Indicator and Objectives****Identify and benchmark key performance indicators (e.g., dashboards, scorecards, etc.) (SM:027) (MN)**

- a. Define the terms benchmarking, benchmarking partners, key performance indicators, and scorecards..
- b. Explain the benefits associated with effective benchmarking (e.g., quality improvement, policy formulation, decision-making aid, strategic planning).
- c. Discuss types of formal benchmarking (i.e., internal, competitive, functional/generic).
- d. Describe the steps in the benchmarking process (i.e., determine what to benchmark, determine whether to conduct the process individually or as a team, select benchmarking partners, collect and analyze information, take action based on findings).
- e. Explain stumbling blocks/difficulties with benchmarking.
- f. Identify criteria for selecting benchmarking partners.
- g. Discuss sources that can be used to locate benchmarking partners.
- h. Explain ways to collect benchmarking data.
- i. Demonstrate how to benchmark key performance indicators.

**Performance Indicator and Objectives****Develop action plans (SM:012) (ON)**

- a. Identify the components of an action plan.
- b. Describe the purposes of the main parts of an action plan: operations, management (employees), and contingency.
- c. Explain the importance of an action plan to the business plan.
- d. Describe ways in which businesses use action plans.
- e. Identify contingencies for which businesses frequently plan.
- f. Explain the need for contingency planning.
- g. Describe the relationship between contingency planning and SWOT analysis.
- h. Explain the use of "what if" scenarios in contingency planning.
- i. Demonstrate procedures for developing an action plan.

**Performance Indicator and Objectives****Develop business plan (SM:013, SM LAP 2) (ON)**

- a. Explain the importance of a business plan.
- b. Discuss the use of executive summaries in business plans.
- c. Identify factors that can necessitate changes in business plans.
- d. Identify mistakes to avoid when developing a business plan.
- e. Explain procedures for developing business plans.
- f. Demonstrate procedures for developing a business plan.

**Instructional Area****CHANNEL MANAGEMENT****Performance Indicator and Objectives****Develop channel-management strategies (CM:014) (MN)**

- a. Discuss the benefits of developing different channel management strategies for each customer segment (e.g., effectiveness, efficiency, brand consistency).
- b. Explain customer characteristics to consider when segmenting channels (e.g., needs, buying patterns, success factors, volume, relationships, customer satisfaction, technical expertise).
- c. Explain how the 80/20 rule applies to distribution channels.
- d. Discuss reasons to maintain low volume channel members.
- e. Describe the potential impact of collaboration on channel management strategies (e.g., reduced costs, improved forecasts, improved user experience, increased productivity, decreased duplication of work, coordinated promotional efforts).
- f. Discuss the importance of adding value in distribution channels.
- g. Identify types of strategies that could add value in a distribution channel (e.g., creating exclusive products for channel members, getting products to suppliers before others, developing promotions that help set a channel member off from its competitors, expanding markets, extending products, acquiring customers).
- h. Explain the need to base channel-management strategies on goals/objectives.
- i. Demonstrate procedures for developing channel management strategies.

**Instructional Area****MARKETING-INFORMATION MANAGEMENT****Performance Indicator and Objectives****Identify industry/economic trends that will impact business activities (IM:363) (MN)**

- a. Discuss reasons that businesses identify industry/economic trends (e.g., to inform and guide strategic planning, to reduce risks, to seek opportunities, to anticipate business cycle changes, to improve inventory management, to improve supply chain management, to enhance management forecasts, to improve financial management, to enhance marketing management).
- b. Identify factors to consider when determining industry trends (e.g., industry, geographic area, product, targeted customers, regulatory environment, competitors).
- c. Discuss forces that drive trends (e.g., political and social, population and demographics, resources and environment, science and technology, work and workplace).
- d. Explain the usefulness of determining a business's North American Industrial Classification System code (NAICS) when identifying industry trends.
- e. Describe general resources that are useful in identifying industry trends (e.g., industry profiles, trade/professional associations, census data, industry surveys, online databases, business directories, company websites, government agencies such as the Securities and Exchange Commission).
- f. Discuss the use of Porter's five forces model in industry analysis.
- g. Demonstrate how to identify industry trends that will impact business activities.

**Instructional Area****MARKETING-INFORMATION MANAGEMENT****Performance Indicator and Objectives****Analyze market needs and opportunities (IM:302) (MN)**

- a. Define the term needs assessment.
- b. Discuss reasons for conducting a needs assessment.
- c. Describe tools that can be used to conduct a needs assessment.
- d. Identify types of questions that a needs assessment can help to answer.
- e. Explain the steps followed to conduct a needs assessment.
- f. Demonstrate procedures for analyzing market needs and opportunities.

**Performance Indicator and Objectives****Estimate market share (IM:350) (MN)**

- a. Define the term market share.
- b. Explain the purpose of estimating market share.
- c. Describe criteria that can be used to assess total market size (i.e., geographic targeting, customer targeting, product-oriented targeting).
- d. Discuss factors that could be used as the basis for calculating market share (i.e., unit sales, number of potential customers, total sales volume).
- e. Demonstrate how to estimate market share.

**Instructional Area****PRICING****Performance Indicator and Objectives****Establish pricing objectives (PI:044) (MN)**

- a. Identify types of pricing objectives.
- b. Explain reasons for setting pricing objectives.
- c. Describe ways in which pricing objectives are used.
- d. Demonstrate procedures for establishing pricing objectives.

**Performance Indicator and Objectives****Identify strategies for pricing new products (for imitative new products, for innovative new products) (PI:020) (MN)**

- a. Define the following terms: skimming, penetration, status quo strategy, premium strategy, overcharging strategy, good-value strategy, and economy strategy.
- b. Distinguish between pricing imitative new products and innovative new products.
- c. Describe strategies for pricing imitative new products.
- d. Describe strategies for pricing innovative new products.
- e. Explain factors affecting the choice of strategies for pricing new products.
- f. Demonstrate procedures for identifying strategies for pricing new products.

**Performance Indicator and Objectives****Select product-mix pricing strategies (product line, option-product, captive-product, by-product, product bundle) (PI:021) (MN)**

- a. Define the following terms: product-mix pricing strategy, product line strategy, option-product strategy, captive-product strategy, by-product strategy, and product bundle strategy.
- b. Distinguish among product-mix pricing strategies.
- c. Explain purposes of product-mix pricing strategies.
- d. Describe factors affecting the choice of product-mix pricing strategies.
- e. Demonstrate procedures for selecting product-mix pricing strategies.

**Instructional Area****PRICING (cont'd)****Performance Indicator and Objectives****Determine discounts and allowances that can be used to adjust base prices (PI:022) (MN)**

- a. Define the following terms: discount, allowance, cash discounts, quantity discounts, cumulative discounts, noncumulative discounts, trade discounts, seasonal discounts, promotional allowances, cooperative advertising, rebates, and push money.
- b. Explain reasons for adjusting base prices.
- c. Describe types of discounts and allowances that can be used to adjust base prices.
- d. Explain payment terms used with discounts.
- e. Calculate discounts and allowances.
- f. Demonstrate procedures for determining discounts and allowances that can be used to adjust base prices.

**Performance Indicator and Objectives****Use psychological pricing to adjust base prices (PI:005) (MN)**

- a. Define psychological pricing.
- b. Describe how price indicates quality or value.
- c. Explain how price affects customers' self-image.
- d. Identify psychological pricing techniques.
- e. Describe odd pricing.
- f. Explain even pricing.
- g. Discuss prestige pricing.
- h. Adjust base prices using psychological pricing techniques.

**Performance Indicator and Objectives****Select promotional pricing strategies used to adjust base prices (PI:023) (MN)**

- a. Define the following terms: loss leaders, special-event pricing, and cash rebates.
- b. Identify types of promotional pricing strategies.
- c. Discuss the advantages/disadvantages of promotional pricing strategies.
- d. Explain reasons for using promotional pricing strategies.
- e. Demonstrate procedures for selecting promotional pricing strategies.

**Instructional Area****PRODUCT/SERVICE MANAGEMENT****Performance Indicator and Objectives****Explain the nature of product/service branding (PM:021, PM LAP 6) (SP)**

- a. Define the following terms: brand, brand name, brand symbol, trade character, brand recognition, brand preference, brand insistence, product brands, generic brand, national brand, private/distributor brand, brand strategies, family branding, individual branding, brand extensions, brand licensing, and co-branding.
- b. List the characteristics of a good brand name.
- c. Explain levels of brand loyalty.
- d. Identify types of brand strategies.
- e. Describe considerations for international branding.
- f. Explain the impact of the Internet on branding.
- g. Discuss employees' role in branding.

**Instructional Area****PRODUCT/SERVICE MANAGEMENT (cont'd)****Performance Indicator and Objectives****Develop positioning concept for a new product idea (PM:228) (SP)**

- a. Define the terms positioning (the process businesses can use to occupy the desired space in customers' minds about a product, brand, company, etc.); positioning concept (the first step in a positioning process that identifies management's desired idea of what a product, brand, company, etc., stands for in customers' minds; the differentiating idea that sets a product, brand, or company apart from its competitors); product class/category, and concept testing.
- b. Explain the purpose of a positioning concept (i.e., to guide the company's marketing mix decisions).
- c. Identify factors on which products can be positioned (e.g., product attributes, benefits and consequences resulting from product use, the product application).
- d. Describe types of positioning concepts (i.e., functional, symbolic, experiential).
- e. Discuss characteristics of effective brand positioning (e.g., relevant, distinct, credible, benefit-based, strategically aligned).
- f. Explain tools that businesses can use to aid in developing a positioning concept.
- g. Demonstrate procedures for developing a positioning concept for a new product idea.

**Performance Indicator and Objectives****Communicate core values of product/service (PM:214) (SP)**

- a. Define the term core values.
- b. Discuss reasons to define and communicate a product's core values.
- c. Explain the importance of aligning actions with core values.
- d. Describe methods that could be used to define a product's core values.
- e. Discuss processes that businesses can use to define and communicate their products' core values.
- f. Demonstrate procedures for communicating a product's core values.

**Performance Indicator and Objectives****Identify product's/service's competitive advantage (PM:246) (SP)**

- a. Define the term competitive advantage.
- b. Identify sources that provide businesses with a competitive advantage.
- c. Identify types of competitive advantages (i.e., cost and differentiation).
- d. Differentiate between positional and resource-based competitive advantages.
- e. Describe factors that provide businesses with a resource-based competitive advantage (i.e., capabilities and resources).
- f. Discuss factors that affect the amount and type of competition in an industry (i.e., availability of substitutes, bargaining power, threat of new entrants into the industry, competitive rivalry).
- g. Describe the impact of strategic groups on competitive advantage.
- h. Explain business strategies that can be used to gain a competitive advantage (i.e., cost leadership, differentiation, cost focus, differentiation focus).
- i. Demonstrate procedures for identifying a product's/service's competitive advantage.

**Instructional Area****Performance Indicator and Objectives****PRODUCT/SERVICE MANAGEMENT (cont'd)****Explain the nature of corporate branding (PM:206, PM LAP 10) (SP)**

- a. Define the following terms: brand identity, values, brand cues, brand personality, touch points, brand promise, and corporate brands.
- b. Describe the elements that make up a brand's identity.
- c. Explain the use of values in brand development.
- d. Discuss the significance of a brand's personality.
- e. Describe the use of brand touch points.
- f. Distinguish between corporate and distributor brands.



# **Course Outline**

## Section 4

**Introduction**

An outline is provided to identify a recommended instructional sequence/schedule for the course. *Advanced Entrepreneurship* is process oriented. In effect, it delivers the curriculum through a sequence designed to plan and actualize a new business venture.

Thus, learning outcomes from various instructional areas are, at times, grouped together as the curricular backbone of the project and activities. These learning outcomes are sequenced in a recommended order of instruction to move students through the business planning and actualization process. Although all successful entrepreneurs must possess the knowledge and complete the tasks identified in the course outline, they may address the material in a different sequence than the one presented here. In the real business world, entrepreneurs would address much of the material simultaneously, rather than in a sequential manner.

Since the best curriculum is one that has been designed for a specific situation, instructors should examine local considerations when making final curricular decisions. These considerations involve such factors as:

**Student Ability Level**

*Advanced Entrepreneurship* was developed with the assumption that students enrolled in the course are average in ability and motivation. If an individual or a class does not meet that assumption, the instructor should modify the curriculum by addressing fewer learning outcomes at a slower pace than that recommended or by adding more general business outcomes to increase the pace.

**Instructional Time**

The amount of instructional time devoted to each performance indicator will vary. The amount of time should be increased or decreased based on the overall ability level of students and the complexity of the performance indicator, or learning outcome. For example, less time might be spent on specialist-level performance indicators and more time on owner-level indicators.

**Career-Technical Student Organization**

Use of a co-curricular student organization may affect the sequence of instruction presented in the course outline. The instructor should carefully examine the make-up of competitive events to ensure proper alignment with course content.

<b>Week 1</b>	
	<p>Explain the goals of the <i>Advanced Entrepreneurship</i> course</p> <p>Discuss classroom operations and procedures</p> <p>Discuss the purposes of CTSO and its activities</p> <p>Explain the nature of business plans (SM:007, SM LAP 1) (MN) (pp. 5-4 — 5-5)</p>
<b>Week 2</b>	
	<p>Explain the nature of business plans (SM:007, SM LAP 1) (MN) [cont'd] (pp. 5-4 — 5-5)</p> <p>Explain external planning considerations (SM:011) (MN) (pp. 5-6 — 5-7)</p>
<b>Week 3</b>	
	<p>Assess the need to use external resources for concept development (EN:012) (ON) (pp. 5-11 — 5-12)</p> <p>Describe the nature of business records (NF:001, NF LAP 1) (SP) (pp. 5-13 — 5-14)</p>
<b>Week 4</b>	
	<p>Identify industry/economic trends that will impact business activities (IM:363) (MN) (pp. 5-15 — 5-16)</p> <p>Describe the nature of taxes (EC:072) (SP) (pp. 5-17 — 5-18)</p>
<b>Week 5</b>	
	<p>Describe the economic impact of inflation on business (EC:083) (SP) (pp. 5-22 — 5-23)</p> <p>Explain the economic impact of interest-rate fluctuations (EC:084) (SP) (pp. 5-24 — 5-25)</p>
<b>Week 6</b>	
	<p>Determine the impact of business cycles of business activities (EC:018, EC LAP 9) (SP) (pp. 5-26 — 5-27)</p> <p>Describe small-business opportunities in international trade (EC:066) (SP) (pp. 5-28 — 5-29)</p>
<b>Week 7</b>	
	<p>Analyze market needs and opportunities (IM:302) (MN) (pp. 5-30 — 5-31)</p> <p>Explain the nature of product/service branding (PM:021, PM LAP 6) (SP) (pp. 5-32 — 5-33)</p>

<b>Week 8</b>	
	<p>Develop positioning concept for a new product idea (PM:228) (SP) (pp. 5-34 — 5-35)</p> <p>Communicate core values of product/service (PM:214) (SP) (pp. 5-36 — 5-37)</p>
<b>Week 9</b>	
	<p>Identify product's/service's competitive advantage (PM:246) (SP) (pp. 5-38 — 5-39)</p> <p>Explain the nature of corporate branding (PM:206, PM LAP 10) (SP) (pp. 5-40 — 5-41)</p>
<b>Week 10</b>	
	<p>Estimate market share (IM:350) (MN) (pp. 5-42 — 5-43)</p> <p>Develop channel-management strategies (CM:014) (MN) (pp. 5-44 — 5-45)</p>
<b>Week 11</b>	
	<p>Establish pricing objectives (PI:044) (MN) (pp. 5-46 — 5-47)</p> <p>Identify strategies for pricing new products (for imitative new products, for innovative new products) (PI:020) (MN) (pp. 5-48 — 5-49)</p>
<b>Week 12</b>	
	<p>Select product-mix pricing strategies (product line, option-product, captive-product, by-product, product bundle) (PI:021) (MN) (pp. 5-50 — 5-51)</p> <p>Determine discounts and allowances that can be used to adjust base prices (PI:022) (MN) (pp. 5-52 — 5-53)</p>
<b>Week 13</b>	
	<p>Use psychological pricing to adjust base prices (PI:005) (MN) (pp. 5-54 — 5-55)</p> <p>Select promotional pricing strategies used to adjust base prices (PI:023) (MN) (pp. 5-59 — 5-60)</p>
<b>Week 14</b>	
	<p>Develop a personnel organizational plan (MN:042) (MN) (pp. 5-61 — 5-62)</p> <p>Explain considerations in making the decision to hire staff (EN:018) (ON) (pp. 5-63 — 5-64)</p>

<b>Week 15</b>	
	<p>Discuss factors that impact human resources management (e.g., availability of qualified employees, alternative staffing methods, employment laws/regulations, company policies/procedures, compensation and benefit programs, staff diversity, etc.) (HR:415) (SP) (pp. 5-65 — 5-66)</p> <p>Describe planning techniques used in the hiring process (e.g., succession planning, forecasting, etc.) (HR:416) (SP) (pp. 5-67 — 5-68)</p>
<b>Week 16</b>	
	<p>Determine hiring needs (HR:353) (SU) (pp. 5-69 — 5-70)</p> <p>Develop job descriptions (HR:495) (MN) (pp. 5-71 — 5-72)</p>
<b>Week 17</b>	
	<p>Identify capital resources needed for the venture (EN:020) (ON) (pp. 5-73 — 5-74)</p> <p>Establish specifications for selecting hardware/software systems (NF:091) (MN) (pp. 5-75 — 5-76)</p>
<b>Week 18</b>	
	<p>Determine venture's information technology needs (NF:012) (MN) (pp. 5-78 — 5-79)</p> <p><b>Semester Exam</b></p>
<b>Week 19</b>	
	<p>Select vendors (OP:161) (SP) (pp. 5-80 — 5-81)</p> <p>Assess the costs/benefits associated with resources (EN:021) (ON) (pp. 5-82 — 5-83)</p>
<b>Week 20</b>	
	<p>Use external resources to supplement entrepreneur's expertise (EN:022) (ON) (pp. 5-84 — 5-85)</p> <p>Explain the purposes and importance of obtaining business credit (FI:023) (ON) (pp. 5-86 — 5-87)</p>
<b>Week 21</b>	
	<p>Determine financing needed to start a business (FI:036) (ON) (pp. 5-88 — 5-89)</p> <p>Determine financing needed for business operations (FI:043) (ON) (pp. 5-90 — 5-91)</p>

<b>Week 22</b>	
	Identify risks associated with obtaining business credit (FI:041) (ON) (pp. 5-92 — 5-93) Explain sources of financial assistance (FI:031) (ON) (pp. 5-94 — 5-95)
<b>Week 23</b>	
	Describe the nature of income statements (FI:094, FI LAP 4) (SP) (pp. 5-96 — 5-97) Develop a pro forma income statement (FI:510) (MN) (pp. 5-100 — 5-101)
<b>Week 24</b>	
	Describe the nature of cash flow statements (FI:091, FI LAP 6) (SP) (pp. 5-102 — 5-103) Prepare a pro forma cash flow statement (FI:602) (MN) (pp. 5-107 — 5-108)
<b>Week 25</b>	
	Explain the nature of balance sheets (FI:093) (SP) (pp. 5-109 — 5-110) Prepare a pro forma balance sheet (FI:511) (MN) (pp. 5-115 — 5-116)
<b>Week 26</b>	
	Identify and benchmark key performance indicators (e.g., dashboards, scorecards, etc.) (SM:027) (MN) (pp. 5-117 — 5-118)
<b>Week 27</b>	
	Develop action plans (SM:012) (ON) (pp. 5-119 — 5-120)
<b>Week 28</b>	
	Write executive summaries (CO:091) (SP) (pp. 5-121 — 5-122) Develop business plan (SM:013, SM LAP 2) (ON) (pp. 5-123 — 5-124)
<b>Week 29</b>	
	Develop business plan (SM:013, SM LAP 2) (ON) [cont'd] (pp. 5-123 — 5-124)
<b>Week 30</b>	
	Develop business plan (SM:013, SM LAP 2) (ON) [cont'd] (pp. 5-123 — 5-124) Give elevator pitch (EI:093) (SP) (pp. 5-131 — 5-132)

<b>Week 31</b>	
	Develop critical banking relationships (FI:039) (ON) (pp. 5-133 — 5-134) Explain loan evaluation criteria used by lending institutions (FI:034) (ON) (pp. 5-135 — 5-136)
<b>Week 32</b>	
	Complete loan application package (FI:033) (ON) (pp. 5-137 — 5-138) Persuade others (EI:012, QS LAP 10) (SP) (pp. 5-139 — 5-140)
<b>Week 33</b>	
	Demonstrate negotiation skills (EI:062; QS LAP 3, EI LAP 8) (SP) (pp. 5-141 — 5-142) Negotiate lease or purchase of facility (OP:028) (MN) (pp. 5-147 — 5-148)
<b>Week 34</b>	
	Explain the nature of risk management (FI:084, FI LAP 8) (SP) (pp. 5-149 — 5-150) Obtain insurance coverage (FI:082) (ON) (pp. 5-157 — 5-158)
<b>Week 35</b>	
	Describe crucial elements of a quality culture (OP:019) (SP) (pp. 5-159 — 5-160) Describe the role of management in the achievement of quality (OP:020) (MN) (pp. 5-161 — 5-162)
<b>Week 36</b>	
	Develop strategies to market an organization to potential employees (MK:021) (MN) (pp. 5-163 — 5-164) Course Assessment <b>Final Exam</b>

# **Planning Guide Sheets**

## Section 5



**The Very Important Planning (VIP) Project, Part II**

The course-long Very Important Planning (VIP) Project, Part II, provides students with continued opportunity to develop and apply their entrepreneurial skills. During the project, students return their focus and efforts to the small businesses that they began planning in *Principles of Entrepreneurship*. The project leads students through further planning and organizational processes integral to the start-up of new business ventures, including the identification of needed resources, preparation of pro forma financial statements, and development of critical banking relationships. Throughout the project, each student is required to maintain and add to his/her individual VIP portfolio—a business start-up notebook started in *Principles of Entrepreneurship*. Performance Activities throughout the *Advanced Entrepreneurship* course guide that pertain to the students' future businesses are mandatory.

The most challenging, time-consuming aspect of the VIP Project, Part II, is likely to be the development of a detailed business plan. Each student is required to write a plan for her/his proposed new venture that includes: an executive summary; a description of the business, its products, and opportunities; market research and analysis; a marketing plan; an operations plan; a management plan; risks and opportunities (SWOT analysis); an overall schedule (action plan); a financial plan; and pertinent appendices. When finished, students are expected to add their business plans to their VIP portfolios and file/save their work for use during actualization of their business ventures.

*Advanced Entrepreneurship* is a fast-paced, content-rich course. For that reason, the course developers focused solely on key aspects of entrepreneurship and new-business planning. If teachers feel that too much of a gap exists for their particular students to get the big picture of entrepreneurship and planning a business, they need to include additional learning outcomes for their students.

**Planning Guide Sheets**

For each performance indicator, a planning guide sheet was developed that identifies a Knowledge/Skill Statement (standard), an Instructional Area, a Performance Element (topic), the Performance Indicator, Objectives, a Performance Activity that should be implemented to provide structure to the project, and a listing of Resources. Students should master each of the Performance Indicators either through research conducted on their own or through classroom instruction.

**Crosswalks**

Each performance indicator has been crosswalked with SCANS competencies and with 21<sup>st</sup> Century Skills. Information about these two efforts and the learning outcomes they address is found in Appendices B and C respectively.

**Performance Activities**

Performance Activities are presented throughout the course to provide a framework for the Very Important Planning Project, Part II. These activities reinforce concepts, practice skills, extend knowledge, and/or assess student performance. Considerations made in developing the activities are as follows:

- The activities must promote critical thinking, decision-making, and teamwork.
- A variety of activities must be developed to appeal to different learning and teaching styles and to maintain student interest.
- The activities must reflect the intent of the performance indicators; e.g., concept-oriented activities should be developed for concept-oriented performance indicators.
- The activities must enable students to integrate and apply academic content.
- The activities must encourage the use of technology.

**Resources**

A variety of resources from various publishers is included for teacher and student use. Efforts were made to reference the most current editions of textbooks. At the time of publication, all URLs were active links.

**Briefings**

For eight *Advanced Entrepreneurship* performance indicators, informational notes—referred to as Briefings—have been provided. It is recommended that instructors review and present the Briefings to students in a lecture or discussion format. A topical outline for each Briefing is provided following the appropriate planning guide sheets.

**Rubrics**

Rubrics that can be used to evaluate students' work efforts are provided in Section 5 following the appropriate planning guide sheets.

<b>Knowledge/ Skill Statement</b>	Understands tools, techniques, and systems that affect a business's ability to plan, control, and organize an organization/department
<b>Instructional Area</b>	Strategic Management
<b>Performance Element</b>	Utilize planning tools to guide organization's/department's activities.
<b>Performance Indicator</b>	Explain the nature of business plans (SM:007, SM LAP 1)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 1-4; Information 5-7; Interpersonal 13; Systems 15; Basic Skills 1-6; Thinking Skills 8-9, 12; Personal Qualities 17
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the term business plan.</li> <li>Identify situations in which business plans are needed.</li> <li>Describe the components of a business plan.</li> </ol>
<b>Performance Activity</b>	<p>Divide the class into groups of three or four students each. Ask each small group to prepare an outline of the components essential to a business plan that a financial institution would need to provide funding to a new venture. When finished, each group should share its findings. Lead a class discussion of the similarities and differences among the groups' outlines.</p> <p>Instruct each student to identify the components that are essential for his/her own business's plan. Have each student use a word-processing program to create an outline of the components that s/he will address in her/his business plan. Students should insert their completed outlines into their VIP portfolios.</p>
<b>Resources LAP</b>	<p>MBA Research and Curriculum Center. (2011). <i>Plan now, succeed later (Nature of business plans)</i> [LAP: SM-001]. Columbus, OH: Author.</p> <p>MBA Research and Curriculum Center. (2011). <i>Plan now, succeed later (Nature of business plans): Instructor copy</i> [LAP: SM-001]. Columbus, OH: Author.</p>
<b>Textbooks</b>	<p>Allen, K.A., &amp; Meyer, E.C. (2006). <i>Entrepreneurship and small business management</i> (pp. 100-109). Woodland Hills, CA: McGraw-Hill Glencoe.</p> <p>Burrow, J.L. (2012). <i>Marketing</i> (3rd ed.) [pp. 609-611]. Mason, OH: South-Western Cengage Learning.</p> <p>Clark, B., Sobel, J., &amp; Basteri, C.G. (2010). <i>Marketing dynamics</i> (2<sup>nd</sup> ed.) [pp. 747-748]. Tinley Park, IL: Goodheart-Willcox.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C.A. (2009). <i>Marketing essentials</i> (pp. 738-751). Woodland Hills, CA: McGraw-Hill Glencoe.</p> <p>Greene, C.L. (2006). <i>Entrepreneurship: Ideas in action</i> (3<sup>rd</sup> ed.) [pp. 106-121]. Mason, OH: Thomson South-Western.</p> <p>Greene, C.L. (2012). <i>Entrepreneurship: Ideas in Action</i> (5<sup>th</sup> ed.) [pp. 66-88]. Mason, OH: South-Western Cengage Learning.</p> <p>Kuratko, D.F. (2009). <i>Entrepreneurship: Theory, process, practice</i> (8<sup>th</sup> ed.) [pp. 225, 348-374]. Mason, OH: Thomson South-Western.</p>
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<b>Knowledge/ Skill Statement</b>	Understands tools, techniques, and systems that affect a business's ability to plan, control, and organize an organization/department
<b>Instructional Area</b>	Strategic Management
<b>Performance Element</b>	Utilize planning tools to guide organization's/department's activities.
<b>Performance Indicator</b>	Explain external planning considerations (SM:011)
<b>Level</b>	Manager
<b>SCANS</b>	Information 5-7; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the terms environmental analysis and proactive planning.</li> <li>Explain how a business's market influences business planning.</li> <li>Describe the impact of competition on business planning.</li> <li>Identify ways that the use of intermediaries affects business planning.</li> <li>Describe the impact of demographics on business planning.</li> <li>Explain the impact of technology on business planning.</li> <li>Identify ways that government regulation impacts business planning.</li> <li>Explain the impact of the economy on business planning.</li> <li>Explain how environmental analysis acts as a valuable forecasting tool.</li> <li>Describe the importance of proactive planning to business success.</li> </ol>
<b>Performance Activity</b>	<p>Review and present the External Planning Considerations Briefing (pp. 5-8—5-10) to students in a lecture or discussion format.</p> <p>Instruct each student to interview an entrepreneur or small-business owner (preferably with a business venture similar to his/her own) to learn more about factors impacting his/her business planning. Students should ask these entrepreneurs or small-business owners to provide specific examples of ways in which the market, competition, intermediaries, demographics, technology, regulation, and the economy have impacted her/his business planning. Also, each student should ask the person to discuss proactive planning and the role of environmental analysis as a forecasting tool. Students should compare their findings with each other. Then, each student should develop a list of factors most likely to impact her/his own business planning and insert the list into his/her VIP portfolio.</p>
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 33-38, 63-65, 123-124]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 62-81). New York: McGraw-Hill.</p> <p>Bovée, C.L., Thill, J.V., &amp; Mescon, M.H. (2007). <i>Excellence in business</i> (3<sup>rd</sup> ed.) [pp. 232-233]. Upper Saddle River, NJ: Pearson Prentice Hall.</p>

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<p><b>The Business Environment</b></p>	<p>The business environment consists of many factors impacting a business's chances of survival and success. For anyone who operates a business and is responsible for its welfare, these factors are vital considerations because they affect the direction a company may take now and in the future.</p> <p>These external factors can be categorized into two groups—factors that are specific to a particular business and factors which affect all businesses.</p>
<p><b>Factors Specific to Your Business</b></p>	<p>Universal planning considerations that vary among companies include:</p> <ul style="list-style-type: none"> <li>• Your business's market <ul style="list-style-type: none"> <li>○ The market for your good or service is an important external factor because knowledge of your potential customers is critical to all marketing strategies—product image, product benefit, price, sales volume, promotion, and channels of distribution.</li> <li>○ All marketing decisions are based on the objective of satisfying customers.</li> </ul> </li> <li>• Your competition <ul style="list-style-type: none"> <li>○ Your competition consists of businesses selling goods or services similar to yours, as well as businesses competing with you for the same scarce customer dollars.</li> <li>○ Knowing who your competitors are gives you the opportunity to offer advantages they do not provide.</li> <li>○ Learning who your competitors are, their strengths, and their weaknesses will be basic to planning your competitive advantage and marketing strategies.</li> </ul> </li> <li>• Intermediaries <ul style="list-style-type: none"> <li>○ Intermediaries are the middlemen that compose your channel(s) of distribution.</li> <li>○ To the extent that you depend on other businesses as suppliers and/or intermediaries, you give up a certain amount of control and assume a degree of risk.</li> <li>○ You are dependent upon suppliers and/or intermediaries to operate efficiently and economically to benefit your firm.</li> <li>○ You must analyze the cost/benefit of available channel alternatives to maintain the highest economic advantage.</li> </ul> </li> </ul>

<p><b>Factors Affecting All Businesses</b></p>	<p>Environmental factors affecting business planning that are common to all businesses include:</p> <ul style="list-style-type: none"> <li>• Demographics <ul style="list-style-type: none"> <li>○ Demographics are the physical and social characteristics of the population.</li> <li>○ As you identify your target market, you segment the population according to similar demographic characteristics.</li> <li>○ You must know the population and its characteristics to segment, satisfy, and succeed.</li> </ul> </li> <li>• Technology <ul style="list-style-type: none"> <li>○ Your business can succeed only if you anticipate and adapt to technological innovations in the environment.</li> <li>○ Technological developments represent both opportunities and threats to businesses.</li> </ul> </li> <li>• Government regulations <ul style="list-style-type: none"> <li>○ Local, state, and federal legislation requires adjustments to your business.</li> <li>○ These adjustments often increase the cost of doing business.</li> <li>○ In addition to regulating business activities, the government also supports the growth of business through subsidies, government contracts, and research.</li> <li>○ Our government also protects U.S. companies from foreign competition through the use of tariff and nontariff restrictions.</li> </ul> </li> <li>• The economy <ul style="list-style-type: none"> <li>○ Economic trends such as industrial production, inflation, new jobs, housing starts, and interest rates should be considered by business planners as they determine consumer willingness to spend.</li> <li>○ Consumers tend to delay the purchase of luxury and large-ticket items during bad economic conditions.</li> </ul> </li> </ul>
<p><b>Analyzing the Environment</b></p>	<p>Your business operates in an environment of change which is affected by external factors beyond your direct control. Your business must respond to the changes occurring in the environment to keep its doors open.</p> <p>To understand and to prepare for the changes occurring in your business's environment, you should study the external factors which influence your company's success. This process is known as environmental analysis and is vital to the identification of opportunities and problems facing your business. Such analysis acts as a barometer of change and is a valuable forecasting tool.</p> <p>Environmental analysis should be a prerequisite for planning and should precede the development of your company's purposes, objectives, and strategies. By continuously analyzing the environment, you can adapt your business's purposes, objectives, and strategies to reflect environmental shifts.</p>



**Proactive  
Planning**

Your business success is dependent on continuous planning and the ability to be proactive rather than reactive. Proactive companies don't just wait for changes to occur around them. Instead, they take action to create business opportunities. To develop this approach, managers should examine their external environment by asking questions such as:

- What innovations could affect my business?
- What governmental constraints or supports exist?
- Who is the competition?
- Does my company have special advantages to offer that are not available from the competition?
- What are my competitors' strengths, weaknesses, and risks? How can we benefit from them?
- What is the economic outlook?
- Who is my market?
- How are society's values, beliefs, expectations, and physical makeup changing? How does this affect us?
- What are the costs/benefits of my channels of distribution?

<b>Knowledge/ Skill Statement</b>	Understands the concepts, processes, and skills associated with identifying new ideas, opportunities, and methods and with creating or starting a new project or venture
<b>Instructional Area</b>	Entrepreneurship
<b>Performance Element</b>	Develop concept for new business venture to evaluate its success potential.
<b>Performance Indicator</b>	Assess the need to use external resources for concept development (EN:012)
<b>Level</b>	Owner
<b>SCANS</b>	Information 5-7; Interpersonal 13; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 8-9, 12; Personal Qualities 15, 17
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Critical Thinking & Problem Solving 1-3; Communication & Collaboration 1; Information Literacy 1; Initiative & Self-Direction 1; Leadership & Responsibility 2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Describe external resources useful to entrepreneurs during concept development.</li> <li>Discuss the need for outside assistance during concept development.</li> <li>Explain types of assistance that can be provided by outside resources during concept development.</li> <li>Demonstrate procedures for assessing external resources for concept development.</li> </ol>
<b>Performance Activity</b>	<p>Divide the class into groups of two. Direct students to <i>The Toilet Paper Entrepreneur's</i> compilation of places where entrepreneurs can get free help (<a href="http://www.toiletpaperentrepreneur.com/skill-toolbox/places-entrepreneurs-free/">http://www.toiletpaperentrepreneur.com/skill-toolbox/places-entrepreneurs-free/</a>). After reading the list of recommended sources of assistance, each pair of students should identify five individuals, groups, web sites, etc. that they feel could be useful to an entrepreneur during concept development, as well the types of assistance provided by these outside resources. Each group should report its findings to the class.</p> <p>Following a class discussion of these different sources of assistance, each student should write a three-paragraph essay explaining whether or not s/he needs help to develop his/her business concept, why s/he does or does not need that help, and what outside resources would be most helpful to him/her. Students should put their completed essays in their VIP portfolios.</p>
<b>Resources Textbooks</b>	<p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 50-55). New York: McGraw-Hill.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [pp. 84-88]. Mason, OH: South-Western Cengage Learning.</p> <p>Gartner, W.B., &amp; Bellamy, M.G. (2009). <i>Creating the enterprise</i> (pp. 178, 181). Mason, OH: Thomson South-Western.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 114, 116-117]. New York: McGraw-Hill/Irwin.</p>

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- The Business Plan. (2012). *Small business advice*. Retrieved May 11, 2012, from <http://the-business-plan.com/small-business-advice/>

<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems needed to access, process, maintain, evaluate, and disseminate information to assist business decision-making
<b>Instructional Area</b>	Information Management
<b>Performance Element</b>	Maintain business records to facilitate business operations.
<b>Performance Indicator</b>	Describe the nature of business records (NF:001, NF LAP 1)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5-7; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the following terms: record, record keeping, personnel records, administrative records, promotional records, financial records, inventory records, and legal records.</li> <li>Identify factors that affect the types of records kept by businesses.</li> <li>Describe methods for keeping records.</li> <li>Explain the phases of a record-keeping process.</li> <li>Identify reasons for keeping records.</li> <li>Explain the types of records.</li> </ol>
<b>Performance Activity</b>	Instruct students to determine the types of business records that their businesses will need. Each student should create a multi-column table to depict the records and the reason that each record is needed. Students should insert their completed information into their VIP portfolios.
<b>Resources LAP</b>	<p>MBA Research and Curriculum Center. (2012). <i>Record It</i> (Business Records) [LAP: NF-001]. Columbus, OH: Author.</p> <p>MBA Research and Curriculum Center. (2012). <i>Record It</i> (Business Records): Instructor copy [LAP: NF-001]. Columbus, OH: Author.</p>
<b>Textbooks</b>	<p>Bovée, C.L., Thill, J.V., &amp; Mescon, M.H. (2007). <i>Excellence in business</i> (3<sup>rd</sup> ed.) [p. 133]. Upper Saddle River, NJ: Pearson Prentice Hall.</p> <p>Burrow, J.L., Kleindl, B., &amp; Everard, K.E. (2008). <i>Business principles and management: Annotated instructor's edition</i> (12<sup>th</sup> ed.) [pp. 417-418, 490]. Mason, OH: South-Western, Cengage Learning.</p> <p>Dlabay, L.R., Burrow, J.L., &amp; Kleindl, B.A. (2012). <i>Principles of business</i> (8<sup>th</sup> ed.) [pp. 104, 271, 278, 472]. South-Western, Cengage Learning.</p> <p>Longenecker, J.G., Moore, C.W., Petty, J.W., &amp; Palich, L.E. (2006). <i>Small business management: An entrepreneurial emphasis</i> (13<sup>th</sup> ed.) [pp. 457, 506]. Mason, OH: Thomson South-Western</p> <p>Pride, W. M., Hughes, R. J., &amp; Kapoor, J. R. (2008). <i>Business</i> (9<sup>th</sup> ed.) [p. 558]. Boston: Houghton Mifflin.</p>

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- Entrepreneur.com. (2012). *Sales records.* Retrieved May 7, 2012, from <http://www.entrepreneur.com/encyclopedia/term/82582.html>
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- Internal Revenue Service (2011, August 3). *Why should I keep records?* Retrieved May 7, 2012, from <http://www.irs.gov/businesses/small/article/0,,id=98557,00.html>
- Management Study Guide. (2008-2012). *Personnel records.* Retrieved May 7, 2012, from <http://www.managementstudyguide.com/personnel-records.htm>
- MBA Research and Curriculum Center. (2012). *Record It (Business Records)* [LAP: NF-001: Presentation Software]. Columbus, OH: Author.
- Thomas, L. (2010, May 13). *The importance of keeping proper business records—The whys and hows.* Retrieved May 7, 2012, from <http://ezinearticles.com/?The-Importance-of-Keeping-Proper-Business-Records---The-Whys-and-Hows&id=4285419>

**Knowledge/  
Skill  
Statement**

Understands the concepts, systems, and tools needed to gather, access, synthesize, evaluate, and disseminate information for use in making business decisions

**Instructional  
Area**

Marketing-Information Management

**Performance  
Element**

Analyze marketing information to make informed marketing decisions.

**Performance  
Indicator**

Identify industry/economic trends that will impact business activities (IM:363)

**Level**

Manager

**SCANS**

Information 5-7; Systems 15; Basic Skills 1-2, 4-6; Thinking Skills 12

**21<sup>st</sup> Century  
Skills**

Global Awareness 1; Financial, Economic, Business, & Entrepreneurial Literacy 2; Critical Thinking & Problem Solving 1, 3-5; Communication & Collaboration 1; Information Literacy 1

**Objectives**

- a. Discuss reasons that businesses identify industry/economic trends (e.g., to inform and guide strategic planning, to reduce risks, to seek opportunities, to anticipate business cycle changes, to improve inventory management, to improve supply chain management, to enhance management forecasts, to improve financial management, to enhance marketing management).
- b. Identify factors to consider when determining industry trends (e.g., industry, geographic area, product, targeted customers, regulatory environment, competitors).
- c. Discuss forces that drive trends (e.g., political and social, population and demographics, resources and environment, science and technology, work and workplace).
- d. Explain the usefulness of determining a business's North American Industrial Classification System code (NAICS) when identifying industry trends.
- e. Describe general resources that are useful in identifying industry trends (e.g., industry profiles, trade/professional associations, census data, industry surveys, online databases, business directories, company websites, government agencies such as the Securities and Exchange Commission).
- f. Discuss the use of Porter's five forces model in industry analysis.
- g. Demonstrate how to identify industry trends that will impact business activities.

**Performance  
Activity**

Direct students to access a variety of online resources (e.g., industry profiles, trade/professional associations, census data, industry surveys, online databases, business directories, company websites, government agencies, etc.) to identify economic and industry trends that will impact their business activities. Keep in mind that while the economic trends that different students identify are likely to be similar, the industry trends affecting their individual businesses may be quite different.

After completing his/her research, each student should write and record a 60-second radio news report (using Audacity or other audio recording/editing software) that describes these industry/economic trends and their potential impact on his/her business activities. When finished, students should put their news reports in their VIP portfolios.

**Resources**  
**Textbooks**

- Allen, K.R. (2007). *Growing and managing a small business: An entrepreneurial perspective* (2<sup>nd</sup> ed.) [pp. 60-64, 243-248]. Boston: Houghton Mifflin Company.
- Bamford, C.E., & Bruton, G.D. (2011). *Entrepreneurship: A small business approach* (pp. 64-66, 68-69, 75). New York: McGraw-Hill.
- Katz, J. & Green, R. (2011). *Entrepreneurial small business* (3<sup>rd</sup> ed.) [pp. 196-198, 209-211, 283-287, 374-377]. New York: McGraw-Hill Irwin.
- Kuratko, D.F. (2009). *Entrepreneurship: Theory, process, practice* (8<sup>th</sup> ed.) [pp. 127-128, 325]. Mason, OH: Thomson South-Western.
- Mullins, J.W., Walker, O.C., & Boyd, H.W. (2008). *Marketing management: A strategic decision-making approach* (6<sup>th</sup> ed.) [pp. 73-93, 176-180]. New York: McGraw-Hill Irwin.
- Perreault, W. D., Cannon, J. P., & McCarthy, E. J. (2008). *Basic marketing: A marketing strategy planning approach* (16<sup>th</sup> ed.) [pp. 100-110, 132-147]. Boston: McGraw-Hill/Irwin.
- Soloman, M. R., Marshall, G. W., & Stuart, E. W. (2008). *Marketing: Real people, real choices* (5<sup>th</sup> ed.) [pp. 80-90, 116, 350-351]. Upper Saddle River, NJ: Pearson Prentice Hall.

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- Ali, M. (2007, July 24). *Major economic trends that will affect your business*. Retrieved May 8, 2012, from <http://voices.yahoo.com/major-economic-trends-will-affect-business-450988.html?cat=3>
- EconomyWatch. (2010, June 30). *Industry trends*. Retrieved May 8, 2012, from <http://www.economywatch.com/world-industries/industry-trends.html>
- Hillison, D. (2009, November 4). *Five trends that will change your business*. Retrieved May 8, 2012, from <http://www.bcbusinessonline.ca/bcb/bc-blogs/one-brand-clapping/2009/11/04/five-trends-will-change-your-business>
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- Polanski, T. (n.d.). *Spotting and profiting from business trends online*. Retrieved May 8, 2012, from <http://ebizine.com/trendtracker/profitting-from-business-trends-online/>
- Tutor2u. (n.d.). *Strategy: Porter's five forces model: Analyzing industry structure*. Retrieved May 8, 2012, from [http://tutor2u.net/business/strategy/porter\\_five\\_forces.htm](http://tutor2u.net/business/strategy/porter_five_forces.htm)
- WiseGEEK. (2003-2012). *What is an industry trend analysis?* Retrieved May 8, 2012, from <http://www.wisegeek.com/what-is-an-industry-trend-analysis.htm>

<b>Knowledge/Skill Statement</b>	Understands the economic principles and concepts fundamental to business operations
<b>Instructional Area</b>	Economics
<b>Performance Element</b>	Acquire knowledge of the impact of government on business activities to make informed economic decisions.
<b>Performance Indicator</b>	Describe the nature of taxes (EC:072)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5-7; Systems 15; Basic Skills 1-2, 4-6; Thinking Skills 12
<b>21st Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 2; Civic Literacy 3; Critical Thinking and Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the following terms: tax, revenue, expenditure, excise tax, income tax, property tax, and sales tax.</li> <li>Explain the importance of taxes in a market economy.</li> <li>List sources of tax monies paid to different levels of government.</li> <li>Identify ways that tax monies are used by the different levels of government.</li> <li>Describe tax structures.</li> <li>Explain the Internal Revenue Service's roles.</li> <li>Illustrate the impact of taxation on the circular flow of income model.</li> <li>Explain how government expenditures are financed.</li> </ol>
<b>Performance Activity</b>	<p>Review and present the Nature of Taxes Briefing (pp. 5-19—5-21) to students in a lecture or discussion format.</p> <p>Explain that students are to search local newspapers to locate articles in which individuals or groups are opposed to an increase in taxation. Ask students to write a report, identifying the nature of the tax, how the monies are to be used, and the nature of the opposition to the tax. Tell them to indicate their position on the tax increase, providing a rationale for their stance.</p>
<b>Resources Textbooks</b>	<p>Burrow, J.L. (2012). <i>Marketing</i> (3rd ed.) [pp. 405-406]. Mason, OH: South-Western Cengage Learning.</p> <p>Clark, B., Sobel, J., &amp; Basteri C.G. (2010). <i>Marketing dynamics: Teacher's edition</i> (2<sup>nd</sup> ed.) [pp. 137, 141, 144]. Tinley Park, IL: Goodheart-Willcox.</p> <p>Clayton, G.E. (2005). <i>Economics: Principles &amp; Practices</i> (pp. 223-270). Columbus, OH: Glencoe/McGraw-Hill.</p> <p>Dlabay, L.R., Burrow, J.L., &amp; Kleindl, B. (2009). <i>Intro to business</i> (7<sup>th</sup> ed.) [pp. 90-91, 292, 301, 304-305]. Mason, OH: South-Western Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (pp. 67, 85-86, 339-340). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>McConnell, C.R. &amp; Brue, S.L. (2005). <i>Economics: Principles, problems, and policies</i> (16<sup>th</sup> ed.) [pp. 395-402, 415-426]. New York: McGraw-Hill/Irwin.</p> <p>Miller, R.L. (2005). <i>Economics: Today and tomorrow</i> (pp. 440-443). Columbus, OH: Glencoe/McGraw-Hill.</p>



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- Internal Revenue Service. (2012, February 24). *Business taxes*. Retrieved May 1, 2012, from <http://www.irs.gov/businesses/small/article/0,,id=98966,00.html>
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<p><b>What Are Taxes?</b></p>	<p>Taxes are legally mandated payments to the government that are <b>not</b> made in exchange for goods or services. They are typically used to fund projects that benefit society. Examples of taxes include:</p> <ul style="list-style-type: none"> <li>• Income tax <ul style="list-style-type: none"> <li>○ Based on the amount of money a person earns or receives</li> </ul> </li> <li>• Sales tax <ul style="list-style-type: none"> <li>○ Placed on the retail sale of almost every good or service purchased</li> <li>○ Not always applicable to goods such as food and medicine</li> </ul> </li> <li>• Property tax <ul style="list-style-type: none"> <li>○ Placed on real estate and, in some cases, on personal possessions (e.g., boats, vehicles, etc.)</li> </ul> </li> <li>• Excise tax <ul style="list-style-type: none"> <li>○ Placed on specific products</li> <li>○ Commonly used to discourage consumption of a product or to raise some easy money on products that the government knows people will continue to purchase, regardless of the tax</li> <li>○ Examples of excise taxes: <ul style="list-style-type: none"> <li>▪ Gasoline tax</li> <li>▪ Cigarette tax</li> <li>▪ Beer and liquor tax</li> </ul> </li> </ul> </li> </ul>
<p><b>The Importance of Taxes in a Market Economy</b></p>	<p>Taxes are important in a market economy because:</p> <ul style="list-style-type: none"> <li>• Taxes are the primary source of revenue (income) for the government sector.</li> <li>• Some services such as national defense, roads, and education can be more efficiently produced by the government than by private individuals.</li> <li>• The government is responsible for creating the infrastructure necessary for commerce. The banking system, national defense, and the transportation system are all part of this infrastructure. If taxes did not exist, these services would likely not exist either.</li> </ul>
<p><b>Money In, Money Out</b></p>	<p>Virtually every level of government collects taxes of some type. And, each of these levels of government spends tax monies on a variety of different items. These monies that are paid out or spent are called expenditures. The term “government expenditures” refers to spending by the government sector.</p> <p>Federal Government</p> <ul style="list-style-type: none"> <li>• Sources of tax monies: <ul style="list-style-type: none"> <li>○ Income taxes</li> <li>○ Excise taxes</li> </ul> </li> <li>• Expenditures <ul style="list-style-type: none"> <li>○ National defense</li> <li>○ Education</li> <li>○ Transportation systems</li> <li>○ Judicial system</li> <li>○ Social Security and Medicare, Medicaid, veterans services, etc.</li> </ul> </li> </ul>

	<p>State Governments:</p> <ul style="list-style-type: none"> <li>• Sources of tax monies: <ul style="list-style-type: none"> <li>○ Income taxes</li> <li>○ Sales taxes</li> <li>○ Excise taxes</li> </ul> </li> <li>• Expenditures: <ul style="list-style-type: none"> <li>○ State police protection</li> <li>○ Education</li> <li>○ Operation of state government, etc.</li> </ul> </li> </ul> <p>Local Governments:</p> <ul style="list-style-type: none"> <li>• Sources of tax monies: <ul style="list-style-type: none"> <li>○ Property taxes</li> <li>○ Sales taxes</li> <li>○ Income taxes</li> </ul> </li> <li>• Expenditures: <ul style="list-style-type: none"> <li>○ Education</li> <li>○ Public health and safety (local fire and police protection)</li> <li>○ Sanitation, etc.</li> </ul> </li> </ul>
<p><b>More About Government Expenditures</b></p>	<p>Roads, highways, and bridges are financed through the gasoline excise tax. Only those people who purchase gasoline—those who use the transportation system—pay the gasoline tax.</p> <p>The Social Security system, which provides income to retired workers, receives its monies from retirement taxes.</p>
<p><b>Duties of the Internal Revenue Service</b></p>	<p>The Internal Revenue Service is responsible for:</p> <ul style="list-style-type: none"> <li>• Collecting federal income taxes</li> <li>• Enforcing federal revenue law</li> <li>• Helping taxpayers with tax law</li> <li>• Pursuing taxpayers who are not in compliance with tax law</li> </ul>

<p><b>Tax Structures</b></p>	<p>Different types of tax structures include:</p> <ul style="list-style-type: none"> <li>• Proportional: <ul style="list-style-type: none"> <li>○ A tax structure in which everyone pays the same percentage of income in taxes, regardless of income level</li> <li>○ Few taxes are completely proportional in nature.</li> </ul> </li> <li>• Progressive: <ul style="list-style-type: none"> <li>○ A tax structure in which those who earn more pay a higher percentage of income in taxes</li> <li>○ As the income increases, the tax rate increases.</li> <li>○ Example: The Federal income tax</li> </ul> </li> <li>• Regressive: <ul style="list-style-type: none"> <li>○ A tax structure in which those who earn more income pay a lower percentage of income in taxes</li> <li>○ As income increases, the tax rate decreases.</li> <li>○ Sales and excise taxes are considered to be regressive taxes because those people with lower incomes ultimately pay a larger percentage of their income in sales and excise taxes.</li> </ul> </li> </ul>
<p><b>Taxation and the Circular Flow of Income Model</b></p>	<p>The circular flow model illustrates the constant movement of production inputs, goods, services, and money in the economy. For a good introduction on a simple circular flow of income model, have the students watch the flash movie/tutorial <i>The circular flow of income model</i> by Manfred Gartner at <a href="http://www.fgn.unisg.ch/eurmacro/tutor/circularflow.html">http://www.fgn.unisg.ch/eurmacro/tutor/circularflow.html</a>. (Do <b>NOT</b> continue on to the interactive Java applet—it goes into much more detail than is required for this lesson.)</p> <p>After this short introduction to the circular flow model, consider the role of the government—specifically, taxes—in the economy. How does the government fit into the circular flow of income model?</p> <p>The government sector can be added to the center of the circular flow model, and taxes are the flow between the household sector and the government sector. The government insists that households divert some monies away from consumption and spending to go toward the government. Direct your students to the AmosWEB website <i>Taxes</i> at <a href="http://www.amosweb.com/cgi-bin/awb_nav.pl?s=wpd&amp;c=dsp&amp;k=taxes">http://www.amosweb.com/cgi-bin/awb_nav.pl?s=wpd&amp;c=dsp&amp;k=taxes</a> for a good illustration of the circular flow model including the government sector and taxes.</p>
	<p>Based on: AmosWEB. (2000-2012). <i>Taxes</i>. Retrieved April 20, 2012, from <a href="http://www.amosweb.com/cgi-bin/awb_nav.pl?s=wpd&amp;c=dsp&amp;k=taxes">http://www.amosweb.com/cgi-bin/awb_nav.pl?s=wpd&amp;c=dsp&amp;k=taxes</a></p>

<b>Knowledge/ Skill Statement</b>	Understands the economic principles and concepts fundamental to business operations
<b>Instructional Area</b>	Economics
<b>Performance Element</b>	Understand economic indicators to recognize economic trends and conditions.
<b>Performance Indicator</b>	Describe the economic impact of inflation on business (EC:083)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5-7; Systems 15; Technology 19; Basic Skills 1-2, 4-6; Thinking Skills 8, 12
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 2; Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>a. Define the following terms: inflation, inflation rate, deflation, Consumer Price Index, standard of living, targeted inflation rate, and price stability.</li> <li>b. Describe causes of inflation.</li> <li>c. Explain how inflation impacts the economy.</li> <li>d. Describe the relationship between price stability and inflation.</li> <li>e. Explain problems associated with deflation.</li> <li>f. Discuss reasons why the inflation rate should be above zero.</li> <li>g. Explain how businesses can use the Consumer Price Index.</li> <li>h. Discuss the purpose of the Consumer Price Index (CPI).</li> <li>i. Describe how the Consumer Price Index is determined.</li> <li>j. Identify the major kinds of consumer spending that make up the Consumer Price Index.</li> <li>k. Explain how the Consumer Price Index is used to find the rate of inflation.</li> <li>l. Describe limitations on the use of the Consumer Price Index.</li> </ol>
<b>Performance Activity</b>	Have students interpret the Consumer Price Index over a 10-year period and draw conclusions about the prices of food, clothing, and medical care. Tell them to collaborate with a partner to discuss their findings and conclusions.
<b>Resources Textbooks</b>	<p>Abel, A. B., &amp; Bernanke, B. S. (2005). <i>Macroeconomics</i> (5<sup>th</sup> ed.) [pp. 6-8, 49-50, 400-408, 455-462]. New York: Pearson Addison Wesley.</p> <p>Boone, G., &amp; Kurtz, D.L. (2009). <i>Contemporary marketing 2009</i> (pp. 87-88). Mason, OH: South-Western Cengage Learning.</p> <p>Bovée, C. L., &amp; Thill, J.V. (2008). <i>Business in action</i> (4<sup>th</sup> ed.) [pp.19-20]. Upper Saddle River, NJ: Pearson Prentice Hall.</p> <p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [p. 520]. Mason, OH: South-Western Cengage Learning.</p> <p>Clark, B., Sobel, J., &amp; Basteri, C.G. (2010). <i>Marketing dynamics: Teacher's edition</i> (2<sup>nd</sup> ed.) [pp. 117-120]. Tinley Park, IL: Goodheart-Willcox Company, Inc.</p> <p>Clayton, G.E. (2005). <i>Economics: Principles &amp; Practices</i> (pp. 389-392). Columbus, OH: Glencoe/McGraw-Hill.</p>

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**Knowledge/  
Skill  
Statement**

Understands the economic principles and concepts fundamental to business operations

**Instructional  
Area**

Economics

**Performance  
Element**

Understand economic indicators to recognize economic trends and conditions.

**Performance  
Indicator**

Explain the economic impact of interest-rate fluctuations (EC:084)

**Level**

Specialist

**SCANS**

Information 5-7; Systems 15; Basic Skills 1-2, 4-6; Thinking Skills 12

**21st Century  
Skills**

Financial, Economic, Business, & Entrepreneurial Literacy 1, 2; Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1

**Objectives**

- a. Define the following terms: interest rate, nominal interest rate, real interest rate, interest-rate fluctuation, default risk, liquidity risk, maturity risk.
- b. Discuss causes of interest-rate fluctuations.
- c. Explain the impact of interest rate fluctuations on an economy.
- d. Describe the relationship between interest rates and the demand for money.
- e. Describe the relationship between inflation and interest rates.
- f. Discuss factors that create differences in the amount of interest charged on credit transactions (e.g., levels and kinds of risk, borrowers' and lenders' rights, and tax considerations).
- g. Describe kinds of risk associated with variances in interest rates (i.e., default, liquidity, and maturity).
- h. Explain how fiscal policies can affect interest rates.

**Performance  
Activity**

Ask students to locate and read articles about trends in interest rates. Tell them to summarize the articles, identifying the nature of the trends and reasons that they are occurring. Have them determine the impact that these trends are having on local businesses. Have students discuss their findings with the class.

**Resources  
Textbooks**

- Abel, A. B., & Bernanke, B. S. (2005). *Macroeconomics* (5<sup>th</sup> ed.) [pp. 51-54, 268-269, 559-560]. New York: Pearson Addison Wesley.
- Bovée, C. L. & Thill, J. V. (2008). *Business communication today* (9<sup>th</sup> ed.) [pp. 16-17, 177-178]. Upper Saddle River, NJ: Pearson Prentice Hall.
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- SparkNotes. (2012). *Tax and fiscal policy: Problems*. Retrieved May 1, 2012, from <http://www.sparknotes.com/economics/macro/taxandfiscalpolicy/problems.html>



<b>Knowledge/ Skill Statement</b>	Understands the economic principles and concepts fundamental to business operations
<b>Instructional Area</b>	Economics
<b>Performance Element</b>	Understand economic indicators to recognize economic trends and conditions.
<b>Performance Indicator</b>	Determine the impact of business cycles on business activities (EC:018)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5-7; Systems 15; Technology 19; Basic Skills 1-2, 5-6; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 2; Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the following terms: business cycles, expansion, peak, contraction and trough.</li> <li>Identify the phases of a business cycle.</li> <li>Describe the expansion phase of a business cycle.</li> <li>Describe the peak phase of a business cycle.</li> <li>Describe the contraction phase of a business cycle.</li> <li>Describe the trough phase of a business cycle.</li> <li>Explain how knowledge of business cycles benefits businesspeople.</li> <li>Describe internal causes of business cycles.</li> <li>Explain external causes of business cycles.</li> </ol>
<b>Performance Activity</b>	Ask students to read business articles about the current economic conditions and to draw conclusions from those articles about the phase of the existing business cycle. Tell them to identify causes of the phase and businesses' reactions. Question them about whether changes are taking place that would indicate a new phase is beginning. Have students present their conclusions and findings to the class.
<b>Resources LAP</b>	<p>MBA Research and Curriculum Center. (2011). <i>Boom or bust (Business cycles)</i> [LAP: EC-009]. Columbus, OH: Author.</p> <p>MBA Research and Curriculum Center. (2011). <i>Boom or bust (Business cycles): Instructor copy</i> [LAP: EC-009]. Columbus, OH: Author.</p>
<b>Textbooks</b>	<p>Abel, A. B., &amp; Bernanke, B. S. (2005). <i>Macroeconomics</i> (5<sup>th</sup> ed.) [pp. 276-304, 356-373]. New York: Pearson Addison Wesley.</p> <p>Bovée, C. L., &amp; Thill, J.V. (2008). <i>Business in action</i> (4<sup>th</sup> ed.) [p.16]. Upper Saddle River, NJ: Pearson Prentice Hall.</p> <p>Burrow, J.L. (2012). <i>Marketing</i> 3<sup>rd</sup> ed.) [p. 521]. Mason, OH:South-Western Cengage Learning.</p> <p>Clark, B., Sobel, J., &amp; Basteri, C.G. (2010). <i>Marketing dynamics: Teacher's edition</i> (2<sup>nd</sup> ed.) [pp. 128-133]. Tinley Park, IL: Goodheart-Willcox Company, Inc.</p> <p>Clayton, G.E. (2005). <i>Economics: Principles &amp; Practices</i> (pp. 375-380). Columbus, OH: Glencoe/McGraw-Hill.</p>

Software/  
Online

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<b>Knowledge/ Skill Statement</b>	Understands the economic principles and concepts fundamental to business operations
<b>Instructional Area</b>	Economics
<b>Performance Element</b>	Determine global trade's impact on business decision-making.
<b>Performance Indicator</b>	Describe small-business opportunities in international trade (EC:066)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5-7; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Global Awareness 1; Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1; ICT Literacy 1, 2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Describe advantages of growing a small business internationally.</li> <li>Explain the importance of stability when considering international trade.</li> <li>Describe types of risks frequently encountered by small businesses that engage in international trade.</li> <li>Identify considerations in launching a small-business abroad.</li> <li>Discuss issues facing entrepreneurs who open small-businesses abroad.</li> <li>Explain the significance of trade agreements and trade-preference programs for small businesses engaged in international trade.</li> <li>Describe traditional paths for getting into international business.</li> <li>Explain the role that the Internet can play in international business.</li> <li>Discuss ways to get into the import/export business.</li> </ol>
<b>Performance Activity</b>	Tell each student to identify an international market whose customer profile is similar to the one s/he plans to serve domestically. Then, each student should determine what s/he would need to do to provide services/goods to that market. Direct each student to write a rationale for choosing the market and develop a spreadsheet containing a comparison of advantages and disadvantages associated with the market. Students should discuss their rationales with their classmates and insert the papers into their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 409-414]. Boston: Houghton Mifflin Company.</p> <p>Greene, C.L. (2012). <i>Entrepreneurship: Ideas in Action</i> (5<sup>th</sup> ed.) [pp. 394-400]. Mason, OH: South-Western Cengage Learning.</p> <p>Greene, C.L. (2007). <i>Exploring entrepreneurship and economics</i> (pp. 69-71). Mason, OH: South-Western Cengage Learning.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 127-157]. New York: McGraw-Hill/Irwin.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 351-356]. New York: McGraw-Hill Irwin.</p> <p>Longenecker, J.G., Moore, C.W., Petty, J.W., &amp; Palich, L.E. (2006). <i>Small business management: An entrepreneurial emphasis</i> (13<sup>th</sup> ed.) [pp. 273-393]. Mason, OH: Thomson South-Western.</p>

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<b>Knowledge/ Skill Statement</b>	Understands the concepts, systems, and tools needed to gather, access, synthesize, evaluate, and disseminate information for use in making business decisions
<b>Instructional Area</b>	Marketing-Information Management
<b>Performance Element</b>	Analyze marketing information to make informed marketing decisions.
<b>Performance Indicator</b>	Analyze market needs and opportunities (IM:302)
<b>Level</b>	Manager
<b>SCANS</b>	Information 5-7; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3-5; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the term needs assessment.</li> <li>Discuss reasons for conducting a needs assessment.</li> <li>Describe tools that can be used to conduct a needs assessment.</li> <li>Identify types of questions that a needs assessment can help to answer.</li> <li>Explain the steps followed to conduct a needs assessment.</li> <li>Demonstrate procedures for analyzing market needs and opportunities.</li> </ol>
<b>Performance Activity</b>	Direct students to the needs assessment training module at <a href="http://www.csc.noaa.gov/needs/">http://www.csc.noaa.gov/needs/</a> , and make sure that they complete the following sections: Introduction, Assessment Methods, and Sample Size and Response Rates. After completing all three sections, each student should develop a written plan for analyzing her/his market's needs and opportunities. After completing the plan and developing the data-gathering tool(s) required (e.g., survey, questionnaire, etc.), each student should conduct a needs assessment to learn more about his/her market. Finally, s/he should record his/her findings and report them to the class. Students should put their needs-assessment plans, data-gathering tools, and findings in their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 246-247, 255]. Boston: Houghton Mifflin Company.</p> <p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [pp. 264, 281-282, 443]. Mason, OH: South-Western, Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (p. 286). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 309, 385]. New York: McGraw-Hill Irwin.</p> <p>Kotler, P., &amp; Armstrong, G. (2008). <i>Principles of marketing</i> (12<sup>th</sup> ed.) [pp. 6, 147]. Upper Saddle River, NJ: Prentice-Hall.</p> <p>Mullins, J.W., Walker, O.C., &amp; Boyd, H.W. (2008). <i>Marketing management: A strategic decision-making approach</i> (6<sup>th</sup> ed.) [pp. 6-9, 17-18, 177]. New York: McGraw-Hill Irwin.</p> <p>Perreault, W. D., Cannon, J. P., &amp; McCarthy, E. J. (2008). <i>Basic marketing: A marketing strategy planning approach</i> (16<sup>th</sup> ed.) [pp. 48-49, 53-54, 60-63, 70-71, 529]. Boston: McGraw-Hill/Irwin.</p>

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<b>Knowledge/ Skill Statement</b>	Understands the concepts and processes needed to obtain, develop, maintain, and improve a product or service mix in response to market opportunities
<b>Instructional Area</b>	Product/Service Management
<b>Performance Element</b>	Position product/service to acquire desired business image.
<b>Performance Indicator</b>	Explain the nature of product/service branding (PM:021, PM LAP 6)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5-7; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the following terms: brand, brand name, brand symbol, trade character, brand recognition, brand preference, brand insistence, product brands, generic brand, national brand, private/distributor brand, brand strategies, family branding, individual branding, brand extensions, brand licensing, and co-branding.</li> <li>List the characteristics of a good brand name.</li> <li>Explain levels of brand loyalty.</li> <li>Identify types of brand strategies.</li> <li>Describe considerations for international branding.</li> <li>Explain the impact of the Internet on branding.</li> <li>Discuss employees' role in branding.</li> </ol>
<b>Performance Activity</b>	Instruct each student to select a brand name and identify the characteristics that make it an effective brand name. Then, the student should determine the brand's stage of brand loyalty: recognition, preference, or insistence. Finally, each student should prepare visuals featuring symbols, names, and characters associated with the product/service's brand identity and discuss the visuals with a classmate. Students should keep these visuals for use in a later performance activity.
<b>Resources LAP</b>	<p>MBA Research and Curriculum Center. (2009). <i>It's a brand, brand, brand world! (Nature of product/service branding)</i> [LAP: PM-006]. Columbus, OH: Author.</p> <p>MBA Research and Curriculum Center. (2009). <i>It's a brand, brand, brand world! (Nature of product/service branding): Instructor copy</i> [LAP: PM-006]. Columbus, OH: Author.</p>
<b>Textbooks</b>	<p>Allen, K.R. &amp; Meyer, E.C. (2006). <i>Entrepreneurship and small business management</i> (p. 208). Woodland Hills, CA: McGraw-Hill/Glencoe.</p> <p>Boone, G., &amp; Kurtz, D.L. (2009). <i>Contemporary marketing 2009</i> (pp. 379-386). Mason, OH: South-Western Cengage Learning.</p> <p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [pp. 245-246, 289-290, 453-454]. Mason, OH: South-Western Cengage Learning.</p> <p>Clark, B., Sobel, J., &amp; Basteri, C.G. (2010). <i>Marketing dynamics: Teacher's edition</i> (2<sup>nd</sup> ed.) [pp. 262-272]. Tinley Park, IL: Goodheart-Willcox Company, Inc.</p> <p>Dlabay, L.R., Burrow, J.L., &amp; Kleindl, B. (2009). <i>Intro to business</i> (7<sup>th</sup> ed.) [p. 377]. Mason, OH: South-Western Cengage Learning.</p>

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<b>Knowledge/ Skill Statement</b>	Understands the concepts and processes needed to obtain, develop, maintain, and improve a product or service mix in response to market opportunities
<b>Instructional Area</b>	Product/Service Management
<b>Performance Element</b>	Position products/services to acquire desired business image.
<b>Performance Indicator</b>	Develop positioning concept for a new product idea (PM:228)
<b>Level</b>	Specialist
<b>SCANS</b>	Resources 2; Information 5-8; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 7-8, 12
<b>21<sup>st</sup> Century Skills</b>	Creativity & Innovation 1-2; Critical Thinking & Problem Solving 1-3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the terms positioning (the process businesses can use to occupy the desired space in customers' minds about a product, brand, company, etc.); positioning concept (the first step in a positioning process that identifies management's desired idea of what a product, brand, company, etc., stands for in customers' minds; the differentiating idea that sets a product, brand, or company apart from its competitors); product class/category, and concept testing.</li> <li>Explain the purpose of a positioning concept (i.e., to guide the company's marketing mix decisions).</li> <li>Identify factors on which products can be positioned (e.g., product attributes, benefits and consequences resulting from product use, the product application).</li> <li>Describe types of positioning concepts (i.e., functional, symbolic, experiential).</li> <li>Discuss characteristics of effective brand positioning (e.g., relevant, distinct, credible, benefit-based, strategically aligned).</li> <li>Explain tools that businesses can use to aid in developing a positioning concept.</li> <li>Demonstrate procedures for developing a positioning concept for a new product idea.</li> </ol>
<b>Performance Activity</b>	Instruct students to read the article "How to Design Your Positioning Strategy," located at <a href="http://www.smithfam.com/news/oct00x.html">http://www.smithfam.com/news/oct00x.html</a> . After reading the article, each student should use the suggestions provided to develop at least one strategy for positioning his/her new product. After develop the strategy, s/he should also create a positioning statement that aligns with the strategy. When finished, students should share their strategies and positioning statements with the class and explain their rationale for the strategies. Encourage students to provide their classmates with feedback and advice for improving their strategies and positioning statements. Finally, students should revise their work as appropriate and add their strategies and statements to their VIP portfolios.

## Resources

### Textbooks

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<b>Knowledge/ Skill Statement</b>	Understands the concepts and processes needed to obtain, develop, maintain, and improve a product or service mix in response to market opportunities
<b>Instructional Area</b>	Product/Service Management
<b>Performance Element</b>	Position products/services to acquire desired business image.
<b>Performance Indicator</b>	Communicate core values of product/service (PM:214)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5-8; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Creativity & Innovation 2; Critical Thinking & Problem Solving 1-3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the term core values.</li> <li>Discuss reasons to define and communicate a product's core values.</li> <li>Explain the importance of aligning actions with core values.</li> <li>Describe methods that could be used to define a product's core values.</li> <li>Discuss processes that businesses can use to define and communicate their products' core values.</li> <li>Demonstrate procedures for communicating a product's core values.</li> </ol>
<b>Performance Activity</b>	Instruct students to define their products' core values. Then, direct each student to develop a plan for communicating his/her product's core values to multiple audiences, including customers, investors, vendors, and employees. Students should discuss their plans for communicating the core values of their products/services with business professionals, revise their work based on the business people's feedback, and insert their plans into their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [p. 26]. Boston: Houghton Mifflin Company.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [p. 277]. New York: McGraw-Hill Irwin.</p> <p>Kotler, P., &amp; Armstrong, G. (2008). <i>Principles of marketing</i> (12<sup>th</sup> ed.) [p. 232]. Upper Saddle River, NJ: Prentice-Hall.</p> <p>Mullins, J.W., Walker, O.C., &amp; Boyd, H.W. (2008). <i>Marketing management: A strategic decision-making approach</i> (6<sup>th</sup> ed.) [p. 207]. New York: McGraw-Hill Irwin.</p> <p>Perreault, W. D., Cannon, J. P., &amp; McCarthy, E. J. (2008). <i>Basic marketing: A marketing strategy planning approach</i> (16<sup>th</sup> ed.) [pp. 236-237]. Boston: McGraw-Hill/Irwin.</p> <p>Soloman, M. R., Marshall, G. W., &amp; Stuart, E. W. (2008). <i>Marketing: Real people, real choices</i> (5<sup>th</sup> ed.) [pp. 238-239]. Upper Saddle River, NJ: Pearson Prentice Hall.</p>

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<b>Knowledge/ Skill Statement</b>	Understands the concepts and processes needed to obtain, develop, maintain, and improve a product or service mix in response to market opportunities
<b>Instructional Area</b>	Product/Service Management
<b>Performance Element</b>	Position products/services to acquire desired business image.
<b>Performance Indicator</b>	Identify product's/service's competitive advantage (PM:246)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5-7; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 9, 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3, 5; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the term competitive advantage.</li> <li>Identify sources that provide businesses with a competitive advantage.</li> <li>Identify types of competitive advantages (i.e., cost and differentiation).</li> <li>Differentiate between positional and resource-based competitive advantages.</li> <li>Describe factors that provide businesses with a resource-based competitive advantage (i.e., capabilities and resources).</li> <li>Discuss factors that affect the amount and type of competition in an industry (i.e., availability of substitutes, bargaining power, threat of new entrants into the industry, competitive rivalry).</li> <li>Describe the impact of strategic groups on competitive advantage.</li> <li>Explain business strategies that can be used to gain a competitive advantage (i.e., cost leadership, differentiation, cost focus, differentiation focus).</li> <li>Demonstrate procedures for identifying a product's/service's competitive advantage.</li> </ol>
<b>Performance Activity</b>	As a class, view the YouTube video "How to Develop Competitive Advantage" ( <a href="http://www.youtube.com/watch?v=S9O2oPbT3fs&amp;feature=related">http://www.youtube.com/watch?v=S9O2oPbT3fs&amp;feature=related</a> ) and discuss the concept of competitive advantage with students. Then, provide each student with a copy of the article and listing of company attributes found at <a href="http://brandingbasics.net/?q=node/10">http://brandingbasics.net/?q=node/10</a> . Individually, students should review the listing and identify his/her product's/service's possible sources of competitive advantage. Finally, each student should discuss his/her product's/service's competitive advantage with a classmate, make changes based on the classmate's input, and insert the information into his/her VIP portfolio.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 37-38]. Boston: Houghton Mifflin Company.</p> <p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [pp. 189-196]. Mason, OH: South-Western, Cengage Learning.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 203-204, 295]. New York: McGraw-Hill Irwin.</p> <p>Kotler, P., &amp; Armstrong, G. (2008). <i>Principles of marketing</i> (12<sup>th</sup> ed.) [pp. 204-207, 514-527]. Upper Saddle River, NJ: Prentice-Hall.</p>

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- Soloman, M. R., Marshall, G. W., & Stuart, E. W. (2008). *Marketing: Real people, real choices* (5<sup>th</sup> ed.) [pp. 220-224, 550]. Upper Saddle River, NJ: Pearson Prentice Hall.
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- Reference for Business (2012). *Industry analysis*. Retrieved May 11, 2012, from <http://www.referenceforbusiness.com/small/Inc-Mail/Industry-Analysis.html>
- tutor2u.com. (n.d.). *Competitive advantage*. Retrieved May 11, 2102, from [http://tutor2u.net/business/strategy/competitive\\_advantage.htm](http://tutor2u.net/business/strategy/competitive_advantage.htm)

<b>Knowledge/ Skill Statement</b>	Understands the concepts and processes needed to obtain, develop, maintain, and improve a product or service mix in response to market opportunities
<b>Instructional Area</b>	Product/Service Management
<b>Performance Element</b>	Position company to acquire desired business image.
<b>Performance Indicator</b>	Explain the nature of corporate branding (PM:206, PM LAP 10)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5-8; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 7-8, 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the following terms: brand identity, values, brand cues, brand personality, touch points, brand promise, and corporate brands.</li> <li>Describe the elements that make up a brand's identity.</li> <li>Explain the use of values in brand development.</li> <li>Discuss the significance of a brand's personality.</li> <li>Describe the use of brand touch points.</li> <li>Distinguish between corporate and distributor brands.</li> </ol>
<b>Performance Activity</b>	Instruct students to access the visuals that they prepared for the product/service branding activity. Each student should add to his/her visual by featuring the company's brand values, brand personality, and touch points. When finished, students should discuss their visuals with their classmates.
<b>Resources</b>	
<b>LAP</b>	<p>MBA Research and Curriculum Center. (2009). <i>Build your corporate brand . . . before someone builds it for you (Corporate branding)</i> [LAP: PM-010]. Columbus, OH: Author.</p> <p>MBA Research and Curriculum Center. (2009). <i>Build your corporate brand . . . before someone builds it for you (Corporate branding): Instructor copy</i> [LAP: PM-010]. Columbus, OH: Author.</p>
<b>Textbooks</b>	<p>Boone, G., &amp; Kurtz, D.L. (2009). <i>Contemporary marketing 2009</i> (pp. 382-383). Mason, OH: South-Western Cengage Learning.</p> <p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [pp. 245-246, 289-290, 453-454]. Mason, OH: South-Western Cengage Learning.</p> <p>Clark, B., Sobel, J., &amp; Basteri, C.G. (2010). <i>Marketing dynamics: Teacher's edition</i> (2<sup>nd</sup> ed.) [pp. 266-267]. Tinley Park, IL: Goodheart-Willcox Company, Inc.</p> <p>Dlabay, L.R., Burrow, J.L., &amp; Kleindl, B. (2009). <i>Intro to business</i> (7<sup>th</sup> ed.) [pp. 245, 377]. Mason, OH: South-Western Cengage Learning.</p> <p>Etzel, M.J.; Walker, B.J.; &amp; Stanton, W.J. (2007). <i>Marketing</i> (14<sup>th</sup> ed.) [pp. 258-272]. New York: McGraw-Hill/Irwin.</p> <p>Farese, L.S.; Kimbrell, G.; &amp; Woloszyk, C.A. (2009). <i>Marketing essentials</i> (pp. 654-659). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Kazanjian, K. (2007). <i>Exceeding customer expectations</i> (pp. 195-218). New York: Doubleday.</p>

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- Perreault, W.D., Jr.; Cannon, J.P.; & McCarthy, E.J. (2008). *Basic marketing: Marketing strategy planning approach* (16<sup>th</sup> ed.) [pp. 248-249]. New York: McGraw-Hill/Irwin.
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- Dorreststeijn, T. (n.d.). *Creating a brand personality*. Retrieved April 24, 2012, from <http://visual-branding.com/eight-outlines/creating-a-brand-personality/>
- George, R. (n.d.). *Tapping into brand touchpoints*. Retrieved April 24, 2012, from <http://www.marketingprofs.com/3/george2.asp>
- Glatstein, S. (2012). *5 steps to brand building: Touchpoints are key to building a strong brand*. Retrieved April 24, 2012, from <http://sbinfoCanada.about.com/od/marketing/a/brandbuildingsg.htm>
- Jones, J. (2012). *Build a brand identity—5 key elements*. Retrieved April 24, 2012, from <http://ezinearticles.com/?Build-a-Brand-Identity---5-Key-Elements&id=704234>
- MBA Research and Curriculum Center. (2009). *Build your corporate brand . . . before someone builds it for you (Corporate branding)* [LAP: PM-010: Presentation software]. Columbus, OH: Author.
- Salerno, J. (2012). *Corporate branding—Recipe for a successful business*. Retrieved April 24, 2012, from <http://ezinearticles.com/?Corporate-Branding---Recipe-For-A-Successful-Business&id=836060>



<b>Knowledge/ Skill Statement</b>	Understands the concepts, systems, and tools needed to gather, access, synthesize, evaluate, and disseminate information for use in making business decisions
<b>Instructional Area</b>	Marketing-Information Management
<b>Performance Element</b>	Analyze marketing information to make informed marketing decisions.
<b>Performance Indicator</b>	Estimate market share (IM:350)
<b>Level</b>	Manager
<b>SCANS</b>	Information 5-8; Systems 15; Basic Skills 1-6; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3-5; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the term market share.</li> <li>Explain the purpose of estimating market share.</li> <li>Describe criteria that can be used to assess total market size (i.e., geographic targeting, customer targeting, product-oriented targeting).</li> <li>Discuss factors that could be used as the basis for calculating market share (i.e., unit sales, number of potential customers, total sales volume).</li> <li>Demonstrate how to estimate market share.</li> </ol>
<b>Performance Activity</b>	Instruct students to follow the steps provided for estimating market share at <a href="http://www.powerplanpro.com/sitemap.html?id=1303&amp;area=3">http://www.powerplanpro.com/sitemap.html?id=1303&amp;area=3</a> to project their business ventures' market share during their first year of operation. Students should discuss their projections with a business partner, make revisions to their estimates as necessary, and insert their market share estimates in their VIP portfolios.
<b>Resources Textbooks</b>	<p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [pp. 187-188]. Mason, OH: South-Western, Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (pp.14, 529-530, 599-600). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Kotler, P., &amp; Armstrong, G. (2008). <i>Principles of marketing</i> (12<sup>th</sup> ed.) [pp. 529-530]. Upper Saddle River, NJ: Prentice-Hall.</p> <p>Mullins, J.W., Walker, O.C., &amp; Boyd, H.W. (2008). <i>Marketing management: A strategic decision-making approach</i> (6<sup>th</sup> ed.) [pp. 174-188]. New York: McGraw-Hill Irwin.</p> <p>Perreault, W. D., Cannon, J. P., &amp; McCarthy, E. J. (2008). <i>Basic marketing: A marketing strategy planning approach</i> (16<sup>th</sup> ed.) [pp. 49-50, 122-125, 460-461, 579-581]. Boston: McGraw-Hill/Irwin.</p> <p>Soloman, M. R., Marshall, G. W., &amp; Stuart, E. W. (2008). <i>Marketing: Real people, real choices</i> (5<sup>th</sup> ed.) [pp. 47-48, 59]. Upper Saddle River, NJ: Pearson Prentice Hall.</p>
<b>Software/ Online</b>	<p>Austin, B. (n.d.). <i>How to find the market size for a product</i>. Retrieved May 9, 2012 from <a href="http://smallbusiness.chron.com/market-size-product-26329.html">http://smallbusiness.chron.com/market-size-product-26329.html</a></p> <p>Buckley, C. (n.d.). The "defendable swag": <i>How to realistically estimate your market potential</i>. Retrieved May 9, 2012, from <a href="http://entrepreneurs.about.com/od/businessplan/a/defendableswag.htm">http://entrepreneurs.about.com/od/businessplan/a/defendableswag.htm</a></p>
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<b>Knowledge/ Skill Statement</b>	Understands the concepts and processes needed to identify, select, monitor, and evaluate sales channels
<b>Instructional Area</b>	Channel Management
<b>Performance Element</b>	Develop channel-management strategies to minimize costs.
<b>Performance Indicator</b>	Develop channel-management strategies (CM:014)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 3; Information 5-8; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 9, 12
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1; Leadership & Responsibility 4
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Discuss the benefits of developing different channel management strategies for each customer segment (e.g., effectiveness, efficiency, brand consistency).</li> <li>Explain customer characteristics to consider when segmenting channels (e.g., needs, buying patterns, success factors, volume, relationships, customer satisfaction, technical expertise).</li> <li>Explain how the 80/20 rule applies to distribution channels.</li> <li>Discuss reasons to maintain low volume channel members.</li> <li>Describe the potential impact of collaboration on channel management strategies (e.g., reduced costs, improved forecasts, improved user experience, increased productivity, decreased duplication of work, coordinated promotional efforts).</li> <li>Discuss the importance of adding value in distribution channels.</li> <li>Identify types of strategies that could add value in a distribution channel (e.g., creating exclusive products for channel members, getting products to suppliers before others, developing promotions that help set a channel member off from its competitors, expanding markets, extending products, acquiring customers).</li> <li>Explain the need to base channel-management strategies on goals/objectives.</li> <li>Demonstrate procedures for developing channel management strategies.</li> </ol>
<b>Performance Activity</b>	Instruct each student to interview an entrepreneur or small-business owner (preferably with a business venture similar to his/her own) to learn more about channel-management strategies used by her/his company. Students should ask these entrepreneurs or small-business owners to identify the type(s) of channel-management strategies used, the rationale for the strategy decisions, and factors that have resulted in a change in strategy. Students should write a one-page analysis of the information, recommending ways to improve any weaknesses identified, and submit their analyses to the instructor. Then, each student should develop channel-management strategies for his/her own business and insert the information into his/her VIP portfolio.

**Resources**  
**Textbooks**

- Allen, K.R. (2007). *Growing and managing a small business: An entrepreneurial perspective* (2<sup>nd</sup> ed.) [pp. 263-272]. Boston: Houghton Mifflin Company.
- Katz, J. & Green, R. (2011). *Entrepreneurial small business* (3<sup>rd</sup> ed.) [pp. 295, 342, 358-359]. New York: McGraw-Hill Irwin.
- Kotler, P., & Armstrong, G. (2008). *Principles of marketing* (12<sup>th</sup> ed.) [pp. 330-339, 350-358]. Upper Saddle River, NJ: Prentice-Hall.
- Mullins, J.W., Walker, O.C., & Boyd, H.W. (2008). *Marketing management: A strategic decision-making approach* (6<sup>th</sup> ed.) [pp. 232, 296-326]. New York: McGraw-Hill Irwin.
- Perreault, W. D., Cannon, J. P., & McCarthy, E. J. (2008). *Basic marketing: A marketing strategy planning approach* (16<sup>th</sup> ed.) [pp. 290-333]. Boston: McGraw-Hill/Irwin.
- Soloman, M. R., Marshall, G. W., & Stuart, E. W. (2008). *Marketing: Real people, real choices* (5<sup>th</sup> ed.) [pp. 465-494, 553]. Upper Saddle River, NJ: Pearson Prentice Hall.

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- Back-Office Business Solutions. (2012). *Small business distribution strategy*. Retrieved May 8, 2012, from <http://www.mymarketingdept.com/small-business-distribution-strategy/>
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<b>Knowledge/ Skill Statement</b>	Understands concepts and strategies utilized in determining and adjusting prices to maximize return and meet customers' perceptions of value
<b>Instructional Area</b>	Pricing
<b>Performance Element</b>	Employ pricing strategies to determine optimal prices.
<b>Performance Indicator</b>	Establish pricing objectives (PI:044)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 2; Information 5-8; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 8-9, 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1; Productivity & Accountability 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Identify types of pricing objectives.</li> <li>Explain reasons for setting pricing objectives.</li> <li>Describe ways in which pricing objectives are used.</li> <li>Demonstrate procedures for establishing pricing objectives.</li> </ol>
<b>Performance Activity</b>	Instruct each student to establish pricing objectives for her/his business. Students should use a word-processing program to record those pricing objectives, along with a rationale for each. In the document, students should also describe considerations that they made in setting the pricing objectives. After discussing their rationales with the class, students should insert their work into their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 276-277]. Boston: Houghton Mifflin Company.</p> <p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [pp. 407-408]. Mason, OH: South-Western, Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (p. 556-558). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 293-295]. New York: McGraw-Hill Irwin.</p> <p>Mullins, J.W., Walker, O.C., &amp; Boyd, H.W. (2008). <i>Marketing management: A strategic decision-making approach</i> (6<sup>th</sup> ed.) [pp. 272-276]. New York: McGraw-Hill Irwin.</p> <p>Perreault, W. D., Cannon, J. P., &amp; McCarthy, E. J. (2008). <i>Basic marketing: A marketing strategy planning approach</i> (16<sup>th</sup> ed.) [pp. 458-462]. Boston: McGraw-Hill/Irwin.</p> <p>Soloman, M. R., Marshall, G. W., &amp; Stuart, E. W. (2008). <i>Marketing: Real people, real choices</i> (5<sup>th</sup> ed.) [pp. 338-340]. Upper Saddle River, NJ: Pearson Prentice Hall.</p>
<b>Software/ Online</b>	<p>Back-Office Business Solutions. (2012). <i>Small business pricing objectives</i>. Retrieved May 9, 2012, from <a href="http://www.mymarketingdept.com/small-business-pricing-objectives/">http://www.mymarketingdept.com/small-business-pricing-objectives/</a></p> <p>NetMBA.com. (2002-2010). <i>Pricing strategy: Pricing objectives</i>. Retrieved May 9, 2012, from <a href="http://www.netmba.com/marketing/pricing/">http://www.netmba.com/marketing/pricing/</a></p> <p><i>Advanced Entrepreneurship Course Guide</i> © 2012, MBA Research and Curriculum Center®</p>

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<b>Knowledge/ Skill Statement</b>	Understands concepts and strategies utilized in determining and adjusting prices to maximize return and meet customers' perceptions of value
<b>Instructional Area</b>	Pricing
<b>Performance Element</b>	Employ pricing strategies to determine optimal prices.
<b>Performance Indicator</b>	Identify strategies for pricing new products (for imitative new products, for innovative new products) (PI:020)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 2; Information 5-8; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 8-9, 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the following terms: skimming, penetration, status quo strategy, premium strategy, overcharging strategy, good-value strategy, and economy strategy.</li> <li>Distinguish between pricing imitative new products and innovative new products.</li> <li>Describe strategies for pricing imitative new products.</li> <li>Describe strategies for pricing innovative new products.</li> <li>Explain factors affecting the choice of strategies for pricing new products.</li> <li>Demonstrate procedures for identifying strategies for pricing new products.</li> </ol>
<b>Performance Activity</b>	Instruct students to compose a three-paragraph report that identifies their businesses' new products as either imitative or innovative and explains pricing strategies that they intend to use to price these new products, along with an explanation of their reasoning. Students should discuss their pricing strategies with the class, revise their work as appropriate, and add their reports to their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 277-280]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 224-226). New York: McGraw-Hill</p> <p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [pp. 414-417]. Mason, OH: South-Western, Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (pp. 549-550). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 296-301]. New York: McGraw-Hill Irwin.</p> <p>Kotler, P., &amp; Armstrong, G. (2008). <i>Principles of marketing</i> (12<sup>th</sup> ed.) [pp. 285-289, 306-309]. Upper Saddle River, NJ: Prentice-Hall.</p> <p>Kuratko, D.F. (2009). <i>Entrepreneurship: Theory, process, practice</i> (8<sup>th</sup> ed.) [pp. 302-306]. Mason, OH: Thomson South-Western.</p> <p>Mullins, J.W., Walker, O.C., &amp; Boyd, H.W. (2008). <i>Marketing management: A strategic decision-making approach</i> (6<sup>th</sup> ed.) [pp. 272-276, 280-292]. New York: McGraw-Hill Irwin.</p>

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<b>Knowledge/ Skill Statement</b>	Understands concepts and strategies utilized in determining and adjusting prices to maximize return and meet customers' perceptions of value
<b>Instructional Area</b>	Pricing
<b>Performance Element</b>	Employ pricing strategies to determine optimal prices.
<b>Performance Indicator</b>	Select product-mix pricing strategies (product line, option-product, captive-product, by-product, product bundle) (PI:021)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 2; Information 5-8; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 8-9, 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the following terms: product-mix pricing strategy, product line strategy, option-product strategy, captive-product strategy, by-product strategy, and product bundle strategy.</li> <li>Distinguish among product-mix pricing strategies.</li> <li>Explain purposes of product-mix pricing strategies.</li> <li>Describe factors affecting the choice of product-mix pricing strategies.</li> <li>Demonstrate procedures for selecting product-mix pricing strategies.</li> </ol>
<b>Performance Activity</b>	Direct students to select product-mix pricing strategies for their products. Lead the class in a discussion of their choices, comparing the different pricing strategies selected and examining the appropriateness of the strategies for the students' products. Instruct each student to finalize his/her product-mix pricing strategies and to record them in her/his VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 278-280]. Boston: Houghton Mifflin Company.</p> <p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [pp. 415-416]. Mason, OH: South-Western, Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (pp. 552-553). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 297-301]. New York: McGraw-Hill Irwin.</p> <p>Kotler, P., &amp; Armstrong, G. (2008). <i>Principles of marketing</i> (12<sup>th</sup> ed.) [pp. 309-312]. Upper Saddle River, NJ: Prentice-Hall.</p> <p>Mullins, J.W., Walker, O.C., &amp; Boyd, H.W. (2008). <i>Marketing management: A strategic decision-making approach</i> (6<sup>th</sup> ed.) [pp. 277, 287, 294]. New York: McGraw-Hill Irwin.</p> <p>Perreault, W. D., Cannon, J. P., &amp; McCarthy, E. J. (2008). <i>Basic marketing: A marketing strategy planning approach</i> (16<sup>th</sup> ed.) [pp. 508-509]. Boston: McGraw-Hill/Irwin.</p> <p>Soloman, M. R., Marshall, G. W., &amp; Stuart, E. W. (2008). <i>Marketing: Real people, real choices</i> (5<sup>th</sup> ed.) [pp. 356-357, 361]. Upper Saddle River, NJ: Pearson Prentice Hall.</p>

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<b>Knowledge/ Skill Statement</b>	Understands concepts and strategies utilized in determining and adjusting prices to maximize return and meet customers' perceptions of value
<b>Instructional Area</b>	Pricing
<b>Performance Element</b>	Employ pricing strategies to determine optimal prices.
<b>Performance Indicator</b>	Determine discounts and allowances that can be used to adjust base prices (PI:022)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 2; Information 5-8; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 8-9, 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the following terms: discount, allowance, cash discounts, quantity discounts, cumulative discounts, noncumulative discounts, trade discounts, seasonal discounts, promotional allowances, cooperative advertising, rebates, and push money.</li> <li>Explain reasons for adjusting base prices.</li> <li>Describe types of discounts and allowances that can be used to adjust base prices.</li> <li>Explain payment terms used with discounts.</li> <li>Calculate discounts and allowances.</li> <li>Demonstrate procedures for determining discounts and allowances that can be used to adjust base prices.</li> </ol>
<b>Performance Activity</b>	Instruct students to conduct secondary and primary research to determine discounts and allowances offered by businesses similar to their own. Following this research, direct each student to develop a spreadsheet identifying the types of discounts and allowances that s/he plans to use to adjust her/his business's base prices. In the spreadsheet, s/he should also explain the payment terms used with the discounts and give specific data regarding the impact that each discount or allowance will have on base prices. Students should share their work with business professionals or the instructor, make modifications to their spreadsheets based on the feedback they receive, and insert their work into their VIP portfolios.
<b>Resources Textbooks</b>	<p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [pp. 416-417]. Mason, OH: South-Western, Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (p. 554). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 299-300, 460]. New York: McGraw-Hill Irwin.</p> <p>Kotler, P., &amp; Armstrong, G. (2008). <i>Principles of marketing</i> (12<sup>th</sup> ed.) [pp. 312]. Upper Saddle River, NJ: Prentice-Hall.</p> <p>Mullins, J.W., Walker, O.C., &amp; Boyd, H.W. (2008). <i>Marketing management: A strategic decision-making approach</i> (6<sup>th</sup> ed.) [pp. 287-288]. New York: McGraw-Hill Irwin.</p>

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<b>Knowledge/ Skill Statement</b>	Understands concepts and strategies utilized in determining and adjusting prices to maximize return and meet customers' perceptions of value
<b>Instructional Area</b>	Pricing
<b>Performance Element</b>	Employ pricing strategies to determine optimal prices.
<b>Performance Indicator</b>	Use psychological pricing to adjust base prices (PI:005)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 2; Information 5-8; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 8-9, 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define psychological pricing.</li> <li>Describe how price indicates quality or value.</li> <li>Explain how price affects customers' self-image.</li> <li>Identify psychological pricing techniques.</li> <li>Describe odd pricing.</li> <li>Explain even pricing.</li> <li>Discuss prestige pricing.</li> <li>Adjust base prices using psychological pricing techniques.</li> </ol>
<b>Performance Activity</b>	<p>Review and present the Psychological Pricing Briefing (pp. 5-56—5-58) to students in a lecture or discussion format.</p> <p>Instruct students to use multiple psychological pricing techniques (e.g., odd pricing, even pricing, prestige pricing) to adjust the base prices for their products. After identifying several different ways to adjust their base prices, students should use Survey Monkey, Google forms, or other free online survey software to develop and issue informal questionnaires asking respondents (family, friends, classmates, etc.) to indicate which of the different adjusted prices is most appealing to them. After reviewing her/his responses, each student should determine what psychological pricing techniques, if any, s/he will use to adjust her/his base prices. Students should add their findings and decisions to their VIP portfolios.</p>
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [p. 280]. Boston: Houghton Mifflin Company.</p> <p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [p. 190]. Mason, OH: South-Western, Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (pp. 552-553). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 296-297, 299-300]. New York: McGraw-Hill Irwin.</p> <p>Kotler, P., &amp; Armstrong, G. (2008). <i>Principles of marketing</i> (12<sup>th</sup> ed.) [pp. 314-316]. Upper Saddle River, NJ: Prentice-Hall.</p>

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<p><b>Why Do Customers Buy?</b></p>	<p>Customers buy goods and services for rational as well as emotional reasons. If a customer makes a purchase at a discount store, s/he is buying for a rational reason—to get the lowest price possible. But, if s/he buys the same product at a department store for a higher price because s/he associates the higher price with higher quality or because s/he can impress his/her friends, s/he is buying for emotional—psychological—reasons.</p> <p>The impact that a customer's emotions have on the sale of a product is extremely important. Price has a psychological significance for many customers.</p>
<p><b>Price Indicates Quality or Value</b></p>	<p>Customers often use price to judge the quality of the goods or services they buy. High prices indicate high quality to many people. These people tend to believe that higher-priced items:</p> <ul style="list-style-type: none"> <li>• Are safer (e.g., children's vitamins, car seats, toys, etc.)</li> <li>• Last longer, possibly because of better workmanship or service</li> <li>• Taste better</li> <li>• Work better (e.g., medicine, laundry detergent, etc.)</li> </ul>
<p><b>Price Affects Customers' Self-Image</b></p>	<p>Pricing can affect self-image—the way a person feels about him/herself—in a number of ways. A customer may feel many different emotions, ranging from insecurity to resourcefulness and from pride to embarrassment, depending on the good/service and the price. Customer reactions to price vary according to personal tastes, attitudes, and perceptions.</p> <ul style="list-style-type: none"> <li>• Status—To large numbers of people, expensive products give status. Buying the best can bolster their morale and make them feel proud of who they are and what they own.</li> <li>• Insecurity—Low prices may make customers feel insecure. For example, when you go to a job interview, you want to look your best. Your confidence in your clothes and the way they look is essential. If you are wearing a cheap suit, you may not feel as confident about yourself during the interview.</li> <li>• Wise shoppers—Bargains make some customers feel like wise shoppers. Purchasing a bargain makes some people feel as though they have done something that they can be proud of and even brag about. Some customers enjoy bargain hunting so much that they will actually buy unneeded products just because the price is so low.</li> </ul>

**Psychological Pricing Techniques**

Every customer is interested in buying goods and services that are worth the price paid for them. Psychological pricing appeals to the emotional responses of customers and is used by businesses to attract customers to the value of their products. Five pricing techniques that businesses use to appeal psychologically to their customers include:

- Odd pricing
  - Odd pricing is the practice of setting selling prices below even-dollar amounts.
  - The end digits of 5, 8, and 9 are most frequently used for odd prices (e.g., \$11.95, \$2.98, \$0.99).
  - Many customers see dollars, not cents, when they are considering a purchase. (For example, customers are likely to perceive \$9.95 as being closer to \$9 than to \$10.)
  - Odd prices make customers feel that they are getting a bargain and that the business has priced its items as low as possible.
  - The number 9 has a somewhat “magical” effect on customers. Customers are particularly attracted to prices such as \$19.99, \$99.99, or \$5,999.
  - As a general practice:
    - Items priced under \$5.00 are priced at one or two cents below the next even price (e.g., \$2.98, \$0.99, \$3.99).
    - Items selling for \$5.01 to \$50.00 are priced \$0.05 below the next even dollar amount (e.g., \$10.95, \$21.95, \$49.95).
    - Items priced over \$50 rely on \$5 and \$9 dollar endings (e.g., \$1,595, \$299, \$695).
- Even pricing
  - Even pricing is the use of an even number at the end of a price.
  - To many customers, even pricing gives the impression of quality.
- Prestige pricing
  - For some products, consumers can only judge quality based on the price of the items.
  - The more something costs, the better its quality is assumed to be.
  - Prestige pricing involves deliberately putting an artificially high price on a product to suggest high quality and high status.
  - If a business has a high-status image, its prices will be planned to promote that image (e.g., Lexus automobiles).
- Promotional pricing
  - Pricing products at low levels and then heavily advertising them is called promotional pricing.
  - Customers do not always take the time to find out if advertised products are special values.
  - To many customers, advertising alone can imply bargains.



**Psychological Pricing Techniques (cont'd)**

- Price lining
  - Price lining is the practice of selling goods or services at a limited number of predetermined price points, or levels.
  - Each of these price levels should be far enough apart so that each price will represent a different level of quality to the customer (e.g., \$19.99, \$29.99, \$39.99).
  - Since customers have a limited number of prices from which to choose, price lining helps to reduce shopping confusion and aids in making buying decisions.
  - Businesses receive a variety of benefits from price lining. For example:
    - Buying and stocking goods is easier.
    - The business's image is better defined.
    - Selling is simplified.
    - Trading-up is encouraged.
    - Stock turnover should increase.
  - Unfortunately, businesses can become so tied to specific price levels that pricing adjustments may become difficult. Businesses may struggle with the following questions:
    - How can one price line be lowered without lowering the others?
    - How can price lines be adjusted to meet those of the competition?
    - How can price lines be changed to compensate for rising costs?

<b>Knowledge/ Skill Statement</b>	Understands concepts and strategies utilized in determining and adjusting prices to maximize return and meet customers' perceptions of value
<b>Instructional Area</b>	Pricing
<b>Performance Element</b>	Employ pricing strategies to determine optimal prices.
<b>Performance Indicator</b>	Select promotional pricing strategies used to adjust base prices (PI:023)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 2; Information 5-8; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 8-9, 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the following terms: loss leaders, special-event pricing, and cash rebates.</li> <li>Identify types of promotional pricing strategies.</li> <li>Discuss the advantages/disadvantages of promotional pricing strategies.</li> <li>Explain reasons for using promotional pricing strategies.</li> <li>Demonstrate procedures for selecting promotional pricing strategies.</li> </ol>
<b>Performance Activity</b>	Instruct each student to use presentation software (e.g., PowerPoint, Prezi, etc.) to develop a slide show/presentation identifying the specific promotional pricing strategies that s/he plans to use to generate product sales for his/her business. After sharing their presentations with the class, students should add their presentation notes to their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [p. 280]. Boston: Houghton Mifflin Company.</p> <p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [p. 417]. Mason, OH: South-Western, Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (pp. 554-555). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 298-301]. New York: McGraw-Hill Irwin.</p> <p>Kotler, P., &amp; Armstrong, G. (2008). <i>Principles of marketing</i> (12<sup>th</sup> ed.) [p. 316]. Upper Saddle River, NJ: Prentice-Hall.</p> <p>Mullins, J.W., Walker, O.C., &amp; Boyd, H.W. (2008). <i>Marketing management: A strategic decision-making approach</i> (6<sup>th</sup> ed.) [pp. 291-292]. New York: McGraw-Hill Irwin.</p> <p>Perreault, W. D., Cannon, J. P., &amp; McCarthy, E. J. (2008). <i>Basic marketing: A marketing strategy planning approach</i> (16<sup>th</sup> ed.) [p. 506]. Boston: McGraw-Hill/Irwin.</p> <p>Soloman, M. R., Marshall, G. W., &amp; Stuart, E. W. (2008). <i>Marketing: Real people, real choices</i> (5<sup>th</sup> ed.) [pp. 423-427]. Upper Saddle River, NJ: Pearson Prentice Hall.</p>

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<b>Knowledge/ Skill Statement</b>	Understands tools, techniques, and systems that affect a business's ability to plan, control, and organize an organization/department
<b>Instructional Area</b>	Strategic Management
<b>Performance Element</b>	Utilize planning tools to guide organization's/department's activities.
<b>Performance Indicator</b>	Develop a personnel organizational plan (MN:042)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 4; Information 5-7; Interpersonal 12; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 8, 12; Personal Qualities 13
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1; Leadership & Responsibility 2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the terms: organizational plan, line, and staff.</li> <li>Identify information obtained from organizational plans.</li> <li>Describe purposes of organizational plans.</li> <li>Explain guidelines for developing a personnel organizational plan.</li> <li>Demonstrate how to develop a personnel organizational plan.</li> </ol>
<b>Performance Activity</b>	<p>Instruct each student to create an organizational chart that depicts the structure of a company with which s/he is familiar and share it with a classmate.</p> <p>Then, direct each student to determine what positions and responsibilities are critical for his/her business start-up. Students should assign job titles to the positions and decide who should report to whom. Then, each student should write a rationale for her/his decisions and prepare an organizational chart to depict that structure. Finally, students should share their organizational charts with their classmates and insert the charts and rationales into their VIP portfolios.</p>
<b>Resources Textbooks</b>	<p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [pp. 284-285]. Boston: Houghton Mifflin Company.</p> <p>Bovée, C.L., Thill, J.V., &amp; Mescon, M.H. (2007). <i>Excellence in business</i> (3<sup>rd</sup> ed.) [pp. 236-237, 263-264]. Upper Saddle River, NJ: Pearson Prentice Hall.</p> <p>Burrow, J.L., Kleindl, B., &amp; Everard, K.E. (2008). <i>Business principles and management</i> (12<sup>th</sup> ed.) [pp. 333-335, 342-343]. Mason, OH: South-Western Cengage Learning.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 208-209]. New York: McGraw-Hill/Irwin.</p> <p>Longenecker, J.G., Moore, C.W., Petty, J.W., &amp; Palich, L.E. (2006). <i>Small business management: An entrepreneurial emphasis</i> (13<sup>th</sup> ed.) [p. 405]. Mason, OH: Thomson South-Western.</p>

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<b>Knowledge/ Skill Statement</b>	Understands the concepts, processes, and skills associated with identifying new ideas, opportunities, and methods and with creating or starting a new project or venture
<b>Instructional Area</b>	Entrepreneurship
<b>Performance Element</b>	Determine needed resources for a new business venture to contribute to its start-up viability.
<b>Performance Indicator</b>	Explain considerations in making the decision to hire staff (EN:018)
<b>Level</b>	Owner
<b>SCANS</b>	Resources 4; Information 5-7; Interpersonal 12; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Explain factors to consider in determining a venture's human-resources needs</li> <li>Explain when it is the right time to hire staff.</li> <li>Discuss the importance of evaluating the business's financial position when making the decision to hire staff.</li> <li>Explain how the stability of work flow/volume can impact the decision to hire staff.</li> </ol>
<b>Performance Activity</b>	Arrange for an entrepreneur or small-business owner to speak to the class about factors to consider in determining a venture's human-resources needs. Also, ask the guest speaker to discuss how s/he knew when it was the right time to hire staff, the impact of his/her business's financial position on the decision to hire staff, and how work flow/volume impacted her/his decision to hire staff. Instruct each student to write a two-paragraph summary of the guest speaker's discussion and insert it into the VIP portfolio.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 283-290]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 198-199). New York: McGraw-Hill.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [pp. 136-149]. Mason, OH: South-Western Cengage Learning.</p> <p>Gartner, W.B., &amp; Bellamy, M.G. (2009). <i>Creating the enterprise</i> (p. 231). Mason, OH: Thomson South-Western.</p> <p>Greene, C.L. (2011). <i>Entrepreneurship: 21<sup>st</sup> century business</i> (2<sup>nd</sup> ed.) [pp. 128-129]. Mason, OH: South-Western Cengage Learning.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 272-275]. New York: McGraw-Hill/Irwin.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 607-615]. New York: McGraw-Hill Irwin.</p>

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<b>Knowledge/ Skill Statement</b>	Understands the tools, techniques, and systems that businesses use to plan, staff, lead, and organize human resources
<b>Instructional Area</b>	Human Resources Management
<b>Performance Element</b>	Understand human resources management models to demonstrate knowledge of their nature and scope.
<b>Performance Indicator</b>	Discuss factors that impact human resources management (e.g., availability of qualified employees, alternative staffing methods, employment laws/regulations, company policies/procedures, compensation and benefit programs, staff diversity, etc.) (HR:415)
<b>Level</b>	Specialist
<b>SCANS</b>	Resources 4; Information 5-7; Interpersonal 12; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Discuss how the availability of qualified employees can impact human resources management.</li> <li>Identify alternative staffing methods (e.g., temporary workers, telecommuting, retirees, employee leasing, contract workers, job sharing, part-time employees, internship programs, outsourcing, etc.)</li> <li>Explain how alternative staffing methods can impact human resources management.</li> <li>Describe how employment laws/regulations can impact human resources management.</li> <li>Discuss how company policies/procedures can impact human resources management.</li> <li>Explain how compensation and benefit programs can potentially impact human resources management.</li> <li>Describe how staff diversity can impact human resources management.</li> </ol>
<b>Performance Activity</b>	<p>Divide the class into six groups. Assign a different factor impacting human resources management (i.e., availability of qualified employees, alternative staffing methods, employment laws/regulations, company policies/procedures, compensation and benefit programs, and staff diversity) to each group. Instruct the groups to conduct research on their assigned factor and develop a two-minute skit that illustrates the impact of their assigned factor on human resources management. Each group should present its skit to the class.</p> <p>Following the groups' performances, lead the class in a discussion of how these different factors may impact the students' human resources management activities within their own businesses.</p>
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 216-233]. Boston: Houghton Mifflin Company.</p> <p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [pp. 286-290]. Boston: Houghton Mifflin Company.</p>



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<b>Knowledge/ Skill Statement</b>	Understands the tools, techniques, and systems that businesses use to plan, staff, lead, and organize human resources
<b>Instructional Area</b>	Human Resources Management
<b>Performance Element</b>	Plan talent-acquisition activities to guide human resources management decision-making.
<b>Performance Indicator</b>	Describe planning techniques used in the hiring process (e.g., succession planning, forecasting, etc.) (HR:416)
<b>Level</b>	Specialist
<b>SCANS</b>	Resources 4; Information 5-7; Interpersonal 12; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Discuss the importance of a business's goals/objectives to the hiring process.</li> <li>Explain considerations in forecasting demand for human-resources (e.g., product demand, economic condition, technology, funding, job turnover, company growth, managerial philosophy, etc).</li> <li>Describe quantitative techniques that businesses use to forecast demand for employees (e.g., trend analysis, modeling, predictive techniques).</li> <li>Explain qualitative techniques that businesses use to forecast employee demand (e.g., expert forecasts, Delphi techniques)</li> <li>Describe internal factors that should be considered in the hiring process (e.g., current employees, size of the organization, image of the job/company, company policies, etc.)</li> <li>Discuss tools businesses use to forecast supply based on internal factors (e.g., staffing tables, Markov analysis, skills inventories, management inventories, replacement charts, succession planning).</li> <li>Explain external factors that impact a business's ability to forecast supply of human resources (e.g., demographic changes, workforce education labor market mobility, unemployment situation, and labor laws).</li> <li>Discuss actions businesses take to balance supply and demand for human resources.</li> </ol>
<b>Performance Activity</b>	Invite a small-business owner or human-resources manager to speak to the class about factors impacting the hiring process at his/her business or place of employment. Encourage the speaker to discuss considerations in forecasting demand and supply of employees, quantitative and/or qualitative techniques that her/his business uses to forecast employee demand, the impact of business goals and objectives on the hiring process, etc. Following his/her visit, students should write a 2-paragraph summary of the speaker's presentation and submit it to the instructor for review.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 214-215]. Boston: Houghton Mifflin Company.</p> <p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [pp. 285-286]. Boston: Houghton Mifflin Company.</p>

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<b>Knowledge/ Skill Statement</b>	Understands the tools, techniques, and systems that businesses use to plan, staff, lead, and organize its human resources
<b>Instructional Area</b>	Human Resources Management
<b>Performance Element</b>	Staff a business unit to satisfy work demands while adhering to budget constraints.
<b>Performance Indicator</b>	Determine hiring needs (HR:353)
<b>Level</b>	Supervisor
<b>SCANS</b>	Resources 4; Information 5-7; Interpersonal 12; Systems 15; Basic Skills 1-2,5-6; Thinking Skills 8,12; Personal Qualities 13
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Critical Thinking & Problem Solving 1-3; Communication & Collaboration 1; Information Literacy 1; Flexibility & Adaptability 2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Identify factors to consider when identifying hiring needs.</li> <li>Discuss the benefits of forecasting hiring needs.</li> <li>Distinguish between determining hiring needs for a large company vs. determining hiring needs for a small company.</li> <li>Explain procedures for determining hiring needs.</li> <li>Demonstrate procedures for determining hiring needs.</li> </ol>
<b>Performance Activity</b>	Ask students to read "How Hiring Works: Your Hiring Needs," found at <a href="http://money.howstuffworks.com/business-hiring1.htm">http://money.howstuffworks.com/business-hiring1.htm</a> . After reading the article, students should work in pairs to summarize and/or paraphrase the questions included in the article that should be considered when determining hiring needs. Each student should then use his/her version of the questions to determine hiring needs for his/her own business venture. Direct students to add the questions and their conclusions regarding their businesses' hiring needs to their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.A., &amp; Meyer, E.C. (2006). <i>Entrepreneurship and small business management</i> (pp. 372-375). Woodland Hills, CA: McGraw-Hill Glencoe.</p> <p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [pp. 609-610]. Mason, OH: South-Western Cengage Learning.</p> <p>Dlabay, L.R., Burrow, J.L., &amp; Kleindl, B. (2009). <i>Intro to business</i> (7<sup>th</sup> ed.) [pp. 178-180]. Mason, OH: South-Western Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C.A. (2009). <i>Marketing essentials</i> (p. 747). Woodland Hills, CA: McGraw-Hill Glencoe.</p> <p>Greene, C.L. (2006). <i>Entrepreneurship: Ideas in action</i> (3<sup>rd</sup> ed.) [p. 244]. Mason, OH: Thomson South-Western.</p> <p>Longenecker, J.G., Moore, C.W., Petty, J.W., &amp; Palich, L.E. (2006). <i>Small business management: An entrepreneurial emphasis</i> (13<sup>th</sup> ed.) [pp. 421-424]. Mason, OH: Thomson South-Western.</p>
<b>Software/ Online</b>	<p>Adler, L. (2004, May 28). <i>If hiring is #1, workforce planning must be #2</i>. Retrieved May 15, 2012, from <a href="http://www.adlerconcepts.com/resources/column/sourcing/if_hiring_is_1_workforce_plann.php">http://www.adlerconcepts.com/resources/column/sourcing/if_hiring_is_1_workforce_plann.php</a></p>

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- Determine staffing needs at your place of employment.* (n.d.). Retrieved May 15, 2012, from [http://www.swtafe.vic.edu.au/trends/projects/22-182/model/model3/tasks/task\\_03/sit10/workplac.htm](http://www.swtafe.vic.edu.au/trends/projects/22-182/model/model3/tasks/task_03/sit10/workplac.htm)
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<b>Knowledge/ Skill Statement</b>	Understands the tools, techniques, and systems that businesses use to plan, staff, lead, and organize human resources
<b>Instructional Area</b>	Human Resources Management
<b>Performance Element</b>	Plan talent-acquisition activities to guide human resources management decision-making.
<b>Performance Indicator</b>	Develop job descriptions (HR:495)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 4; Information 5-7; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 12; Personal Qualities 13
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Creativity & Innovation 1-2; Critical Thinking & Problem Solving 1-3; Communication & Collaboration 1; Information Literacy 1; ICT Literacy 1-2; Leadership & Responsibility 2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the following terms: job descriptions, job qualifications, and job analysis.</li> <li>Explain the uses of job descriptions.</li> <li>Describe how job descriptions can be developed.</li> <li>Demonstrate how to develop job descriptions.</li> </ol>
<b>Performance Activity</b>	<p>Instruct students to individually read and complete Section 2 of the human resource guide found at <a href="http://www.sasknetwork.ca/html/Employers/hr/Module2-Recruitment.pdf">http://www.sasknetwork.ca/html/Employers/hr/Module2-Recruitment.pdf</a>. (Section 2 of this module starts on page 2 of the document and is titled "Job Descriptions.") Students should complete the Work Description Form in the module to develop a better understanding of the duties and responsibilities required for each job position that they need to fill.</p> <p>After completing the Work Description Form for each of the positions that they plan to fill, students should read and discuss the passage regarding information to include in job descriptions.</p> <p>Finally, direct students to use the job profile template provided in the module to develop job descriptions for the different positions within their businesses. When finished, students should add their Work Description Forms and job descriptions (job profiles) to their VIP portfolios.</p>
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [p. 216]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 199-200). New York: McGraw-Hill.</p> <p>Dlabay, L.R., Burrow, J.L., &amp; Kleindl, B.A. (2012) <i>Principles of Business</i> (8<sup>th</sup> ed.) [pp. 178-179]. Mason, OH: South-Western Cengage-Learning.</p> <p>Greene, C.L. (2012). <i>Entrepreneurship: Ideas in Action</i> (5<sup>th</sup> ed.) [pp. 314-315]. Mason, OH: South Western Cengage Learning.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 614-617]. New York: McGraw-Hill Irwin.</p>

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<b>Knowledge/ Skill Statement</b>	Understands the concepts, processes, and skills associated with identifying new ideas, opportunities, and methods and with creating or starting a new project or venture
<b>Instructional Area</b>	Entrepreneurship
<b>Performance Element</b>	Determine needed resources for a new business venture to contribute to its start-up viability.
<b>Performance Indicator</b>	Identify capital resources needed for the venture (EN:020)
<b>Level</b>	Owner
<b>SCANS</b>	Resources 3; Information 5-7; Interpersonal 12; Systems 15; Technology 18; Basic Skills 1-2, 5-6; Thinking Skills 8, 12; Personal Qualities 13
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-3, 5; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Discuss considerations in selecting capital resources (e.g., return on investment, cost—initial, repair, and replacement—payback period, quality, vendor reputation/relationship, vendor accessibility, space requirements/availability, installation requirements, customer reviews/feedback).</li> <li>Identify sources to contact for information about equipment needs.</li> <li>Describe the impact that the type of business has on equipment needs.</li> <li>Explain the use of a cost-benefit analysis in identifying equipment needs.</li> <li>Demonstrate procedures for identifying capital resource needs.</li> </ol>
<b>Performance Activity</b>	Instruct students to conduct primary and secondary research to identify capital resources that businesses similar to their own typically use. Then, each student should develop a list of the capital resources that s/he will need for his/her own start-up venture. After developing this list, each student should create a digital or hard-copy poster containing drawings, photos, or videos of these specific capital resources. Engage the class in a discussion of their findings. Also, discuss factors that students will need to consider (e.g., return on investment, cost, quality, etc.) when purchasing the necessary capital resources. When finished, students should add their lists to their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [p. 307]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 164-168). New York: McGraw-Hill.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [pp. 51-52]. Mason, OH: South-Western Cengage Learning.</p> <p>Gartner, W.B., &amp; Bellamy, M.G. (2009). <i>Creating the enterprise</i> (pp. 230-233). Mason, OH: Thomson South-Western.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [p. 313]. New York: McGraw-Hill/Irwin.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 515-523]. New York: McGraw-Hill Irwin.</p>



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<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems needed to access, process, maintain, evaluate, and disseminate information to assist business decision-making
<b>Instructional Area</b>	Information Management
<b>Performance Element</b>	Utilize information-technology tools to manage and perform work responsibilities.
<b>Performance Indicator</b>	Establish specifications for selecting hardware/software systems (NF:091)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 3; Information 5-7; Interpersonal 12; Systems 15; Technology 18; Basic Skills 1-2, 5-6; Thinking Skills 8, 12; Personal Qualities 13
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1; ICT Literacy 1-2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Describe components of hardware systems.</li> <li>Explain reasons for establishing hardware/software specifications (e.g., to provide consistency and compatibilities among users; to maintain a clean, productive system/network environment; to enable the computer system to grow with evolving technology; to provide a basis for maintaining system operability and reliability).</li> <li>Discuss considerations in establishing hardware/software specifications (e.g., user needs, capabilities, ease of use, compatibility, mobility, technical support, security, performance, cost, licensing, reliability, upgrades/updates, training).</li> <li>Identify resources that can be consulted about alternative information technology products (e.g., manufacturers, consultants, catalogs, product reviews in computer magazines or on the Internet, Internet newsgroups).</li> <li>Demonstrate procedures for establishing specifications for selecting hardware/software systems.</li> </ol>
<b>Performance Activity</b>	Distribute the "What Am I Looking For?" handout to students. Instruct each student to read and answer the questions provided. After completing the handout, each student should review his/her responses and use them to develop a written set of specifications (criteria) that s/he can use when selecting hardware and software for his/her business. When finished, students should discuss their criteria with business partners, revise the specifications if necessary, and insert the specs in their VIP portfolios.
<b>Resources Textbooks</b>	<p>Bové, C.L., Thill, J.V., &amp; Mescon, M.H. (2007). <i>Excellence in business</i> (3<sup>rd</sup> ed.) [pp. 134, 146-147]. Upper Saddle River, NJ: Pearson Prentice Hall.</p> <p>Burrow, J.L., Kleindl, B., &amp; Everard, K.E. (2008). <i>Business principles and management: Annotated instructor's edition</i> (12<sup>th</sup> ed.) [pp. 191-194]. Mason, OH: South-Western, Cengage Learning.</p> <p>Dlabay, L.R., Burrow, J.L., &amp; Kleindl, B.A. (2012). <i>Principles of business</i> (8<sup>th</sup> ed.) [pp. 262-265, 267, 331]. South-Western, Cengage Learning.</p> <p>Nickels, W.G., McHugh, J.M., McHugh, S.M. (2008). <i>Understanding business</i> (8<sup>th</sup> ed.) [pp. 604-607]. New York: McGraw-Hill.</p> <p>Pride, W. M., Hughes, R. J., &amp; Kapoor, J. R. (2008). <i>Business</i> (9<sup>th</sup> ed.) [pp. 567-570; 558-560]. Boston: Houghton Mifflin.</p> <p><i>Advanced Entrepreneurship Course Guide</i> © 2012, MBA Research and Curriculum Center®</p>

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- Tech-FAQ. (n.d.). *Considerations in planning a network infrastructure*. Retrieved May 7, 2012, from <http://www.tech-faq.com/considerations-in-planning-a-network-infrastructure.html>
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It's Time to Ask Myself. . .	Here's What I Think. . .
What do I want my computer to do (e.g., word processing, bookkeeping, e-mail, etc.)?	
What business data will I need to maintain?	
How will I organize my digital data?	
Do I plan to set up a business website and/or online store?	
Is online/digital security a concern for my business?	
Will I need to access my system off-site?	
Does my technology need to be mobile?	
Will my new technology need to interface with any other hardware/software (e.g., an existing printer)?	
Am I willing to learn how to use new hardware/software?	
How much technical support will I need?	
How much money do I have available to spend on computer hardware and software?	

<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems needed to access, process, maintain, evaluate, and disseminate information to assist business decision-making
<b>Instructional Area</b>	Information Management
<b>Performance Element</b>	Utilize information-technology tools to manage and perform work responsibilities.
<b>Performance Indicator</b>	Determine venture's information technology needs (NF:012)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 3; Information 5-7; Interpersonal 12; Systems 15; Technology 18; Basic Skills 1-2, 5-6; Thinking Skills 8, 12; Personal Qualities 13
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1; ICT Literacy 1-2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Describe components of information systems (i.e., people, equipment—hardware and software, processes/procedures, data).</li> <li>Discuss the general functionalities of hardware/software components.</li> <li>Explain how information technology systems aid in achieving company goals (e.g., improved efficiency, improved effectiveness, improved communication, reduced errors, improved quality).</li> <li>Identify ways to determine a venture's information technology needs (e.g., talk with managers of similar businesses, brainstorm, ask experts, administer survey, talk with manufacturers, research capabilities of software/hardware)</li> <li>Discuss the importance of understanding business processes when determining a venture's information technology needs.</li> <li>Demonstrate procedures for determining a venture's information technology needs.</li> </ol>
<b>Performance Activity</b>	<p>Instruct students to individually access and complete the "Setting Up a Basic IT System" interactive tool located at <a href="http://www.businesslink.gov.uk/bdotg/action/layer?r.i=1084515656&amp;r.t=ONEOFFPAGE&amp;topicId=1078956790">http://www.businesslink.gov.uk/bdotg/action/layer?r.i=1084515656&amp;r.t=ONEOFFPAGE&amp;topicId=1078956790</a>. After answering a series of questions about his/her start-up business venture, each student will receive individualized suggestions from the web site regarding information technology hardware that the student should purchase or generally obtain. Each student should print out these recommendations, discuss them with a classmate, and add them to his/her VIP portfolio.</p> <p>After determining the hardware that they need for their businesses, students should read the article "Gearing Up a Small Business: Software" at <a href="http://www.geekgirls.com/basic_choosing_software.htm">http://www.geekgirls.com/basic_choosing_software.htm</a>. Lead the class in a discussion of the different software programs addressed in the article. Finally, direct each student to develop a list of the software applications that s/he plans to use in her/his small business venture. Upon completion, students should put their software lists in their VIP portfolios.</p>

**Resources****Textbooks**

- Bovée, C.L., Thill, J.V., & Mescon, M.H. (2007). *Excellence in business* (3<sup>rd</sup> ed.) [pp. 131-135, 137-139, 143-150]. Upper Saddle River, NJ: Pearson Prentice Hall.
- Burrow, J.L., Kleindl, B., & Everard, K.E. (2008). *Business principles and management: Annotated instructor's edition* (12<sup>th</sup> ed.) [pp. 191-202]. Mason, OH: South-Western, Cengage Learning.
- Dlabay, L.R., Burrow, J.L., & Kleindl, B.A. (2012). *Principles of business* (8<sup>th</sup> ed.) [pp. 271, 330-334]. South-Western, Cengage Learning.
- Nickels, W.G., McHugh, J.M., McHugh, S.M. (2008). *Understanding business* (8<sup>th</sup> ed.) [pp. 596-598, 600]. New York: McGraw-Hill.
- Pride, W. M., Hughes, R. J., & Kapoor, J. R. (2008). *Business* (9<sup>th</sup> ed.) [pp. 555-558, 570-579]. Boston: Houghton Mifflin.

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<b>Knowledge/ Skill Statement</b>	Understands the processes and systems implemented to monitor, plan, and control the day-to-day activities required for continued business functioning
<b>Instructional Area</b>	Operations
<b>Performance Element</b>	Implement purchasing activities to obtain business supplies, equipment, and services.
<b>Performance Indicator</b>	Select vendors (OP:161)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5-7; Interpersonal 13; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 12
<b>21st Century Skills</b>	Critical Thinking & Problem Solving 1-3; Information Literacy 1; Communication & Collaboration 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Describe factors to consider when selecting vendors.</li> <li>Explain reasons for analyzing vendors.</li> <li>Cite reasons that a business may want to select more than one vendor.</li> <li>Compute weighted scores for vendor selection.</li> <li>Develop grading scales for criteria selected for evaluation.</li> <li>Explain guidelines for selecting vendors.</li> <li>Implement guidelines for selecting vendors.</li> </ol>
<b>Performance Activity</b>	Given brochures from several vendors who offer similar product, students should work in groups to develop rating scales listing criteria for making a vendor selection. Then, each group should use its rating scale to select a suitable vendor and report its findings, including a rationale for its decisions, to the class. Finally, direct each student to create a rating scale of vendor criteria that s/he will use for his/her business and insert the list into her/his VIP portfolio.
<b>Resources Textbooks</b>	<p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [pp. 344-345]. Mason, OH: South-Western Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (pp. 492, 494). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Finch, B.J. (2008). <i>Operations now: Supply chain profitability and performance</i> (3<sup>rd</sup> ed.) [p. 385]. New York: McGraw-Hill Irwin.</p> <p>Hugos, M., &amp; Thomas, C. (2006). <i>Supply chain management in the retail industry</i> (pp. 73-74). Hoboken, NJ: John Wiley &amp; Sons.</p> <p>Krajewski, L.J., Ritzman, L.P., &amp; Malhotra, M.K. (2007). <i>Operations management: Processes and value chains</i> (8<sup>th</sup> ed.) [p. 390]. Upper Saddle River, NJ: Pearson Education.</p> <p>Monczka, R.M., Handfield, R.B., Giunipero, L.C., &amp; Patterson, J.L. (2009). <i>Purchasing and supply chain management</i> (4<sup>th</sup> ed.) [pp. 234-263]. South-Western Cengage Learning.</p> <p>Pride, W. M., Hughes, R. J., &amp; Kapoor, J. R. (2008). <i>Business</i> (9<sup>th</sup> ed.) [p. 290]. Boston: Houghton Mifflin.</p> <p>Raturi, A.S., &amp; Evans, J.R. (2005). <i>Principles of operations management</i> (pp. 219-220). Mason, OH: South-Western.</p>

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<b>Knowledge/ Skill Statement</b>	Understands the concepts, processes, and skills associated with identifying new ideas, opportunities, and methods and with creating or starting a new project or venture
<b>Instructional Area</b>	Entrepreneurship
<b>Performance Element</b>	Determine needed resources for a new business venture to contribute to its start-up viability.
<b>Performance Indicator</b>	Assess the costs/benefits associated with resources (EN:021)
<b>Level</b>	Owner
<b>SCANS</b>	Information 5-7; Interpersonal 12; Systems 15; Basic Skills 1-6; Thinking Skills 8, 12; Personal Qualities 13
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the following terms: differential cost/benefit, marginal cost/benefit, sunk costs, opportunity cost.</li> <li>Explain the need to analyze costs/benefits associated with resources.</li> <li>Discuss the importance of relevance in assessing costs/benefits.</li> <li>Describe the potential impact of subjectivity in determining benefits of resources.</li> <li>Demonstrate procedures for assessing the costs/benefits associated with resources.</li> </ol>
<b>Performance Activity</b>	Instruct students to read the article "Cost/Benefit Analysis" ( <a href="http://www.mindtools.com/pages/article/newTED_08.htm">http://www.mindtools.com/pages/article/newTED_08.htm</a> ), which explains the role of cost/benefit analysis in business and includes a sample cost/benefit analysis of business resources. Then, direct students to follow the directions included in "Writing a Cost/Benefit Analysis" ( <a href="http://www.brighthub.com/office/project-management/articles/58181.aspx">http://www.brighthub.com/office/project-management/articles/58181.aspx</a> ) to assess the costs/benefits associated with a resource (e.g., capital, human, etc.) that they have identified as being necessary for business operations. Students should discuss their cost/benefit analyses with business partners, revise their work based on feedback they receive, and add their analyses to their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [p. 42, 408-409]. Boston: Houghton Mifflin Company</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 34, 78). New York: McGraw-Hill.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [pp. 74, 76, 93-94, 182, 421]. Mason, OH: South-Western Cengage Learning.</p> <p>Gartner, W.B., &amp; Bellamy, M.G. (2009). <i>Creating the enterprise</i> (pp. 205-206, 209). Mason, OH: Thomson South-Western.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 46-47, 67-68]. New York: McGraw-Hill/Irwin.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [192-195, 418-419, 432]. New York: McGraw-Hill Irwin.</p>

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<b>Knowledge/ Skill Statement</b>	Understands the concepts, processes, and skills associated with identifying new ideas, opportunities, and methods and with creating or starting a new project or venture
<b>Instructional Area</b>	Entrepreneurship
<b>Performance Element</b>	Actualize new business venture to generate profit and/or meet objectives.
<b>Performance Indicator</b>	Use external resources to supplement entrepreneur's expertise (EN:022)
<b>Level</b>	Owner
<b>SCANS</b>	Information 5-7; Interpersonal 12; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 8, 12; Personal Qualities 13, 16
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Creativity & Innovation 3; Critical Thinking & Problem Solving 1-3, 5; Communication & Collaboration 1; Information Literacy 1; Initiative & Self-Direction 1-3; Social & Cross-Cultural Skills 1; Leadership & Responsibility 2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Identify external resources available to entrepreneurs.</li> <li>Explain reasons for obtaining assistance from external resources.</li> <li>Demonstrate procedures for using external resources to supplement entrepreneur's expertise.</li> </ol>
<b>Performance Activity</b>	Divide the class into groups of three or four students each, and identify a recorder and/or reporter for each group. Instruct each group to conduct online research to develop a list of external resources available to entrepreneurs in their area. In addition to listing the resources, students should identify ways in which each external resource can assist entrepreneurs. Ask each group's reporter to share the group's findings with the class. Following the groups' presentations, direct each student to determine the external resources that s/he plans to use to supplement his/her expertise. Lastly, students should add their groups' master lists, as well as their personal lists of resources to contact, to their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [pp.160-174]. Boston: Houghton Mifflin Company.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [p. 136-141, 144-148]. Mason, OH: South-Western Cengage Learning.</p> <p>Gartner, W.B., &amp; Bellamy, M.G. (2009). <i>Creating the enterprise</i> (pp.103, 122, 181-182, 231-232). Mason, OH: Thomson South-Western.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 273-275]. New York: McGraw-Hill/Irwin.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 33, 36-38, 62-64]. New York: McGraw-Hill Irwin.</p>
<b>Software/ Online</b>	<p>Advanced Institute of Management Research. (2005, December). <i>External knowledge: A review of literature addressing the role of external knowledge and expertise at key stages of business growth and development</i>. Retrieved May 15, 2012, from <a href="http://www.aimresearch.org/uploads/File/Publications/Academic%20Publication%202/External_Knowledge.pdf">http://www.aimresearch.org/uploads/File/Publications/Academic%20Publication%202/External_Knowledge.pdf</a></p> <p><i>Advanced Entrepreneurship Course Guide</i> © 2012, MBA Research and Curriculum Center®</p>

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<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Implement financial skills to obtain business credit and to control its use.
<b>Performance Indicator</b>	Explain the purposes and importance of obtaining business credit (FI:023)
<b>Level</b>	Owner
<b>SCANS</b>	Resources 2; Information 5-8; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 9, 12; Personal Qualities 13
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	a. Explain reasons that businesses need to obtain credit. b. Identify types of credit available to businesses.
<b>Performance Activity</b>	Invite a loan officer from a local bank to speak to the class about the importance of credit to small businesses and to provide information about the most frequently provided types of credit for small businesses in your area. Following the guest speaker's visit, lead a class discussion focused on the advantages and disadvantages of each type of credit.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 398-399]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 178-181). New York: McGraw-Hill.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [pp. 182, 189]. Mason, OH: South-Western Cengage Learning.</p> <p>Dlabay, L.R., &amp; Burrow, J.L. (2008). <i>Business finance</i> (p.267-268, 276-280). Mason, OH: South-Western Cengage Learning.</p> <p>Kapoor, J.R., Dlabay, L.R., Hughes, R.J., &amp; Hoyt, W.B. (2005). <i>Business and personal finance</i> (p. 565). New York: Glencoe/McGraw-Hill.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [p. 156]. New York: McGraw-Hill Irwin.</p> <p>Kuratko, D.F. (2009). <i>Entrepreneurship: Theory, process, practice</i> (8<sup>th</sup> ed.) [pp. 317,139]. Mason, OH: Thomson South-Western.</p> <p>Longenecker, J.G., Moore, C.W., Petty, J.W., &amp; Palich, L.E. (2006). <i>Small business management: An entrepreneurial emphasis</i> (13<sup>th</sup> ed.) [p. 246]. Mason, OH: Thomson South-Western.</p>
<b>Software/ Online</b>	<p>Bridge Capital Solutions Corp. (2010). <i>The facts about business credit</i>. Retrieved May 1, 2012, from <a href="http://www.bridgecapitalsolutionscorp.com/the-facts-about-business-credit.html">http://www.bridgecapitalsolutionscorp.com/the-facts-about-business-credit.html</a></p> <p>Carabelli, C. (n.d.). <i>Primary purpose for a business line of credit</i>. Retrieved April 23, 2012, from <a href="http://smallbusiness.chron.com/primary-purpose-business-line-credit-41340.html">http://smallbusiness.chron.com/primary-purpose-business-line-credit-41340.html</a></p>

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<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Implement financial skills to obtain business credit and to control its use.
<b>Performance Indicator</b>	Determine financing needed to start a business (FI:036)
<b>Level</b>	Owner
<b>SCANS</b>	Resources 2; Information 5-8; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 8-9, 12
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1; ICT Literacy 1-2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the term start-up costs.</li> <li>Identify types of start-up costs</li> <li>Explain factors affecting a business's start-up costs.</li> <li>Describe types of loans used to finance a new business.</li> <li>Determine monies needed for a business start-up.</li> </ol>
<b>Performance Activity</b>	Instruct students to access the business cost calculator located at <a href="http://www.businessknowhow.com/startup/startup.htm">http://www.businessknowhow.com/startup/startup.htm</a> . For each one-time start-up cost identified in the first half of the calculator, students should estimate how much money they will incur for business start-up and total those costs. Students should print their estimates, discuss the start-up costs with their classmates, and insert the estimates in their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 69, 317, 358-373]. Boston: Houghton Mifflin Company.</p> <p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [pp. 190, 192-194]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 34, 37-38, 161-162, 177-178). New York: McGraw-Hill.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [p. 182]. Mason, OH: South-Western Cengage Learning.</p> <p>Dlabay, L.R., &amp; Burrow, J.L. (2008). <i>Business finance</i> (pp. 247-248). Mason, OH: South-Western Cengage Learning.</p> <p>Greene, C.L. (2012). <i>Entrepreneurship: Ideas in Action</i> (5<sup>th</sup> ed.) [pp. 252-253]. Mason, OH: South-Western Cengage Learning.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 310, 312-315]. New York: McGraw-Hill/Irwin.</p> <p>Kappor, J.R., Dlabay, L.S., Hughes, R.J., &amp; Hoyt, W.B. (2005). <i>Business and personal finance</i> (pp. 247-248). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Kuratko, D.F. (2009). <i>Entrepreneurship: Theory, process, practice</i> (8<sup>th</sup> ed.) [pp. 154-155, 321-322]. Mason, OH: Thomson South-Western.</p>

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<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Implement financial skills to obtain business credit and to control its use.
<b>Performance Indicator</b>	Determine financing needed for business operations (FI:043)
<b>Level</b>	Owner
<b>SCANS</b>	Resources 2; Information 5-8; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 8-9, 12
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1; ICT Literacy 1-2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Explain the need for ongoing financing for business operations.</li> <li>Explain how a business is affected by insufficient financing.</li> <li>Describe factors affecting a business's ongoing financing.</li> <li>Identify reasons that additional capital is needed by a business.</li> <li>Determine monies needed for a business's ongoing financing.</li> </ol>
<b>Performance Activity</b>	Instruct students to return to the business cost calculator used in the previous activity ( <a href="http://www.businessknowhow.com/startup/startup.htm">http://www.businessknowhow.com/startup/startup.htm</a> ). For each ongoing monthly expense, each student should determine how much money her/his business will need per month. Then, s/he should total these costs. This total represents the funds his/her business will require per month for business operations. Students should print these estimates and discuss the start-up costs with their classmates. Finally, instruct students to extend their financial-need projections for the next six months and insert the estimates in their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 407-410]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 177-178). New York: McGraw-Hill.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [p. 189]. Mason, OH: South-Western Cengage Learning.</p> <p>Dlabay, L.R., &amp; Burrow, J.L. (2008). <i>Business finance</i> (p. 20). Mason, OH: South-Western Cengage Learning.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 313-314]. New York: McGraw-Hill/Irwin.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [p. 480]. New York: McGraw-Hill Irwin.</p>
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<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Implement financial skills to obtain business credit and to control its use.
<b>Performance Indicator</b>	Identify risks associated with obtaining business credit (FI:041)
<b>Level</b>	Owner
<b>SCANS</b>	Resources 2; Information 5-8; Interpersonal 13; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 9, 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the terms variable (floating) interest rate, prepayment penalties, financial covenants, financial restrictions, subordination agreements, and personal guarantees.</li> <li>Identify direct financial costs associated with obtaining business credit.</li> <li>Discuss periodic reporting requirements required by lenders.</li> <li>Explain financial covenants and restrictions included in loan agreements by lenders.</li> <li>Discuss the use of subordination agreements in financial covenants.</li> <li>Explain the use of personal guarantees in lending policies.</li> <li>Identify factors that can be negotiated to replace the use of personal guarantees.</li> </ol>
<b>Performance Activity</b>	Organize a class debate about whether obtaining financing is worth the risks to small-business owners. Then, instruct students to determine whether financing is worth the risk to them. Each student should write an explanation for his/her decision and insert it into her/his VIP portfolio.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 370-371, 427, 429]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp.178-180). New York: McGraw-Hill.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [pp. 178-179, 189]. Mason, OH: South-Western Cengage Learning.</p> <p>Dlabay, L.R., &amp; Burrow, J.L. (2008). <i>Business finance</i> (pp. 279-280). Mason, OH: South-Western Cengage Learning.</p> <p>Greene, C.L. (2012). <i>Entrepreneurship: Ideas in Action</i> (5<sup>th</sup> ed.) [p. 252]. Mason, OH: South-Western Cengage Learning.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 261-262]. New York: McGraw-Hill/Irwin.</p> <p>Kappor, J.R., Dlabay, L.S., Hughes, R.J., &amp; Hoyt, W.B. (2005). <i>Business and personal finance</i> (pp. 164-169, 182-183). Woodland Hills, CA: Glencoe/McGraw-Hill.</p>

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<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Implement financial skills to obtain business credit and to control its use.
<b>Performance Indicator</b>	Explain sources of financial assistance (FI:031)
<b>Level</b>	Owner
<b>SCANS</b>	Information 5-8; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 8-9, 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the terms equity sources and debt sources.</li> <li>Identify sources of credit for businesses.</li> <li>Describe the advantages and disadvantages of obtaining credit from each source.</li> </ol>
<b>Performance Activity</b>	Direct each student to locate and read two journal articles about national companies that started small, identifying their sources of financing. Students should share their articles with the class and explain why the companies featured in the articles selected their particular sources of financing. Then, instruct each student to decide what sources of financing are appropriate for starting his/her business. Students should write rationales for their decisions and insert them into their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 368-373]. Boston: Houghton Mifflin Company.</p> <p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [pp. 351-358]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 178-181). New York: McGraw-Hill.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [pp. 185-186]. Mason, OH: South-Western Cengage Learning.</p> <p>Dlabay, L.R., &amp; Burrow, J.L. (2008). <i>Business finance</i> (pp. 118, 201). Mason, OH: South-Western Cengage Learning.</p> <p>Greene, C.L. (2012). <i>Entrepreneurship: Ideas in Action</i> (5<sup>th</sup> ed.) [pp. 250-255]. Mason, OH: South-Western Cengage Learning.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 308-309]. New York: McGraw-Hill/Irwin.</p> <p>Kappor, J.R., Dlabay, L.S., Hughes, R.J., &amp; Hoyt, W.B. (2005). Business and personal finance (p. 251). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 447, 479-488]. New York: McGraw-Hill Irwin.</p> <p>Kuratko, D.F. (2009). <i>Entrepreneurship: Theory, process, practice</i> (8<sup>th</sup> ed.) [pp. 210-219]. Mason, OH: Thomson South-Western.</p> <p>Longenecker, J.G., Moore, C.W., Petty, J.W., &amp; Palich, L.E. (2006). <i>Small business management: An entrepreneurial emphasis</i> (13<sup>th</sup> ed.) [pp.253-258]. Mason, OH: Thomson South-Western.</p>

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<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Implement accounting procedures to track money flow and to determine financial status.
<b>Performance Indicator</b>	Describe the nature of income statements (FI:094, FI LAP 4)
<b>Level</b>	Specialist
<b>SCANS</b>	Resources 2; Information 5-7; Systems 15; Basic Skills 1-3; Thinking Skills 12
<b>21st Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the terms: income statement, profit-and-loss statement, cost of goods sold, gross profit, operating expenses, net income, and operating earnings.</li> <li>Explain the purpose of an income statement.</li> <li>Identify other names by which an income statement is known.</li> <li>Describe the categories of components on an income statement.</li> <li>Explain why an income statement is cumulative.</li> <li>Explain ways that a business can use its income statement.</li> </ol>
<b>Performance Activity</b>	<p>Review and present the Nature of Income Statements Briefing (pp. 5-98—5-99) to students in a lecture or discussion format.</p> <p>Instruct each student to assume that s/he is the chairman of the board of a major company and that s/he has been asked to present the company's income statement to its stockholders at its annual meeting. To help stockholders understand the income statement's importance, students should identify ways that stockholders can use the statement. Direct each student to prepare an outline of his/her presentation.</p>
<b>Resources</b>	
<b>LAP</b>	<p>MBA Research and Curriculum Center. (2007). <i>Watch your bottom line (Income statements)</i> [LAP: FI-004]. Columbus, OH: Author.</p> <p>MBA Research and Curriculum Center. (2007). <i>Watch your bottom line (Income statements): Instructor copy</i> [LAP: FI-004]. Columbus, OH: Author.</p>
<b>Textbooks</b>	<p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [pp. 411, 560, 564-565]. Mason, OH: South-Western Cengage Learning.</p> <p>Clark, B., Sobel, J., &amp; Basteri, C.G. (2010). <i>Marketing dynamics: Teacher's edition</i> (2<sup>nd</sup> ed.) [pp. 387-393]. Tinley Park, IL: Goodheart-Willcox Company, Inc.</p> <p>Crosson, S.V., &amp; Needles, B.E. (2008). <i>Managerial accounting: Instructor's copy</i> (8<sup>th</sup> ed.) [pp. 64-65, 309-310]. Boston: Houghton Mifflin Company.</p> <p>Dlabay, L.R., &amp; Burrow, J.L. (2008). <i>Business finance</i> (pp. 72-76, 104, 121). Mason, OH: South-Western Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (pp. 116-117, 567, 767-769). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Guerrieri, D.J., Haber, F.B., Hoyt, W.B., &amp; Turner, R.E. (2004). <i>Accounting: Real-world applications &amp; connections</i> (Advanced Course) [pp. 52, 55-58, 61, 189, 246, 341, 344-345, 538-539, 584-587, 657]. New York: Glencoe/McGraw-Hill.</p>
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<p><b>The Purpose of an Income Statement</b></p>	<p>An income statement is a summary of a business's transactions that shows net profit before and after taxes by analyzing sales, purchases, costs of goods sold, and operating expenses for a specific time period. In other words, an income statement summarizes:</p> <ul style="list-style-type: none"> <li>• A business's income and expenses over a period of time</li> <li>• Where a business's money came from and where it went</li> <li>• How much money a business has made or lost over a period of time</li> </ul>
<p><b>What Other Names Are Used for Income Statements?</b></p>	<p>An income statement is also sometimes called a(n):</p> <ul style="list-style-type: none"> <li>• Earnings statement</li> <li>• Operating statement</li> <li>• Profit-and-loss statement</li> </ul>
<p><b>Categories Appearing on Income Statements</b></p>	<p>Categories appearing on an income statement include:</p> <ul style="list-style-type: none"> <li>• Revenue <ul style="list-style-type: none"> <li>○ Includes all of the money earned by a business from all sources</li> </ul> </li> <li>• Cost of goods sold/Cost of sales <ul style="list-style-type: none"> <li>○ Consists of all direct costs required to obtain and/or produce the goods or services that a business sells</li> </ul> </li> <li>• Gross profit <ul style="list-style-type: none"> <li>○ Is determined by subtracting the cost of goods sold/cost of sales from revenue</li> <li>○ Consists of the total profit made before all other remaining expenses have been sold</li> </ul> </li> <li>• Operating expenses <ul style="list-style-type: none"> <li>○ Address all expenses related to the business's ongoing operations</li> <li>○ Do not include non-operating expenses such as taxes and interest expenses</li> </ul> </li> <li>• Operating earnings <ul style="list-style-type: none"> <li>○ Are determined by subtracting the operating expenses from the gross profit</li> <li>○ Are also called operating income, operating profit, or income from operations</li> </ul> </li> <li>• Interest expense <ul style="list-style-type: none"> <li>○ Consists of interest paid to investors</li> </ul> </li> <li>• Taxes <ul style="list-style-type: none"> <li>○ Include income tax expenses imposed by the federal and state governments</li> </ul> </li> <li>• Net income <ul style="list-style-type: none"> <li>○ Indicates the business's final profit</li> <li>○ Consists of the money remaining after operating expenses, interest expense/interest income, and taxes are subtracted from gross profit</li> <li>○ Is sometimes called net profit, net earnings, or the "bottom line"</li> </ul> </li> </ul>

<b>Income Statements Are Cumulative</b>	The income statement is considered to be cumulative because it represents a total for a specific time period, usually one year. A business must be able to see cumulative totals so that it can see where it is successful and where there might be trouble brewing.
<b>Ways That a Business Can Use Its Income Statement</b>	<p>The income statement is a business's best source of information regarding how well it is doing and where its weaknesses are.</p> <p>Analyzing the income statement involves transforming the final numbers into financial ratios, which can be used to:</p> <ul style="list-style-type: none"><li>• Compare categories of financial data on the income statement<ul style="list-style-type: none"><li>○ By themselves, the elements of an income statement are simply categories and totals.</li><li>○ A business needs to be able to see how the categories are affecting each other and the bottom line.</li></ul></li><li>• Compare categories over time<ul style="list-style-type: none"><li>○ A business not only needs to know its financial circumstances for one year, but also over time.</li><li>○ Therefore, a business needs to be able to compare numbers from income statements of different years.</li></ul></li><li>• Compare figures with those of competitors<ul style="list-style-type: none"><li>○ A competitive analysis helps a business to see its strengths and weaknesses in relation to those of the competition.</li><li>○ By comparing numbers from its income statement with those of its competitors, a business will know if it is operating as profitably as it should be.</li></ul></li></ul>

<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Conduct profit planning to forecast business profit.
<b>Performance Indicator</b>	Prepare a pro forma income statement (FI:510)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 2; Information 5-7; Interpersonal 13; Systems 15; Basic Skills 1-6; Thinking Skills 8-9, 12; Personal Qualities 13, 17
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1; ICT Literacy 1-2; Flexibility & Adaptability 2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Distinguish between development of a pro forma income statement for a business start-up versus one for an existing business.</li> <li>Describe reasons for preparing pro forma income statements.</li> <li>Identify financial-planning tools that should be used to create the pro forma income statement.</li> <li>Identify assumptions that will need to be made when preparing a pro forma income statement.</li> <li>Identify sources of information to consult to create a pro forma income statement.</li> <li>Explain assumptions that will need to be made about the general business environment when creating a pro forma income statement (e.g., interest rates, potential customers, etc.).</li> <li>Describe assumptions that will need to be made about the business when creating a pro forma income statement (e.g., productivity, capacity, cash flow, costs, reliability of equipment, expenses, timing requirements, management skills, etc.).</li> <li>Discuss assumptions that need to be made about how the business will respond to changes in factors outside its control when creating a pro forma income statement (e.g., economic, climatic changes, etc.).</li> <li>Describe sources of information that should be consulted to create a pro forma income statement.</li> <li>Demonstrate preparation of a pro forma income statement.</li> </ol>
<b>Performance Activity</b>	<p>Instruct students to research a variety of sources (e.g., their VIP portfolios, the Internet, small-business owners, SBA, magazines/journals, etc.) to develop realistic income and expense estimates for the businesses they plan to start. As they do this, students should identify the assumptions impacting their income/expense estimates. Using these assumptions and obtaining technical assistance, each student should prepare a pro forma income statement for her/his business. Students should discuss their estimates, assumptions, and income statements with their classmates. Direct students to modify their pro forma income statements based on their classmates' feedback. Finally, students should insert their modified income statements into their VIP portfolios.</p>

**Resources****Textbooks**

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- Bamford, C.E., & Bruton, G.D. (2011). *Entrepreneurship: A small business approach* (119-122). New York: McGraw-Hill.
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<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Implement accounting procedures to track money flow and to determine financial status.
<b>Performance Indicator</b>	Describe the nature of cash flow statements (FI:091, FI LAP 6)
<b>Level</b>	Specialist
<b>SCANS</b>	Resources 2; Information 5-7; Systems 15; Basic Skills 1-3; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the terms cash flow, cash flow statement, and solvency.</li> <li>Describe importance of adequate cash flow to business success.</li> <li>Identify sources of cash that flow into a business.</li> <li>Cite examples of sources of cash that flow out of a business.</li> <li>Explain how cash flow statements tell when, where, and how much money will flow into and out of a business.</li> <li>Distinguish between how new and established businesses estimate their cash flow figures.</li> <li>Describe the components of a cash flow statement.</li> <li>Explain how cash flow is calculated.</li> <li>Explain ways that a business can use its cash flow statement.</li> </ol>
<b>Performance Activity</b>	<p>Review and present the Nature of Cash Flow Statements Briefing (pp. 5-104—5-106) to students in a lecture or discussion format.</p> <p>Divide the class into groups of four. Explain that each group is going to participate in a game of Monopoly. Each student within the group should make a list of all of the monies that flow into and out of her/his hands and why. Students should then discuss how the game of Monopoly provides a lesson about cash flow.</p>
<b>Resources LAP</b>	<p>MBA Research and Curriculum Center. (2012). <i>Count the cash</i> (Cash flow) [LAP: FI-006]. Columbus, OH: Author.</p> <p>MBA Research and Curriculum Center. (2012). <i>Count the cash</i> (Cash flow): Instructor copy [LAP: FI-006]. Columbus, OH: Author.</p>
<b>Textbooks</b>	<p>Crosson, S.V., &amp; Needles, B.E. (2008). <i>Managerial accounting: Instructor's copy</i> (8th ed.) [pp. 678-679]. Boston: Houghton Mifflin Company.</p> <p>Dlabay, L.R., &amp; Burrow, J.L. (2008). <i>Business finance</i> (pp. 73, 77, 104, 122, 183, 342). Mason, OH: South-Western Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (pp. 773-775). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Guerrieri, D.J., Haber, F.B., Hoyt, W.B., &amp; Turner, R.E. (2004). <i>Accounting: Real-world applications &amp; connections (Advanced Course)</i> [pp. 393-406]. New York: Glencoe/McGraw-Hill.</p>

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<p><b>Learning the Basics about Cash Flow</b></p>	<p>Cash flow:</p> <ul style="list-style-type: none"> <li>• Is the movement of funds into and out of a business</li> <li>• Determines the amount of cash the business has to work with at any given time</li> </ul>
<p><b>The Importance of Adequate Cash Flow</b></p>	<p>Adequate cash flow is essential to business success. Businesses that run low on cash can face serious problems. They may become insolvent, meaning that they are not be able to cover all of their expenses. Or, they may even fail—forcing them to close their doors for good.</p> <p>Even businesses that make a profit may experience cash-flow problems. This happens sometimes because of the sources of the cash that flows into a business. Some sources are more reliable and steady than others.</p>
<p><b>Sources of Cash Flowing Into a Business</b></p>	<p>Businesses receive cash from five main sources, including:</p> <ul style="list-style-type: none"> <li>• Start-up money <ul style="list-style-type: none"> <li>○ Consists of funds used to bring a business into operations</li> </ul> </li> <li>• Sale of products <ul style="list-style-type: none"> <li>○ Usually is the primary way in which cash flows into an existing business</li> </ul> </li> <li>• Loans <ul style="list-style-type: none"> <li>○ Include money that the business borrows from banks, private investors, etc.</li> </ul> </li> <li>• Interest <ul style="list-style-type: none"> <li>○ Includes cash earned on investments, credit customer interest payments, etc.</li> </ul> </li> <li>• Sale of assets <ul style="list-style-type: none"> <li>○ Involves selling anything of value that a business owns, such as land, equipment, etc.</li> </ul> </li> </ul>
<p><b>Sources of Cash Flowing Out of a Business</b></p>	<p>Sources of cash that flow out of a business include:</p> <ul style="list-style-type: none"> <li>• Operating expenses <ul style="list-style-type: none"> <li>○ Include all expenses related to the business's ongoing operations (e.g., payroll, rent, mortgage payments, utility costs, supplies, shipping and delivery expenses, advertising costs, insurance, etc.)</li> </ul> </li> <li>• Cost of goods <ul style="list-style-type: none"> <li>○ Can be a major expense for businesses that buy goods for resale, such as retailers</li> </ul> </li> <li>• Assets <ul style="list-style-type: none"> <li>○ Are necessary for business operations</li> </ul> </li> <li>• Loan payments <ul style="list-style-type: none"> <li>○ Consist of payments toward loan principal as well as interest expenses for the use of the borrowed money</li> </ul> </li> <li>• Taxes <ul style="list-style-type: none"> <li>○ Include income tax, property tax, sales tax, payroll tax, etc.</li> </ul> </li> <li>• Miscellaneous <ul style="list-style-type: none"> <li>○ Can include legal fees, maintenance and reports, losses due to uncollectible accounts, emergencies, etc.</li> </ul> </li> </ul>

<p><b>What Cash Flow Statements Can Tell Us</b></p>	<p>A cash flow statement is a financial summary with estimates as to when, where, and how much money will flow into and out of a business.</p> <p>When?</p> <ul style="list-style-type: none"> <li>• Knowing when money will flow in and out is important because it warns businesses when they will be low on cash.</li> <li>• Preparing a cash flow statement helps a business identify the high points, so it can be ready to handle the low points.</li> </ul> <p>Where?</p> <ul style="list-style-type: none"> <li>• Knowing where the money will come from is important.</li> <li>• Preparing a cash flow statement helps a business identify different sources of cash flow and determine which are more or less likely to make payments to the business as promised.</li> </ul> <p>How much?</p> <ul style="list-style-type: none"> <li>• Knowing how much cash is flowing into the business is the most important information that a cash flow statement provides.</li> <li>• If businesses know there will be a cash shortage one month, they can plan ahead to try to generate more income and/or reduce expenses.</li> </ul>
<p><b>Estimating Cash Flow Figures</b></p>	<p>Since new businesses do not have financial data from previous years to predict future cash flow, they often rely on figures obtained through marketing research. They use this information to estimate the amount of cash they will need to survive until they begin to make a profit.</p> <p>Established businesses use information from past financial statements to predict future cash flow. They often review previous income statements to determine how much cash is coming into and going out of the business. Then, they combine this information with information about industry trends and predictions.</p>



<p><b>Cash Flow Statement Components and Calculations</b></p>	<p>Cash flow statements typically include the following main parts:</p> <ul style="list-style-type: none"> <li>• Beginning cash balance <ul style="list-style-type: none"> <li>○ Amount of money a business has available at the beginning of each month</li> </ul> </li> <li>• Cash receipts from: <ul style="list-style-type: none"> <li>○ Sale of goods and services</li> <li>○ Loans</li> <li>○ Sale of assets</li> <li>○ Interest income</li> </ul> </li> <li>• Total cash receipts <ul style="list-style-type: none"> <li>○ Determined by adding all of the sources of income that the business lists under cash receipts</li> </ul> </li> <li>• Total cash available <ul style="list-style-type: none"> <li>○ Determined by adding the total cash receipts to the beginning cash balance</li> </ul> </li> <li>• Cash payments, including: <ul style="list-style-type: none"> <li>○ Cost of goods to be sold</li> <li>○ Fixed expenses</li> <li>○ Variable expenses</li> </ul> </li> <li>• Total cash paid out <ul style="list-style-type: none"> <li>○ Determined by adding together the items listed under cash payments</li> </ul> </li> <li>• Ending cash balance <ul style="list-style-type: none"> <li>○ Amount of cash that a business has left at the end of the month</li> <li>○ Calculated by subtracting the total cash paid out from the total cash available</li> </ul> </li> </ul>
<p><b>Ways to Use a Cash Flow Statement</b></p>	<p>After completing the cash flow statement, a business has a good idea of the amount of money that will flow in and out for the month or quarter. A positive cash flow means the business is solvent and has enough money on hand to meet its monthly obligations. A negative cash flow means that the business will need to obtain additional money and/or reduce expenses to continue operating.</p> <p>The cash flow statement also indicates the financial condition of a business. Businesses with extra cash are able to invest that money in the business to grow and expand. This usually generates more sales, more cash, and more profit. The result is a successful, prosperous business that has the cash to continue growing, and cash reserves to protect it from the ups and downs of the marketplace.</p>

<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Conduct profit planning to forecast business profit.
<b>Performance Indicator</b>	Prepare a pro forma cash flow statement (FI:602)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 2; Information 5-7; Interpersonal 13; Systems 15; Basic Skills 1-6; Thinking Skills 8-9, 12; Personal Qualities 13, 17
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1; ICT Literacy 1-2; Flexibility & Adaptability 2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Describe the importance of adequate cash flow to business start-ups.</li> <li>Explain the importance of research in estimating cash-flow needs.</li> <li>Identify sources of cash coming into a new business.</li> <li>Identify cash to be paid out of a new business.</li> <li>Describe factors that affect (i.e., speed up and slow down) a business's cash flow.</li> <li>Explain methods that can be used to estimate cash flow.</li> <li>Demonstrate procedures for preparing a pro forma cash-flow statement.</li> </ol>
<b>Performance Activity</b>	Instruct each student to use the pro forma income statement that s/he previously developed, along with a spreadsheet software program, to create a 30-day pro forma cash-flow statement for the business s/he plans to start. Each student should also create a list of factors that s/he anticipates will speed up/slow down income and expenses. Then, students should review their estimates with business partners, revise their initial 30-day pro forma cash-flow statements, and project cash flow for the following five months. Finally, they should insert their pro forma cash-flow statements into their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [pp.197-200]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 254-257). New York: McGraw-Hill.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [pp. 171-173, 183, 197-199, 216-217]. Mason, OH: South-Western Cengage Learning.</p> <p>Gartner, W.B., &amp; Bellamy, M.G. (2009). <i>Creating the enterprise</i> (p. 320). Mason, OH: Thomson South-Western.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 288-292, 296-297]. New York: McGraw-Hill/Irwin.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 155, 415-417, 456-457]. New York: McGraw-Hill Irwin.</p>

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<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Implement accounting procedures to track money flow and to determine financial status.
<b>Performance Indicator</b>	Explain the nature of balance sheets (FI:093)
<b>Level</b>	Specialist
<b>SCANS</b>	Resources 2; Information 5-7; Systems 15; Basic Skills 1-3; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the terms balance sheet, assets, accounts receivable, depreciation, amortization, liabilities, accounts payable, net worth, accounting equation, working capital, and financial leverage.</li> <li>Explain why a balance sheet is considered a snapshot of a business's financial condition.</li> <li>Discuss the preparation of a balance sheet as it relates to that of an income statement.</li> <li>Describe the components of a balance sheet.</li> <li>Identify types of assets.</li> <li>Categorize examples of assets as current or fixed.</li> <li>Identify types of liabilities.</li> <li>Categorize examples of liabilities as current or long-term.</li> <li>Explain ways that a business can use its balance sheet.</li> </ol>
<b>Performance Activity</b>	<p>Review and present the Nature of Balance Sheets Briefing (pp. 5-111—5-114) to students in a lecture or discussion format.</p> <p>Divide the class into groups of three students each. Provide students with the balance sheets of several businesses. Instruct the groups to compare the components of the different balance sheets and identify similarities and differences among them. When finished, each group should present its findings to the class. Finally, lead the class in a discussion of reasons for the differences.</p>
<b>Resources Textbooks</b>	<p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [565, 576]. Mason, OH: South-Western Cengage Publishing.</p> <p>Clark, B., Sobel, J., &amp; Basteri, C.G. (2010). <i>Marketing dynamics: Teacher's edition</i> (2<sup>nd</sup> ed.) [pp. 387-389, 391, 402]. Tinley Park, IL: Goodheart-Willcox Company, Inc.</p> <p>Crosson, S.V., &amp; Needles, B.E. (2008). <i>Managerial accounting: Instructor's copy</i> (8<sup>th</sup> ed.) [pp. 497-498, 314-315]. Boston: Houghton Mifflin Company.</p> <p>Dlabay, L.R., &amp; Burrow, J.L. (2008). <i>Business finance</i> (pp. 73-74, 120-121). Mason, OH: South-Western Cengage Learning.</p>

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<p><b>Learning the Basics about Balance Sheets</b></p>	<p>A balance sheet:</p> <ul style="list-style-type: none"> <li>• Is a financial statement that captures the financial condition of the business at that particular moment</li> <li>• Is sometimes called a financial position statement</li> <li>• Is a snapshot of the business's financial condition</li> <li>• Captures the business's financial condition at a particular moment—somewhat like a photograph captures just one second of time</li> </ul>
<p><b>What Does a Balance Sheet Look Like?</b></p>	<p>While an income statement reports net income or loss for an entire period, the balance sheet covers just one day in the period—usually the last day of the year, quarter, month, etc.</p> <p>The balance sheet presents three important categories of financial information:</p> <ul style="list-style-type: none"> <li>• Assets <ul style="list-style-type: none"> <li>○ Anything of value that a business or individual owns</li> <li>○ Sometimes seen as uses for cash</li> </ul> </li> <li>• Liabilities <ul style="list-style-type: none"> <li>○ Debts, usually money, that the business owes</li> <li>○ Sometimes seen as sources of cash</li> </ul> </li> <li>• Owner's equity <ul style="list-style-type: none"> <li>○ The amount the owner has invested in the business, plus or minus profits and losses</li> <li>○ The total value of the business</li> <li>○ Also known as net worth</li> </ul> </li> </ul> <p>Assets, liabilities, and owner's equity are the components of the basic accounting equation:</p> <ul style="list-style-type: none"> <li>• <math>Assets = Liabilities + Owner's Equity</math></li> </ul> <p>Although it contains three categories of financial information, the balance sheet is typically divided into just two parts—representing the two sides of the accounting equation:</p> <ul style="list-style-type: none"> <li>• Assets</li> <li>• Liabilities and Owner's Equity</li> </ul> <p>Assets are usually presented first—either at the top of the balance sheet or along the left side, depending on how the balance sheet is organized. Assets are listed in descending order. In other words, assets most like cash are listed at the top of the list, while assets least like cash appear at the bottom.</p> <p>The business's liabilities and owner's equity are normally listed after—or to the right of—its assets. Liabilities, too, are listed in descending order. Liabilities that are due soonest are listed first, while liabilities due the longest time from now appear at the end of the list. The owner's equity appears below the liabilities on the balance sheet, although still in the same section. This owner's equity can be broken down into revenues and expenses, which happen to be the key components of the income statement.</p>

	<p>Keep in mind that the balance sheet represents the basic accounting equation. Therefore, the balance sheet's two parts—which represent the two sides of the accounting equation—should balance, or equal, each other.</p>
<b>Types of Assets</b>	<p>Two types of assets are:</p> <ul style="list-style-type: none"> <li>• Current assets: Assets that will become cash or be used within 12 months</li> <li>• Fixed assets: Property that the company permanently owns; also known as capital assets</li> </ul>
<b>Assets: Current or Fixed?</b>	<p>Current assets include:</p> <ul style="list-style-type: none"> <li>• Cash</li> <li>• Inventory</li> <li>• Accounts receivable: All monies owed to a firm by its customers</li> <li>• Prepaid expenses</li> </ul> <p>Fixed assets include:</p> <ul style="list-style-type: none"> <li>• Land</li> <li>• Buildings</li> <li>• Vehicles</li> <li>• Equipment</li> <li>• Furniture</li> <li>• Notes receivable</li> <li>• Intangible assets (e.g., patents, copyrights, trademarks, goodwill, etc.)</li> </ul>
<b>Accumulated Depreciation on the Balance Sheet</b>	<p>Some fixed assets—including vehicles, equipment, and furniture—don't hold their value over time. For example, a company vehicle that cost \$65,000 originally isn't likely to be worth that much after 10 years. Instead, it is likely to decrease in value in 10 years' time.</p> <p>This reduction in the value of goods or assets over a period of time is called depreciation. One way to indicate that some of a business's fixed assets have dropped in value is to include accumulated depreciation in the assets section of the balance sheet. The accumulated depreciation represents the total loss in fixed assets' value that the business has incurred. Since it represents a loss, accumulated depreciation is subtracted from the total value of the fixed assets listed on the balance sheet.</p>

<p><b>Amortization on the Balance Sheet</b></p>	<p>While intangible assets cannot be seen or touched, they can be quite valuable to a business. Examples:</p> <ul style="list-style-type: none"> <li>• A patent, which gives a business the exclusive rights to an invention or process for a set length of time</li> <li>• Goodwill, which represents any advantage that a business acquires beyond the value of its products or service</li> </ul> <p>Unfortunately, intangible assets—like some fixed assets—may also drop in value over time. This decrease in value is amortized, or written off, over an extended period of time (ranging from a minimum of 17 years for patents to 40 years for goodwill and copyrights). Like accumulated depreciation, amortization is included in the assets section of the balance sheet and subtracted from the total value of the fixed assets listed.</p>
<p><b>Types of Liabilities</b></p>	<p>Two types of liabilities are:</p> <ul style="list-style-type: none"> <li>• Current liabilities: Debts that must be paid within one year</li> <li>• Long-term liabilities: Debts that will take longer than one year to pay</li> </ul>
<p><b>Liabilities: Current or Long-term?</b></p>	<p>Current liabilities include:</p> <ul style="list-style-type: none"> <li>• Accounts payable: All monies owed by the business to others</li> <li>• Employee wages</li> <li>• Taxes payable</li> <li>• Notes payable</li> <li>• Accruals: Debts incurred but not yet billed</li> <li>• Current portion of long-term debt</li> </ul> <p>Long-term liabilities include:</p> <ul style="list-style-type: none"> <li>• Mortgage</li> <li>• Long-term debt</li> </ul>
<p><b>How Is the Balance Sheet Used?</b></p>	<p>Businesses need to know how they are doing on a regular basis, and preparing a balance sheet is the best way to do that. The balance sheet shows what a business owns and what it owes—in other words, its financial strengths and weaknesses.</p> <p>In addition, a business needs to know how much cash it has available to put to work in its day-to-day operations. This cash is often referred to as working capital. To determine how much working capital it has, a business can subtract its current liabilities from its current assets. The excess assets that it owns represent the business's working capital. Another way to show this relationship is:</p> <p style="text-align: center;">Working Capital = Current Assets – Current Liabilities</p> <p>Businesses also create balance sheets to show to creditors and investors when they seek financing for day-to-day operations or for expansion. These balance sheets provide clues to creditors and investors regarding a business's ability to do such things as satisfy creditors, manage inventory, and collect receivables.</p>



For example, creditors and investors often compare a business's total assets and total liabilities to determine what percentage of the business's debts are owed to creditors and what percentage are owed to the business's owner(s). To gather this data, creditors and investors usually calculate the financial leverage ratio, also known as the debt-leverage ratio.

A business's debt-leverage ratio is equal to total liabilities divided by total assets and can range from zero to 100. Creditors and investors typically look for a low debt-leverage ratio because it indicates that the business has little debt when compared to its owner's equity. Therefore, providing financing to the company would probably involve little risk. However, a high debt-leverage ratio indicates that the business already owes a great deal of money to creditors and investors. Lending money to a business with a high debt-leverage ratio would involve a great deal more risk. As a result, creditors and investors are not as likely to lend to a business with a high debt-leverage ratio.

<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Conduct profit planning to forecast business profit.
<b>Performance Indicator</b>	Prepare a pro forma balance sheet (FI:511)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 2; Information 5-7; Interpersonal 13; Systems 15; Basic Skills 1-6; Thinking Skills 8-9, 12; Personal Qualities 13, 17
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1; ICT Literacy 1-2; Flexibility & Adaptability 2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Explain reasons for creating a projected/estimated balance sheet.</li> <li>Describe the relationship of an estimated/projected income statement and estimated cash-flow statement with an estimated/projected balance sheet.</li> <li>Demonstrate procedures for developing an estimated/projected balance sheet.</li> </ol>
<b>Performance Activity</b>	Direct each student to use the pro forma income statement and pro forma cash-flow statement that s/he previously developed, along with a spreadsheet software program, to create a pro forma balance sheet for the business s/he plans to start. Each student should review his/her estimate with a business partner and revise it accordingly. Then, students should insert their pro forma balance sheets into their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [pp. 201-203]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 119-120). New York: McGraw-Hill.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [pp. 170-171, 173-174, 182, 197-199, 216]. Mason, OH: South-Western Cengage Learning.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 292-294, 296-297]. New York: McGraw-Hill/Irwin.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 165, 412-414, 457]. New York: McGraw-Hill Irwin.</p> <p>Kuratko, D.F. (2009). <i>Entrepreneurship: Theory, process, practice</i> (8<sup>th</sup> ed.) [pp. 313-319, 331-332, 361]. Mason, OH: Thomson South-Western.</p>
<b>Software/ Online</b>	<p>Beach, E. (n.d. ). How to calculate efn for pro forma balance sheet. Retrieved April 23, 2012, from <a href="http://www.ehow.com/how_4710333_calculate-pro-forma-balance-sheet.html?ref=Track2&amp;utm">http://www.ehow.com/how_4710333_calculate-pro-forma-balance-sheet.html?ref=Track2&amp;utm</a></p> <p>Bauer, K. (n.d.). <i>Cash flow and financial planning</i>. Retrieved April 23, 2012, from <a href="http://ilt.ilstu.edu/kjbaue2/FIL240/downloads/Chapter%206.ppt">http://ilt.ilstu.edu/kjbaue2/FIL240/downloads/Chapter%206.ppt</a></p> <p>Inc.com. (2012). <i>Pro forma statements</i>. Retrieved April 23, 2012, from <a href="http://www.inc.com/encyclopedia/pro-forma-statements.html">http://www.inc.com/encyclopedia/pro-forma-statements.html</a></p>

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<b>Knowledge/ Skill Statement</b>	Understands tools, techniques, and systems that affect a business's ability to plan, control, and organize an organization/department
<b>Instructional Area</b>	Strategic Management
<b>Performance Element</b>	Utilize planning tools to guide organization's/department's activities.
<b>Performance Indicator</b>	Identify and benchmark key performance indicators (e.g., dashboards, scorecards, etc.) (SM:027)
<b>Level</b>	Manager
<b>SCANS</b>	Information 5-7; Interpersonal 12; Systems 15, 16; Basic Skills 1-2, 5-6; Thinking Skills 8, 12; Personal Qualities 13, 16
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1; Productivity & Accountability 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the terms benchmarking, benchmarking partners, key performance indicators, and scorecards.</li> <li>Explain the benefits associated with effective benchmarking (e.g., quality improvement, policy formulation, decision-making aid, strategic planning).</li> <li>Discuss types of formal benchmarking (i.e., internal, competitive, functional/generic).</li> <li>Describe the steps in the benchmarking process (i.e., determine what to benchmark, determine whether to conduct the process individually or as a team, select benchmarking partners, collect and analyze information, take action based on findings).</li> <li>Explain stumbling blocks/difficulties with benchmarking.</li> <li>Identify criteria for selecting benchmarking partners.</li> <li>Discuss sources that can be used to locate benchmarking partners.</li> <li>Explain ways to collect benchmarking data.</li> <li>Demonstrate how to benchmark key performance indicators.</li> </ol>
<b>Performance Activity</b>	<p>Direct students to view the following videos:</p> <ul style="list-style-type: none"> <li>"How to Develop Key Performance Indicators (KPIs)" <a href="http://mystrategicplan.com/resources/how-to-develop-key-performance-indicators-kpis/">http://mystrategicplan.com/resources/how-to-develop-key-performance-indicators-kpis/</a></li> <li>"Strategic Planning with the Balanced Scorecard" <a href="http://mystrategicplan.com/resources/strategic-planning-with-the-balanced-scorecard/">http://mystrategicplan.com/resources/strategic-planning-with-the-balanced-scorecard/</a></li> </ul> <p>Then, instruct each student to follow the directions provided in the videos to develop key performance indicators (KPIs) and a balanced scorecard for his/her business. Students should share their work with their classmates, a business partner, or the instructor, revise their KPIs and balanced scorecards based on any feedback received, and add their work to their VIP portfolios.</p>

**Resources  
Textbooks**

- Allen, K.R. (2007). *Growing and managing a small business: An entrepreneurial perspective* (2<sup>nd</sup> ed.) [pp. 33-38]. Boston: Houghton Mifflin Company.
- Bamford, C.E., & Bruton, G.D. (2011). *Entrepreneurship: A small business approach* (p. 75). New York: McGraw-Hill.
- Bovée, C.L., Thill, J.V., & Mescon, M.H. (2007). *Excellence in business* (3<sup>rd</sup> ed.) [p. ]. Upper Saddle River, NJ: Pearson Prentice Hall.
- Burrow, J.L., Kleindl, B., & Everard, K.E. (2008). *Business principles and management* (12<sup>th</sup> ed.) [pp. 369-374]. Mason, OH: South-Western Cengage Learning.
- Dlabay, L.R., Burrow, J.L., & Kleindl, B.A. (2012). *Principles of business* (8<sup>th</sup> ed.) [p. 326]. South-Western, Cengage Learning.
- Jones, G.R., & George, J.M. (2006). *Contemporary management* (4<sup>th</sup> ed.) [p. 461]. New York: McGraw-Hill/Irwin.
- Longenecker, J.G., Moore, C.W., Petty, J.W., & Palich, L.E. (2006). *Small business management: An entrepreneurial emphasis* (13<sup>th</sup> ed.) [p. 442]. Mason, OH: Thomson South-Western.

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- Balanced Scorecard Institute. (1998-2011). *Balanced scorecard basics*. Retrieved May 8, 2012, from <http://www.balancedscorecard.org/BSCResources/AbouttheBalancedScorecard/tabid/55/Default.aspx>
- Best Practices, LLC. (1998-2012). *Chapter 1: Benchmarking for best practices: Winning through innovative adaptation*. Retrieved May 8, 2012, from <http://www.best-in-class.com/bestp/domrep.nsf/pages/1505234FD644DF7B852570C00069E424>
- Hariyanto, G.T. (2007, April 23). *Benchmarking*. Retrieved May 8, 2007, from <http://management-tools.blogspot.com/2007/04/benchmarking.html>
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- Leavitt, W. (2006, November 1). *Benchmarking dangers*. Retrieved May 8, 2012, from [http://fleetowner.com/information\\_technology/patentpending/fleet\\_benchmarking\\_dangers](http://fleetowner.com/information_technology/patentpending/fleet_benchmarking_dangers)
- Microsoft Corp. (2012). *What is the difference between a dashboard and a scorecard?* Retrieved May 7, 2012, from <http://office.microsoft.com/en-us/sharepoint-server-help/what-is-the-difference-between-a-dashboard-and-a-scorecard-HA101772797.aspx>
- S.M. Thacker & Associates. (2010). *An introduction to benchmarking*. Retrieved May 8, 2012, from [http://www.smthacker.co.uk/introduction\\_to\\_benchmarking.htm](http://www.smthacker.co.uk/introduction_to_benchmarking.htm)
- tutor2u. (n.d.). *Benchmarking*. Retrieved May 7, 2012, from <http://tutor2u.net/business/strategy/benchmarking.htm>

<b>Knowledge/ Skill Statement</b>	Understands tools, techniques, and systems that affect a business's ability to plan, control, and organize an organization/department
<b>Instructional Area</b>	Strategic Management
<b>Performance Element</b>	Utilize planning tools to guide organization's/department's activities.
<b>Performance Indicator</b>	Develop action plans (SM:012)
<b>Level</b>	Owner
<b>SCANS</b>	Resources 1; Information 5-7; Interpersonal 12; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 8-9
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Creativity & Innovation 2; Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1; Flexibility & Adaptability 2; Leadership & Responsibility 4
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Identify the components of an action plan.</li> <li>Describe the purposes of the main parts of an action plan: operations, management (employees), and contingency.</li> <li>Explain the importance of an action plan to the business plan.</li> <li>Describe ways in which businesses use action plans.</li> <li>Identify contingencies for which businesses frequently plan.</li> <li>Explain the need for contingency planning.</li> <li>Describe the relationship between contingency planning and SWOT analysis.</li> <li>Explain the use of "what if" scenarios in contingency planning.</li> <li>Demonstrate procedures for developing an action plan.</li> </ol>
<b>Performance Activity</b>	<p>Instruct students to identify business contingencies for which they should plan. Students should develop "what if" scenarios for each identified contingency and determine how they plan to handle each situation. Each student should use a word-processing program to create a document containing the information, discuss the plans with a classmate, and revise them as needed.</p> <p>Then, direct each student to develop an action plan for his/her business to show how management and operational issues will be resolved. Students should divide their plans into three parts: operations, management (employees), and contingency. Students should use a word-processing program to prepare their plans. Discuss each student's plan with him/her. Finally, instruct students to insert their completed action plans into their VIP portfolios.</p>
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 178-180]. Boston: Houghton Mifflin Company.</p> <p>Bovée, C.L., Thill, J.V., &amp; Mescon, M.H. (2007). <i>Excellence in business</i> (3<sup>rd</sup> ed.) [pp. 232-236]. Upper Saddle River, NJ: Pearson Prentice Hall.</p> <p>Burrow, J.L., Kleindl, B., &amp; Everard, K.E. (2008). <i>Business principles and management</i> (12<sup>th</sup> ed.) [pp. 326-327, 358-359]. Mason, OH: South-Western Cengage Learning.</p> <p>Jones, G.R., &amp; George, J.M. (2006). <i>Contemporary management</i> (4<sup>th</sup> ed.) [pp. 304-305, 308-309]. New York: McGraw-Hill/Irwin.</p> <p><i>Advanced Entrepreneurship Course Guide</i> © 2012, MBA Research and Curriculum Center®</p>

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- Longenecker, J.G., Moore, C.W., Petty, J.W., & Palich, L.E. (2006). *Small business management: An entrepreneurial emphasis* (13<sup>th</sup> ed.) [pp. 60-61, 448]. Mason, OH: Thomson South-Western.
- Browning, K. (2007, March 31). *How to create an action plan for your business*. Retrieved May 8, 2012, from <http://voices.yahoo.com/how-create-action-plan-business-263610.html?cat=3>
- Business Owner's Toolkit. (1995-2012). *Action plans*. Retrieved May 8, 2012, from [http://www.toolkit.com/small\\_business\\_guide/sbg.aspx?nid=P02\\_5501](http://www.toolkit.com/small_business_guide/sbg.aspx?nid=P02_5501)
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- Duff, V. (n.d.). *What is a business contingency plan?* Retrieved May 8, 2012, from <http://smallbusiness.chron.com/business-contingency-plan-1081.html>
- Hoagland-Smith, L. (2006, December 3). *Top 7 tips for creating a strategic action plan*. Retrieved May 8, 2012, from <http://ezinearticles.com/?Top-7-Tips-For-Creating-a-Strategic-Action-Plan&id=375544>
- Silverstein, R. (2009, May 27). *Create an action plan now*. Retrieved May 8, 2012, from <http://www.entrepreneur.com/article/201888#>

<b>Knowledge/ Skill Statement</b>	Understands the concepts, strategies, and systems used to obtain and convey ideas and information
<b>Instructional Area</b>	Communication Skills
<b>Performance Element</b>	Write internal and external business correspondence to convey and obtain information effectively.
<b>Performance Indicator</b>	Write executive summaries (CO:091)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5-8; Systems 15; Basic Skills 1-2; Thinking Skills 8,12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3-5; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Explain the purpose of executive summaries.</li> <li>Identify the primary audience for executive summaries.</li> <li>Discuss situations when executive summaries are needed.</li> <li>Describe the components/format of executive summaries.</li> <li>Discuss what an executive summary can do to appeal to the audience (e.g., establish the need or problem, recommend a solution and explain its value, and create your competitive advantage).</li> <li>Identify questions to answer when writing an executive summary.</li> <li>Identify tips that writers can use to appeal to executive-summary readers.</li> <li>Demonstrate how to write an executive summary.</li> </ol>
<b>Performance Activity</b>	Ask students to read the report found at <a href="http://www.b2binternational.com/library/whitepapers/whitepapers04.php">http://www.b2binternational.com/library/whitepapers/whitepapers04.php</a> , and write an executive summary of the report. They need to include a concise statement of findings, specific recommendation for action, and justification for the proposed action. When they are finished, have them exchange summaries with a classmate, and discuss their strengths and weaknesses.
<b>Resources Textbooks</b>	<p>Boone, G., &amp; Kurtz, D.L. (2009). <i>Contemporary marketing 2009</i> (pp. A-60, A-63, A-67). Mason, OH: South-Western Cengage Learning.</p> <p>Bovée, C. L. &amp; Thill, J. V. (2008). <i>Business communication today</i> (9<sup>th</sup> ed.) [pp. 461, 474, 477]. Upper Saddle River, NJ: Pearson Prentice Hall.</p> <p>Clark, B., Sobel, J., &amp; Basteri, C.G. (2010). <i>Marketing dynamics: Teacher's edition</i> (2<sup>nd</sup> ed.) [p. 747]. Tinley Park, IL: Goodheart-Willcox Company, Inc. Etzel, M.J., Walker, B.J., &amp; Stanton, W.J. (2007). <i>Marketing</i> (14<sup>th</sup> ed.) [p. 568]. Boston: McGraw-Hill/Irwin</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (p. 33). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Kotler, P., &amp; Armstrong, G. (2008). <i>Principles of marketing</i> (12<sup>th</sup> ed.) [p. A-2]. Upper Saddle River, NJ: Prentice-Hall.</p> <p>Lehman, C. &amp; DuFrene, D. (2005). <i>Business communication</i> (14<sup>th</sup> ed.) [pp. 414-415]. Mason, OH: South-Western.</p>



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- Locker, K.O. (2006). *Business and administrative communication* (7<sup>th</sup> ed.) [pp. 431]. New York: McGraw-Hill.
- Soloman, M. R., Marshall, G. W., & Stuart, E. W. (2008). *Marketing: Real people, real choices* (5<sup>th</sup> ed.) [p.130]. Upper Saddle River, NJ: Pearson Prentice Hall.
- captureplanning.com (2012). *Questions to answer in your executive summary*. Retrieved May 1, 2012, from <http://www.captureplanning.com/articles/13573.cfm>
- captureplanning.com (2012). *Should you write the executive summary first or last?* Retrieved May 1, 2011, from <http://www.captureplanning.com/articles/92131.cfm>
- Colorado State University (1993-2012). *Writing guide: Executive summaries*. Retrieved May 1, 2012, from <http://writing.colostate.edu/guides/documents/execsum/>
- eHow.com (1999-2012). *How to write an executive summary*. Retrieved May 1, 2012, from [http://www.ehow.com/how\\_16566\\_write-executive-summary.html](http://www.ehow.com/how_16566_write-executive-summary.html)
- Kawasaki, G. (2006, April 2). *The art of the executive summary*. Retrieved May 1, 2012, from [http://blog.guykawasaki.com/2006/04/the\\_art\\_of\\_the\\_.html#axzz0jD6vyEKs](http://blog.guykawasaki.com/2006/04/the_art_of_the_.html#axzz0jD6vyEKs)
- Lauderdale, J. (n.d.). *The three uses of executive summaries*. Retrieved May 1, 2012, from <http://www.captureplanning.com/articles/13572.cfm>
- RFP Evaluation Centers (2012). *How to write an executive summary?* Retrieved May 1, 2012, from <http://rfptemplates.technologyevaluation.com/how-to-write-an-executive-summary.html>

<b>Knowledge/ Skill Statement</b>	Understands tools, techniques, and systems that affect a business's ability to plan, control, and organize an organization/department
<b>Instructional Area</b>	Strategic Management
<b>Performance Element</b>	Utilize planning tools to guide organization's/department's activities
<b>Performance Indicator</b>	Develop business plan (SM:013, SM LAP 2)
<b>Level</b>	Owner
<b>SCANS</b>	Resources 1-4; Information 5-7; Interpersonal 13; Systems 15; Basic Skills 1-6; Thinking Skills 8-9, 12; Personal Qualities 13, 17
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Creativity & Innovation 2; Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1; Information Literacy 1; ICT Literacy 1-2; Flexibility & Adaptability 2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Explain the importance of a business plan.</li> <li>Discuss the use of executive summaries in business plans.</li> <li>Identify factors that can necessitate changes in business plans.</li> <li>Identify mistakes to avoid when developing a business plan.</li> <li>Explain procedures for developing business plans.</li> <li>Demonstrate procedures for developing a business plan.</li> </ol>
<b>Performance Activity</b>	<p>Review and present the Developing a Business Plan Briefing (pp. 5-125—5-126) to students in a lecture or discussion format.</p> <p>Direct students to use their business-plan outlines to develop business plans for their start-ups. (A sample outline is provided below.) When finished, students should submit their business plans to you or a SCORE representative for review and feedback. Finally, students should modify their business plans as necessary and insert them into their VIP portfolios.</p> <ol style="list-style-type: none"> <li>Cover and contents</li> <li>Executive summary</li> <li>The business, its products, and opportunities (mission statement, goals and objectives, business background, business structure, product and service information)</li> <li>Market research and analysis (market segments, size of potential market, market demand, target-market profile, competitive analysis)</li> <li>Marketing plan (strategies for product, place, price, promotion; marketing budget)</li> <li>Operations plan (expense and capital requirements)</li> <li>Management plan (background information about key management personnel, organizational plan/chart, job descriptions)</li> <li>Risks and opportunities (SWOT analysis)</li> <li>Overall schedule (action plan with contingency plan)</li> <li>Financial plan (pro forma income statement, pro forma cash-flow statement, pro forma balance sheet, sales/income forecast, breakeven analysis)</li> <li>Appendices</li> </ol>

**Resources****LAP**

- MBA Research and Curriculum Center. (2011). *Plan for success (Creating business plans)* [LAP: SM-002]. Columbus, OH: Author.
- MBA Research and Curriculum Center. (2011). *Plan for success (Creating business plans): Instructor copy* [LAP: SM-002]. Columbus, OH: Author.

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- Allen, K.A., & Meyer, E.C. (2006). *Entrepreneurship and small business management* (pp. 100-109). Woodland Hills, CA: McGraw-Hill Glencoe.
- Burrow, J.L. (2012). *Marketing* (3<sup>rd</sup> ed.) [pp. 609-611]. Mason, OH: South-Western Cengage Learning.
- Farese, L. S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (pp. 738-751). Woodland Hills, CA: McGraw-Hill Glencoe.
- Greene, C.L. (2006). *Entrepreneurship: Ideas in action* (3<sup>rd</sup> ed.) [pp. 115-121]. Mason, OH: Thomson South-Western.
- Greene, C.L. (2012). *Entrepreneurship: Ideas in Action* (5<sup>th</sup> ed.) [pp. 67-79]. Mason, OH: South-Western Cengage Learning.
- Kuratko, D.F. (2009). *Entrepreneurship: Theory, process, practice* (8<sup>th</sup> ed.) [pp. 225, 348-374]. Mason, OH: Thomson South-Western.
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- Mariotti, S. (2006). *How to start & operate a small business* (10<sup>th</sup> ed.) [pp. 224, 428, 586-612]. New York: The National Foundation for Teaching Entrepreneurship. (Contains a sample student business plan)
- Pride, W. M., Hughes, R. J., & Kapoor, J. R. (2008). *Business* (9<sup>th</sup> ed.) [pp. 110-112, 194-196]. Boston: Houghton Mifflin.

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- Berry, T. (1996-2012). *A simpler plan for start-ups*. Retrieved May 15, 2012, from <http://articles.bplans.com/writing-a-business-plan/a-simpler-plan-for-start-ups/39>
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- Bizmove.com. (n.d.). *Developing your business plan*. Retrieved May 15, 2012, from <http://www.bizmove.com/starting/m1e1.htm>
- bPlan.com. (n.d.). *Business planning videos*. Retrieved May 15, 2012, from <http://www.bplans.com/videos/> (Site includes a variety of free videos on developing business plans.)
- Business Owner's Toolkit. (1995-2012). *Writing your business plan*. Retrieved May 15, 2012, from [http://www.toolkit.com/small\\_business\\_guide/sbg.aspx?nid=P02\\_5001](http://www.toolkit.com/small_business_guide/sbg.aspx?nid=P02_5001)
- MBA Research and Curriculum Center. (2011). *Plan for success (Creating business plans)* [LAP: SM-002: Presentation Software]. Columbus, OH: Author.
- My Own Business. (2003-2012). *Session 2: The business plan*. Retrieved May 15, 2012, from <http://www.myownbusiness.org/s2/>
- Wasserman, E. (n.d.). *How to write a great business plan*. Retrieved May 15, 2012, from <http://www.inc.com/guides/write-a-great-business-plan.html>

<p><b>Why Is a Business Plan Important?</b></p>	<p>A business plan is a company's blueprint for success. This blueprint shows how the business works now and how it is intended to work in the future. In fact, the business plan is often considered to be the company's business model in written form, describing how each major component participates in the company's success.</p> <p>Companies prepare business plans for many reasons. The most obvious reason is to be as successful as possible—since, without a plan, many businesses fail. “Selling” the company's capabilities to a bank or investor is almost certainly the number one motive for writing a business plan.</p>
<p><b>Start-Up Businesses and Business Plans</b></p>	<p>Consider the needs of a start-up business. Equipment and labor will cost money, but the business won't have any money until it makes money. A bank loan or investment will allow the business to begin operating, so it can earn the money it needs to pay for equipment, labor, etc. By describing how the company expects to make money, the business plan can potentially convince a bank or investor that the company is prepared to operate successfully.</p> <p>Sometimes, a start-up firm has a sufficient amount of cash, but its owners or partners do not have clearly identified roles. A business plan can help a company in this situation to establish who is expected to do what.</p>
<p><b>Existing Businesses and Business Plans</b></p>	<p>Existing businesses often compile a business plan so that they can:</p> <ul style="list-style-type: none"> <li>• Acquire funding</li> <li>• Implement a strategic plan</li> <li>• Assess a new product or promotion</li> <li>• Prepare for an expansion</li> <li>• Obtain a specific contract or agreement</li> <li>• Place a value on the business</li> </ul>
<p><b>Components of a Business Plan</b></p>	<p>Although each business plan is unique, a typical business plan contains the following sections in the following order:</p> <ul style="list-style-type: none"> <li>• Cover page, including:</li> <li>• Executive summary, which is: <ul style="list-style-type: none"> <li>○ The most critical part of the plan</li> <li>○ Used to determine whether or not it's worth reading any further</li> <li>○ A two- to three-page “miniature” of the full plan</li> </ul> </li> <li>• Table of contents</li> <li>• Company description</li> <li>• Product(s) offered</li> <li>• Market analysis</li> <li>• Strategy and implementation</li> <li>• Management plan</li> <li>• Financial plan</li> <li>• Appendices</li> </ul>

**Developing a  
Business  
Plan**

To create an effective business plan, you should:

- Make the plan clear, concise, focused, realistic, and accurate.
- Make the plan have a logical structure and flow.
- Begin each section with a short summary.
- Make the executive summary interesting and intriguing enough to capture your readers' attention.
- Describe goods and services in terms that are easy to understand.
- In your market analysis, include only information that makes a specific impact on your business and the decisions you will make while running it.
- Make the financial plan simple.
- Plan ahead for tracking and follow-up.
- Plan for regular reviews, updates, and corrections.

## Rubric: Business Plan

Criteria	Professional	Experienced	Developing	Novice
<p><b>Content</b></p> <p>The information communicated by the business plan</p> <p>40 points</p>	<input type="checkbox"/> All components of plan were complete and in writing.	<input type="checkbox"/> All elements of the plan were addressed in writing, but some aspects needed further description.	<input type="checkbox"/> Most of the plan's elements were in writing; the missing elements diminished the plan's effectiveness.	<input type="checkbox"/> Many of the plan's components lacked sufficient detail to take action or were missing.
	<input type="checkbox"/> Executive summary clearly and concisely summarized the main points of the business plan.	<input type="checkbox"/> Executive summary was included but failed to sufficiently describe some points of the business plan.	<input type="checkbox"/> Executive summary failed to identify many important points of the business plan.	<input type="checkbox"/> Executive summary was too vague/sketchy to be useful or was not included.
	<input type="checkbox"/> A clear, comprehensive company description, including mission statement, goals and objectives, business background, ownership structure, and product and service information, was provided.	<input type="checkbox"/> A clear description of the company was provided but lacked some information, such as a mission statement, goals and objectives, business background, ownership structure, or product and service information.	<input type="checkbox"/> Description of the company was difficult to follow/understand and lacked a good deal of information, such as mission statement, goals and objectives, business background, ownership structure, or product and service information.	<input type="checkbox"/> Description of the company was missing or too sketchy/vague to be useful.
	<input type="checkbox"/> Reasonable, clear explanation of marketing research and analysis was included.	<input type="checkbox"/> Appropriate, but wordy, explanation of marketing research and analysis was included.	<input type="checkbox"/> Vague, but appropriate, explanation of marketing research and analysis was included.	<input type="checkbox"/> Explanation of marketing research and analysis lacked sufficient detail, was unrealistic, or was missing.
	<input type="checkbox"/> Reasonable, clear marketing plan (including product, price, place, and promotion strategies) was provided.	<input type="checkbox"/> Appropriate, but wordy, marketing plan (including product, price, place, and promotion strategies) was provided.	<input type="checkbox"/> Vague, but appropriate, marketing plan (including product, price, place, and promotion strategies) was provided.	<input type="checkbox"/> Marketing plan (including product, price, place, and promotion strategies) lacked sufficient detail, was unrealistic, or was missing.
	<input type="checkbox"/> Complete, relevant information about strengths, weaknesses, opportunities, and threats was provided.	<input type="checkbox"/> Most relevant strengths, weaknesses, opportunities, and threats were clearly identified.	<input type="checkbox"/> Sketchy information was provided about strengths, weaknesses, opportunities, and threats.	<input type="checkbox"/> Obvious and critical-to-address strengths, weaknesses, opportunities, and threats were omitted from the plan.

## Rubric: Business Plan

Criteria	Professional	Experienced	Developing	Novice
<b>Content (cont'd)</b>	<input type="checkbox"/> Expense and capital requirements necessary for business operations were clearly identified.	<input type="checkbox"/> Most expense and capital requirements necessary for business operations were clearly identified.	<input type="checkbox"/> Some critical expenses and capital requirements necessary for business operations were not listed.	<input type="checkbox"/> Expense and capital requirements necessary for business operations were too incomplete to be useful or were missing altogether.
	<input type="checkbox"/> Management plan clearly defined key employees' responsibilities and organizational structure.	<input type="checkbox"/> Management plan identified key employees' responsibilities and organizational structure but did not describe them fully.	<input type="checkbox"/> Management plan's explanation of key employees' responsibilities and organizational structure was vague or insufficient.	<input type="checkbox"/> No management plan was included.
	<input type="checkbox"/> All needed calculations were computed accurately.	<input type="checkbox"/> Minor errors in calculation did not affect the plan's usefulness.	<input type="checkbox"/> Calculation errors forced minor adjustments to the plan.	<input type="checkbox"/> Calculations contained so many errors that the plan was not useful.
<b>Appropriateness</b>  Suitability; compatibility of one part of the plan with all other parts  30 points	<input type="checkbox"/> Business goals/objectives were clear, measurable, challenging, and reachable.	<input type="checkbox"/> Business goals/objectives were clear, challenging, measurable, but difficult to reach.	<input type="checkbox"/> Business goals/objectives were stated in measurable terms.	<input type="checkbox"/> Business goals/objectives were unclear and not stated in measurable terms.
	<input type="checkbox"/> Realistic goals/objectives, strategies, and tactics related to and supported the mission statement and each other.	<input type="checkbox"/> Realistic goals/objectives, strategies, and tactics were presented that were loosely linked to the mission statement and each other.	<input type="checkbox"/> Goals/objectives, strategies, and tactics were presented, and their relationship to the mission statement and each other could only be projected.	<input type="checkbox"/> Sketchy or loose goals/objectives, strategies, and tactics seemed unrelated to the mission statement or each other.
	<input type="checkbox"/> The number of goals was realistic so that strategies and resources could be focused on their achievement.	<input type="checkbox"/> The number of goals was high/low, but did not diminish the effectiveness of the total plan.	<input type="checkbox"/> The number of goals was high/low enough to diminish the plan's effectiveness.	<input type="checkbox"/> The plan included too many goals to be achievable, or too few to be effective.

### Rubric: Business Plan

Criteria	Professional	Experienced	Developing	Novice
<b>Appropriateness (cont'd)</b>	<input type="checkbox"/> Pro forma information included in financial plan was realistic for implementing and achieving goals.	<input type="checkbox"/> Errors in pro forma information included in financial plan did not limit implementing and achieving goals.	<input type="checkbox"/> Pro forma information included in financial plan had to be reworked to implement and achieve goals.	<input type="checkbox"/> Pro forma information included in financial plan was too general or unrealistic for implementing and achieving goals.
	<input type="checkbox"/> Overall schedule/timeline for implementation was realistic.	<input type="checkbox"/> Overall schedule/timeline for implementation was slightly loose/tight.	<input type="checkbox"/> Overall schedule/timeline for implementation was too tight to give proper attention to activities or so loose activities seemed unconnected.	<input type="checkbox"/> Overall schedule/timeline for implementation of plan was totally unreasonable.
<b>Communication</b>  Ability to express oneself so as to be understood by others  15 points	<input type="checkbox"/> Ideas were expressed clearly in language that was easy to understand.	<input type="checkbox"/> Ideas were expressed clearly with only a few words being difficult to understand.	<input type="checkbox"/> Both ideas and words required much effort to understand.	<input type="checkbox"/> Ideas were vague and elusive, and language was difficult to understand.
	<input type="checkbox"/> Accurate visual aids, including charts and graphs, supported, focused, clarified, and reinforced information given.	<input type="checkbox"/> Accurate visual aids, including charts and graphs, added some support to the information given.	<input type="checkbox"/> Visual aids, including charts and graphs, were related to information given but did not clarify or reinforce it.	<input type="checkbox"/> Visual aids, including charts and graphs, detracted from presentation and raised many questions.
	<input type="checkbox"/> Plan was neat, grammatically correct, and error-free.	<input type="checkbox"/> Plan was neat but contained minor errors that did not detract from total plan.	<input type="checkbox"/> Plan contained slight smudges, blurred letters, and grammatical errors that were distracting.	<input type="checkbox"/> Plan was messy, with many errors in spelling and grammar.



### Rubric: Business Plan

Criteria	Professional	Experienced	Developing	Novice
<b>Organization</b> How the information is put together; the flow of the business plan  15 points	<input type="checkbox"/> Main points were easy to follow and logical with points building on each other.	<input type="checkbox"/> Main points were generally easy to follow and logical.	<input type="checkbox"/> Main points were logical but difficult to follow.	<input type="checkbox"/> Main points were so difficult to follow that their logic could not be determined, or they were illogical.
	<input type="checkbox"/> Sections were clearly identified, and material was easily located.	<input type="checkbox"/> Sections were clearly identified and only a few items were difficult to locate.	<input type="checkbox"/> Some sections were not identified, and several items were difficult to locate.	<input type="checkbox"/> Sections ran together or were not identified, and material was difficult to locate.
	<input type="checkbox"/> Supporting documentation was complete and clearly labeled.	<input type="checkbox"/> Supporting documentation was clearly labeled, but some items were missing.	<input type="checkbox"/> Some supporting documentation was missing, and some was inaccurately labeled.	<input type="checkbox"/> Supporting documentation was not provided.

<b>Knowledge/ Skill Statement</b>	Understands techniques, strategies, and systems used to foster self-understanding and enhance relationships with others
<b>Instructional Area</b>	Emotional Intelligence
<b>Performance Element</b>	Use communication skills to influence others.
<b>Performance Indicator</b>	Give elevator pitch (EI:093)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5-7; Interpersonal 12; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 8, 12; Personal Qualities 13, 15-16
<b>21<sup>st</sup> Century Skills</b>	Creativity & Innovation 2; Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1; ICT Literacy 2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Explain reasons for giving an elevator pitch.</li> <li>Describe the importance of having an elevator pitch.</li> <li>Discuss characteristics of effective elevator pitches.</li> <li>Explain planning required for delivering effective elevator pitches.</li> <li>Demonstrate how to give an elevator pitch.</li> </ol>
<b>Performance Activity</b>	Direct students to the Harvard Business School tutorial "HBS Elevator Pitch Builder" ( <a href="http://www.alumni.hbs.edu/careers/pitch/">http://www.alumni.hbs.edu/careers/pitch/</a> ) to develop a one-minute elevator pitch that they can use to explain themselves and their businesses. When finished with his/her elevator pitch, each student should print the pitch and deliver it verbally to the class. After each presentation, the rest of the class should note (in writing) one specific thing that they liked about the pitch and one specific suggestion for improving it. Finally, students should gather their classmates' feedback, revise their elevator pitches as appropriate, and insert their elevator pitch scripts into their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [pp. 213-215, 321]. Boston: Houghton Mifflin Company.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [pp. 211-212]. Mason, OH: South-Western Cengage Learning.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 38, 217-218]. New York: McGraw-Hill Irwin.</p> <p>Kuratko, D.F. (2009). <i>Entrepreneurship: Theory, process, practice</i> (8<sup>th</sup> ed.) [p. 372]. Mason, OH: Thomson South-Western.</p> <p>Mariotti, S., &amp; Towle, T. (2006). <i>Entrepreneurship: How to start and operate a small business</i> (10<sup>th</sup> ed.) [pp. 251-252]. New York: The National Foundation for Teaching Entrepreneurship, Inc.</p> <p>Meyer, E.C., &amp; Allen, K.R. (2006). <i>Entrepreneurship and small business management</i> (pp. 68-87). New York: Glencoe/McGraw-Hill.</p>

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<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Implement financial skills to obtain business credit and to control its use.
<b>Performance Indicator</b>	Develop critical banking relationships (FI:039)
<b>Level</b>	Owner
<b>SCANS</b>	Information 5-8; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 9, 12
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Critical Thinking & Problem Solving 1-3; Communication & Collaboration 1, 3; Information Literacy 1; Flexibility & Adaptability 1; Social & Cross-Cultural Skills 1-2; Leadership & Responsibility 2-3
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Explain the importance of establishing a relationship with a banker.</li> <li>Explain the importance of determining a bank's sincerity in servicing an account.</li> <li>Identify services provided by banks.</li> <li>Discuss reasons for evaluating a banker's personality and experience.</li> <li>Identify questions to ask to determine a match between a business's needs and a bank's capabilities.</li> <li>Identify techniques for establishing a relationship with a banker.</li> <li>Describe ways for a businessperson to enhance his/her credibility with a banker.</li> <li>Demonstrate procedures for analyzing banking relationships.</li> </ol>
<b>Performance Activity</b>	Invite a small-business owner and a banker to speak to the class about the relationship that small-business owners need to establish their banks. Ask the small-business owner to present techniques that helped to establish a relationship with his/her banker, while the banker evaluates the appropriateness/effectiveness of each technique from the bank's perspective. Following the presentation, divide the class into groups of four students each. Instruct the groups to create a booklet of information that could be shared with new small-business owners.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 171, 198-199, 370-371, 398, 402-403]. Boston: Houghton Mifflin Company.</p> <p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [pp.162, 212-213, 356-357]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (p. 162). New York: McGraw-Hill.</p> <p>Baron, R.A., &amp; Shane, S.A. (2008). <i>Entrepreneurship: A process perspective</i> (2<sup>nd</sup> ed.) [p. 189]. Mason, OH: South-Western Cengage Learning.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 308-309]. New York: McGraw-Hill/Irwin.</p> <p>Kappor, J.R., Dlabay, L.S., Hughes, R.J., &amp; Hoyt, W.B. (2005). <i>Business and personal finance</i> (pp. 312-315). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p><i>Advanced Entrepreneurship Course Guide</i> © 2012, MBA Research and Curriculum Center®</p>

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<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Implement financial skills to obtain business credit and to control its use.
<b>Performance Indicator</b>	Explain loan evaluation criteria used by lending institutions (FI:034)
<b>Level</b>	Owner
<b>SCANS</b>	Information 5-8; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 12
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Identify loan evaluation criteria used by lending institutions.</li> <li>Explain reasons that lending institutions use loan evaluation criteria.</li> <li>Explain how loan evaluation criteria are used in making lending decisions.</li> </ol>
<b>Performance Activity</b>	Divide the class into groups of three or four students each. Instruct students to read the online article entitled <i>Getting Into the Mind of a Lender</i> found at <a href="http://www.inc.com/articles/2000/11/20931.html">http://www.inc.com/articles/2000/11/20931.html</a> . Each group should use the information provided in the article to create a list of criteria that lending institutions would use to evaluate a business loan. Then, lead the class in a discussion of the groups' lists. Finally, students should add their groups' findings to their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 171-173, 370]. Boston: Houghton Mifflin Company.</p> <p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [pp. 212-213, 356-357]. Boston: Houghton Mifflin Company.</p> <p>Greene, C.L. (2012). <i>Entrepreneurship: Ideas in Action</i> (5<sup>th</sup> ed.) [pp. 253-254]. Mason, OH: South-Western Cengage Learning.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 312-315]. New York: McGraw-Hill/Irwin.</p> <p>Kuratko, D.F. (2009). <i>Entrepreneurship: Theory, process, practice</i> (8<sup>th</sup> ed.) [pp. 211-213]. Mason, OH: Thomson South-Western.</p> <p>Longenecker, J.G., Moore, C.W., Petty, J.W., &amp; Palich, L.E. (2006). <i>Small business management: An entrepreneurial emphasis</i> (13<sup>th</sup> ed.) [pp. 248-250]. Mason, OH: Thomson South-Western.</p>
<b>Software/ Online</b>	<p>Deegan, B. (n.d.). <i>Preparing for a small business loan</i>. Retrieved May 1, 2012, from <a href="http://www.westga.edu/~bquest/2003/loan.htm">http://www.westga.edu/~bquest/2003/loan.htm</a></p> <p>Medintz, S. (2009, May 27). <i>To get a business loan, know how the business thinks</i>. Retrieved May 3, 2012, from <a href="http://www.nytimes.com/2009/05/28/business/smallbusiness/28sbiz.html">http://www.nytimes.com/2009/05/28/business/smallbusiness/28sbiz.html</a></p> <p>Reagan Accounting &amp; Consulting Group. (n.d.). <i>Business plans, finance, &amp; management</i>. Retrieved May 1, 2012, from <a href="http://www.reagan-solutions.com/plans.html">http://www.reagan-solutions.com/plans.html</a></p>

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<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Implement financial skills to obtain business credit and to control its use.
<b>Performance Indicator</b>	Complete loan application package (FI:033)
<b>Level</b>	Owner
<b>SCANS</b>	Resources 2; Information 5-8; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 8-9, 12; Personal Qualities 17
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Critical Thinking & Problem Solving 1, 3, 5; Communication & Collaboration 1; Information Literacy 1; Leadership & Responsibility 3
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Describe the components of a loan application package.</li> <li>Identify information needed to complete a loan application package.</li> <li>Describe the process for obtaining a loan.</li> <li>Explain procedures for completing loan application packages.</li> <li>Demonstrate how to complete a loan application package.</li> </ol>
<b>Performance Activity</b>	Instruct students to obtain loan applications from the financial institution(s) from which they plan to borrow money. Students should complete the forms, providing supporting documentation requested. Direct each student to prepare a listing of the key points that s/he would discuss with the loan officer. Students should review their completed applications and key points with classmates and then insert the material into their VIP portfolios.
<b>Resources Textbooks</b>	<p>Buzzell, D., &amp; Spasovski, S. (2004). <i>Principles of banking</i> (8<sup>th</sup> ed.) [pp. 114-124]. Washington: American Bankers Association.</p> <p>Ivancevich, J. M., &amp; Duening, T. N. (2007). <i>Business principles, guidelines, and practices</i> (2<sup>nd</sup> ed.) [p. 512]. Mason, OH: Thomson.</p> <p>Kapoor, J.R., Dlabay, L.R., Hughes, R.J., &amp; Hoyt, W.B. (2005). <i>Business and personal finance</i> (pp. 560-562). New York: Glencoe/McGraw-Hill.</p> <p>Miller, R.L., &amp; Stafford, A.D. (2010). <i>Economic education for consumers</i> (4<sup>th</sup> ed.) [pp. 332-333]. Mason, OH: South-Western Cengage Learning.</p> <p>Pride, W. M., Hughes, R. J., &amp; Kapoor, J. R. (2008). <i>Business</i> (9<sup>th</sup> ed.) [p. 650]. Boston: Houghton Mifflin.</p>
<b>Software/ Online</b>	<p>Arnold, J. (n.d.). <i>How to complete a loan application</i>. Retrieved May 1, 2012, from <a href="http://www.streetdirectory.com/travel_guide/142560/debts_loans/how_to_complete_a_loan_application_form.html">http://www.streetdirectory.com/travel_guide/142560/debts_loans/how_to_complete_a_loan_application_form.html</a></p> <p>Dun &amp; Bradstreet. (2012). <i>Documents to gather before applying for a business loan</i>. Retrieved May 1, 2012, from <a href="http://smallbusiness.dnb.com/business-finance/business-loans/3542-1.html">http://smallbusiness.dnb.com/business-finance/business-loans/3542-1.html</a></p> <p>Fast Up Front. (n.d.). <i>Show me the money: Bank requirements for a business loan</i>. Retrieved May 1, 2012, from <a href="http://www.fastupfront.com/business-articles/bank-requirements-business-loan.html">http://www.fastupfront.com/business-articles/bank-requirements-business-loan.html</a></p>
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<b>Knowledge/ Skill Statement</b>	Understands techniques, strategies, and systems used to foster self-understanding and enhance relationships with others
<b>Instructional Area</b>	Emotional Intelligence
<b>Performance Element</b>	Use communication skills to influence others.
<b>Performance Indicator</b>	Persuade others (EI:012)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 7; Interpersonal 9, 12; Systems 15; Basic Skills 5-6; Thinking Skills 8; Personal Qualities 15
<b>21<sup>st</sup> Century Skills</b>	Creativity & Innovation 2, 4; Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1; Social & Cross-Cultural Skills 2-3; Leadership & Responsibility 1-2
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Explain the importance of being able to persuade others.</li> <li>Describe occasions in business for persuading others.</li> <li>Identify factors that determine a person's credibility with others.</li> <li>Explain techniques for persuading others.</li> <li>Demonstrate procedures for persuading others.</li> </ol>
<b>Performance Activity</b>	Arrange for students to attend a local city council meeting to identify the techniques that businesses use to persuade council members to issue permits, change city zoning from residential to business, and/or other persuasive activities. Have them record and discuss their observations with the class.
<b>Resources LAP</b>	<p>MBA Research and Curriculum Center. (2005). Win them over [LAP: QS-010]. Columbus, OH: Author.</p> <p>MBA Research and Curriculum Center. (2005). Win them over: Instructor copy [LAP: QS-010]. Columbus, OH: Author.</p>
<b>Textbooks</b>	<p>Bové, C. L. &amp; Thill, J. V. (2008). <i>Business communication today</i> (9<sup>th</sup> ed.) [pp. 299-307]. Upper Saddle River, NJ: Pearson Prentice Hall.</p> <p>Burrow, J.L. (2012). <i>Marketing</i> (3<sup>rd</sup> ed.) [pp. 430-431, 479]. Mason, OH: South-Western Cengage Learning.</p> <p>Clark, B., Sobel, J., &amp; Basteri, C.G. (2010). <i>Marketing dynamics: Teacher's edition</i> (2<sup>nd</sup> ed.) [p. 445]. Tinley Park, IL: Goodheart-Willcox Company, Inc.</p> <p>Daft, R.L., &amp; Marcic, D. (2009). <i>Understanding management: Instructor's edition</i> (6<sup>th</sup> ed.) [pp. 490-491]. Mason, OH: South-Western Cengage Learning.</p> <p>Dalton, M., Hoyle, D.G., &amp; Watts, M.W. (2006). <i>Human relations</i> (3<sup>rd</sup> ed.) [pp. 288-289, 317]. Mason, OH: South-Western Cengage Learning.</p> <p>Farese, L. S., Kimbrell, G., &amp; Woloszyk, C. A. (2009). <i>Marketing essentials</i> (pp. 185, 188-189). Woodland Hills, CA: Glencoe/McGraw-Hill.</p> <p>Hyden, J. S., Jordan, A. K., Steinauer, M. H., &amp; Jones, M. J. (2006). <i>Communicating for success</i> (3<sup>rd</sup> ed.) [pp. 324-351]. Mason, OH: Thomson South-Western.</p> <p>Lussier, R.N. (2008). <i>Human relations in organizations: Applications and skill building</i> (7<sup>th</sup> ed.) [pp. 417-418]. New York: McGraw-Hill Irwin.</p>

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<b>Knowledge/ Skill Statement</b>	Understands techniques, strategies, and systems used to foster self-understanding and enhance relationships with others
<b>Instructional Area</b>	Emotional Intelligence
<b>Performance Element</b>	Use communication skills to influence others.
<b>Performance Indicator</b>	Demonstrate negotiation skills (EI:062, EI LAP 8)
<b>Level</b>	Specialist
<b>SCANS</b>	Interpersonal 13-14; Systems 15; Basic Skills 5-6; Thinking Skills 8, 12; Personal Qualities 15, 17
<b>21<sup>st</sup> Century Skills</b>	Creativity & Innovation 2, 4; Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1, 3; Information Literacy 1; Leadership & Responsibility 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the term negotiation.</li> <li>Identify business situations in which negotiation skills are needed.</li> <li>Describe negotiation techniques.</li> <li>Use negotiation skills in business situations.</li> </ol>
<b>Performance Activity</b>	<p>Have each student collaborate with a classmate to brainstorm situations in which they could use negotiation skills while actualizing and operating their new business ventures. Tell students to list as many examples as possible and to share their lists with another team. When finished, students should add their lists to their VIP portfolios.</p> <p>Then, instruct each pair of students to act out one of the situations that they identified. Observe the students' use of negotiation skills, and assess their performance.</p>
<b>Resources LAP</b>	<p>MBA Research and Curriculum Center. (2005). <i>Get to yes!</i> [LAP: QS-003]. Columbus, OH: Author.</p> <p>MBA Research and Curriculum Center. (2005). <i>Get to yes!</i> Instructor copy [LAP: QS-003]. Columbus, OH: Author.</p> <p>MBA Research and Curriculum Center. (2007). <i>Make it a win-win (Negotiation in business)</i> [LAP: EI-008]. Columbus, OH: Author.</p> <p>MBA Research and Curriculum Center. (2007). <i>Make it a win-win (Negotiation in business): Instructor copy</i> [LAP: EI-008]. Columbus, OH: Author.</p>
<b>Textbooks</b>	<p>Boone, G., &amp; Kurtz, D.L. (2009). <i>Contemporary marketing 2009</i> (p. 652). Mason, OH: South-Western Cengage Learning.</p> <p>Daft, R.L. (2008). <i>The leadership experience</i> (4<sup>th</sup> ed.) [pp. 316-317]. Mason, OH: Thomson: South-Western.</p> <p>Daft, R.L., &amp; Marcic, D. (2009). <i>Understanding management: Instructor's edition</i> (6<sup>th</sup> ed.) [pp. 310, 544-546]. Mason, OH: South-Western Cengage Learning.</p>

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### Rubric: Using Negotiation Skills

Criteria	Professional	Experienced	Developing	Novice
<b>Interpersonal Skills</b>  Abilities used in interacting with others  35 points	<input type="checkbox"/> Remained calm and in control of his/her emotions so that s/he appeared to be interacting about a non-disputed matter.	<input type="checkbox"/> Generally remained calm and in control of her/his emotions, but there was some evidence that s/he was attempting to handle a difficult situation.	<input type="checkbox"/> Appeared to be struggling to remain calm and in control of her/his emotions and was ultimately able to handle the situation without intervention from others.	<input type="checkbox"/> Lost his/her cool, appearing anxious, rattled, and at a loss for how to control his/her emotions, requiring someone else to handle the situation.
	<input type="checkbox"/> Was flexible and patient in allowing time for the person to express him/herself, thereby making the person feel relaxed and unhurried.	<input type="checkbox"/> Was generally patient in allowing time for the person to express her/himself; however, the person felt that the brevity of discussion was important to the employee.	<input type="checkbox"/> Attempted to be patient with the person but began to exhibit non-verbal signals indicating otherwise (e.g., looking away, starting to work on an unrelated activity, etc.).	<input type="checkbox"/> Rushed the person to complete the negotiation, thereby making the person anxious and cutting short what the person intended to say.
	<input type="checkbox"/> Looked and acted interested in what the person had to say and kindly offered to be of assistance to the person.	<input type="checkbox"/> Looked and acted interested in what the person had to say but asked someone else to finalize the negotiation.	<input type="checkbox"/> Looked and acted indifferently towards the person and what s/he had to say.	<input type="checkbox"/> Looked and acted as if it were a burden to hear what the person had to say.
	<input type="checkbox"/> Was courteous and sincere, giving the person confidence in the employee.	<input type="checkbox"/> Was courteous, but the person questioned the employee's sincerity.	<input type="checkbox"/> Was courteous, but the person knew that the employee was insincere about the negotiation.	<input type="checkbox"/> Displayed so little courtesy and sincerity that the person doubted the accuracy/usefulness of his/her interaction with the employee.
	<input type="checkbox"/> Provided honest, helpful information, leaving the person content and satisfied with the interaction.	<input type="checkbox"/> Provided honest information, but the person left unsatisfied with the interaction.	<input type="checkbox"/> Used some half-truths so that the person left questioning the information obtained in the interaction.	<input type="checkbox"/> Over/under exaggerated the information to such an extent that the person left not trusting the employee.
	<input type="checkbox"/> Was obviously respectful of the person's needs, responding to the person without condescension.	<input type="checkbox"/> Was, in general, respectful of the person's needs.	<input type="checkbox"/> Acted respectfully towards the person but appeared insincere in doing so.	<input type="checkbox"/> Acted condescendingly towards the person.

### Rubric: Using Negotiation Skills

Criteria	Professional	Experienced	Developing	Novice
<b>Interpersonal Skills (cont'd)</b>	<input type="checkbox"/> Established and maintained a friendly atmosphere.	<input type="checkbox"/> Established, and for the most part, maintained a friendly atmosphere.	<input type="checkbox"/> Occasionally appeared aloof or unfriendly.	<input type="checkbox"/> Appeared aloof or unfriendly throughout the negotiation.
	<input type="checkbox"/> Quickly assessed the person's needs and showed respect for person's time.	<input type="checkbox"/> Assessed the person's needs fairly quickly and showed respect for person's time.	<input type="checkbox"/> Had some trouble assessing person's needs and did not seem to work within person's time frame.	<input type="checkbox"/> Did not try to assess person's needs and showed a lack of consideration for his/her time.
	<input type="checkbox"/> Was obviously respectful of the person's needs, responding without condescension or rigid demands.	<input type="checkbox"/> Assessed the person's needs fairly quickly and showed respect for person's time.	<input type="checkbox"/> Acted respectfully towards the person but either appeared insincere in doing so or demands were a bit rigid and one-sided.	<input type="checkbox"/> Acted condescendingly or had rigid, one-sided demands when dealing with the person.
<b>Communication Skills</b>  Abilities used to express oneself so as to be understood by others  35 points	<input type="checkbox"/> Employee used proper grammar and standard English throughout his/her communication with the person.	<input type="checkbox"/> Employee used proper grammar, occasionally incorporating slang into the communication.	<input type="checkbox"/> Employee made a few grammatical mistakes and used slang throughout the communication with the person.	<input type="checkbox"/> Employee's communication with the person was hampered by grammatical mistakes and reliance on slang.
	<input type="checkbox"/> Employee pronounced words correctly and clearly, making it easy for the person to understand what was being said.	<input type="checkbox"/> Employee pronounced words clearly but mispronounced a few words.	<input type="checkbox"/> Employee occasionally mumbled and mispronounced words, making it difficult for the person to understand what was being said.	<input type="checkbox"/> Employee mumbled and mispronounced words throughout the communication, making it almost impossible for the person to understand what was being said.
	<input type="checkbox"/> Employee listened carefully to everything the person had to say without interrupting the person and responded appropriately to the person.	<input type="checkbox"/> Employee listened carefully to what the person had to say but occasionally interrupted the person to talk or express an opinion.	<input type="checkbox"/> Employee listened to what the person had to say but interrupted the person in order to do other work.	<input type="checkbox"/> Employee half-listened while the person talked, as evidenced by saying inappropriate things and misunderstanding the person's needs.
	<input type="checkbox"/> Employee asked appropriate questions for clarification so that s/he completely understood the person as evidenced by the nature of the questions and the person's responses.	<input type="checkbox"/> Employee asked appropriate questions for clarification and generally understood the person.	<input type="checkbox"/> Employee asked questions, but did not use the information obtained to better understand how to work with the person.	<input type="checkbox"/> Employee did not ask questions for clarification and misunderstood the person's needs/wants.

### Rubric: Using Negotiation Skills

Criteria	Professional	Experienced	Developing	Novice
<b>Communication Skills (cont'd)</b>	<input type="checkbox"/> Employee maintained undivided eye contact with the person so that the person felt that the employee was interested in what s/he had to say.	<input type="checkbox"/> Employee maintained eye contact with the person so that the person felt that the employee had heard what s/he had to say.	<input type="checkbox"/> Employee occasionally looked at the person, making the person wonder whether the employee had heard what s/he had to say.	<input type="checkbox"/> Employee looked elsewhere rather than focusing on the person, making the person question whether the employee was listening and understood what had been said.
	<input type="checkbox"/> Employee's comments clearly reflected that s/he was examining the situation from the person's point of view.	<input type="checkbox"/> Employee's comments reflected an awareness of the person's point of view.	<input type="checkbox"/> Employee's comments indicated that s/he was not always aware of the person's point of view.	<input type="checkbox"/> Employee's comments clearly indicated that the employee was looking at the situation from his/her own point of view.
	<input type="checkbox"/> Employee always used "I-messages" vs. "you-messages" to alleviate the person's defensiveness.	<input type="checkbox"/> Employee generally used "I-messages" vs. "you-messages" to alleviate the person's defensiveness.	<input type="checkbox"/> Employee used a combination of "I-messages" and "you-messages" which caused the person to become somewhat defensive.	<input type="checkbox"/> Employee used only "you-messages," which caused the person to become defensive.
<b>Process/Procedure</b>  Step-by-step activities used when negotiating with others  30 points	<input type="checkbox"/> Employee was completely knowledgeable regarding background information and details on the situation under negotiation.	<input type="checkbox"/> Employee was knowledgeable regarding background information and details the person was seeking and offered to find out responses to any questions s/he couldn't answer.	<input type="checkbox"/> Employee had only a vague knowledge of what the person was seeking and did not seem willing to seek help.	<input type="checkbox"/> Employee could not answer any questions regarding background information or details that the person was seeking.
	<input type="checkbox"/> Employee's active listening and questioning skills elicited enough information from the person to confidently make appropriate recommendations.	<input type="checkbox"/> Employee's active listening and questioning skills elicited good information, but recommendations were not always appropriate.	<input type="checkbox"/> Employee asked more closed-ended questions, thus making it difficult to recommend the appropriate resolution.	<input type="checkbox"/> Employee did not seem interested in either listening or asking questions.
	<input type="checkbox"/> Employee logically met and countered the person's objections.	<input type="checkbox"/> Employee sometimes used emotional rather than logical arguments to counter person's objections.	<input type="checkbox"/> Employee tried to counter the customer's objections, but reasoning was either not logical or not convincing.	<input type="checkbox"/> Employee did not even try to counter objections.



### Rubric: Using Negotiation Skills

Criteria	Professional	Experienced	Developing	Novice
<b>Process/Procedure (cont'd)</b>	<input type="checkbox"/> Employee utilized negotiation skills and continued to respond positively and strongly even after a negative response.	<input type="checkbox"/> Employee utilized negotiation skills, but did not always respond as strongly after a negative response.	<input type="checkbox"/> Employee utilized few negotiation skills and did not always respond in a strong or positive way.	<input type="checkbox"/> Employee did not utilize negotiation skills and walked away after first negative response.
	<input type="checkbox"/> Employee negotiated in such a way that it was a “win-win” situation for all involved.	<input type="checkbox"/> Employee negotiated fairly well and the negotiation was ultimately a “win-win” situation.	<input type="checkbox"/> Employee tried to negotiate but compromised more than s/he gained from the situation.	<input type="checkbox"/> Employee did not negotiate well; s/he refused to compromise, thus creating a “lose-lose” situation.
	<input type="checkbox"/> Employee clearly restated the final agreement to the person.	<input type="checkbox"/> Employee restated the final agreement to the person.	<input type="checkbox"/> Employee restated the final agreement to the person, but some of the details were incorrect.	<input type="checkbox"/> Employee did not restate the final agreement to the person.

<b>Knowledge/ Skill Statement</b>	Understands the processes and systems implemented to monitor, plan, and control the day-to-day activities required for continued business functioning
<b>Instructional Area</b>	Operations
<b>Performance Element</b>	Implement expense-control strategies to enhance a business's financial wellbeing.
<b>Performance Indicator</b>	Negotiate lease or purchase of facility (OP:028)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 2-3; Information 5-7; Interpersonal 13; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 8, 12; Personal Qualities 13
<b>21<sup>st</sup> Century Skills</b>	Financial, Economic, Business, & Entrepreneurial Literacy 3; Critical Thinking & Problem Solving 1-5; Communication & Collaboration 1, 3; Information Literacy 1; Flexibility & Adaptability 2; Social & Cross-Cultural Skills 1; Leadership & Responsibility 3-4
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Compare the costs/benefits of leasing versus purchasing a facility.</li> <li>Identify the terms of facility leases and contracts.</li> <li>Describe factors that are often negotiated when leasing or purchasing a facility.</li> <li>Explain techniques for negotiating lease and purchase terms with the building owner.</li> <li>Demonstrate procedures for negotiating the lease or purchase of a facility.</li> </ol>
<b>Performance Activity</b>	<p>Divide the class into groups of four, and provide each student with a copy of the sample commercial lease agreement found at <a href="http://www.freefranchisedocs.com/agreement_CommLeaseAgreement.php">http://www.freefranchisedocs.com/agreement_CommLeaseAgreement.php</a>. Instruct the groups to read the lease and identify its terms, discuss potential problems that could result if the terms were accepted, and recommend changes that could be made to make the lease more favorable to the leasee. Lead the class in a discussion of the groups' findings.</p>
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 315-317]. Boston: Houghton Mifflin Company.</p> <p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [pp. 281-282]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 140-142). New York: McGraw-Hill.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 363-365]. New York: McGraw-Hill Irwin.</p> <p>Longenecker, J.G., Moore, C.W., Petty, J.W., &amp; Palich, L.E. (2006). <i>Small business management: An entrepreneurial emphasis</i> (13<sup>th</sup> ed.) [p. 211]. Mason, OH: Thomson South-Western.</p>
<b>Software/ Online</b>	<p>Beesley, C. (2011, October 12). <i>6 tips for negotiating a commercial property lease without getting burned</i>. Retrieved May 7, 2012, from <a href="http://www.sba.gov/community/blogs/community-blogs/business-law-advisor/6-tips-negotiating-commercial-property-lease-wi">http://www.sba.gov/community/blogs/community-blogs/business-law-advisor/6-tips-negotiating-commercial-property-lease-wi</a></p>

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<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Identify potential business threats and opportunities to protect a business's financial well-being.
<b>Performance Indicator</b>	Explain the nature of risk management (FI:084, FI LAP 8)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5-6; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 8-9, 12; Personal Qualities 13
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the terms risk, probability, impact, mitigation.</li> <li>Identify categories of risk.</li> <li>Discuss complaints associated with risk-management efforts.</li> <li>Describe processes used to address risk-management issues (e.g., risk identification, risk quantification, risk response development, and risk monitoring and control).</li> <li>Explain activities involved in the risk identification process.</li> <li>Discuss the relationship of impact and probability on how to address risks.</li> <li>Discuss how to quantify risks based on impact and probability.</li> <li>Describe strategies for responding to risks (i.e., avoid, transfer, mitigate, and accept).</li> <li>Explain activities involved in the risk control process.</li> </ol>
<b>Performance Activity</b>	<p>Review and present the Nature of Risk Management Briefing (pp. 5-151—5-155) to students in a lecture or discussion format.</p> <p>Divide the class into groups of three or four students each. Ask each team to identify risks associated with the successful operation of a school-based enterprise and estimate the probability that the risks will occur. Instruct them to determine the potential impact(s) of the risks if they occur and what strategies they could use to mitigate those impacts. Tell them to record their responses on the <i>Can We Risk It?</i> handout (page 5-156).</p> <p>Then, direct students to determine which risks are most relevant to their business start-ups and what steps they could take to minimize these business risks. Students should insert their listings into their VIP portfolios.</p>
<b>Resources LAP</b>	<p>MBA Research and Curriculum Center. (2012). <i>Prepare for the worst; Expect the best (Nature of risk management)</i> [LAP: FI-008]. Columbus, OH: Author.</p> <p>MBA Research and Curriculum Center. (2012). <i>Prepare for the worst; Expect the best (Nature of risk management): Instructor copy</i> [LAP: FI-008]. Columbus, OH: Author.</p>

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<p><b>Learning the Basics about Risk</b></p>	<p>Risk is the possibility of loss (failure) or gain (success) inherent in conducting business.</p> <p>All business risks are either pure or speculative.</p> <ul style="list-style-type: none"> <li>• Pure risks bring the possibility of loss or no loss, but no gain. <ul style="list-style-type: none"> <li>○ Example: Tornado</li> </ul> </li> <li>• Speculative risks bring the possibility of loss, no change, or gain. <ul style="list-style-type: none"> <li>○ Example: Investing in stocks</li> </ul> </li> </ul> <p>Risk management involves:</p> <ul style="list-style-type: none"> <li>• Planning, controlling, preventing, and limiting business losses</li> <li>• Enhancing possibilities for gain</li> <li>• Taking calculated risks that have the lowest possibility of loss and the highest possibility of gain</li> <li>• Being proactive, not reactive, in facing risk</li> <li>• Controlling costs</li> <li>• Protecting the business's assets</li> </ul>
<p><b>Categories of Risk</b></p>	<p>Hazard risks</p> <ul style="list-style-type: none"> <li>• Are potential events or situations that can cause injury or harm to people, property, or the environment</li> <li>• Include tornados, earthquakes, floods, hurricanes, and other natural phenomena; fires and other property damage; crime; product recalls; liability claims; illness, injury, disability, harassment, discrimination; etc.</li> </ul> <p>Financial risks</p> <ul style="list-style-type: none"> <li>• Are possible events or situations that directly impact a company's cash flow</li> <li>• May prevent a company from having sufficient funds to meet its financial obligations</li> <li>• Can sometimes be used to a company's advantage</li> <li>• Include inflation, interest rate increases, credit downgrades, inaccurate financial data, improper budgeting practices, inadequate accounting processes, investment risk, foreign exchange rate fluctuations, etc.</li> </ul> <p>Operational risks</p> <ul style="list-style-type: none"> <li>• Are the result of employee actions, core processes, and daily business activities</li> <li>• May involve disagreements and/or problems with human resources, labor relations, suppliers, channel members, and company management</li> <li>• Can also include poor product development, unreliable manufacturing equipment, product shortages, insufficient information management, etc.</li> </ul>

<b>Categories of Risk (cont'd)</b>	<p>Strategic risks</p> <ul style="list-style-type: none"> <li>• Are the most consequential of the four categories of risk</li> <li>• Typically have significant impact on the firm</li> <li>• Have the potential to affect the execution of an organization's long-term plans</li> <li>• Can involve damage to the company's reputation as a result of brand erosion, fraud, negative publicity, etc.</li> <li>• Also can include threats posed by new competitors and/or new competing products; technological innovations that make certain products obsolete; regulatory and political issues; changing customer wants; etc.</li> </ul>
<b>Complaints About Risk Management</b>	<p>Complaints about risk management include:</p> <ul style="list-style-type: none"> <li>• It can be difficult to determine who within a company is responsible for risk-management efforts, and as a result, many risks are overlooked.</li> <li>• Because risk is constantly in flux, any risk management plan that a business might create is potentially out-of-date as soon as it is developed.</li> <li>• Risk management seems to focus on what could go wrong in every situation, rather than concentrating on how to make things go right.</li> <li>• Risk management costs money that might be better spent elsewhere on more profitable activities.</li> </ul>
<b>Risk-Management Processes</b>	<p>Because every business faces unique risks, risk management activities conducted at different firms are never exactly the same. However, most risk managers and their staffs agree that there are four basic risk-management processes that every business should implement: risk identification, risk measurement, risk response, and risk monitoring and control.</p>

**Risk  
Identification**

Risk identification:

- Is the first general risk-management process that businesses commonly implement
- Involves identifying and listing every risk that could impact business objectives and activities

Risk identification processes focus on two types of risks.

- Retrospective risks:
  - Have occurred in the past
  - Are fairly easy to identify
  - Are more common than prospective risks
  - May be identified by reviewing business incident logs, audit reports, customer complaints, staff surveys, professional journals, etc.
- Prospective risks:
  - Have not happened before
  - Are a bit more difficult for businesses to identify
  - Include potential problems and issues
  - May be identified by conducting staff brainstorming sessions, an environmental scan, or interviews with customers and employees

When identifying risks, risk management focuses on the causes, sources, or triggers of different risks, rather than on the impact that each risk might have on a business.

Potential risks are recorded in an established risk register. To make risk identification easier, risk management may also use a previously-developed risk checklist that contains common, standard risks that the business faces on a regular basis.



**Measuring Risk**

Risk has two dimensions: impact and probability.

- Probability
  - Is the likelihood that an event will occur
  - Is always somewhere between zero and 100%.
- Impact
  - Is the effect or influence of an event
  - Can vary in terms of time, cost, and effects on health, human life, etc.

It is the combination of impact and probability that creates a risk's severity.

Techniques used to measure and prioritize risks:

- A risk impact/probability chart can be used to rate potential risks.
  - The probability that a risk will occur is represented on one axis of the chart, and the potential impact of the risk is represented on the other.
  - Based on research and past experience, risk management determines the potential impact and probability of each risk.
  - The different risks are plotted on the chart accordingly.
  - After the chart is complete, the low-level risks, medium-level risks, and critical risks (which should take priority in the risk response process) can be quickly determined.
- Risks can also be quantified (scored) based on their impact and probability.
  - A risk's probability is determined on a scale of one to five. (A score of one means that the risk is unlikely to occur; five means that the risk is very likely to take place.)
  - The same is done for the risk's impact. (An event with a score of one would have very little impact; five means that the event could paralyze the business.)
  - The probability score is multiplied by the impact score to determine the level or severity of risk.
  - If a risk's overall score is low, little attention will be devoted to it, but if the overall score is high, the risk would become a top priority.

<p><b>Responding to Risk</b></p>	<p>After determining the size of each risk, the most effective course of action to take for each risk is selected. Common risk responses include:</p> <ul style="list-style-type: none"> <li>• Avoidance <ul style="list-style-type: none"> <li>○ By avoiding a risk, a business reduces the likelihood that the risk will occur.</li> <li>○ The business chooses not to do something that is considered risky.</li> <li>○ For example, by implementing safety training, a business can avoid the risk of employee injury.</li> <li>○ Avoiding risk certainly can prevent losses, but doing so can also sometimes mean losing out on a potential gain.</li> </ul> </li> <li>• Transference <ul style="list-style-type: none"> <li>○ Transference involves moving the impact of a risk to someone or something else and is often used when the impact is measurable in dollars and cents.</li> <li>○ Common transference devices include insurance, contracts, warranties, and guarantees.</li> <li>○ A clear disadvantage to transference: You are still ultimately responsible for the outcome.</li> </ul> </li> <li>• Mitigation <ul style="list-style-type: none"> <li>○ If a risk is simply too difficult and expensive for a business to eliminate completely, risk management is likely to recommend that the firm mitigate the risks.</li> <li>○ Mitigating a risk means reducing or controlling its impact if it occurs.</li> <li>○ For example, any business that installs fire sprinklers, fire extinguishers, and smoke alarms mitigates or reduces the damage that a fire could cause to its facilities.</li> </ul> </li> <li>• Acceptance <ul style="list-style-type: none"> <li>○ Acceptance is also known as the retention or assumption of risks.</li> <li>○ It involves accepting a risk's consequences because the potential payoff is higher than the losses.</li> <li>○ A business that accepts a risk might consider it a cost of doing business.</li> <li>○ Although risks that are accepted are usually rare and/or have little impact, businesses need to develop contingency and fallback plans in the event that these risks do occur.</li> </ul> </li> </ul>
<p><b>Monitoring and Controlling Risk</b></p>	<p>The last of the four basic risk-management processes is the risk control process, which involves:</p> <ul style="list-style-type: none"> <li>• Determining the effectiveness of current risk-response strategies and tools</li> <li>• Tracking risks to determine if they are growing, in decline, or unchanged</li> <li>• Developing responses and workarounds for previously unidentified risks.</li> </ul> <p>Monitoring new and existing risks is especially important because as a business learns more about a particular situation, its view of a risk may change. This might mean that more (or less) attention needs to be paid to the risk. Also, when a business's risk-tolerance level changes, risk management must determine if a risk that was once important continues to be significant.</p>

<b>What Risks Do We Face?</b>	<b>What Is the Potential Impact of the Risks?</b>	<b>What Strategies Could We Use to Mitigate the Risks' Impact?</b>

<b>Knowledge/ Skill Statement</b>	Understands tools, strategies, and systems used to maintain, monitor, control, and plan the use of financial resources
<b>Instructional Area</b>	Financial Analysis
<b>Performance Element</b>	Identify potential business threats and opportunities to protect a business's financial well-being.
<b>Performance Indicator</b>	Obtain insurance coverage (FI:082)
<b>Level</b>	Owner
<b>SCANS</b>	Information 5-7; Interpersonal 13; Systems 15; Basic Skills 1-3, 5-6; Thinking Skills 8-9, 12; Personal Qualities 13, 17
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1-3, 5; Communication & Collaboration 1; Information Literacy 1; Productivity & Accountability 2; Leadership & Responsibility 2-4
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Define the terms direct writers and independent agents.</li> <li>Describe the primary objectives for obtaining insurance coverage.</li> <li>Identify sources of insurance.</li> <li>Compare the advantages and disadvantages of dealing with direct writers versus independent agents.</li> <li>Explain the benefits of purchasing a package of insurance policies versus individual policies.</li> <li>Describe requirements needed to obtain insurance coverage.</li> <li>Identify factors to evaluate in obtaining insurance coverage.</li> <li>Demonstrate steps for obtaining insurance coverage.</li> </ol>
<b>Performance Activity</b>	Direct each student to talk with an insurance agent about insurance coverage for her/his business. Students should record the types and amount of coverage suggested and insert the insurance information into their VIP portfolios.
<b>Resources Textbooks</b>	<p>Allen, K.R. (2007). <i>Growing and managing a small business: An entrepreneurial perspective</i> (2<sup>nd</sup> ed.) [pp. 470-474]. Boston: Houghton Mifflin Company.</p> <p>Allen, K.R. (2009). <i>Launching new ventures</i> (5<sup>th</sup> ed.) [pp. 162-163]. Boston: Houghton Mifflin Company.</p> <p>Bamford, C.E., &amp; Bruton, G.D. (2011). <i>Entrepreneurship: A small business approach</i> (pp. 144-146, 208-209). New York: McGraw-Hill.</p> <p>Hisrich, R.D., Peters, M.P., &amp; Shepherd, D.A. (2010). <i>Entrepreneurship</i> (8<sup>th</sup> ed.) [pp. 175-177]. New York: McGraw-Hill/Irwin.</p> <p>Katz, J. &amp; Green, R. (2011). <i>Entrepreneurial small business</i> (3<sup>rd</sup> ed.) [pp. 556-565]. New York: McGraw-Hill Irwin.</p> <p>Meyer, E.C., &amp; Allen, K.R. (2006). <i>Entrepreneurship and small business management</i> (331, 484-488). New York: Glencoe/McGraw-Hill.</p> <p>Mariotti, S., &amp; Towle, T. (2006). <i>Entrepreneurship: How to start and operate a small business</i> (10<sup>th</sup> ed.) [pp. 514-519]. New York: The National Foundation for Teaching Entrepreneurship, Inc.</p>

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<b>Knowledge/ Skill Statement</b>	Understands the processes and systems implemented to monitor, plan, and control the day-to-day activities required for continued business functioning
<b>Instructional Area</b>	Operations
<b>Performance Element</b>	Implement quality-control processes to minimize errors and to expedite workflow.
<b>Performance Indicator</b>	Describe crucial elements of a quality culture (OP:019)
<b>Level</b>	Specialist
<b>SCANS</b>	Information 5; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 8, 12; Personal Qualities 13
<b>21st Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Identify ways in which quality can affect a business.</li> <li>Explain reasons that businesses focus on quality strategies.</li> <li>Explain considerations in developing a quality culture (e.g., involving everyone, breaking down barriers among employees and management, eliminating numerical quotas, instituting training, developing leadership, recognizing employees' contributions to quality, communicating the quality policy/message, etc.).</li> <li>Discuss the importance of top management commitment in a quality culture.</li> <li>Describe the role of suppliers in a quality culture.</li> <li>Discuss the role of the customer in a quality culture.</li> <li>Discuss barriers to the adoption of a quality focus.</li> </ol>
<b>Performance Activity</b>	Instruct students to interview two business owners in their industry to obtain information about the strategies they use to ensure quality. Each student should create a Venn diagram depicting the similarities and differences between the two businesses and share it with the class. Students should also write a one-page description of the strategies and how they will implement elements of quality in their businesses. Direct students to insert their descriptions into their VIP portfolios.
<b>Resources Textbooks</b>	<p>Daft, R.L., &amp; Marcic, D. (2009). <i>Understanding management: Instructor's edition</i> (6<sup>th</sup> ed.) [pp. 66-71]. Mason, OH: South-Western Cengage Learning.</p> <p>DuBrin, A. (2009). <i>Essentials of management: Instructor's edition</i> (8<sup>th</sup> ed.) [pp. 274-282]. Mason, OH: South-Western Cengage Learning.</p> <p>Gibson, J. L., Ivancevich, J. M., Donnelly, J.H., &amp; Konopaske, R. (2003). <i>Organizations: Behavior, structure, processes</i> (11<sup>th</sup> ed.) [p. 401]. New York: McGraw-Hill/Irwin.</p> <p>Griffin, R.W., &amp; Moorhead, G. (2010). <i>Organizational behavior: Managing people and organizations</i> (9<sup>th</sup> ed.) [pp. 467-475, 499-512]. Mason, OH: South-Western Cengage Learning.</p> <p>Ivancevich, J.M., Konopaske, R., &amp; Matteson, M.T. (2008). <i>Organizational behavior and management</i> (8<sup>th</sup> ed.) [pp. 24-26, 35-40]. New York: McGraw-Hill Irwin.</p> <p>Jones, G.R., &amp; George, J.M. (2006). <i>Contemporary management</i> (4<sup>th</sup> ed.) [pp. 9-96, 677-678]. New York: McGraw-Hill/Irwin.</p>

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<b>Knowledge/ Skill Statement</b>	Understands the processes and systems implemented to monitor, plan, and control the day-to-day activities required for continued business functioning
<b>Instructional Area</b>	Operations
<b>Performance Element</b>	Implement quality-control processes to minimize errors and to expedite workflow.
<b>Performance Indicator</b>	Describe the role of management in the achievement of quality (OP:020)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 1-4; Information 5-7; Interpersonal 12; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 8-9, 12; Personal Qualities 13, 17
<b>21<sup>st</sup> Century Skills</b>	Critical Thinking & Problem Solving 1, 3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Explain the importance of management's commitment to quality achievement.</li> <li>Describe tools that management can use to improve quality.</li> <li>Discuss steps that management can take to develop a plan/program for achievement of quality.</li> </ol>
<b>Performance Activity</b>	Divide the class into groups of four students each. Provide each group with a stack of approximately 20 index cards, a roll of tape, a pair of scissors, and a black marker. Explain that each group is responsible for building a house using only the supplies provided. Assign one person in each group to be the manager responsible for overseeing that the task is completed in a quality manner in a 10-minute time period. Once the houses are constructed, discuss the managers' role in the achievement of quality.
<b>Resources Textbooks</b>	<p>Bovée, C.L., Thill, J.V., &amp; Mescon, M.H. (2007). <i>Excellence in business</i> (3<sup>rd</sup> ed.) [pp. 242-244]. Upper Saddle River, NJ: Pearson Prentice Hall.</p> <p>Burrow, J.L., Kleindl, B., &amp; Everard, K.E. (2008). <i>Business principles and management</i> (12<sup>th</sup> ed.) [pp. 330, 370, 373-374, 524]. Mason, OH: South-Western Cengage Learning.</p> <p>Dlabay, L.R., Burrow, J.L., &amp; Kleindl, B.A. (2012). <i>Principles of business</i> (8<sup>th</sup> ed.) [pp. 185-186, 188]. South-Western, Cengage Learning.</p> <p>Jones, G.R., &amp; George, J.M. (2006). <i>Contemporary management</i> (4<sup>th</sup> ed.) [pp. 353-356]. New York: McGraw-Hill/Irwin.</p> <p>Longenecker, J.G., Moore, C.W., Petty, J.W., &amp; Palich, L.E. (2006). <i>Small business management: An entrepreneurial emphasis</i> (13<sup>th</sup> ed.) [pp. 439-445]. Mason, OH: Thomson South-Western.</p>
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<b>Knowledge/ Skill Statement</b>	Understands the tools, techniques, and systems that businesses use to create exchanges and satisfy organizational objectives
<b>Instructional Area</b>	Marketing
<b>Performance Element</b>	Understand company's unique selling proposition to recognize what sets the company apart from its competitors.
<b>Performance Indicator</b>	Develop strategies to market an organization to potential employees (MK:021)
<b>Level</b>	Manager
<b>SCANS</b>	Resources 4; Information 5-7; Interpersonal 12; Systems 15; Basic Skills 1-2, 5-6; Thinking Skills 8,12; Personal Qualities 13
<b>21<sup>st</sup> Century Skills</b>	Creativity & Innovation 2; Critical Thinking & Problem Solving 1-3; Communication & Collaboration 1; Information Literacy 1
<b>Objectives</b>	<ol style="list-style-type: none"> <li>a. Define the following terms: employer branding, workplace culture.</li> <li>b. Identify reasons for employer branding.</li> <li>c. Explain the benefits of employer branding.</li> <li>d. Identify factors that can influence a company's employer brand (e.g., community support, office location(s), company size, employee turnover, dress code, and employee demographics such as age, race, and alumni).</li> <li>e. Discuss the importance of determining what motivates potential employees.</li> <li>f. Describe ways to determine what motivates potential employees.</li> <li>g. Explain the importance of sharing an effective business message with potential employees.</li> <li>h. Discuss characteristics of effective business messages that are used to market to potential employees.</li> <li>i. Apply the 4 Ps (product, price, place, and promotion) to employee recruitment.</li> <li>j. Demonstrate how to market an organization to potential employees.</li> </ol>
<b>Performance Activity</b>	Direct students to read the article "12 Ways to Market Your Company to Potential Employees," found at <a href="http://fixbuildanddrive.com/12-ways-to-market-your-company-to-potential-employees/">http://fixbuildanddrive.com/12-ways-to-market-your-company-to-potential-employees/</a> . Then, instruct each student to collaborate with a partner to develop strategies for marketing their businesses to potential employees. Students should present their strategies to the class, explaining their rationale for the strategies. Finally, students should add their marketing strategies to their VIP portfolios.
<b>Resources Textbooks</b>	<p>Dlabay, L.R., Burrow, J.L., &amp; Kleindl, B.A. (2012). <i>Principles of business</i> (8<sup>th</sup> ed.) [pp. 185-187, 189-190, 221]. South-Western, Cengage Learning.</p> <p>Dessler, G., &amp; Varkkey, B. (2009). <i>Human resource management</i> (11<sup>th</sup> ed.) [p. 186]. New Delhi, India: Dorling Kindersley.</p> <p>Lussier, R.N. (2008). <i>Human relations in organizations: Applications and skill building</i> (7<sup>th</sup> ed.) [pp. 517-521]. New York: McGraw-Hill Irwin.</p> <p>Noe, R.A., Hollenbeck, J.R., Gerhart, B., &amp; Wright, P.M. (2010). <i>Human resource management: Gaining a competitive advantage</i> (7<sup>th</sup> ed.) [pp. 213-214, 223]. New York: McGraw-Hill/Irwin.</p>
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## Appendix A

### **Sample Semester Exams for *Advanced Entrepreneurship***

- Which of the following channel-management strategies involves a producer that owns its intermediaries:
  - Corporate Vertical Marketing System
  - Systematic Horizontal Marketing System
  - Independent Horizontal Marketing System
  - Administered Vertical Marketing System
- When a business decides to sell its products through franchise agreements, it is using a(n) \_\_\_\_\_ vertical marketing strategy.
  - administered
  - contractual
  - intensive
  - ownership
- What type of tax are businesses required to pay on the profits they earn?
  - Property
  - Excise
  - Sales
  - Income
- An individual with a higher income who pays a larger percentage of his/her income as taxes than an individual with a lower income is in a \_\_\_\_\_ tax system.
  - proportional
  - regressive
  - progressive
  - flat
- The government decides to pass a new law requiring certain standards of air cleanliness be met. They will levy a tax on production of automobiles that produce gas emissions above a certain limit. However, they provide tax incentives to automobile manufacturers for research and development of new cars with lower gas emissions. This is an example of
  - transfer payments.
  - direct controls.
  - hidden costs.
  - rent seeking.
- Which of the following is an example of a business paying property taxes:
  - Manny's Gas Station collects a gasoline tax from its customers at the point of purchase.
  - Cortland Hotel withholds a certain percentage of its employees' earnings, which it forwards to the federal tax agency.
  - The Bellman Corporation submits a \$8,792 check to the government, which is based on the value of its office building.
  - North-South Airline allocates \$4,000 of its earnings to give to a college's scholarship fund.
- When inflation levels are low, businesses often consider
  - decreasing outputs.
  - reducing their personnel.
  - expanding their operations.
  - increasing interest rates.
- Because the economy was experiencing a rapid inflation rate and consumer spending fell, the NOP Manufacturing Company had to
  - hire temporary employees.
  - increase its inputs.
  - reduce its outputs.
  - purchase new equipment.
- When a nation's inflation rate is low, what do prices tend to do?
  - Fluctuate daily
  - Increase dramatically
  - Remain stable
  - Reduce currency values
- Which of the following statements is true about inflation:
  - It decreases the value of money.
  - It has little effect on consumers' ability to save.
  - It is usually caused by a supply surplus.
  - It increases when the money supply decreases.

11. If a bank doubles its interest rates on loans, the demand for money will
- A. continue to increase.
  - B. double.
  - C. decrease.
  - D. remain the same.
12. Why does the Federal Reserve System raise interest rates?
- A. To overcome inequalities of income distribution
  - B. To increase demand for products
  - C. To decrease supply of products
  - D. To fight inflation
13. If interest rates go down, which of the following would most likely occur:
- A. Consumers will spend less.
  - B. Banks will pay more to borrow money.
  - C. The stock market will go up.
  - D. U.S. exports will decrease.
14. Who benefits the most when interest rates increase?
- A. Retailers
  - B. Borrowers
  - C. Lenders
  - D. Manufacturers
15. Which of the following factors characterizes the growth phase of business cycles:
- A. Consumers are putting more money into savings.
  - B. Demand for resources exceeds their availability.
  - C. Consumers and producers are borrowing more money.
  - D. Producers are reducing their purchases of new goods.
16. When the demand for goods and services starts to fall and unemployment rises, the business cycle is in its \_\_\_\_\_ phase.
- A. expansion
  - B. contraction
  - C. trough
  - D. peak
17. During the peak phase of a business cycle, a business could be expected to have
- A. staff reductions.
  - B. reduced sales.
  - C. low profits.
  - D. high prices.
18. A benefit to producers and consumers of a growing economy is that it provides
- A. a higher standard of living.
  - B. workers with guaranteed employment.
  - C. an increase in government control.
  - D. solutions to international problems.
19. What advantages do small businesses accrue by participation in international trade?
- A. Increasing competition
  - B. Finding new customers
  - C. Exporting products
  - D. Reducing foreign demand
20. An entrepreneur might discuss the concept for a new business with an industry expert when the entrepreneur
- A. lacks knowledge or experience in the field.
  - B. needs to obtain a commercial bank loan.
  - C. wants to increase the business's profit margins.
  - D. is ready to plan promotional activities.

21. Which of the following questions would Allison ask herself when deciding if she should hire an assistant for her growing business:
- A. Does the workload require a fulltime or part-time employee?
  - B. How will I recruit applicants for the job?
  - C. Can I trust this person to get the work done on time?
  - D. Does this applicant meet my minimal educational requirements?
22. What important factors should a small-business owner consider when deciding if s/he should hire an additional employee?
- A. Necessary skills and affordability
  - B. Property taxes and benefits
  - C. Screening process and skill set
  - D. Training needs and attitude
23. To open a new business, an entrepreneur often needs to purchase inventory and equipment, which are commonly called
- A. unexpected expenses.
  - B. irreplaceable goods.
  - C. tax incentives.
  - D. capital resources.
24. Stella and Corrine are employed by Barrington Enterprises. Both of the employees work in the accounts-receivable department and perform the same duties. Stella works Monday, Tuesday, and Wednesday morning, and Corrine works Wednesday afternoon, Thursday, and Friday. What staffing method is being used in this situation?
- A. Outsourcing
  - B. Job sharing
  - C. Telecommuting
  - D. Employee leasing
25. A business that has a short-term need for more employees should consider hiring \_\_\_\_\_ workers.
- A. overtime
  - B. full-time
  - C. temporary
  - D. permanent
26. One procedure for determining future hiring needs involves analyzing
- A. job security.
  - B. merit pay.
  - C. sales volume.
  - D. formal training.
27. Before a business owner decides to hire a new employee, s/he must first
- A. consider the demand for the business's product.
  - B. obtain application forms from the government.
  - C. ask current employees to increase their workloads.
  - D. advertise the position in the newspaper.
28. When determining its hiring needs, a business must first consider its financial status and its \_\_\_\_\_ needs.
- A. productivity
  - B. secondary
  - C. uniform
  - D. temporary
29. Recently, RayTech Manufacturing's finance manager moved to another state, and the marketing director left the company to start a new business. None of the company's remaining employees have the necessary skills and knowledge to take over the job vacancies. RayTech might have avoided this problem by
- A. developing a succession plan.
  - B. creating an organizational chart.
  - C. updating its orientation program.
  - D. preparing a production schedule.

30. One of the major purposes of a job description is to
- A. list the required job experience.
  - B. divide up the work fairly.
  - C. schedule employee evaluations.
  - D. outline specific job tasks.
31. The process of grouping various jobs according to certain characteristics is referred to as job
- A. description.
  - B. evaluation.
  - C. classification.
  - D. specification.
32. Which of the following steps is necessary to the development of a job description:
- A. Preparing a job analysis
  - B. Interviewing a job applicant
  - C. Writing a classified advertisement
  - D. Conducting a performance evaluation
33. The Dawson Company estimates sales of \$650,525. If the estimate of total sales in the industry is \$3,550,500, what is the Dawson Company's estimated market share?
- A. 22%
  - B. 26%
  - C. 12%
  - D. 18%
34. How does a business estimate its percentage of market share in relation to its competitors?
- A. Divides the business's gross profit by the industry's total sales
  - B. Subtracts the business's net profit from the industry's total sales
  - C. Divides the business's sales by the total industry's sales
  - D. Subtracts the business's sales from the total industry's sales
35. Estimate a company's market share if its anticipated sales for the upcoming year amount to \$465,895, and the industry's anticipated sales are \$2,950,450.
- A. 18%
  - B. 21%
  - C. 13%
  - D. 16%
36. If trends indicate that the economy is moving toward a recession, a business is most likely to
- A. increase inventory.
  - B. lay off workers.
  - C. purchase new equipment.
  - D. promote employees.
37. If trends indicate that more competitors will enter a specific industry, existing businesses in the industry are likely to respond by
- A. increasing promotion.
  - B. halting product development.
  - C. decreasing sales tax.
  - D. raising prices.
38. A business conducts research so it can analyze market needs, which often includes
- A. selecting promotional media.
  - B. developing new products.
  - C. identifying trends.
  - D. hiring employees.
39. If a real market opportunity exists, there will be a
- A. competitor.
  - B. supply.
  - C. demand.
  - D. charge.
40. Which of the following types of information can be obtained from a business's organizational chart:
- A. A schedule of salaries
  - B. The design of each job
  - C. The chain of command
  - D. A description of each job



41. What type of organizational structure is a business using if it groups employees according to the type of work they do?
- A. Horizontal
  - B. International
  - C. Departmental
  - D. Geographical
42. Why do businesses organize employees according to some type of specific structure?
- A. To analyze competency
  - B. To reward accomplishments
  - C. To assign responsibilities
  - D. To regulate performance
43. An entrepreneur who is starting a business would most likely contact a consulting agency to obtain assistance with
- A. changing customer demand.
  - B. applying new technology.
  - C. identifying area vendors.
  - D. buying necessary supplies.
44. Which of the following would be able to help individuals choose a legal structure for their business, inform them of regulations and licenses, and help them apply for patents:
- A. Insurance agent
  - B. Accountant
  - C. Banker
  - D. Lawyer
45. In which of the following situations might a business need technical assistance to implement a new process:
- A. Intends to extend hours of operation
  - B. Wants to guarantee customer satisfaction
  - C. Decides to open an additional office
  - D. Plans to use robots on the assembly line
46. Why do businesses establish specifications for selecting hardware and software systems?
- A. To obtain systems that perform required functions
  - B. To develop training programs for employees
  - C. To analyze the prices of various vendors
  - D. To keep up with the latest technological fads
47. Which of the following is a specification that a business might establish for selecting spreadsheet software programs:
- A. Regularly organize customer information
  - B. Electronically communicate data
  - C. Graphically display financial information
  - D. Digitally produce marketing data
48. Which of the following software is required for a computer system to be able to access Web data:
- A. Video
  - B. Modem
  - C. Filter
  - D. Browser
49. What type of software do many businesses require be installed on computer systems as a security feature?
- A. Firewall
  - B. Reality
  - C. Spider
  - D. Media
50. Some business records need to be maintained in secure locations because they contain \_\_\_\_\_ information.
- A. historical
  - B. confidential
  - C. published
  - D. regulatory
51. Businesses should organize their records in a systematic manner so that information can be
- A. available to everyone.
  - B. accessed when needed.
  - C. distributed freely.
  - D. published in newsletters.

52. Copyrights and trademarks are examples of a business's \_\_\_\_\_ records.
- A. private
  - B. financial
  - C. legal
  - D. political
53. Keeping reliable financial records helps businesses to
- A. time their promotions appropriately.
  - B. track income and expenses.
  - C. prevent depreciation from occurring.
  - D. retrieve records in a disaster.
54. Carson Manufacturing priced its Model 234A convection oven at 15% above production costs. What type of pricing objective did Carson set?
- A. Market share
  - B. Target return
  - C. Customer based
  - D. Status quo
55. Merchandise has been purchased with terms 2/10, n/30, and the invoice is dated April 13. By what date must the business pay the invoice in order to take advantage of the discount offered?
- A. April 30
  - B. May 13
  - C. May 10
  - D. April 23
56. Which of the following terms of sale would provide the purchaser with the greatest immediate cash discount:
- A. n/30
  - B. 1/30, n/60
  - C. n/60, ROG
  - D. 3/10, n/30 EOM
57. If a retailer purchased merchandise with an invoice date of March 1, terms of a 1% discount if paid by March 11, or the full amount due with no discount if paid by March 31, how would these terms be expressed on the invoice?
- A. net 10 days, 30
  - B. March 11/March 31
  - C. n/30, 1/10
  - D. 1/10, n/30
58. An invoice totaling \$10,525 offers a 3% discount for payment within 15 days or a 2% discount for payment within 30 days. These are examples of \_\_\_\_\_ discounts.
- A. seasonal
  - B. anticipation
  - C. cash
  - D. cumulative
59. Which of the following might be a disadvantage to a business of frequently using promotional pricing to lower the base price of products:
- A. Some suppliers hesitate to make deliveries.
  - B. Many consumers refuse to pay full price.
  - C. Most competitors regularly follow suit.
  - D. Local advertisers withhold co-op funds.
60. A business that sells an item at cost in the hope of attracting many customers who will buy other products is using \_\_\_\_\_ pricing.
- A. loss-leader
  - B. cash discount
  - C. psychological
  - D. geographical
61. A retailer reduces prices by 20% on much of its stock during a one-day Columbus Day Special. The purpose of these markdowns is to
- A. make prices more realistic.
  - B. promote goodwill.
  - C. move holiday items.
  - D. stimulate storewide sales.
62. When a business owner temporarily lowers prices for select items and places advertisements in local newspapers to announce the sale, s/he is using a \_\_\_\_\_ promotional pricing strategy.
- A. special-event
  - B. going-rate
  - C. break-even
  - D. market-share

63. Stacy's Department Store received 200 beach towels in June and marked them to sell for \$10.00 each. After a month, only 30 towels had sold, and the department manager marked them down to \$9.99. Within two days, over 50 of the beach towels had sold! What pricing technique has been used in this case?
- A. Even pricing
  - B. Odd pricing
  - C. Prestige pricing
  - D. Sociological pricing
64. To many consumers, high prices are an indication of
- A. rapid turnover.
  - B. high quality.
  - C. loss leaders.
  - D. promotional pricing.
65. Which of the following is considered to be a psychologically appealing price:
- A. \$5.50
  - B. \$4.50
  - C. \$5.00
  - D. \$4.97
66. Buying bargains can make customers feel as though they are \_\_\_\_\_ shoppers.
- A. wise
  - B. extravagant
  - C. rich
  - D. reckless
67. A business that is introducing a new product and wants to obtain a large number of customers in a short time might decide to use \_\_\_\_\_ pricing.
- A. traditional
  - B. competitive
  - C. flexible
  - D. penetration
68. What strategy for pricing imitative new products should businesses avoid using?
- A. Skimming
  - B. Penetration
  - C. Overcharging
  - D. Discrimination
69. To avoid triggering intense price competition that erodes profits and rewards customers for ignoring value, business should use penetration pricing
- A. frequently.
  - B. often.
  - C. always.
  - D. selectively.
70. The market-skimming pricing strategy is often used when a business is introducing
- A. low-value, innovative goods.
  - B. value-oriented, imitative services.
  - C. high-quality, innovative products.
  - D. average-quality, imitative products.
71. A business that sets a low price on a main product and high prices on the supplies needed to operate the main product is using \_\_\_\_\_ pricing.
- A. optional-product
  - B. captive-product
  - C. low-value
  - D. by-product
72. In product-line pricing, high-end prices are used to influence the quality image of the line, while low-end prices are
- A. placed on products required to operate the line.
  - B. omitted from the line.
  - C. used to lower brand equity.
  - D. used as traffic builders.

73. Bundle pricing is used to attract customers by packaging two or more related/complementary products together at
- A. a lower price than if purchased separately.
  - B. everyday, low prices.
  - C. a higher price than if purchased separately.
  - D. the same price as when purchased separately.
74. Which of following examples reflects a situation that is most likely to use a by-product pricing strategy:
- A. A lumber mill packages and distributes bark chips and sells them as landscaping mulch.
  - B. A dairy producer sells several types of milk products to large grocery store chains.
  - C. A telecommunications business offers several different cellular telephone plans for purchase.
  - D. A customer must purchase a specific ink cartridge to use with a particular computer printer.
75. The ultimate objective of the business in using brand names or slogans is to
- A. create awareness.
  - B. encourage sales.
  - C. obtain a sponsor.
  - D. identify the retailer.
76. Which of the following is a characteristic of a good brand name:
- A. Nondistinctive
  - B. Similar to competitors' brands
  - C. Memorable
  - D. Needs periodic revision
77. Robney Corporation, a candy manufacturer, is using advertising and coupons to introduce the "Wacky Bar," a new candy bar. The company is trying to create brand
- A. insistence.
  - B. quality.
  - C. performance.
  - D. recognition.
78. Jenny tried ABC peanut butter and now buys it regularly. This is an example of brand
- A. recognition.
  - B. identification.
  - C. loyalty.
  - D. insistence.
79. Businesses position products by sending marketing signals to influence customers' perceived satisfaction of these products. These marketing signals come from
- A. selection, service, and convenience.
  - B. advertising media, sales promotions, and packaging.
  - C. product features, competitors, and labels.
  - D. personal selling, convenience, quality.
80. Which of the following is the most important question that a business considers when positioning its products:
- A. What is the target market's financial liability and risk level?
  - B. Does the product have at least three hidden features?
  - C. What product benefit does the target market find most appealing?
  - D. How do our competitors forecast their sales for similar products?
81. A business that positions itself by emphasizing distribution expertise and efficiency is using the \_\_\_\_\_ strategy.
- A. image differentiation
  - B. image synchronization
  - C. channel differentiation
  - D. channel synchronization

82. Why do businesses often try to develop a unique positioning concept for a new product?
- A. To identify innovative objectives
  - B. To monitor its growth stage
  - C. To create an original marketing plan
  - D. To set it apart from competitors
83. Why is it important for a business to communicate the core values of its products?
- A. To develop appropriate advertising
  - B. To justify the price
  - C. To appeal to the target market
  - D. To analyze market research
84. Communicating the core values of products is an effective way to
- A. explain the price structure.
  - B. reinforce a business's image.
  - C. analyze the sales operation.
  - D. create a distribution channel.
85. Which of the following is an example of a business's core values:
- A. We deal honestly and fairly with our customers and ourselves.
  - B. We are decreasing our overall expenses by 5% over the next 12 months.
  - C. Demonstrate a customer-service mindset.
  - D. Social media are used to reach our target market.
86. Why is it important for a business to identify its product's competitive advantage?
- A. To evaluate the marketing research process
  - B. To create a realistic trademark
  - C. To develop an appropriate marketing strategy
  - D. To plan a distribution system
87. A business that offers the best service in the industry usually has a
- A. social environment.
  - B. diverse culture.
  - C. competitive advantage.
  - D. trade perception.
88. To emphasize value, a rental car company should use the tagline
- A. "It's the little things that count."
  - B. "We do it right the first time."
  - C. "It's all about high performance."
  - D. "We provide more for less."
89. Corporate branding provides a variety of products and product lines with a common
- A. ranking.
  - B. platform.
  - C. identity.
  - D. strategy.
90. Which of the following is an example of a corporate brand:
- A. Procter and Gamble
  - B. Tide detergent
  - C. Charmin bath tissue
  - D. Oil of Olay
91. Corporate brands are built on all the associations and experiences
- A. businesses have about and with each other.
  - B. consumers have toward a business or product.
  - C. companies have about other industries.
  - D. consumers have about things they want to buy.
92. Which of the following are touch points that a successful company often uses to communicate its corporate brand to its target market:
- A. Company web site, sales calls, and trade shows
  - B. Employees, sales staff, and compensation policies
  - C. Trade shows, sales reports, and employees
  - D. Sales calls, company web site, and marketing audits

93. One of the purposes of developing a business plan is to \_\_\_\_\_ for the business.
- A. invest resources
  - B. acquire customers
  - C. provide direction
  - D. identify employees
94. A person who wants to start a new company and needs financial support should develop a business plan to present to potential \_\_\_\_\_.
- A. promoters.
  - B. competitors.
  - C. clients.
  - D. investors.
95. Which of the following parts of a business plan includes the history of the business:
- A. Executive summary
  - B. Market analysis
  - C. Strategy and implementation
  - D. Company description
96. In which of the following sections of the business plan will you find the cost estimates and the effect of each cost on the company:
- A. Management plan
  - B. Financial plan
  - C. Strategy and implementation
  - D. Company description
97. Managers should understand the factors in a business's external environment because these factors \_\_\_\_\_.
- A. are the result of government regulation.
  - B. affect all businesses in the same ways.
  - C. exist in an unchanging environment.
  - D. affect the direction a business takes.
98. Which of the following is an example of a technological trend that would affect business:
- A. The support of business with subsidies
  - B. The enforcement of safety rules
  - C. The rising median age of the population
  - D. The expanded use of computers
99. One of the reasons business planners must consider the state of the economy is because \_\_\_\_\_.
- A. upturns in the economy are predictable.
  - B. a slow economy increases investor confidence.
  - C. economic trends affect consumer spending.
  - D. businesses must meet licensing requirements.
100. One of the benefits to the business of studying the external factors in the business's environment is that this kind of study \_\_\_\_\_.
- A. may help the business to obtain a subsidy.
  - B. may help the business to lower prices.
  - C. can take the place of continuous planning.
  - D. can be a valuable forecasting tool.

1. A

Corporate Vertical Marketing System. A channel-management strategy is a business's plan of action for moving products from the producer to the end user. A corporate vertical marketing system is a channel-management strategy in which the producer owns the intermediaries—or different levels—that move the products. For example, if a producer owns the trucks to move products to its own retail outlets, it is using a corporate vertical marketing strategy. An administered vertical marketing strategy involves moving products through independent intermediaries at different levels; however, one channel member (often the producer) has more influence than other channel members in the distribution process. Systematic horizontal and independent horizontal marketing systems are fictitious terms.

SOURCE: CM:014

SOURCE: Ivancevich, J., & Duening, T. (2007). *Business: Principles, practices, and guidelines* (2<sup>nd</sup> ed.) [pp. 453-454]. Mason, OH: Thomson.

2. B

Contractual. A channel-management strategy is a business's plan of action for moving products from the producer to the end user. A vertical marketing strategy involves moving products through intermediaries that operate at different levels. A business that uses a contractual vertical marketing strategy moves products through franchise agreements, which involves an individual or company that buys the right to sell products of the parent company (franchisor). Often the franchisee (buyer) must follow certain specifications designated by the parent company. Many quick-serve restaurant chains use this strategy to move their products. The use of franchise agreements or contracts is not an example of administered, intensive, or ownership vertical marketing strategies.

SOURCE: CM:014

SOURCE: Ivancevich, J., & Duening, T. (2007). *Business: Principles, practices, and guidelines* (2<sup>nd</sup> ed.) [pp. 453-454]. Mason, OH: Thomson.

3. D

Income. Income tax is a tax on profit. When businesses earn a profit from supplying goods and services to consumers, they pay a certain percentage of that profit to the government. The tax that businesses pay on the profits they earn is not an example of excise or sales tax. Property tax is a tax on material goods rather than on profit.

SOURCE: EC:072

SOURCE: Meyer, E.C., & Allen, K.R. (2006). *Entrepreneurship and small business management* (p. 170). New York: Glencoe/McGraw-Hill.

4. C

Progressive. In a progressive income tax system, those who have a higher income pay a larger percentage of their income to the government. In a regressive tax system, those who have a higher income pay a comparatively smaller percentage of their income as tax than those who have a smaller income. In a proportional tax system, all individuals of all incomes pay the same proportion of their incomes to the government. In a flat tax system, all individuals pay the same amount to the government regardless of their income.

SOURCE: EC:072

SOURCE: McConnell, C.R., & Brue, S.L. (2005). *Economics: Principles, problems, and policies* (16<sup>th</sup> ed.) [p. 85]. Boston: McGraw-Hill/Irwin.

5. B

Direct controls. The government is directly interfering with the normal operations of a free market. An example of a transfer payment is unemployment compensation paid to a factory worker who has been laid off. An example of hidden costs would be any unaccounted for effect that the new emissions-standards-friendly production might have on the environment. Rent seeking is when someone or some group seeks benefit to themselves or their group at the expense of someone else. An example of this would be a lobbyist pushing through a bill that only benefits its constituency at the expense of another constituency.

SOURCE: EC:072

SOURCE: McConnell, C.R., & Brue, S.L. (2005). *Economics: Principles, problems, and policies* (16<sup>th</sup> ed.) [p. 564]. Boston: McGraw-Hill/Irwin.

6. C

The Bellman Corporation submits an \$8,792 check to the government, which is based on the value of its office building. Businesses that own buildings and property must pay property taxes to the government at specific intervals. The property-tax amount is based on the value of the land and building. The value of the land and building is affected by many factors, such as the location of the property. Cortland Hotel withholds income tax from its employees' paychecks, and submits the monies to the government at certain time frames. A gasoline tax is an example of an excise tax, which is a type of sales tax that customers pay for goods and services. An excise tax is often referred to as a "sin tax," and it is levied on nonessential products such as gasoline, cigarettes, and alcohol. The airline is making a charitable donation rather than paying taxes.

SOURCE: EC:072

SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (pp. 381-382). New York: Glencoe/McGraw-Hill.

7. C

Expanding their operations. Inflation refers to the rise in prices within an economic system. When inflation levels are low, the economy often experiences a period of expansion. Consumer purchasing power increases, which often increases the demand for goods and services. Interest rates are often low during an economic expansion, so it is a good time for a business to borrow money to expand its operations. When a business expands its operations, it might purchase equipment or increase its outputs (e.g., production, personnel) to meet the higher product demand. During an economic contraction, inflation rates increase and, as a result, consumer spending decreases, outputs decrease, and unemployment and interest rates tend to increase.

SOURCE: EC:083

SOURCE: Clark, B., Sobel, J., & Basteri, C.G. (2006). *Marketing dynamics* (pp. 118-120). Tinley Park, IL: Goodheart-Willcox Company.

8. C

Reduce its outputs. Inflation refers to the rise in prices within an economic system. When inflation levels are high, the economy often experiences a period of contraction. Consumer purchasing power decreases, which often reduces the demand for goods and services. To stay in business, the NOP Manufacturing Company might reduce outputs (e.g., production, personnel) because of a lower demand for its products. When outputs decrease, the inputs also decrease. Interest rates are often low during an economic expansion, which means it costs less to obtain loans for large purchases (e.g., equipment).

SOURCE: EC:083

SOURCE: Clark, B., Sobel, J., & Basteri, C.G. (2006). *Marketing dynamics* (pp. 118-120). Tinley Park, IL: Goodheart-Willcox Company.



9. C

Remain stable. Inflation is a rapid rise in prices that may occur when demand exceeds supply or when productivity declines and costs of labor go up. Generally, low inflation rates range between one percent and four percent, which indicates a strong economy and stable prices. Although some products' prices fluctuate on a daily basis (e.g., gasoline), not all prices do. High inflation causes a decrease in the value of a nation's currency.

SOURCE: EC:083

SOURCE: Clark, B., Sobel, J., & Basteri, C.G. (2006). *Marketing dynamics* (pp. 120-122). Tinley Park, IL: Goodheart-Willcox.

10. A

It decreases the value of money. Inflation is a rise in prices. When there is a rapid rise in prices, it takes more money to buy the same item. When this occurs, individuals and businesses buy less with the same amount of money—the value of money decreases. Inflation can occur when there is an increase in the money supply or when the availability of an item drops, but the demand remains the same or increases. When prices increase, individuals and businesses often have less money to save and invest.

SOURCE: EC:083

SOURCE: Tahir, M. (2010, March 8). *What causes inflation?* Retrieved February 23, 2011, from <http://ezinearticles.com/?What-Causes-Inflation?&id=3888578>

11. C

Decrease. The higher interest rate will make it more expensive to borrow money, so fewer borrowers will be seeking loans while interest rates are high. The interest rate will not double or continue to increase. It will be affected so it cannot remain the same.

SOURCE: EC:084

SOURCE: Cecchetti, Stephen G. (2007). *Money, banking, and financial markets* (2<sup>nd</sup> ed.) [p. 428]. New York: McGraw-Hill Irwin.

12. D

To fight inflation. When a product's demand exceeds its supply, the product's price will go up. Then, inflation increases, and economic growth begins to slow. As the product's price increases, its demand decreases. Less demand leads to less production, and eventually, unemployment. By raising interest rates, the Fed strengthens the value of the dollar, attracting foreign investors, putting more money into the economy. Inequalities of income distribution are not addressed by increased interest rates.

SOURCE: EC:084

SOURCE: Clark, J. (n.d.). *Why does the Fed change the interest rate?* Retrieved August 12, 2011, from <http://money.howstuffworks.com/fed-change-interest-rate.htm/printable>

13. C

The stock market will go up. The stock market tends to go up when the Federal Reserve System lowers interest rates because consumers are spending more. This tells investors that companies will be increasing production and creating more jobs. As interest rates fall, the value of the dollar in the foreign exchange market also decreases, making the value of other countries' money worth more when compared to the dollar. Other countries would, therefore, be positioned to buy more U.S. goods, so that U.S. exports would increase.

SOURCE: EC:084

SOURCE: Roos, D. (n.d.). *Interest rates and the economy.* Retrieved November 21, 2011, from <http://money.howstuffworks.com/interest-rate3.htm>

14. C  
Lenders. Lenders make money from borrowers by charging interest. When interest rates increase, lenders earn more money. Borrowers (individuals and all types of businesses) benefit when interest rates decrease because it is cheaper for them to borrow money for homes, cars, business expansions, and other expensive goods and services.  
SOURCE: EC:084  
SOURCE: Townsend, K. (n.d.). *How do interest rates affect the economy?* Retrieved January 18, 2011, from [http://www.ehow.com/how-does\\_4564447\\_interest-rates-affect-economy.html](http://www.ehow.com/how-does_4564447_interest-rates-affect-economy.html)
15. C  
Consumers and producers are borrowing more money. During the growth, or expansion, phase of business cycles, interest rates on loans are low, thereby encouraging consumers and producers to borrow more money in order to make even more purchases. During the peak phase, demand for all resources exceeds their availability. During the peak and the contraction phases, people become less hopeful about the future of business and begin to save more money. Also during the contraction phase, producers reduce their purchase of new goods; instead, they try to sell the goods which are currently in inventory.  
SOURCE: EC:018  
SOURCE: EC LAP 9—Boom or Bust (Impact of Business Cycles)
16. B  
Contraction. Contractions are characterized by a reduction in the purchase of goods and services and a rise in unemployment. A peak is the top of the business cycle with high employment. Expansion is characterized by a rise in demand for goods and services. A trough is the bottom of a business cycle in which there are high unemployment levels and low profits.  
SOURCE: EC:018  
SOURCE: Pride, W.M., Hughes, R.J., & Kapoor, J.R. (2008). *Business* (9th ed.) [pp. 19-20]. Boston: Houghton Mifflin.
17. D  
High prices. Firms can charge higher prices because demand for goods and services begins to exceed the production capacity of producers in this phase. Low profits, reduced sales, and the need to reduce the size of the staff would occur during the contraction phase.  
SOURCE: EC:018  
SOURCE: EC LAP 9—Boom or Bust (Impact of Business Cycles)
18. A  
A higher standard of living. Consumers and producers enjoy a variety of benefits from a growing economy. Other benefits are new and additional jobs, the resolution of domestic problems, and an increase in the ability of the government to fulfill its duties more thoroughly. A growing economy does not necessarily increase government control. Although more jobs are available, no one is guaranteed employment. A growing economy can help with some kinds of international problems, but it will not solve them.  
SOURCE: EC:018  
SOURCE: EC LAP 9—Boom or Bust (Impact of Business Cycles)

19. B  
Finding new customers. Many small businesses have discovered that it is fairly simple to enter the international market because of advances in technology, transportation, and communication. Because of these advances, small businesses are finding new customers throughout the world. As a result, many small businesses are growing and becoming more successful. Small businesses do not become involved in international trade to increase competition or reduce foreign demand. Exporting products is a characteristic of international trade.  
SOURCE: EC:066  
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (pp. 76-77). Woodland Hills, CA: Glencoe/McGraw-Hill.
20. A  
Lacks knowledge or experience in the field. When an entrepreneur discovers a business opportunity, s/he might need to obtain more in-depth information to develop the business idea. Industry experts are external resources from which an entrepreneur can obtain useful information and ideas when s/he does not have extensive knowledge or experience in the specific field. An entrepreneur may obtain a bank loan or plan promotional plans after the developing and analyzing the venture concept. Increasing profit margins is an issue that entrepreneurs address after the business is open.  
SOURCE: EN:012  
SOURCE: Greene, C.L. (2001). *Entrepreneurship: Business 2000* (pp. 14-15). Mason, OH: South-Western.
21. A  
Does the workload require a fulltime or part-time employee? A business owner considers many factors when determining if s/he should hire an employee. An important factor to consider is the nature of the work that the owner needs to have done—bookkeeping, purchasing, ad placement, etc. The owner must also consider how often certain tasks are performed (e.g., weekly, monthly). After determining what skills are needed, the owner must decide if there is enough work for a fulltime employee or if a part-time employee could handle the workload. The business owner recruits applicants after determining the necessary skills and approximate workload. Therefore, the business owner cannot answer the remaining questions until s/he determines the type and amount of work s/he needs the employee to do.  
SOURCE: EN:018  
SOURCE: Lesikar, R.V., Pettit, J.D., Jr., & Flatley, M.E. (1999). *Lesikar's basic business communication* (8th ed.) [p. 214]. Boston: Irwin/McGraw-Hill.
22. A  
Necessary skills and affordability. A business owner considers many factors when determining if s/he should hire an employee. An important consideration is the nature of the work that the owner needs to have done. For example, if the owner needs someone to pay bills and mail invoices, s/he would likely hire a person who has bookkeeping skills. The owner must also consider if s/he can afford to pay a fulltime or a part-time employee. Hiring a fulltime employee is more costly because the person works longer hours, which increases payroll expenses. Benefits are usually not offered to part-time employees, which makes part-time employees less costly to the business. Training needs are important but depend on the skills the owner needs for the business. Property taxes, the screening process, and attitude are not factors that small-business owners consider when deciding to hire additional employees.  
SOURCE: EN:018  
SOURCE: Greene, C.L. (2000). *Entrepreneurship: Ideas in action* (p. 214). Cincinnati: South-Western Educational.

23. D

Capital resources. A capital resource is an asset, or something of value, that a firm uses on an ongoing basis to meet its objectives. Equipment (e.g., photocopier, manufacturing apparatus) and inventory (items for resale) are valuable items that businesses often need to meet their customers' needs and to earn profits for the business. Tax incentives are tax deductions for meeting certain government requirements. Tangible items, such as inventory and equipment, are usually replaceable and are expenses that businesses usually expect to have.

SOURCE: EN:020

SOURCE: Meyer, E.C., & Allen, K.R. (2006). *Entrepreneurship and small business management* (p. 99). New York: Glencoe/McGraw-Hill.

24. B

Job sharing. Job sharing is a staffing method in which two individuals share one job. Typically, job sharing involves two part-time employees who perform the same duties but work different schedules. Successful job sharing involves ongoing, clear communication between the two employees who share the workload. Telecommuting is a staffing method in which employees work outside the office, most often from home. Outsourcing involves acquiring assistance from outside organizations and/or consultants to obtain goods or services to accomplish business objectives or to perform primary business activities. Employee leasing is a staffing method in which one firm leases its employees to another firm to perform specific types of work.

SOURCE: HR:415

SOURCE: Reference for Business. (2012). *Job sharing*. Retrieved May 16, 2012, from <http://www.referenceforbusiness.com/small/Inc-Mail/Job-Sharing.html>

25. C

Temporary. Temporary employees are usually available through temporary-help agencies who provide workers to meet short-term needs. The business should not consider increasing the number of full-time or permanent employees simply to take care of a peak work period. Asking regular workers to work overtime would probably be more costly to the business since temporary workers do not usually receive high wages or fringe benefits.

SOURCE: HR:353

SOURCE: Meyer, E.C., & Allen, K.R. (2006). *Entrepreneurship and small business management* (p. 392). New York: Glencoe/McGraw-Hill.

26. C

Sales volume. Sales volume is the amount of a business's sales. Businesses often analyze sales volume over a period of time when determining future hiring needs. For example, if a business's sales have increased steadily over a period of time, the business might decide that hiring additional salespeople will help to increase sales even more. The increased sales might also indicate that the business needs to hire additional support staff to fill orders and provide customer service. Merit pay is a salary increase based on performance. Job security is the assurance that employees will keep their jobs. Determining future hiring needs does not involve analyzing formal training.

SOURCE: HR:353

SOURCE: Dessler, G. (2000). *Human resource management* (8th ed.) [pp. 124-125]. Upper Saddle River, NJ: Prentice Hall.

27. A

Consider the demand for the business's product. Business owners often hire additional employees when they expect demand to increase for their products. When a company expects higher sales, it needs to increase its outputs and, therefore, needs more inputs (e.g., personnel) to satisfy the higher product demand. Business owners do not need to obtain government application forms to hire employees. The business owner may not ask current employees to increase their workloads because they may not have the necessary skills to perform the job. Once the business owner determines that there is a need to hire an employee, s/he can advertise the position in the newspaper for outside candidates.

SOURCE: HR:353

SOURCE: Greene, C.L. (2012). *Entrepreneurship: Ideas in action* (5th ed.) [pp. 312-314]. Mason, OH: South-Western Cengage Learning.

28. A

Productivity. Productivity is the amount of work that employees perform in a given period. Before a business decides to hire new employees, it must have the financial resources to pay the employee and it must have the need to increase its outputs. When a business expects higher sales, it needs to increase its outputs, and therefore, needs more inputs (e.g., personnel) to satisfy the higher product demand. When deciding to hire employees, a business does not first consider its secondary, uniform, or temporary needs.

SOURCE: HR:353

SOURCE: Dessler, G. (2000). *Human resource management* (8th ed.) [p. 124]. Upper Saddle River, NJ: Prentice Hall.

29. A

Developing a succession plan. Succession planning involves implementing strategies to hire, train, and prepare employees to take over job openings resulting from attrition. Comprehensive succession planning can reduce tacit-knowledge gaps and skill deficiencies throughout the organization. An organizational chart is a graphical representation of the flow of authority within an organization. An orientation program is job preparation or induction training in which new employees are acquainted with their surroundings, receive general information about the company and its policies, and are given specific information about their jobs. A production schedule is a timeline for developing a business's goods and services.

SOURCE: HR:416

SOURCE: Heathfield, S. (n.d.). *Succession planning*. Retrieved May 17, 2012, from <http://humanresources.about.com/od/glossarys/g/successionplan.htm>

30. D

Outline specific job tasks. A job description is a written record of the duties and responsibilities associated with a particular job. Its purposes are to describe what needs to be done, as well as telling why and how the work should be done. Dividing up the work fairly and scheduling employee evaluations are separate supervisory responsibilities. The job experience necessary to perform a particular job is described in a job specification.

SOURCE: HR:495

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (p. 747). New York: Glencoe/McGraw-Hill.

31. C  
Classification. Jobs may be classified by level of pay, type of work, or on some other basis. Job information is gathered, analyzed, and compiled into job descriptions. Only after jobs have been analyzed can their descriptions and specifications be determined. Job evaluation ranks jobs according to their value to the business. Job specifications define the background needed in order to perform the job.  
SOURCE: HR:495  
SOURCE: Dessler, G. (2000) *Human resource management* (8th ed.) [pp. 406-407]. Prentice Hall.
32. A  
Preparing a job analysis. Before you can write an accurate job description, it is necessary to analyze the job in question. A job analysis is a study of exactly what a job entails, when it is done, where, how, why, and by whom. Writing a classified advertisement for a job and interviewing job applicants are steps in the recruiting and selection process. Conducting a performance evaluation is a way of evaluating current employees.  
SOURCE: HR:495  
SOURCE: Gatewood, R. & Feild, H. (2001). *Human resource selection* (5th ed.) [pp. 269-272]. Harcourt College Publishers.
33. D  
18%. A business estimates and monitors its market share for many reasons. For example, the business might want to measure its standing in relation to its competitors so it can formulate a strategic marketing plan. To forecast (estimate) a business's market share in relation to the total sales in the industry, divide the business's estimated sales for a certain period by the industry's estimated sales for the same period ( $\$650,525 \div \$3,550,500 = .183$  or 18%).  
SOURCE: IM:350  
SOURCE: Davis, J. (2007). *Measuring marketing: 103 key metrics every marketer needs* (pp. 71-72). Singapore: John Wiley & Sons.
34. C  
Divides the business's sales by the total industry's sales. Estimating and monitoring market share helps a business set objectives, plan strategies, and determine its status in relation to the rest of the industry, which consists of its competitors. To calculate an estimate of the business's percentage of market share, divide the business's estimated sales for a certain time by the industry's estimated sales for the same time.  
SOURCE: IM:350  
SOURCE: Davis, J. (2007). *Measuring marketing: 103 key metrics every marketer needs* (pp. 71-72). Singapore: John Wiley & Sons.
35. D  
16%. Estimating and monitoring market share helps a business set objectives, plan strategies, and evaluate its status in relation to the rest of the industry. To forecast (estimate) a business's market share in relation to the rest of the industry, divide the business's estimated sales for a certain period by the industry's estimated sales for the same period ( $\$465,895 \div \$2,950,450 = .157$  or 16%).  
SOURCE: IM:350  
SOURCE: Davis, J. (2007). *Measuring marketing: 103 key metrics every marketer needs* (pp. 71-72). Singapore: John Wiley & Sons.

36. B  
Lay off workers. An economic recession is a contraction in the business cycle. When a contraction occurs, product demand tends to decline. When demand declines, the business's output declines, which often leads to the need for the business to lay off workers. Businesses tend to increase inventory, purchase new equipment, and promote employees during an economic expansion and business growth.  
SOURCE: IM:363  
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (pp. 66-67). New York: Glencoe/McGraw-Hill.
37. A  
Increasing promotion. If more competitors enter the marketplace, existing businesses risk losing sales and market share. To maintain brand awareness in a growing industry, a business must set itself apart from its competitors. In some situations, the business may increase promotional efforts (e.g., advertising, sales promotion, selling) to try to maintain or gain brand awareness. In addition, some businesses might look for new target markets for their existing products or develop new products for existing or new market segments. Businesses do not have the authority to decrease taxes. If the business raises prices, customers might go to their competitors to purchase similar, lower-priced products.  
SOURCE: IM:363  
SOURCE: Etzel, M.J., Walker, B.J., & Stanton, W.J. (2007). *Marketing* (14<sup>th</sup> ed.) [p. 539]. New York: McGraw-Hill.
38. C  
Identifying trends. A trend is the general direction in which people or events are moving. Some factors that affect trends are technology, the economy, and demographic changes. By researching trends, businesses can determine what different markets want or need, and then work to develop products to satisfy those wants and needs. The business selects promotional media after identifying trends and developing products. A business does not always hire new employees to conduct research.  
SOURCE: IM:302  
SOURCE: Clark, B., Sobel, J., & Basteri, C.G. (2006). *Marketing dynamics* (pp. 242-244). Tinley Park, IL: Goodheart-Willcox.
39. C  
Demand. A market opportunity is a situation that occurs when an economic want exists (demand), and there is an idea for a good or service to fulfill that want, which people are willing and able to buy. Without a demand for a good or service, there isn't an existing market opportunity. Supply is the amount of products available at any given time. A competitor is a rival. A charge is a fee.  
SOURCE: IM:302  
SOURCE: Meyer, E.C., & Allen, K.R. (2006). *Entrepreneurship and small business management* (p. 20). New York: Glencoe/McGraw-Hill.
40. C  
The chain of command. An organizational chart shows the position of each managerial position within the company. It is set up to show who reports to whom, or the chain of command. Salary information is not included in an organizational chart. A job description is a written outline of all of the duties and tasks that make up the job. Job design is the way in which a job will be done.  
SOURCE: MN:042  
SOURCE: Daft, R.L., & Marcic, D. (2009). *Understanding management: Instructor's edition* (6th ed.) [p. 249]. Mason, OH: South-Western Cengage Learning.

41. C

Departmental. A business that organizes according to the type of work that employees do is using a departmental structure. Examples include grouping employees into sales departments, accounting departments, or production departments. The employees in these departments perform the same type of work and have similar functions. In a horizontal structure, employees who perform different functions are organized into teams to accomplish a task. International and geographical structures are based on the location of employees rather than on the type of work they do.

SOURCE: MN:042

SOURCE: Jackson, S. & Schuler, R. (2003). *Managing human resources through strategic partnerships* (8th ed.) [pp. 142-144]. Thomson/South-Western.

42. C

To assign responsibilities. Businesses usually develop some type of organizational structure that clearly shows the division of work within a business. One of the reasons for developing an organizational plan is to assign responsibilities for specific activities within the business. When employees know their responsibilities, how they fit into the overall plan of the organization, and who their supervisors are, they usually are more productive. Businesses do not organize employees according to some type of specific structure to regulate performance, reward accomplishments, or analyze competency. The purpose of the organizational plan is to assign work tasks and responsibilities.

SOURCE: MN:042

SOURCE: Jackson, S. & Schuler, R. (2003). *Managing human resources through strategic partnerships* (8th ed.) [pp. 142-145]. Thomson/South-Western.

43. B

Applying new technology. New businesses often realize that they need assistance in applying innovative technologies to their particular companies. Consulting agencies are able to help companies to understand and use technological advances such as online shopping and 24-hour banking. The new technologies are an asset to businesses only if they are able to use them effectively. Consulting agencies are able to identify customer demand but they cannot change it. New businesses usually do not need consulting agencies to help them identify area vendors or buy necessary supplies.

SOURCE: (EN:012)

SOURCE: Mason, R.E., Rath, P.M., Husted, S.W., & Lynch, R.L. (1995). *Marketing practices and principles* (5th ed.) [p. 37]. Glencoe, Macmillan/McGraw-Hill School Publishing Co.

44. D

Lawyer. A lawyer has a legal background and training in the legal structure of businesses, regulations, licenses, and patents. An accountant would help develop financial record-keeping systems as well as assist in tax planning. A banker would help set up financial accounts in a bank. An insurance agent would assist in providing the business with the necessary insurance.

SOURCE: (EN:012)

SOURCE: Greene, C.L. (2000). *Entrepreneurship: Ideas in action* (p. 303). South-Western Educational Publishing.



45. D  
Plans to use robots on the assembly line. The use of robots is a complicated and highly technical process. Businesses planning to use robots on the assembly line will need technical assistance from many sources such as engineers, computer experts, and designers. Setting up the assembly line to function properly is a major undertaking that cannot be accomplished without the help of many technical experts. Businesses usually do not need technical assistance to extend hours of operation. It is not possible to guarantee customer satisfaction, even if the business obtains technical assistance. Opening an additional office does not involve implementing a new process.  
SOURCE: (EN:012)  
SOURCE: Everard, K. & Burrow, J. (2001) *Business principles and management* (11th ed.) [pp. 530-532]. South-Western.
46. A  
To obtain systems that perform required functions. There is a wide selection of hardware and software systems, and not all systems meet the specific needs of all businesses. Therefore, businesses establish specifications so they will obtain the systems that have the capability of performing the required functions. For example, some businesses need only basic hardware and a few software programs such as Word and Excel. Other businesses may need more complex hardware and a vast selection of software programs to manage manufacturing, distribution, billing, and customer service. Businesses do not establish specifications to develop training programs for employees, to analyze the prices of various vendors, or to keep up with the latest technological fads.  
SOURCE: NF:091  
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (pp. 198-204). New York: Glencoe/McGraw-Hill.
47. C  
Graphically display financial information. Businesses establish specifications for selecting spreadsheet software in order to obtain the type of programs that will meet their needs. This is important because not all spreadsheet software programs have the same capabilities, such as graphically displaying financial information. Some businesses may need only simple graphics in the form of graphs or charts, while others need sophisticated graphics that will display financial information in a variety of visual formats. Communications software is used to electronically communicate data. Database software is used to regularly organize customer information. Word processing and graphic design programs are used to produce marketing data.  
SOURCE: NF:091  
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (pp. 199-200). New York: Glencoe/McGraw-Hill.
48. D  
Browser. A browser is a type of software application that allows a user to access Web data. This is an important type of software for businesses that want to access the Web or create their own web pages. There are several browsers available, but the most popular is Internet Explorer. A modem is an internal or external computer communications device that is used to transmit information over a particular medium, such as telephone lines or television cables. Filters are computer programs that block out unwanted information. Video software is not required for a computer system to be able to access Web data.  
SOURCE: NF:012  
SOURCE: Kleindl, B.A. (2001). *Strategic electronic marketing: Managing e-business* (pp. 36-39). Cincinnati: South-Western College Publishing.

49. A  
Firewall. Firewall software is intended to prevent unauthorized access to a computer network. Many businesses require firewall software to be installed on their computer systems because their systems are networked, and hackers could destroy or steal valuable data. Firewall software is a security feature that helps to protect a business's computer network. Businesses do not install reality, spider, or media software as a security feature.  
SOURCE: NF:012  
SOURCE: Kleindl, B.A. (2001). *Strategic electronic marketing: Managing e-business* (p. 35). Cincinnati: South-Western College Publishing.
50. B  
Confidential. Some business records need to be maintained in a secure location because they contain confidential information. Some of these records contain confidential information about employees, such as pay rates and personal references. Other records that contain confidential information about promotional strategies and new product development might harm the business if they fell into the wrong hands. Historical information explains how the business started and is often published and made available to the public. Regulatory information is usually provided by the government.  
SOURCE: NF:001  
SOURCE: NF LAP 1—Record It (Business Records)
51. B  
Accessed when needed. Businesses need to organize their records in a systematic manner so that information can be accessed when it is needed. This is what record keeping is all about—managing the information a business needs in order to make operational and financial decisions. Some business records contain confidential information and should not be distributed freely, available to everyone, or published in newsletters. However, this information should be organized so that employees who are supposed to use it can access it when needed.  
SOURCE: NF:001  
SOURCE: NF LAP 1—Record It (Business Records)
52. C  
Legal. Legal records contain information relating to or concerned with the law. Businesses need to maintain all legal documents such as copyrights and trademarks. Copyrights and trademarks are not financial records. Most businesses expect their records to remain private. Political refers to politics or matters relating to the government.  
SOURCE: NF:001  
SOURCE: NF LAP 1—Record It (Business Records)
53. B  
Track income and expenses. Keeping reliable financial records helps businesses to track income and expenses. No record can prevent depreciation from occurring. Financial records do not facilitate retrieving records in a disaster, but they are some of the important records that will need to be preserved. Promotional records, not financial records, help businesses to time their promotions appropriately.  
SOURCE: NF:001  
SOURCE: NF LAP 1—Record It (Business Records)

54. B

Target return. Target return or return on sales is a profit-oriented pricing objective in which the business bases the amount of profit that it wants to earn on the amount of sales. Because Carson Manufacturing priced the convection oven at a set percentage amount above its production costs, its goal is to generate a specific amount of profit. Market-share pricing objectives involve pricing products to gain or maintain market share. When a business sets customer-based pricing objectives, it focuses on the amount of money that it thinks customers are willing to pay for the good or service. Businesses often use status-quo pricing objectives when they want to meet or avoid competition.

SOURCE: PI:044

SOURCE: Perreault, W.D., Cannon, J.P., & McCarthy, E.J. (2008). *Basic marketing: A marketing strategy planning approach* (16th ed.) [pp. 459-460]. Boston: McGraw-Hill/Irwin.

55. D

April 23. The discount terms are 2/10, n/30 which means if the invoice is paid within 10 days of the invoice date, a 2% discount can be taken, or the net amount is due in 30 days. Ten days after April 13 would be April 23.

SOURCE: PI:022

SOURCE: PU LAP 3—Merchandising-Related Discounts

56. D

3/10, n/30 EOM. These terms of sale allow a 3% cash discount if the business pays the bill within 10 days. Terms of 1/30, n/60 allow only a 1% discount. Terms of n/30 and n/60 ROG mean that the full amount must be paid within 30 days or within 60 days of the receipt of goods. Neither of these terms allows a cash discount.

SOURCE: PI:022

SOURCE: PU LAP 3—Merchandising-Related Discounts

57. D

1/10, n/30. The customary way to signify the percentage of discount is to state the rate followed by a slash(/) and the number of days the discount is available. The "n" stands for net, followed by the number of days from the invoice date that the full amount is due, which is customarily 30 days.

SOURCE: PI:022

SOURCE: PU LAP 3—Merchandising-Related Discounts

58. C

Cash. A cash discount is a deduction from the seller's price for paying the invoice amount within a specified number of days. Anticipation discount is an additional cash discount for paying before the end of the cash-discount period. Seasonal discounts are deductions from the seller's price for ordering products in advance of the season. Cumulative discounts are based on total purchases during a specified period of time.

SOURCE: PI:022

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (pp. 578-579). Woodland Hills, CA: Glencoe/McGraw-Hill.

59. B

Many consumers refuse to pay full price. Using promotional pricing involves pricing goods or services at low levels and advertising them heavily. A disadvantage to a business of frequently promoting products at low prices is that consumers may become accustomed to the low prices and refuse to pay full price. Some businesses that routinely offer discounts or money-off coupons may find that customers no longer buy when the lower prices are not available. Businesses should use promotional pricing cautiously so that customers do not always expect to pay low prices. Frequently using promotional pricing does not prevent suppliers from making deliveries or advertisers from providing co-op funds. Businesses that use promotional pricing often expect their competitors to follow suit and lower their prices also, but this is not a disadvantage.

SOURCE: PI:023

SOURCE: Churchill, G.A. & Peter, J.P. (1998). *Marketing: Creating value for customers* (2nd ed.) [p. 347]. Irwin/McGraw-Hill.

60. A

Loss-leader. A loss leader is a product that is sold at or below cost. Some businesses use loss leader pricing as a promotional technique to attract many customers. These businesses hope that the loss-leader item will appeal to many customers who then will also buy regularly priced items. Psychological pricing is a pricing method that appeals to the emotional responses of customers and is used by businesses to attract customers to the value of the goods/services offered for sale. A cash discount is a deduction from the seller's price for paying the invoice amount within a specified number of days. Geographical pricing involves setting prices based on the location of customers.

SOURCE: PI:023

SOURCE: Churchill, G.A., Jr., & Peter, J.P. (1998). *Marketing: Creating value for customers* (2nd ed.) [pp. 347-348]. Boston: Irwin/McGraw-Hill.

61. D

Stimulate storewide sales. The purpose of a one-day sale on a holiday is to attract customers by offering reductions on a variety of merchandise. Merchandise that is priced too high probably needs permanent price reductions in order to be sold. A retailer promotes goodwill through its image, service, overall pricing strategies, and relationship to the community. There are no particular items connected with Columbus Day that would justify a special sale.

SOURCE: PI:023

SOURCE: Berman, B., & Evans, J.R. (2004). *Retail management: A strategic approach* (9th ed.) [pp. 484-485]. Upper Saddle River, NJ: Prentice Hall.

62. A

Special-event. Promotional pricing occurs when a product's price is temporarily lowered to stimulate sales. Special events might include annual seasonal sales or grand openings. Going-rate pricing occurs when a business sets its pricing by evaluating the pricing activities of its major competitors. Break-even is the level of sales at which revenues equal total costs. Market share refers to an organization's portion of the total industry sales in a specific market.

SOURCE: PI:023

SOURCE: Kotler, P. & Armstrong, G. (1999). *Principles of marketing* (8th ed.) [p. 337]. Prentice Hall.

63. B  
Odd pricing. Odd pricing is the practice of setting selling prices below even-dollar amounts. When businesses use such prices, customers sometimes feel they are getting a bargain. Even pricing is the use of an even number at the end of a price. To some, it gives the impression of quality. Prestige pricing involves deliberately putting an artificially high price on a product or service to suggest high quality and status. Sociological pricing is a distractor.  
SOURCE: PI:005  
SOURCE: PI LAP 1—Psychological Pricing
64. B  
High quality. Many customers believe that higher priced items are safer, last longer, and are generally of higher quality than lower priced items. Rapid turnover indicates that items are selling quickly, information that consumers would not have. Promotional pricing is pricing items at low levels and advertising them heavily. Loss leaders are items priced at or slightly above cost to attract customers to the store.  
SOURCE: PI:005  
SOURCE: PI LAP 1—Psychological Pricing
65. D  
\$4.97. Setting selling prices slightly below even-dollar amounts suggests bargains to customers. Consequently, the customer may perceive \$4.97 as a much lower price than \$5.00, even though it is only a few pennies less.  
SOURCE: PI:005  
SOURCE: PI LAP 1—Psychological Pricing
66. A  
Wise. Finding bargains to buy makes some customers feel like wise shoppers who have done something they can be proud of or even brag about. They know they have not been reckless or extravagant, or shopped as though they were rich.  
SOURCE: PI:005  
SOURCE: PI LAP 1—Psychological Pricing
67. D  
Penetration. Penetration pricing is a pricing strategy that businesses often use in order to introduce a new product and quickly attract a large number of customers. In penetration pricing, the initial price is set very low in order to quickly penetrate the market. The low prices attract customers who may become regular buyers of the new product and remain loyal even after the initial low price is increased. Competitive pricing involves setting prices that are comparable to the prices set by competitors. Flexible pricing allows customers to bargain for an acceptable price. Traditional pricing is not a type of pricing strategy.  
SOURCE: PI:020  
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (1997). *Marketing essentials* (2nd ed.) [pp. 396-397]. Glencoe McGraw-Hill.

68. C  
Overcharging. The overcharging strategy involves placing an inflated price on a product in relation to its quality. Eventually, most customers find out that the product is priced higher than it is worth and stop buying it. They may even tell others that the product is overpriced. Businesses should avoid using this strategy because it usually offends customers. Penetration and skimming are strategies that businesses use when pricing innovative new products. Price discrimination is an illegal activity in which a business charges customers different prices for similar amounts and types of merchandise.  
SOURCE: PI:020  
SOURCE: Kotler, P. & Armstrong, G. (1999). *Principles of Marketing* (8th ed.) [pp. 328-330]. Prentice Hall.
69. D  
Selectively. Businesses use penetration pricing to discourage other firms from introducing competitive products. This tactic is best when utilized selectively. Unless market conditions dictate proper conditions, this method could backfire—resulting in price wars or possible accusations of illegal predatory pricing.  
SOURCE: PI:020  
SOURCE: Etzel, M.J., Walker, B.J., Stanton, W.J. (2001). *Marketing* (12th ed.) [pp. 367-369]. Irwin.
70. C  
High-quality, innovative products. During the introduction stage of the product life cycle, products are imitative or innovative in nature. Innovative products are those that have never been in the marketplace. For example, a patented drug that cures a once fatal illness is an example of an innovative product. Innovative products often use the market-skimming strategy to set prices. The new products are initially set at high prices for a variety of reasons. For example, the business might need to recoup the research and development costs incurred to create the product. Market-skimming pricing strategies are successful in certain circumstances; the quality and image must justify the high price, and there must be sufficient buyers in the marketplace willing to pay for the product. Low-value goods are generally priced low. Imitative products tend to use premium, good-value, overcharging, or economy pricing strategies.  
SOURCE: PI:020  
SOURCE: Kotler, P. & Armstrong, G. (1999). *Principles of marketing* (8th ed.) [p. 330]. Prentice Hall.
71. B  
Captive-product. Captive-product pricing involves setting the prices of products that must be used with the main product. Businesses often set low prices on the main product to encourage customers to buy them. Then, they set high prices on the supplies needed to operate the main product because customers cannot use the main product without purchasing the supplies. Businesses often make most of their profit selling the supplies. An example of captive-product pricing is an inexpensive video-game machine that runs expensive game cartridges. Optional-product pricing involves selling accessories that increase the price of a main product. By-product pricing involves finding a market and setting a price on items that are left over from a main product. By-products are often priced low because they have low value.  
SOURCE: PI:021  
SOURCE: Kotler, P. & Armstrong, G. (1999). *Principles of marketing* (8th ed.) [pp. 331-332]. Prentice Hall.

72. D

Used as traffic builders. Lower priced items in the product line are used to attract the price-sensitive consumer and, thereby, increase customer traffic and market share. Product-line pricing does not omit low-end prices from the line or drop prices to lower brand equity. Pricing strategies typically increase prices of related products that are designed to enhance performance or are required to operate the product.

SOURCE: PI:021

SOURCE: Bearden, W.O., Ingram, T.N., Laforge, R.W. (1995). *Marketing: Principles and perspectives* (pp. 276-281). Irwin.

73. A

A lower price than if purchased separately. Bundle pricing stimulates customers to purchase by adding value and convenience. Customers believe they are receiving a value because they are saving money by buying the bundle. There would be no incentive to purchase the bundle package if the price was higher or the same as when purchased separately. Everyday, low prices means the price stays the same.

SOURCE: PI:021

SOURCE: Pride, W.M., & Ferrell, O.C. (2000). *Marketing: Concepts and strategies* (pp. 552-553). Houghton Mifflin.

74. A

A lumber mill packages and distributes bark chips and sells them as landscaping mulch. By-products are materials that are unused or left over upon the completion of the production or manufacturing process. By-products, such as animal remains in meat processing, usually possess little value. Some businesses can take by-products and create a new use for them. A lumber mill that sells split logs or planks might consider selling the bark chips as landscaping mulch. Dairy products (e.g., milk, cheese, butter) are examples of items that a dairy producer might carry in various product lines. Each item might consist of similar items with different grades or standards. This business might incorporate the product-line pricing strategy. A company providing different service plan combinations (e.g., cellular telephone services), is allowing customers to choose the plan that best meets their needs. This business is most likely using the optional-product pricing strategy. A product (e.g., computer printer) that requires another item (e.g., ink cartridge) to function properly is an example of a business that might use a captive-product pricing strategy.

SOURCE: PI:021

SOURCE: Kotler, P., & Armstrong, G. (1999). *Principles of marketing* (8th ed.) [pp. 331-333]. Prentice Hall.

75. B

Encourage sales. Brand names or slogans often become familiar and stay in the minds of consumers. People are more likely to purchase brands they remember, and the business hopes they will remember its brands and buy them. Brands and slogans do create awareness, but that is not the final objective. They do not identify the retailer, as many retailers carry the same brand names. Businesses do not use brand names to obtain a sponsor.

SOURCE: PM:021

SOURCE: PM LAP 6—It's a Brand, Brand, Brand World! (The Nature of Branding)

76. C

Memorable. A good brand name should be easy to read, pronounce, and remember so that the products that carry the brand will be easy to recognize. The brand should also be distinctive and not be too similar to those used by competitors. It should also be adaptable to the passage of time and not require frequent revision or updating.

SOURCE: PM:021

SOURCE: PM LAP 6—It's a Brand, Brand, Brand World! (The Nature of Branding)

77. D  
Recognition. Consumers are made aware of a new product in the brand recognition stage. Brand insistence is the stage of brand loyalty that occurs when consumers insist on buying a specific brand and will not accept a substitute. Using promotional methods does not create brand quality or performance.  
SOURCE: PM:021  
SOURCE: PM LAP 6—It's a Brand, Brand, Brand World! (The Nature of Branding)
78. C  
Loyalty. Brand loyalty is customers' allegiance to a particular brand. Brand recognition is the stage of brand loyalty in which consumers are made aware of a brand. The purpose of a brand is to provide identification. Brand insistence is the stage of brand loyalty in which consumers insist upon buying a specific brand.  
SOURCE: PM:021  
SOURCE: PM LAP 6—It's a Brand, Brand, Brand World! (The Nature of Branding)
79. B  
Advertising media, sales promotions, and packaging. These are the tools that marketers use to communicate signals or messages to customers. Each tool must reinforce each other in order to avoid confusion when businesses are trying to influence customer perceptions of products. These signals are what customers utilize when making decisions to buy. They are an important part of the marketing strategy and are used to emphasize the focal points for positioning. Convenience, quality, selection, and service are used as positioning messages.  
SOURCE: (PM:228)  
SOURCE: Lamb, C.W., Jr., Hair, J.F., Jr., & McDaniel, C. (2003). *Essentials of marketing* (3rd ed.) [pp. 201-204, 279, 419-423]. Mason, OH: South-Western.
80. C  
What product benefit does the target market find most appealing? Positioning is a strategy that a business uses to create a certain image or impression for a product in the mind of the consumer. The target market is an important consideration when positioning the product. For example, a high-income target market is more likely to buy items that reflect luxury than low-income target markets. The business might position the product to emphasize high-quality construction and materials, which is a benefit that appeals to this market. Hidden features might be important to some markets and not to others; the quantity of hidden features isn't the most important factor. Financial liability and risk level are business considerations when positioning a product rather than the target market's concerns. A competitor's sales-forecasting method is not the most important factor to consider when a company positions its products.  
SOURCE: (PM:228)  
SOURCE: Etzel, M.J., Walker, B.J., & Stanton, W.J. (2007). *Marketing* (14th ed.) [p. 157]. Boston: McGraw-Hill/Irwin
81. C  
Channel differentiation. Positioning refers to the strategy that a business uses to create a certain image or impression of a product in the minds of the consumers. One strategy, channel differentiation, involves emphasizing the strengths (e.g., expertise and efficiency) of the company's distribution processes. Image synchronization, image differentiation, and channel synchronization are not positioning strategies that businesses use when emphasizing their distribution expertise and efficiency.  
SOURCE: (PM:228)  
SOURCE: Kotler, P., & Keller, K.L. (2006). *Marketing management* (12<sup>th</sup> ed.) [pp. 320-231]. Upper Saddle River, NJ: Prentice Hall/Pearson.



82. D

To set it apart from competitors. Positioning is a product mix strategy in which a business creates a certain image or impression of a product in the minds of consumers. For a new product, businesses often try to develop a unique positioning concept that will set the new product apart from competitors. For example, the new product may have features that competing products do not have. These features make the product unique so the business can position the product based on its unique features. Businesses do not develop a unique positioning concept for a new product to monitor its growth stage, to create an original marketing plan, or to identify innovative objectives.

SOURCE: PM:228

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (pp. 645-646). New York: Glencoe/McGraw-Hill.

83. C

To appeal to the target market. Core values represent the underlying worth of products and the image those products project. Products have value beyond price, and these values often are more important to customers than the price. For example, the core values of one product might include quality construction and a respected reputation. These are the values that appeal to the target market and encourage the target market to buy the products. A business does not communicate the core values of its products to justify the price, develop appropriate advertising, or analyze market research.

SOURCE: PM:214

SOURCE: Soloman, M.R., Marshall, G.W., & Stuart, E.W. (2008). *Marketing: Real people, real choices* (5th ed.) [pp. 287-289]. Upper Saddle River, NJ: Pearson Prentice Hall.

84. B

Reinforce a business's image. Core values represent the underlying worth of products and the image those products project. The image of products reinforces a business's image. Ideally, the core values of the business and its products should be the same or compatible. For example, exhibiting social responsibility is a core value. Businesses project this value in their products by making products that are safe. Communicating the core value of product safety also reinforces the business's image of being socially responsible. Communicating the core values of products is not an effective way to explain the price structure, analyze the sales operation, or create a distribution channel.

SOURCE: PM:214

SOURCE: Kotler, P., & Armstrong, G. (2008). *Principles of marketing* (12th ed.) [p. 232]. Upper Saddle River, NJ: Prentice-Hall.

85. A

We deal honestly and fairly with our customers and ourselves. A business's core values represent a business's primary values and provide the foundation on which its employees perform their work and conduct themselves. Although goals, strategies, tactics, and employees change, core values remain unchanged. Decreasing overall expenses is a goal. Demonstrating a customer-service mindset is a competency or performance indicator. The use of social media is a tactic.

SOURCE: PM:214

SOURCE: National Park Service. (n.d.). *What are core values?* Retrieved February 20, 2010, from <http://www.nps.gov/training/uc/whcv.htm>

86. C  
To develop an appropriate marketing strategy. Competitive advantage is the edge achieved by businesses that offer something better than their competitors. Businesses usually try to identify a product's competitive advantage in order to develop a marketing strategy to achieve the business's goal of selling the product to the target market. For example, a product may have a unique feature that makes it better than similar products. Businesses focus on promoting that feature when marketing the product. A business does not identify its product's competitive advantage to create a realistic trademark, evaluate the marketing research process, or to plan a distribution system.  
SOURCE: PM:246  
SOURCE: Solomon, M.R., & Stuart, E.W. (2000). *Marketing: Real people, real choices* (2nd ed.) [p. 216]. Upper Saddle River, NJ: Prentice Hall.
87. C  
Competitive advantage. Competitive advantage is the edge achieved by businesses that offer something better than their competitors. If a business offers the best service in the industry, it has an advantage over competitors that do not provide the same level of service. Businesses identify their competitive advantage in order to use it as a way to attract customers. A business that offers the best service in the industry does not necessarily have a diverse culture, a social environment, or a trade perception.  
SOURCE: PM:246  
SOURCE: Solomon, M.R., Marshall, G.W., & Stuart, E.W. (2008). *Marketing: Real people, real choices* (5th ed.) [pp. 21-22]. Upper Saddle River, NJ: Pearson Prentice Hall.
88. D  
"We provide more for less." A company's competitive advantage is the strategic advantage that helps to set it apart from its competitors. In this case, use of the tagline "we provide more for less" stresses the value offered to customers. The tagline indicates that the rental car company offers a greater selection of cars at a lower cost than its competitors. A product's performance level, a company's ability to do it right the first time, and a company that provides the little "extras" do not emphasize value.  
SOURCE: PM:246  
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (pp. 645-646). New York: Glencoe/McGraw-Hill.
89. C  
Identity. Corporate branding refers to the combined impressions, images, or experiences associated with a company or parent entity. A corporate brand may include a variety of products, but the name or corporate brand provides all products with a common identity. For example, PepsiCo is a corporate brand under which its Pepsi, Quaker Oats, Tropicana, Gatorade, and Frito Lay products are sold. Corporate brands do not necessarily provide a common platform, ranking, or strategy for products.  
SOURCE: PM:206  
SOURCE: Dhruv, G., & Levy, M. (2008). *Marketing* (p. 284). New York: McGraw-Hill/Irwin.
90. A  
Procter and Gamble. A corporate brand is the combined impressions, images, or experiences associated with a company or parent entity. Procter and Gamble is a corporate brand with which many consumers are familiar. Tide detergent, Charmin bath tissue, and Oil of Olay are Procter and Gamble products.  
SOURCE: PM:206  
SOURCE: Dhruv, G., & Levy, M. (2008). *Marketing* (p. 284). New York: McGraw-Hill/Irwin.

91. B

Consumers have toward a business or product. The current meaning of "brand" is completely consumer focused and combines the consumers' experiences, images, and associations regarding a company, good, or service. A brand is the relationship a company or product has with its customers. A brand is not built on how businesses view each other or other industries, nor is brand about consumers' views of things they want to buy.

SOURCE: PM:206

SOURCE: Kotler, P., & Armstrong, G. (2008). *Principles of marketing* (12<sup>th</sup> ed.) [pp. 230-232]. Upper Saddle River, NJ: Prentice-Hall.

92. A

Company web site, sales calls, and trade shows. A corporate brand is all of the combined impressions and experiences associated with a particular company. A successful corporate brand involves developing product and promotional mixes that communicate a desired image of the business. This communication occurs through a variety of touch points. Touch points are the opportunities that the business has to connect with customers and reinforce its brand. Some opportunities that the business has to communicate and reinforce the corporate brand are through the company's web site and during sales calls and trade shows. These opportunities involve the efforts of many of the company's employees, including the sales staff. Compensation policies, sales reports, and marketing audits are not target-market touch points.

SOURCE: PM:206

SOURCE: Brighter Naming. (2011). *Measuring your brand touch points*. Retrieved August 10, 2011, from [http://www.brighternaming.com/brand\\_touch\\_points.html](http://www.brighternaming.com/brand_touch_points.html)

93. C

Provide direction. A business plan is an outline of how a business will operate. It includes a variety of information such as what goods or services will be sold, target customers and how to reach them, financial resources, management team, and goals and objectives. During the process of developing a plan, businesses conduct market research, identify competitors, and decide how to operate in order to reach their goals and be successful. The plan provides businesses with the direction they need in order to make decisions and operate in a manner that is compatible with their objectives. A business plan identifies a business's target customers, but it does not acquire them. A business plan does not invest resources or identify employees.

SOURCE: SM:007

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (pp. 738-739). New York: Glencoe/McGraw-Hill.

94. D

Investors. A business plan is a set of procedures or strategies that outlines how a person plans to take an idea and turn it into an organized effort to produce and/or distribute goods and services. Some people who start businesses do not have enough money to start out, so they seek financial assistance through lenders (e.g., banks) or private investors. The investors usually want to see a detailed business plan before investing money into a venture. A business owner does not distribute his/her business plan to competitors, clients, or promoters to obtain financial support.

SOURCE: SM:007

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (pp. 738-744). New York: Glencoe/McGraw-Hill.

95. D  
Company description. The company description accurately portrays the new company or venture, provides a history of the company, and shows the current business structure, among other things. In the market analysis, you see how the market has responded (or is likely to respond) to the new company or product/venture. The strategy and implementation section shows how the business intends to do what it has planned. The executive summary gives an overview of the entire document.  
SOURCE: SM:007  
SOURCE: SM LAP 1—Plan Now, Succeed Later (Nature of Business Plans)
96. B  
Financial plan. The financial plan shows how the business has performed (or is likely to perform) financially. It also discusses the cost estimates and the effect of each cost on the company. The management plan describes the company's managers, whose capabilities (and track record) are often considered to be the single most important indicator of success. The strategy and implementation section shows how the business intends to do what it has planned. The company description accurately portrays the new company or venture, provides a history of the company, and shows the current business structure, among other things.  
SOURCE: SM:007  
SOURCE: SM LAP 1—Plan Now, Succeed Later (Nature of Business Plans)
97. D  
Affect the direction a business takes. Business exists in a constantly changing environment composed of factors specific to the individual business as well as factors common to all businesses. Business decisions must be made based around these environmental factors so that the business can be proactive rather than reactive to changes in the environment. Government regulation is only one external factor.  
SOURCE: SM:011  
SOURCE: Soloman, M.R., Marshall, G.W., & Stuart, E.W. (2008). *Marketing: Real people, real choices* (5<sup>th</sup> ed.) [p. 308]. Upper Saddle River, NJ: Pearson Prentice Hall.
98. D  
The expanded use of computers. Computers are part of technology, and the fact that they are being used in more and more business operations is a current technological trend. The rising median age of the population is a demographic factor that affects many businesses. Government subsidies are part of government support of business, and the enforcement of safety rules is part of government regulation of business.  
SOURCE: SM:011  
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (pp. 198-199). Woodland Hills, CA: Glencoe/McGraw-Hill.
99. C  
Economic trends affect consumer spending. Studying economic trends helps business planners predict how willing consumers will be to spend their money. For example, consumers tend to delay the purchase of luxury or large-ticket items during bad economic conditions. Upturns in the economy cannot always be predicted. A slow economy reduces investor confidence. The fact that some businesses must meet licensing requirements is not related to economic trends.  
SOURCE: SM:011  
SOURCE: MN LAP 43—External Planning Considerations

100. D

Can be a valuable forecasting tool. The information gathered in the process of conducting an environmental analysis can help the business in its forecasting efforts because it identifies the changes the business may be facing. The study does not take the place of continuous planning but should be a prerequisite for planning. Government subsidies are not granted on the basis of an environmental analysis but as the result of a recognized need for support. The business may decide to lower prices as a result of its analysis, but the analysis itself does not help the business to do so.

SOURCE: SM:011

SOURCE: Solomon, M.R., Marshall, G.W., & Stuart, E.W. (2008). *Marketing: Real people, real choices* (5<sup>th</sup> ed.) [p. 308]. Upper Saddle River, NJ: Pearson Prentice Hall.

- Which of the following are characteristics of a well-written executive summary:
  - Creative, concise, and informal
  - Error-free, simple, and creative
  - Clear, concise, and error-free
  - Concise, informal, and error-free
- What should the first section of an executive summary contain?
  - A recommended course of action
  - A statement of the report's purpose sponsors
  - A letter of authorization
  - An acknowledgement of the report's sponsors
- When developing an executive summary for a written report, the writer should include
  - technical jargon.
  - all supporting evidence.
  - the most important points.
  - mostly background information.
- Which of the following statements regarding executive summaries is true:
  - You should sequence the main ideas of your executive summary in the same order that they appear in your full report.
  - Your executive summary should be approximately one-fourth to one-third as long as your entire report.
  - You should always write your executive summary before writing the body and appendices of your report.
  - You should use jargon, technical language, abbreviations, and slang frequently throughout your executive summary.
- Which of the following is an example of people using persuasion in business:
  - Presenting the company's annual financial statement to the board of directors
  - Delivering or distributing goods to a customer on a timely basis
  - Requesting product specifications from a vendor or manufacturer
  - Distributing a report to company officers that recommends policy changes
- Which of the following do individuals usually need to be able to persuade others:
  - Flexibility
  - Credibility
  - Creativity
  - Responsibility
- Persuasion is an important part of which of the following functions:
  - Education
  - Motivation
  - Communication
  - Self-control
- What should you do first before trying to persuade others?
  - Understand your audience.
  - Provide good information.
  - Explain the benefits.
  - Motivate others to act.
- When trying to persuade others, it is often helpful to use stories and anecdotes because they
  - make people feel comfortable.
  - reinforce your message.
  - add energy to your explanation.
  - exaggerate the benefits.
- Which of the following is a true statement about elevator pitches:
  - A well-planned elevator pitch should not need to be updated on a regular basis.
  - The elevator pitch should be short and emphasize the competition's weaknesses.
  - An effective elevator pitch includes the business's competitive advantage.
  - The primary purpose of an elevator pitch is to reinforce the business's brand.

11. Which of the following techniques helps to build trust in negotiations:
- A. Always have an answer ready
  - B. Provide a lot of documentation
  - C. Show respect by actively listening
  - D. Share information to disprove opponent
12. Businesses should view negotiation as a way to
- A. build strong relationships.
  - B. get something done.
  - C. get the action they want.
  - D. keep negative people quiet.
13. Besides having a clear understanding of what you want from negotiation, it is important to also know
- A. what the other person wants.
  - B. how long negotiation is expected to take.
  - C. how many people you will be negotiating with.
  - D. who will be required to implement the outcome of the negotiation.
14. Which of the following is a common negotiating strategy:
- A. Using authority
  - B. Speaking
  - C. Bargaining
  - D. Being aggressive
15. The primary goal of negotiation is to
- A. improve relationships.
  - B. reach an agreement.
  - C. develop self-confidence.
  - D. encourage unrealistic expectations.
16. Al is thinking about moving his company's headquarters to another city, which would be expensive but closer to the raw materials needed for manufacturing. The benefit in moving is
- A. independence.
  - B. demand.
  - C. feasibility.
  - D. proximity.
17. Although hiring a highly skilled employee is an added expense, a business owner benefits because the employee's activities increase the firm's overall productivity based on his/her
- A. expertise.
  - B. self-control.
  - C. attitude.
  - D. inability.
18. A small-business owner is trying to decide whether to rent or buy office furniture. The monthly rental is \$275 per person, and there are six people who will need furniture. The cost of buying the furniture is \$6,500 per person. What would you advise the small-business owner to do?
- A. Rent the furniture because rental costs are much less a year than the purchase price on an annual basis.
  - B. Buy the furniture because rental costs will exceed the purchase price in 1.97 years.
  - C. Buy the furniture because rental costs will be less than the purchase price in 2.2 years.
  - D. Rent the furniture because rental costs will be less than the purchase price for 3.4 years.
19. Because Connor does not know how to prepare his start-up company's tax return, he decides to outsource the activity by contracting a(n)
- A. insurance agent.
  - B. probate attorney.
  - C. trusted colleague.
  - D. licensed accountant.
20. One of the advantages of dealing with independent insurance agents is that they
- A. represent several companies.
  - B. work for a low commission.
  - C. provide limited coverage.
  - D. charge discounted rates.

21. In which of the following situations might a small business be able to reduce the premiums it pays for insurance coverage:
- A. Acquires additional protection
  - B. Decreases amount of deductible
  - C. Develops a self-insurance program
  - D. Buys from its professional organization
22. Which of the following usually reduces the amount of the premium that a business pays for insurance:
- A. Increasing the deductible from \$500 to \$1,000
  - B. Purchasing insurance from a private agent
  - C. Paying the premium in monthly installments
  - D. Negotiating a security deposit of \$2,000
23. In which of the following situations is a business paying more for insurance than it should:
- A. Property is essential to the operation of the business.
  - B. Premium is \$500 a year on property valued at \$2,000.
  - C. Replacement cost is more than purchase price of property.
  - D. Premium is \$1,000 a year for liability coverage of \$100,000.
24. Joe's employees plugged the electrical cord for display lights into an old, worn, extension cord. Joe instructed them to get a new, heavy-duty cord. Joe is implementing \_\_\_\_\_ measures.
- A. security-precaution
  - B. expense-control
  - C. employee-control
  - D. loss-prevention
25. Which of the following would be part of a business's efforts toward risk management:
- A. Training employees
  - B. Securing loans
  - C. Setting prices
  - D. Scheduling workers
26. Which of the following statements regarding risk management is true:
- A. It helps a business to be reactive in facing risk.
  - B. It reduces uncertainty about the past.
  - C. It involves taking calculated risks.
  - D. It reduces business assets and sales.
27. Poor product development, unreliable manufacturing equipment, and product shortages are examples of \_\_\_\_\_ risks.
- A. strategic
  - B. hazard
  - C. financial
  - D. operational
28. Which of the following statements regarding prospective risks is true:
- A. Prospective risks are typically more common than retrospective risks.
  - B. Prospective risks have occurred in the past and in the future.
  - C. Prospective risks are usually easier to identify than retrospective risks.
  - D. Prospective risks have not happened before but could occur in the future.
29. Established businesses receive their primary flow of money from
- A. sales.
  - B. credit.
  - C. fees.
  - D. loans.
30. When a business buys buildings, vehicles, and equipment, money is flowing out of the business to acquire
- A. assets.
  - B. products.
  - C. staples.
  - D. supplies.



31. What do businesses often need to do to continue operating when they experience negative cash flow?
- A. Borrow funds
  - B. Purchase assets
  - C. Hire employees
  - D. Eliminate supplies
32. An insufficient cash flow is one of the main causes of
- A. business failure.
  - B. higher prices.
  - C. fiscal stability.
  - D. decreased profits.
33. Which of the following are examples of cash outflows:
- A. Rent, utilities, and supplies
  - B. Supplies, loans, and earned interest
  - C. Payroll, stocks, and product sales
  - D. Utilities, sale of assets, and payroll
34. Which of the following is an example of current liabilities that a business should include in its balance sheet:
- A. Employees' salaries
  - B. Accounts receivable
  - C. Owner's equity
  - D. Mortgage loans
35. Which of the following are the categories that businesses use to summarize information on their balance sheets:
- A. Equity, budget, and cash
  - B. Assets, liabilities, and equity
  - C. Liabilities, equipment, and sales
  - D. Cash, budget, and credit
36. The reason why a business prepares a balance sheet is to determine its
- A. average cash flow.
  - B. current financial situation.
  - C. estimated annual income.
  - D. future sales goal.
37. Which of the following should be listed as a long-term liability on a balance sheet:
- A. Inventory
  - B. Payroll
  - C. Mortgage
  - D. Equipment
38. Which of the following is an example of an expense that a business would include in the operating-expenses category of an income statement:
- A. Cost of raw materials
  - B. Insurance payments
  - C. Customer returns
  - D. Shipping charges
39. The bottom line on a business's income statement indicates
- A. net worth.
  - B. gross revenue.
  - C. net income.
  - D. total costs.
40. By comparing the categories in an income statement, a business will be able to determine if it is
- A. paying too little for supplies.
  - B. spending too much on expenses.
  - C. earning too much income.
  - D. acquiring goods for too low a price.
41. Zebba's Manufacturing Company received a shipment of raw materials. These materials would appear on an income statement as
- A. cost of goods sold.
  - B. revenue.
  - C. gross profit.
  - D. net income.

42. How can a business determine whether it is more profitable this year than last year?
- A. By comparing the income statement's net profit figures for those two years
  - B. By comparing the income statement's operating expenses for those two years
  - C. By determining whether assets minus liabilities equals owner's equity
  - D. By determining whether owner's equity is positive or negative
43. Before providing financial support, lenders and investors typically require new ventures to provide pro forma income statements to evaluate the ventures'
- A. anticipated profitability.
  - B. inventory needs.
  - C. actual productivity.
  - D. payment structures.
44. Which of the following is a document that projects how a new business venture intends to manage its assets and liabilities:
- A. Sales forecast
  - B. Competitive analysis
  - C. Pro forma balance sheet
  - D. Asset depreciation report
45. Jane is developing a pro forma cash flow statement for her startup business. Which of the following is external information that Jane can use to help estimate the startup business's cash inflows from sales:
- A. Accounts-payable records
  - B. Industry analyses
  - C. Purchase orders
  - D. Inventory-status reports
46. A business needing funds to purchase an expensive piece of equipment would apply for which of the following types of credit:
- A. Equity funds
  - B. Installment loan
  - C. Mortgage loan
  - D. Trade credit
47. Many businesses are able to finance the purchase of goods and services for resale by obtaining credit from their
- A. competitors.
  - B. suppliers.
  - C. managers.
  - D. customers.
48. Which of the following types of credit might business owners obtain in order to purchase seasonal goods for resale:
- A. Accounts receivable
  - B. Mortgage debts
  - C. Stocks and bonds
  - D. Short-term loans
49. Businesses often obtain cash to produce and sell goods by borrowing against their
- A. accounts receivable.
  - B. current liabilities.
  - C. operating expenses.
  - D. promissory notes.
50. Trade credit is a form of short-term financing for many businesses because it allows them to
- A. obtain goods for resale and pay for them later.
  - B. borrow cash without paying interest.
  - C. use their credit rating to obtain a cash loan.
  - D. qualify for higher trade discounts.
51. A business usually negotiates loans with the same bank in which it maintains a checking account because the business has a(n) \_\_\_\_\_ with that bank.
- A. legal agreement
  - B. investment opportunity
  - C. marketing contract
  - D. established relationship

52. Which of the following could entrepreneurs do to strengthen their businesses' relationship with their bankers?
- A. Tell the bankers how important the loan is to the bank
  - B. Explain how they will repay the money
  - C. Strengthen their marketing plans
  - D. Invite their bankers to visit their place of business
53. Businesses evaluate their relationships with banks to make sure the bank
- A. understands the business.
  - B. likes the business.
  - C. will lower their interest rates.
  - D. operates worldwide.
54. Why would a business owner consider developing a relationship with a virtual bank?
- A. It has convenient daytime hours.
  - B. It is located in the same community.
  - C. It might offer lower rates on loans.
  - D. It is not controlled by regulations.
55. A business has cash-on-hand of \$15,000, accounts receivable of \$25,000, and monthly operating expenses of \$31,250. If the business expects to be paid only half of the accounts receivable this month, calculate its current financing needs.
- A. \$3,275
  - B. \$3,750
  - C. \$3,550
  - D. \$3,125
56. What might result if a business has insufficient financing to meet unexpected major expenses?
- A. Recession
  - B. Depreciation
  - C. Bankruptcy
  - D. Liquidity
57. In which of the following situations would an existing business need to obtain additional financing:
- A. Short-term debt is low and backed by collateral.
  - B. Accounts receivable are collected in 30 days.
  - C. Increased sales create a need for more inventory.
  - D. Inventory levels are equal to regular sales.
58. Calculate the amount of additional capital a business needs to obtain in order to purchase a new piece of equipment that costs \$250,000 if a bank will loan 75% of the price and the business has \$20,000 in available cash.
- A. \$75,000
  - B. \$25,000
  - C. \$62,500
  - D. \$42,500
59. Which of the following is a risk a business might face if it obtains a long-term loan from a financial institution and pays off the loan before it is due:
- A. Paying a processing fee
  - B. Losing interest on the account
  - C. Being charged a penalty
  - D. Receiving a variable rate
60. A small business is having temporary financial problems. A risk that the business might encounter if it has a loan from a bank is the possibility that the bank will
- A. call the loan.
  - B. raise the interest rate.
  - C. close the account.
  - D. require more collateral.
61. Which of the following is a risk that a business might face as a result of obtaining a long-term loan from a bank:
- A. Operating expenses decrease
  - B. Loan processing fees increase
  - C. Variable interest rate increases
  - D. Cost of living decreases

62. Which of the following is an advantage of a loan program provided by state or local development corporations:
- A. It may offer small-business loans at lower rates.
  - B. The business plan does not need to be complete.
  - C. It is designed to serve a certain geographical area.
  - D. A business may have a longer period of time to repay.
63. Nonprofit corporations do not need to repay funding that they receive through
- A. mortgage companies.
  - B. credit unions.
  - C. bank loans.
  - D. foundation grants.
64. A business borrowing start-up money from a commercial bank is an example of
- A. trade credit.
  - B. venture capital.
  - C. debt financing.
  - D. asset lending.
65. Which of the following is an example of a business obtaining funds through equity financing:
- A. Borrowing money from friends
  - B. Obtaining credit from vendors
  - C. Selling stock to investors
  - D. Negotiating loans with banks
66. One reason why banks might be reluctant to lend money to a start-up business is because the business
- A. will not have collateral.
  - B. has no record of repaying loans.
  - C. has a solid business plan.
  - D. must incorporate first.
67. Which of the following would a bank consider when analyzing the personal financial statement of a prospective entrepreneur:
- A. Credit report, personal tax returns, debts
  - B. Projected income, salary, assets
  - C. Estimated equipment costs, insurance policies
  - D. Personal tax returns, education, projected expenses
68. One reason why lending institutions use loan evaluation criteria is to reduce the possibility that the borrower will \_\_\_\_\_ the loan.
- A. pay off
  - B. refinance
  - C. default on
  - D. buy out
69. One reason why banks often consider a business's collateral when evaluating a loan application is because the collateral is a(n)
- A. mirror of the current economic situation.
  - B. secondary source for repaying the loan.
  - C. indication of the business's character.
  - D. primary example of permanent inventory.
70. A new business owner is applying for start-up funds from a commercial bank. What should the owner include in the loan application?
- A. Summary of sales receipts
  - B. Accounts receivable information
  - C. Personal financial statement
  - D. Explanation of credit policies
71. What do businesses often negotiate with banks during the process of obtaining a loan?
- A. Stock value
  - B. Accounts payable
  - C. Interest rate
  - D. Personal equity

72. Which of the following is a question that businesses are often asked during the process of applying for a loan:
- A. Who will disburse the money?
  - B. Where will the money be kept?
  - C. How will the money be used?
  - D. Who will pick up the money?
73. What is a guideline to follow when completing a loan application?
- A. Use all uppercase letters when completing online applications.
  - B. Present yourself in a positive light but be honest.
  - C. Leave questions blank when they don't apply to you.
  - D. Use overly large letters to make the application easy to read.
74. When determining start-up financing needs, a new business owner should consider the amount of money that will be needed to pay
- A. dividends to stockholders.
  - B. short-term operating expenses.
  - C. long-term renovation costs.
  - D. commissions to salespersons.
75. Calculate the start-up monies a business will need based on the following information: \$5,400 for three months' rent, \$3,750 for furniture and supplies, \$825 for utilities for three months, \$12,000 in working capital, and wages of \$5,500 per month for three months.
- A. \$34,500
  - B. \$33,500
  - C. \$38,475
  - D. \$27,475
76. How much start-up money will a new business need to cover costs for the first 10 weeks if it intends to hire one full-time employee at a weekly salary of \$550, one part-time employee to work 20 hours a week at a rate of \$12 an hour, and spend \$600 a week on other expenses?
- A. \$13,900
  - B. \$12,200
  - C. \$15,550
  - D. \$16,650
77. The GRS Corporation offers on-site health-care and child-care services, flexible working hours, part-time positions, and telecommuting options for its employees. These strategies help GRS to reinforce its image of being a
- A. family-friendly employer.
  - B. highly creative organization.
  - C. team-oriented organization.
  - D. culturally diverse employer.
78. Which of the following is an important question that a business should ask when selecting a vendor:
- A. Does the vendor have the resources to consistently meet our business's needs?
  - B. What computer program does the vendor use for its project management processes?
  - C. What is our business's target market?
  - D. What are our business's strengths and weaknesses?
79. It is important for a business to evaluate the financial condition of a potential vendor during the vendor-selection process to assess the
- A. vendor's levels of customer service.
  - B. reliability of the products that the vendor carries.
  - C. risk levels of doing business with the vendor.
  - D. vendor's required lead times.
80. What is the most important factor for a west-coast business to consider if it plans to use a supplier who is located in the same country on the east coast?
- A. Exchange rates
  - B. Personnel policies
  - C. Delivery timeliness
  - D. Return on sales

81. An organization with a quality culture would have executive-level managers who are
- A. able to enlist the expertise of outside contractors for quality.
  - B. good at delegating all commitments for quality assurance.
  - C. flexible, indifferent, and not responsible for quality.
  - D. committed, involved, and take responsibility for quality.
82. Businesses develop a quality culture by a combination of continuous improvement and
- A. goodwill.
  - B. teamwork.
  - C. research.
  - D. security.
83. A crucial part of creating a quality culture in a business involves encouraging all employees to
- A. work without supervision.
  - B. give up their authority.
  - C. compete for attention.
  - D. find ways to improve.
84. Which of the following is a barrier for businesses in the adoption of a quality culture:
- A. Focusing on quick fixes
  - B. Having management lead the way
  - C. Stressing standardization of products and services
  - D. Making employees aware of the company's quality program
85. One of the most important reasons why management often focuses on improving quality throughout the organization is to
- A. allocate resources.
  - B. remain competitive.
  - C. implement change.
  - D. delegate authority.
86. It important for management to monitor all quality factors that affect business activities, so it can ensure that the company is
- A. creating a positive work environment.
  - B. developing short-term goals.
  - C. meeting the customers' expectations.
  - D. establishing credibility among its competitors.
87. An important aspect of continuous quality improvement within an entire business organization requires management to
- A. hire additional staff to oversee quality control.
  - B. make as few changes as possible.
  - C. solicit input from employees.
  - D. obtain daily reports to monitor progress.
88. One reason it is important for businesses to develop standards to achieve quality is to provide employees with
- A. ways to stay healthy.
  - B. procedures for repairing equipment.
  - C. guidelines to follow.
  - D. activities for being safe.
89. Which of the following is a factor that might make a business decide to buy rather than to lease a facility:
- A. Current cash flow
  - B. Long-term cost
  - C. Decreasing land values
  - D. Negative credit rating
90. How does borrowing money to purchase a facility often result in a tax savings for a business?
- A. Maintenance fees are part of the monthly payment.
  - B. Ownership improves a business's credit rating.
  - C. Mortgages require a substantial security deposit.
  - D. Interest paid on a mortgage is tax deductible.

91. A business owner often has considerable influence when negotiating facility lease terms if the
- A. property is located in a prime or popular location.
  - B. tax rate is higher than the national average.
  - C. facility owner possesses more than one property.
  - D. real estate market is saturated or slow.
92. Businesses often decide to purchase a facility rather than lease space when
- A. gross profit is low.
  - B. cash flow is limited.
  - C. interest rates are low.
  - D. mortgage money is limited.
93. When negotiating a lease with a commercial property company, a small-business owner should consider issues such as building maintenance, exterior landscaping, and
- A. product warranties.
  - B. labor laws.
  - C. signage restrictions.
  - D. royalty payments.
94. Why do many businesses use the computer technology known as dashboards and scorecards?
- A. To track key performance indicators
  - B. To gather information for databases
  - C. To maintain security of the systems
  - D. To develop new software programs
95. In the event of a power outage, a business has generators available, so it can continue operating and helping its customers. The complete procedures for implementing the process should be outlined in the business's
- A. environmental scan.
  - B. contingency plan.
  - C. evacuation plan.
  - D. regulatory scan.
96. A competitive analysis should be included in which component of the business plan?
- A. Appendices
  - B. Executive summary
  - C. Market analysis
  - D. Financial plan
97. Which component of the business plan sets specific assignments and deadlines for putting the plan into action?
- A. Company description
  - B. Market analysis
  - C. Strategy and implementation
  - D. Product(s) offered
98. The management plan component of a business plan addresses which of the following:
- A. Cash flow
  - B. Organizational structure
  - C. Market research
  - D. Legal documents
99. Existing businesses need to provide what kind of data in the financial plan component of their business plans?
- A. Competitive financial data
  - B. Management resumes
  - C. Contracts and licenses
  - D. Historical financial data
100. Building permits may show up in which component of a business plan?
- A. Executive summary
  - B. Table of contents
  - C. Product(s) offered
  - D. Appendices

1. C

Clear, concise, and error-free. An executive summary is a section of a formal report that highlights the most important information that appears in the body of the document. A well-written executive summary should be clear, concise, and error-free. An executive summary should be easy to read and simple to understand. Because an executive summary is part of a formal report, it should follow a formal format. An executive summary does not need to be creative—its primary purpose is to inform the reader about essential facts.

SOURCE: CO:091

SOURCE: Locker, K.O. (2006). *Business and administrative communication* (7th ed.) [p. 431]. Boston: Irwin/McGraw-Hill.

2. B

A statement of the report's purpose. The executive summary provides an overview of the entire report and contains the most important information included in the body of the report. The first section of the executive summary should inform the reader about the purpose of the report—the reason the report exists. For example, if the report addresses a specific business problem, the report should cite the problem in the purpose statement of the executive summary. Recommendations are addressed in the recommendations section of the report. A letter of authorization might be included in a proposal that a business submits to a potential client. By signing the letter of authorization, the client provides approval to proceed with an activity or project. The first section of an executive summary does not acknowledge sponsors. Sponsors support activities, events, or projects rather than reports.

SOURCE: CO:091

SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [pp. 456, 461, 474]. Upper Saddle River, NJ: Pearson Prentice Hall.

3. C

The most important points. The executive summary provides an overview of the entire report and contains the most important information included in the body of the report. Although it may be appropriate to include some background information, some supporting evidence, and a limited amount of technical jargon, the primary purpose of the executive summary is to provide a concise and clear overview of the entire document. Comprehensive background information and detailed supporting evidence are placed in the body of the report or in the appendices.

SOURCE: CO:091

SOURCE: eHow.com. (1999-2012). *How to write an executive summary*. Retrieved February 8, 2012, from [http://www.ehow.com/how\\_16566\\_write-executive-summary.html](http://www.ehow.com/how_16566_write-executive-summary.html)

4. A

You should sequence the main ideas of your executive summary in the same order that they appear in your full report. An executive summary is a summary of the most important points of a longer document such as a business report, business plan, or marketing plan. In fact, the executive summary is typically considered to be the most important part of a company's business or marketing plan because it gives an overview of the entire document and helps the reader to determine whether it is worthwhile to read any further in the document. The main ideas of the executive summary should be presented in the same order that they appear in the full report. As a rule of thumb, an executive summary should be no more than one-tenth of the length of the entire report. It is commonly recommended that you write your executive summary after writing the body of your report. You should avoid using excessive jargon, technical language, abbreviations, and slang in your executive summary.

SOURCE: CO:091

SOURCE: eHow. (1999-2012). *How to write an executive summary*. Retrieved March 22, 2012, from [http://www.ehow.com/how\\_16566\\_write-executive-summary.html](http://www.ehow.com/how_16566_write-executive-summary.html)



5. D  
Distributing a report to company officers that recommends policy changes. Persuasion is the effort of an individual or group of individuals to influence the attitudes or behavior of another individual or group of individuals. Recommendations for altering established policies is an example of trying to initiate change. Requesting product specifications, distributing goods on a timely basis, and presenting a financial statement are not examples of persuasion because a change in attitude or behavior is not the primary goal.  
SOURCE: EI:012  
SOURCE: Hyden, J.S., Jordan, A.K., & Steinauer, M.H. (2006). *Communicating for success* (2nd ed.) [p. 324]. Mason, OH: Thomson South-Western.
6. B  
Credibility. Credibility is believability. To be able to persuade others, individuals need to be credible so others believe what they say. Individuals who are credible have a reputation of providing accurate information in a fair manner. They are well-informed and use reliable sources to support their opinions and ideas. As a result, others believe them and often are persuaded to do what they want. Individuals do not necessarily need to be flexible, creative, or responsible to be able to persuade others.  
SOURCE: EI:012  
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (pp. 187-189). New York: Glencoe/McGraw-Hill.
7. C  
Communication. Communication is an exchange of information in which the words and gestures are understood in the same way by both the speaker and the listener. Persuasion is an important part of communication and is something you do almost every time you talk to someone. You want others to understand your message and agree with you. During the process of persuading, you usually try to motivate others to take some kind of action. Education involves learning. Self-control is restraint of your feelings, words, and actions.  
SOURCE: EI:012  
SOURCE: QS LAP 10—Win Them Over
8. A  
Understand your audience. Before trying to persuade others, it is important to understand your audience. You need to know whom you are trying to persuade because different people or groups have different needs and concerns. You need to know what they want or care about before trying to persuade them. Once you understand your audience, you will be able to provide good information and explain the benefits of agreeing with you. Motivating others to act is the last step in the persuasion process.  
SOURCE: EI:012  
SOURCE: QS LAP 10—Win Them Over
9. B  
Reinforce your message. Use stories and anecdotes to reinforce your message with word pictures and examples that others can understand easily. If you can paint a picture in people's minds, they will be able to understand your ideas. Also, stories are interesting and easy to remember. People are often able to relate to them on a personal level. The use of appropriate body language often makes people feel comfortable. Use your voice to add energy to your explanation. You should not exaggerate the benefits.  
SOURCE: EI:012  
SOURCE: QS LAP 10—Win Them Over

10. C

An effective elevator pitch includes the business's competitive advantage. An elevator pitch is a short (60 seconds or less) speech that explains a venture's business model. Entrepreneurs typically present or "pitch" their businesses to others during professional networking events, social gatherings, or happenstance situations such as an elevator ride. The primary goal of an elevator pitch is to stimulate the other person's interest enough to secure another meeting. The follow-up meeting may involve presenting investment opportunities, selling products, or obtaining the names of additional contacts. To stimulate interest, an entrepreneur should plan the pitch so that it focuses on key concepts, including the venture's financial projections, market potential, and its competitive advantage. Effective elevator pitches should appeal to the appropriate audience and should be well-planned, well-rehearsed, and updated as needed. Focusing on the competition's weaknesses is a negative tactic and may hinder the desired response. The primary purpose of an elevator pitch is to stimulate interest rather than reinforce the business's brand.

SOURCE: EI:093

SOURCE: Pagliarini, R. (n.d.). *How to write an elevator pitch*. Retrieved May 16, 2012, from <http://www.businessknowhow.com/money/elevator.htm>

11. C

Show respect by actively listening. When negotiating, you often earn the other party's trust by actively listening to their point of view. This shows that you are interested in what is being said and that you want to reach agreement. It is not possible to have an answer for all questions. Documentation will not be convincing if you have not shown yourself to be trustworthy. Trying to disprove the other party does not build trust and is not an effective negotiation technique.

SOURCE: EI:062

SOURCE: EI LAP 8—Make It a Win-Win (Negotiation in Business)

12. A

Build strong relationships. Negotiation can be a means of strengthening long-term relationships with customers, suppliers, coworkers, and other businesses. Negotiation demands a spirit of cooperation. Entering negotiation with the idea of getting a certain action, keeping negative people quiet, or getting something done will not produce a situation that allows everyone to feel they have gained through the process.

SOURCE: EI:062

SOURCE: EI LAP 8—Make It a Win-Win (Negotiation in Business)

13. A

What the other person wants. Knowing what the other person wants allows you to identify the common ground between the two viewpoints. How long negotiation will take is seldom determined ahead of time. Although it may be nice to know, the number of people attending is not a crucial factor in negotiations. The task at hand is the negotiation. It is unwise to divide your focus between the negotiation and implementing the outcome.

SOURCE: EI:062

SOURCE: EI LAP 8—Make It a Win-Win (Negotiation in Business)

14. C

Bargaining. Bargaining often is an effective negotiating strategy. When bargaining, each person proposes solutions and uses "give-and-take" tactics to reach an agreement. Each person may have to give up something in the process, but each person gets something in return. Silence rather than speaking is also a common negotiating strategy. Another strategy involves claiming not to have authority rather than using authority. Being aggressive is not a negotiating strategy.

SOURCE: EI:062

SOURCE: EI LAP 8—Make It a Win-Win (Negotiation in Business)

15. B

Reach an agreement. Negotiation is the process of reaching an agreement with another party. In any negotiation, one person or group attempts to get another person or group to agree to a certain course of action. People often negotiate to improve relationships but not in all situations. Self-confidence is important for a successful negotiation; however, it is not the primary goal. Unrealistic expectations are not always a factor when people are in a negotiation.

SOURCE: EI:062

SOURCE: EI LAP 8—Make It a Win-Win (Negotiation in Business)

16. D

Proximity. Resources are the items or people that a business uses to accomplish a goal or to make a product. Small-business owners must consider both the costs and the benefits in obtaining resources, such as hiring a new employee, contracting a transportation company, or obtaining raw materials for manufacturing. If AI moves the company's headquarters, the costs are the possibility of losing good employees, and the financial burden associated with a large move. The benefit of moving is the proximity, or being closer to the raw materials the company's needs to manufacture its products. The benefit in being closer is that communication might improve due to the proximity, and the company may save transportation costs since the raw materials are closer to the manufacturing equipment. Demand, feasibility, and independence are not benefits for moving the company.

SOURCE: EN:021

SOURCE: Longenecker, J.G., Moore, C.W., & Petty, J.W. (2003). *Small business management: An entrepreneurial emphasis* (12th ed.) [pp. 274-275]. Cincinnati: Thomson/South-Western.

17. A

Expertise. Resources are the items or people that a business uses to accomplish a goal or to make a product. Small-business owners must consider both the costs and the benefits in obtaining the resources they need to operate their companies. When a business needs special knowledge to operate or expand, the owner may need to hire someone with a specific set of skills or expertise, which can be a substantial payroll expense. Self-control and a good attitude are good traits to have, and the company may benefit from them; but the employee must have the knowledge and skills to have the ability to perform tasks that others in the company cannot.

SOURCE: EN:021

SOURCE: Longenecker, J.G., Moore, C.W., & Petty, J.W. (2003). *Small business management: An entrepreneurial emphasis* (12th ed.) [pp. 274-275]. Cincinnati: Thomson/South-Western.

18. B

Buy the furniture because rental costs will exceed the purchase price in 1.97 years. To determine whether to rent or buy office furniture, the small-business owner needs to first calculate the annual cost of renting the furniture. To do this, multiply the monthly rate of \$275 by the number of employees needing furniture (6). This provides the total monthly rental expense:  $\$275 \times 6 = \$1,650$ . Next, multiply the total monthly rental expense by 12, the number of months in a year:  $\$1,650 \times 12 = \$19,800$ . Now, determine how much the small-business owner would pay if s/he bought the furniture. Multiply the furniture cost per person by the number of people needing furniture:  $\$6,500 \times 6 = \$39,000$ . Finally, divide the furniture's total cost by the annual rental rate to determine how many years it would take for the cost of the rented furniture to exceed the cost of the purchased furniture:  $\$39,000 \div \$19,800 = 1.97$  years. In a little less than two years, the cost of the rental furniture will exceed the cost of the purchased furniture. If the small-business owner has the money, it would be worthwhile for her/him to buy rather than rent the office furniture.

SOURCE: EN:021

SOURCE: Hanson, M. (2010). *Business math* (17th ed.) [p. 350]. Mason, OH: South-Western Cengage Learning.

19. D  
Licensed accountant. Outsourcing is acquiring assistance from individual consultants or outside organizations to obtain goods and services to perform primary business activities. Because business owners are rarely experts in every area of business, they often rely on outside experts to help them. And, because a licensed accountant is knowledgeable about tax laws and tax incentives, s/he is the appropriate person to prepare Connor's tax return. Although a probate attorney, a trusted colleague, and an insurance agent may have some knowledge about tax preparation, they probably do not have the expertise that a licensed accountant has.  
SOURCE: EN:022  
SOURCE: Meyer, E.C., & Allen, K.R. (2006). *Entrepreneurship and small business management* (p. 48). New York: Glencoe/McGraw-Hill.
20. A  
Represent several companies. An advantage of dealing with independent agents is that they represent several insurance companies and can shop around for the best coverage and lowest rates. Different insurance companies charge different rates for comparable coverage depending on a variety of factors, such as size of the business, location, etc. Independent agents representing several companies know which company will be best-suited to their clients' needs. Independent agents also sell various types of insurance and can handle all of a business's insurance needs. Independent insurance agents do not work for low commissions, charge discounted rates, or provide limited coverage.  
SOURCE: FI:082  
SOURCE: Meyer, E.C., & Allen, K.R. (2006). *Entrepreneurship and small business management* (pp. 487-488). New York: Glencoe/McGraw-Hill.
21. D  
Buys from its professional organization. Insurance is a major expense for most small businesses because small businesses often cannot obtain the same low rates that are available to large corporations. One way for small businesses to reduce their premiums is to buy insurance coverage through a professional organization. Many professional organizations that represent businesses in specific industries are able to offer lower cost coverage to their members, because together they constitute a large group. Acquiring additional protection and decreasing the amount of the deductible usually increases the premium. Businesses that are self-insured do not pay for coverage but handle their own losses.  
SOURCE: FI:082  
SOURCE: Oliveri, D. (2009, September 17). *Health insurance options for the self-employed: Tips for finding quality medical coverage for a small business*. Retrieved January 14, 2009, from [http://selfemployment.suite101.com/article.cfm/health\\_insurance\\_options\\_for\\_the\\_self\\_employed](http://selfemployment.suite101.com/article.cfm/health_insurance_options_for_the_self_employed)
22. A  
Increasing the deductible from \$500 to \$1,000. The deductible is the amount of loss that a business is willing to accept before the insurance company pays the remainder. As a rule, the premium becomes smaller as the deductible becomes larger. For example, the premium costs for a business with a \$1,000 deductible will be less than for a business with a \$500 deductible because the first business is willing to pay for more of the loss. Paying the premium in monthly installments and purchasing the insurance from a private agent will not reduce the amount of the premium. Businesses do not pay a security deposit when they buy insurance.  
SOURCE: FI:082  
SOURCE: Imani, V. (2011). *How to reduce insurance premiums*. Retrieved January 16, 2011, from [http://www.ehow.com/how\\_5130506\\_reduce-insurance-premiums.html](http://www.ehow.com/how_5130506_reduce-insurance-premiums.html)

23. B  
Premium is \$500 a year on property valued at \$2,000. When businesses obtain insurance coverage, they try to find insurance that best meets their needs at a reasonable price. In order to do this, businesses need to consider the value of the property they are insuring. If property has a low value, it may be more economical to pay to replace it than to pay high yearly premiums. For example, paying \$500 a year to insure property that is worth \$2,000 is a waste of money because only a few years of premiums would pay for a replacement. Most businesses insure property that is essential to the operation of the business and property that increases in value, because replacement is often expensive. A yearly premium of \$1,000 for liability coverage of \$100,000 is inexpensive.  
SOURCE: FI:082  
SOURCE: Business Owner's Toolkit. (n.d.). *How much insurance do you need?* Retrieved November 10, 2009, from [http://www.toolkit.cch.com/text/p04\\_8185.asp](http://www.toolkit.cch.com/text/p04_8185.asp)
24. D  
Loss-prevention. Loss-prevention measures that eliminate safety hazards should be part of a business's risk-management plan. Risk management is the reduction of loss through prevention or transfer. Joe is trying to prevent a possible fire. Expense control is a business concept but not a risk-management measure. Security precautions reduce the risk of loss due to employee and/or customer theft. The employees are being instructed, not controlled.  
SOURCE: FI:084  
SOURCE: FI LAP 8—Prepare for the Worst...Expect the Best (Nature of Risk Management)
25. A  
Training employees. Training employees in the proper way to carry out their jobs minimizes the risk of accidents and injuries. Scheduling workers is a supervisory function. Securing a loan would be part of the financing function. Setting prices would be part of the pricing function.  
SOURCE: FI:084  
SOURCE: FI LAP 8—Prepare for the Worst; Expect the Best (Nature of Risk Management)
26. C  
It involves taking calculated risks. Risk management doesn't involve avoiding all risk; instead, it involves taking calculated risks that have the lowest possibility of loss and the highest possibility of gain. Risk management helps a business to be proactive, not reactive, in facing risk. Risk management reduces uncertainty about the future, not the past. Risk management protects business assets, reduces business losses, and helps to control costs. It does not reduce business assets and sales.  
SOURCE: FI:084  
SOURCE: FI LAP 8—Prepare for the Worst; Expect the Best (Nature of Risk Management)
27. D  
Operational. Operational risks are the result of employee actions, core processes, and daily business activities. Poor product development, unreliable manufacturing equipment, product shortages, and insufficient information management are examples of operational risks. Operational risks may also involve problems with human resources, labor relations, suppliers, channel members, and company management. Hazard risks are potential events or situations that can cause injury or harm to people, property, or the environment. Financial risks are possible events or situations that directly impact a company's cash flow. Strategic risks have significant impact on the firm and have the potential to affect the execution of an organization's long-term plans.  
SOURCE: FI:084  
SOURCE: FI LAP 8—Prepare for the Worst; Expect the Best (Nature of Risk Management)

28. D  
Prospective risks have not happened before but could occur in the future. Risk management focuses on identifying retrospective and prospective risks. Retrospective risks have occurred in the past, while prospective risks have not happened before but could occur in the future. Retrospective risks are usually easier to identify than prospective risks, and retrospective risks are typically more common.  
SOURCE: FI:084  
SOURCE: FI LAP 8—Prepare for the Worst; Expect the Best (Nature of Risk Management)
29. A  
Sales. Sales are the primary way in which money flows into an established business. Businesses receive money by selling goods and services either to other businesses or to the final customer. Some businesses sell on credit, which means that the customer will pay for the goods or services over a period of time, usually with interest. Businesses spend money to pay fees and loans.  
SOURCE: FI:091  
SOURCE: FI LAP 6—Count the Cash (Cash Flow Statements)
30. A  
Assets. Business owners must spend money to obtain assets, which are anything of value that the business owns. This results in money flowing out of a business. Some examples of business assets include land, buildings, vehicles, and equipment. Supplies are industrial goods that are constantly being purchased and used up in the operation of a business. Products are goods and services. Staples are goods for which there is constant demand.  
SOURCE: FI:091  
SOURCE: FI LAP 6—Count the Cash (Cash Flow Statements)
31. A  
Borrow funds. A negative cash flow indicates that a business will need to borrow funds or withdraw cash from a bank account in order to continue operations. A negative cash flow means that the business is spending more money than it is taking in each month. A short-term solution to a negative cash flow problem is to borrow funds to cover expenses. Businesses experiencing periods of negative cash flow often lay off employees rather than hire new ones. Businesses typically avoid purchasing assets when they experience negative cash flow, although a business that is focused on growth and expansion may occasionally do so. Supplies are necessary for business operations and cannot be eliminated.  
SOURCE: FI:091  
SOURCE: FI LAP 6—Count the Cash (Cash Flow Statements)
32. A  
Business failure. Businesses that do not keep a close eye on the movement of funds into and out of their organizations are likely to fail. An insufficient cash flow is the cause of many business failures. An insufficient cash flow does not cause businesses to raise prices. A business may be making a profit even though it has insufficient cash flow. A business that is fiscally stable would have sufficient cash flow.  
SOURCE: FI:091  
SOURCE: FI LAP 6—Count the Cash (Cash Flow Statements)
33. A  
Rent, utilities, and supplies. Cash outflows refer to the monies that go out of the business—the business's expenses. Rent, utilities, supplies, and payroll are examples of business expenses. Loans, earned interest, sales, and the sale of assets are ways to bring money into the business—these are examples of cash inflows.  
SOURCE: FI:091  
SOURCE: FI LAP 6—Count the Cash (Cash Flow Statements)

34. A

Employees' salaries. Liabilities are debts that a business owes. Liabilities are classified as current, which means that the debts will be paid off during the year, or long-term, which means that they will be paid off over a period of time. Employees' salaries are current liabilities because the business is expected to pay its employees for their work on a regular basis throughout the year. Mortgage loans are long-term liabilities because businesses usually make mortgage payments for several years. Accounts receivable are assets because they are all the monies owed to the business by its customers. Owner's equity is the amount an owner has invested in the business plus or minus profits and losses.

SOURCE: FI:093

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (p. 772). Woodland Hills, CA: Glencoe/McGraw-Hill.

35. B

Assets, liabilities, and equity. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. The business summarizes its financial condition by categorizing data into three groups—assets, liabilities, and equity. An asset is anything that the business owns or that can be converted into cash. Assets include cash, equipment, and sales income. Liabilities are the business's debts. As a liability, a credit balance is money that a business owes to its suppliers or lenders. Equity is the net worth of the business after subtracting all liabilities from all assets. A budget is an estimate of income and expenses for a certain period of time. A budget is not a category of information that is listed on a balance sheet.

SOURCE: FI:093

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (p. 772). New York: Glencoe/McGraw-Hill.

36. B

Current financial situation. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. It indicates what the business owns, what it owes, and its worth as of a certain date. By preparing a balance sheet, a business can determine if it has sufficient assets to cover its liabilities and still have money remaining, or if its liabilities are more than its assets. A business does not prepare a balance sheet to determine its average cash flow, estimated annual income, or future sales goal.

SOURCE: FI:093

SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (pp. 592-594). New York: Glencoe/McGraw-Hill.

37. C

Mortgage. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. The balance sheet provides information about the business's assets—anything of value that the business owns—and its liabilities, which are debts that the business owes. On their balance sheets, businesses classify liabilities as current or long-term. Mortgage loans are long-term liabilities because businesses usually make mortgage payments for several years. Payroll expenses (employees' salaries) are current liabilities because the business is expected to pay its employees for their work on a regular basis throughout the year. Businesses classify inventory as current assets and equipment as fixed assets.

SOURCE: FI:093

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (pp. 772-773). Woodland Hills, CA: Glencoe/McGraw-Hill.

38. B  
Insurance payments. The operating-expenses category of an income statement includes all the expenses incurred from keeping a business's doors open. Some examples include insurance payments, wages, utilities, and rent. The business pays these expenses in order to operate. The operating-expense category does not cover the cost of goods sold/cost of sales, which includes such expenses as shipping charges to obtain goods for resale, cost of raw materials to produce goods, and items returned by customers.  
SOURCE: FI:094  
SOURCE: FI LAP 4—Watch Your Bottom Line (Income Statements)
39. C  
Net income. The net income, or bottom line, is a business's final profit. It is the money remaining after operating expenses are subtracted from gross profit. Net income is the amount of money a business is able to keep after paying all expenses. Total costs are all of a business's expenses. Gross revenue is all the money earned by a business before expenses are subtracted. Net worth is the total value of the business.  
SOURCE: FI:094  
SOURCE: FI LAP 4—Watch Your Bottom Line (Income Statements)
40. B  
Spending too much on expenses. By themselves, the elements of an income statement are simply categories and totals. A business needs to be able to see how the categories are affecting each other and the bottom line. By comparing categories, a business will be able to determine if it is spending too much on expenses and not earning sufficient profit. Most businesses try to spend as little as possible when purchasing supplies or acquiring goods. Businesses try to earn as much income as possible.  
SOURCE: FI:094  
SOURCE: FI LAP 4—Watch Your Bottom Line (Income Statements)
41. A  
Cost of goods sold. Zebba's Manufacturing Company will use the raw materials to produce products for sale; therefore, the raw materials are accounted for in an income statement's cost of goods sold. Revenue is money coming into a business from a variety of sources. Gross profit is the amount that is left after subtracting cost of goods sold from revenue. Net income is the bottom line—the amount left after subtracting operating expenses from gross profit.  
SOURCE: FI:094  
SOURCE: FI LAP 4—Watch Your Bottom Line (Income Statements)
42. A  
By comparing the income statement's net profit figures for those two years. For income statements to be useful, businesses must be able to compare their income statements over time or across companies. In that way, they can determine whether a business's profitability is increasing or decreasing. Comparing operating expenses across the two years does not provide a complete picture to determine profitability. This information lets businesses determine where they might be having trouble with certain expenses. Assets minus liabilities should equal the owner's equity. This information is found on the balance sheet and does not provide profitability information. Hopefully, owner's equity will remain positive. If not, the business has more liabilities than assets. However, a person is not able to determine profitability from this information.  
SOURCE: FI:094  
SOURCE: FI LAP 4—Watch Your Bottom Line (Income Statements)



43. A

Anticipated profitability. A pro forma income statement is a financial summary that estimates how much money the business venture will make or lose over a period of time. A new venture's pro forma income statement estimates and summarizes all sources of revenue, gross profit, operating earnings and expenses, taxes, interest expense, and net income. All of this information provides a snapshot of the new venture's anticipated profitability and probable stability. Lenders and investors review pro forma income statements to evaluate the financial risks associated with lending money to and investing money in new ventures.

SOURCE: FI:510

SOURCE: Peavler, R. (n.d.). *Financial forecasting for your small business*. Retrieved May 17, 2012, from [http://bizfinance.about.com/od/forecasting/a/fin\\_forecast.htm](http://bizfinance.about.com/od/forecasting/a/fin_forecast.htm)

44. C

Pro forma balance sheet. A pro forma balance sheet is a financial statement that estimates the financial condition of the business at a particular moment in the future. The pro forma balance sheet estimates the venture's assets, liabilities, and equity by making assumptions and applying hypothetical circumstances that are likely to affect the venture's financial condition. Sales forecasts, asset depreciation, and competitors' activities (from a competitive analysis) are usually factors that new business ventures consider when developing their pro forma balance sheets.

SOURCE: FI:511

SOURCE: WiseGEEK.com. (2003-2012). *What is a pro forma balance sheet?* Retrieved May 17, 2012, from <http://www.wisegeek.com/what-is-a-pro-forma-balance-sheet.htm>

45. B

Industry analyses. A pro forma cash flow statement is a financial summary that proposes when, where, and how much money is expected to flow into and out of the business. Pro forma cash flow statements help startup businesses plan their cash needs and allocate their funds. Startup businesses typically do not have internal information (e.g., accounts-payable records, purchase orders, and inventory-status reports) to make and support their projections, so they rely on external research and make educated assumptions to prepare their financial statements. Industry analyses may provide the startup business with insight about industry trends, market share, and its competitors' performance, which helps the startup business make realistic projections for its pro forma cash flow statement.

SOURCE: FI:602

SOURCE: Vitez, O. (n.d.). *About pro forma statements*. Retrieved May 17, 2012, from <http://smallbusiness.chron.com/pro-forma-statements-4747.html>

46. B

Installment loan. An installment loan is usually used for purchases that the business expects to pay for over a period of a year or more. It is repaid in specific amounts, or installments, within the specified time period. Trade credit is offered by vendors to the purchasers of their goods. Equity funds are obtained by selling shares in the business. A mortgage loan is used to buy real estate.

SOURCE: FI:023

SOURCE: Karimi, S. (2011). *About installment loans*. Retrieved January 14, 2011, from [http://www.ehow.com/about\\_4567946\\_installment-loans.html](http://www.ehow.com/about_4567946_installment-loans.html)

47. B  
Suppliers. Many suppliers offer what is known as trade credit to the businesses to whom they sell. Trade credit means that the supplier agrees to delay billing the businesses for goods purchased. Suppliers often extend credit to businesses for 30, 60, or even 90 days without charging interest. The business is able to buy the goods it needs and pay for them later. Businesses would not obtain credit from competitors, customers, or managers.  
SOURCE: FI:023  
SOURCE: Burrow, J.L. (2006). *Marketing: Instructor's wraparound edition* (2nd ed.) [p. 394]. Mason, OH: Thomson/South-Western.
48. D  
Short-term loans. Businesses often obtain short-term loans in order to purchase goods to sell quickly. Short-term loans are paid back within a brief period of time, usually 90 days but no longer than one year. Mortgages are agreements with a lending institution that pledge property as collateral in exchange for loans. Stocks and bonds are issued to investors in exchange for lending money to the businesses. Accounts receivable are all monies owed to a business by its customers.  
SOURCE: FI:023  
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 247-248). South-Western Cengage Learning.
49. A  
Accounts receivable. Accounts receivable are all the monies owed to a business by its customers. Businesses in need of cash to continue producing and selling goods often use their accounts receivable as collateral when borrowing from financial institutions. In effect, the businesses are turning over the proceeds from their receivables to the lenders in exchange for immediate cash to continue operating. A promissory note is a legal form signed by a borrower promising to repay a loan. Liabilities are debts that the business owes. Operating expenses are all of the expenditures necessary to keep the business running.  
SOURCE: FI:023  
SOURCE: Longenecker, J.G., Moore, C.W., & Petty, J.W. (2003). *Small business management: An entrepreneurial emphasis* (12th ed.) [pp. 332-333]. Cincinnati: Thomson/South-Western.
50. A  
Obtain goods for resale and pay for them later. Trade credit is issued by suppliers when they allow businesses to obtain goods for resale without paying for them at the time of delivery. This is the equivalent of short-term financing since the businesses do not have to use their cash on hand or borrow cash to pay for the goods. Often, the businesses use the profit from selling the goods to pay the supplier. Trade credit does not govern the percent of trade discount offered since trade discounts are given to purchasers who perform certain marketing activities. No cash is loaned through trade credit.  
SOURCE: FI:023  
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (p. 686). Woodland Hills, CA: Glencoe/McGraw-Hill.

51. D  
Established relationship. Developing a relationship with a bank is important to a business because the business often needs additional banking services, such as loans. A business that maintains a checking account with a bank is more likely to be approved for a loan because it has an established relationship with the bank. The bank has financial information about the business that may include its credit history because the business is an existing customer. Businesses do not negotiate loans with banks because they have legal agreements, investment opportunities, or marketing contracts with the banks.  
SOURCE: FI:039  
SOURCE: Longenecker, J.G., Moore, C.W., & Petty, J.W. (2000). *Small business management: An entrepreneurial emphasis* (11<sup>th</sup> ed.) [p. 249]. Cincinnati: South-Western College.
52. D  
Invite their bankers to visit their place of business. The more your banker knows about your business, the more likely s/he is to put in a favorable word with the bank's loan officer or to give suggestions on ways to improve your business. Any loan application will include how you repay the money, so explaining it won't strengthen the relationship. A marketing plan should be part of your business plan. Explaining the importance of your loan to the bank is probably futile, if not negative. Most banks are willing to make loans that are small in order to get other fee-paying business.  
SOURCE: FI:039  
SOURCE: Worrell, D. (2002, July). *Attacking a loan: 7 knock-'em-dead strategies to use when negotiating with hard-nosed commercial bankers*. Retrieved July 29, 2005, from [http://www.entrepreneur.com/Your\\_Business/YB\\_SegArticle/0,4621,300734,00.html](http://www.entrepreneur.com/Your_Business/YB_SegArticle/0,4621,300734,00.html)
53. A  
Understands the business. A banker is one of the people who has the ability to influence the success of a business. If the business feels that a banker doesn't understand the business, the business should find another banker. Understanding the business is more important than liking the business. Many factors affect the interest rates, and banks may not be able to offer lower rates to all its customers. Many banks are local and work only with businesses in the area.  
SOURCE: FI:039  
SOURCE: Kurtz, D.L. (2009). *Contemporary business* (12th ed.) [p. 560]. Mason, OH: South-Western Cengage Learning.
54. C  
It might offer lower rates on loans. Virtual banks operate by way of the Internet rather than in physical locations. As a result, they often have lower operating expenses because they do not need to pay for a facility or hire as many employees. Consequently, they may be able to pass on the savings in the form of offering lower rates for their services, such as loans, which is an advantage to a business. Virtual banks are available at all times, rather than just during the day, because they operate by way of the Internet. The bank may, or may not, be located in the same community; however, the banking services are available only online. A virtual bank is regulated the same as other banks.  
SOURCE: FI:039  
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2002) *Marketing essentials* (3rd ed.) [p. 664]. Glencoe McGraw-Hill.

55. B  
\$3,750. Although the business has cash on hand and accounts receivable that exceed its monthly operating expenses, it will need financing because only half of the accounts receivable will be paid that month. In order to determine the financing needs, first calculate half of the accounts receivable and add that figure to the cash on hand ( $\$25,000 / 2 = \$12,500 + \$15,000 = \$27,500$ ). The business actually will have \$27,500 to cover monthly operating expenses of \$31,250, which gives it a shortfall of \$3,750 ( $\$31,250 - \$27,500 = \$3,750$ ). Therefore, the business will need financing of \$3,750 for the month.  
SOURCE: FI:043  
SOURCE: Longenecker, J.G., Moore, C.W., & Petty, J.W. (2000). *Small business management: An entrepreneurial emphasis* (11th ed.) [pp. 226-229]. Cincinnati: South-Western College.
56. C  
Bankruptcy. Some businesses operate with insufficient financing and rely on daily receipts to meet the irregular expenses. When unexpected major expenses occur, these businesses often do not have adequate money on hand to cover the costs. If they are unable to obtain additional financing quickly or have insufficient collateral to qualify for additional loans, they may be forced into bankruptcy. Liquidity measures the degree to which a business has sufficient capital available to meet its debts. Depreciation is the reduction in value of goods occurring over a period of time. Recession is a six-month's contraction in economic activity.  
SOURCE: FI:043  
SOURCE: Longenecker, J.G., Moore, C.W., & Petty, J.W. (2002). *Small business management: An entrepreneurial emphasis* (11th ed.) [pp. 226-227]. South-Western College Publishing.
57. C  
Increased sales create a need for more inventory. Existing successful businesses often need to obtain additional financing for a variety of reasons. One of these reasons is because an unexpected increase in sales is creating a sudden need for more inventory. Businesses usually budget to purchase inventory based on sales forecasts. However, if sales suddenly increase, a business might not have sufficient cash on hand to purchase more inventory. In that case, a business might need to obtain financing to buy more inventory. A business probably would not need additional financing if accounts receivable are collected in 30 days, short-term debt is low and backed by collateral, or inventory levels are equal to regular sales.  
SOURCE: FI:043  
SOURCE: CCH Inc. (n.d.). *Evaluating the money you need. Business Owner's Toolkit*. Retrieved May 7, 2003, from [http://www.toolkit.cch.com/text/p10\\_1130.asp](http://www.toolkit.cch.com/text/p10_1130.asp)
58. D  
\$42,500. In some situations, a bank will loan only a percent of the price of new equipment, and the business must obtain additional capital in order to make the purchase. In this case, first calculate the amount that the bank will loan ( $\$250,000 \times 75\%$  or  $.75 = \$187,500$ ). The bank will loan \$187,500, and the business has \$20,000 in available cash to put towards the purchase. Add those figures and subtract the total from the purchase price to determine the amount of additional capital the business needs to obtain ( $\$187,500 + \$20,000 = \$207,500$ ;  $\$250,000 - \$207,500 = \$42,500$ ).  
SOURCE: FI:043  
SOURCE: Business Owner's Toolkit. (1995-2009). *Common types of bank loans*. Retrieved September 25, 2009, from [http://www.toolkit.com/small\\_business\\_guide/sbg.aspx?nid=P10\\_3300](http://www.toolkit.com/small_business_guide/sbg.aspx?nid=P10_3300)

59. C

Being charged a penalty. When businesses obtain long-term loans, they agree to pay a certain amount of interest to the lending institution over a period of years. If a business pays off the loan before it is due, the financial institution does not get the interest it expected to receive. In such cases, the financial institution may charge the business a penalty for prepaying the loan. This penalty may be sizeable depending on the amount of the loan. A financial institution, rather than a business, loses interest on the account. A business might negotiate a variable rate for a long-term loan and pay a processing fee to originate the loan.

SOURCE: FI:041

SOURCE: Business Owner's Toolkit. (1995-2011). *The real cost of borrowing money*. Retrieved February 14, 2011, from [http://www.toolkit.com/small\\_business\\_guide/sbg.aspx?nid=P10\\_3370](http://www.toolkit.com/small_business_guide/sbg.aspx?nid=P10_3370)

60. A

Call the loan. Loan agreements often allow a bank to call the loan, or ask for immediate repayment, if the bank feels there is a problem. A small business that is experiencing temporary financial problems faces the risk of having a loan called. If that happens, the business may need to sell its assets to repay the loan. Many times, banks will work with businesses that are having temporary financial problems in order to allow them to become more stable. However, if the problems persist or become more severe, banks may call the loan. Interest rates and the amount of collateral required are determined when the loan is obtained. Closing an account usually involves a business closing a checking or savings account, rather than a bank calling a loan.

SOURCE: FI:041

SOURCE: Business Owner's Toolkit. (1995-2012). *Indirect costs and loan conditions*. Retrieved January 9, 2012, from [http://www.toolkit.cch.com/text/P10\\_3374.asp](http://www.toolkit.cch.com/text/P10_3374.asp)

61. C

Variable interest rate increases. Some businesses obtain variable interest rate loans because the rates are low at the time the businesses negotiate the loan. The risk involved with these types of loans is that the rate will increase over the life of the loan and make borrowing money more expensive than the business expected. It is risky to obtain variable interest rates on long-term loans because the business has no way of knowing how high the rates might become over a period of several years. A low rate of 5% today might escalate to a high of 12% in 10 years. A decrease in the cost of living and a decrease in operating expenses are not risks associated with obtaining loans. Businesses pay a processing fee when they obtain the loan, rather than throughout the life of the loan.

SOURCE: FI:041

SOURCE: Business Owner's Toolkit. (2011). *Direct financial costs*. Retrieved January 11, 2011, from [http://www.toolkit.com/small\\_business\\_guide/sbg.aspx?nid=P10\\_3372](http://www.toolkit.com/small_business_guide/sbg.aspx?nid=P10_3372)

62. A

It may offer small-business loans at lower rates. Often, government subsidies support these programs that enable businesses to obtain loans at lower rates of interest. The programs may also be able to guarantee a business loan from a bank. Businesses will still need to develop a good business plan. Most of these programs are restricted to certain geographical areas, which is a disadvantage. The repayment schedule is usually the same as for a conventional loan.

SOURCE: FI:031

SOURCE: Federal Reserve Bank of New York. (2002, June 20). *The Credit Process: A Guide for Small Business Owners*. Retrieved April 14, 2004, from <http://www.newyorkfed.org/education/addpub/credit.html>

63. D  
Foundation grants. Many foundations award grants to nonprofit corporations, especially those that assist the local community. By nature, grants are gifts of money that the receiver does not need to repay. Credit unions and banks loan money that they expect to be repaid. Mortgage companies usually loan money for the purchase of property.  
SOURCE: FI:031  
SOURCE: The Foundation Center. (n.d.). *What Do Foundations and Corporate Grantmakers Look for in a Grantee?* Retrieved August 17, 2004, from <http://fdncenter.org/learn/orient/org4.html>
64. C  
Debt financing. Debt financing involves borrowing money that must be repaid. Commercial banks are a source of debt financing because they often loan money to businesses. New businesses may have more difficulty borrowing money from a commercial bank than established businesses have because the new businesses do not have existing customers or significant assets. However, some banks are willing to take a chance with new businesses and provide start-up money. Venture capital is money provided by individuals. Trade credit is credit extended to a business by its suppliers. Asset lending involves a business using its assets to obtain a loan.  
SOURCE: FI:031  
SOURCE: Longenecker, J.G., Moore, C.W., & Petty, J.W. (2003) *Small business management: An entrepreneurial emphasis* (12th ed.) [pp. 328-333]. Thomson/South-Western.
65. C  
Selling stock to investors. Equity financing involves giving others a share of the business in exchange for receiving capital. Equity financing is not a loan that must be repaid. An example of equity financing is selling stock to investors. The investors pay a certain amount for stock and then share in the company's profits. If the business fails, the investors lose their money. Borrowing money from friends, obtaining credit from vendors, or negotiating loans with banks are examples of obtaining funds through debt financing.  
SOURCE: FI:031  
SOURCE: Longenecker, J.G., Moore, C.W., Petty, J.W. (2003). *Small business management: An entrepreneurial emphasis* (12th ed.) [pp. 328, 342]. Thomson/South-Western.
66. B  
Has no record of repaying loans. Banks look at many factors to determine if a business is worthy of credit. Start-up businesses borrow money based on the entrepreneur's past record of loan repayment because the business is new and has no previous debt repayment record. If a business incorporates, other avenues of securing capital are available. If start-up businesses have sufficient collateral and a solid business plan, it is easier for them to obtain financing from a bank.  
SOURCE: FI:034  
SOURCE: Greene, C.L. (2000). *Entrepreneurship: Ideas in action* (pp. 146-148). Cincinnati: South-Western Educational.
67. A  
Credit report, personal tax returns, debts. The personal financial statement is a snapshot of the financial position of the potential entrepreneur. That person's credit, tax returns, and debts are all necessary to determine his/her current financial position. Estimates of future events such as projected income, expenses, or equipment costs are not part of a personal financial statement.  
SOURCE: FI:034  
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2002). *Marketing essentials* (3rd ed.) [pp. 659-660]. Glencoe McGraw-Hill.

68. C

Default on. Banks establish various types of criteria to use when evaluating loan applications in order to make good lending decisions. Banks want to loan money to businesses that are the most likely to be able to repay the loans. They try to avoid loaning money to businesses that might fail and then default on the loan. If a business defaults, it might be unable to repay the full amount of the loan and the bank will lose money. Businesses sometimes buy out of their loans early or pay them off in full ahead of schedule. In some cases, businesses refinance loans in order to get a lower interest rate. These are not reasons why lending institutions use loan evaluation criteria.

SOURCE: FI:034

SOURCE: Longenecker, J.G., Moore, C.W., & Petty, J.W. (2003). *Small business management: An entrepreneurial emphasis* (12<sup>th</sup> ed.) [pp. 334-335]. Cincinnati: Thomson/South-Western.

69. B

Secondary source for repaying the loan. Collateral is anything of value belonging to the borrower that is pledged to the lender to guarantee that the loan will be repaid. Banks often consider a business's collateral when evaluating a loan application because collateral can be sold to repay the loan. If a business has valuable collateral, such as equipment and other assets, a bank might consider the business to be a good credit risk. Collateral is not an indication of the business's character or reputation for paying on time. Collateral is not a mirror of the current economic situation, nor is it the primary example of permanent inventory.

SOURCE: FI:034

SOURCE: Longenecker, J.G., Moore, C.W., & Petty, J.W. (2003). *Small business management: An entrepreneurial emphasis* (12<sup>th</sup> ed.) [pp. 334-335]. Cincinnati: Thomson/South-Western.

70. C

Personal financial statement. A personal financial statement lists an individual's assets, such as a savings account or a house, and liabilities, such as debts. If an individual is applying to a bank for a start-up loan, the bank will be interested in the person's financial statement. This information will help the bank decide if the person is financially stable and a good credit risk. Individuals applying for start-up funds will not be in business yet; therefore, they will not have accounts receivable or sales receipts. A bank does not consider a business's credit policies when reviewing a loan application.

SOURCE: FI:033

SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (p. 66). New York: Glencoe/McGraw-Hill.

71. C

Interest rate. Interest rate is the percentage figure used in calculating interest charges. The interest rate charged by banks is usually based on the prime rate, which is the rate offered by banks to their best credit customers. Other customers usually pay a rate of prime plus. For example, if the prime rate is 6%, a bank may offer a business the rate of prime plus three for an interest rate of 9%. Businesses often negotiate the interest rate in order to obtain the best rate possible. They may offer more collateral or ask for a smaller loan to get a better rate that will save money over the life of the loan. Stock value is the worth of a corporation's shares of ownership. Accounts payable are all the monies owed by the business to others. Personal equity is the money that the owner has invested in the business.

SOURCE: FI:033

SOURCE: Longenecker, J.G., Moore, C.W., & Petty, J.W. (2003). *Small business management: An entrepreneurial emphasis* (12<sup>th</sup> ed.) [pp. 336-337]. Cincinnati: Thomson/South-Western.

72. C

How will the money be used? Banks and other lending institutions usually want to know how businesses plan to use the money they are borrowing. The answer to this question often has an impact on whether the business receives the loan. Businesses that intend to use the money to buy more inventory because sales are increasing are more likely to be approved for a loan than businesses that intend to use the money for less important reasons. Lending institutions are more concerned with how the money will be used than with who will actually disburse the money, where the business will keep the money, or who will pick up the money. In most cases, the lending institution will simply transfer the funds to the business's checking or savings account.

SOURCE: FI:033

SOURCE: Longenecker, J.G., Moore, C.W., & Petty, J.W. (2003). *Small business management: An entrepreneurial emphasis* (12th ed.) [pp. 334-335]. Cincinnati: Thomson/South-Western.

73. B

Present yourself in a positive light but be honest. Your loan request will be denied if the lender finds out that you provided false information on the application; therefore, honesty is the best policy when applying for loans. You can present yourself positively by writing notes or comments to clarify questionable points on the application. Online applications should be completed with upper and lower case letters. All questions should be answered. If a question does not apply to you, write N/A on the form. Use of overly large letters will cramp the information into the spaces provided, thereby making it difficult to read the completed application.

SOURCE: FI:033

SOURCE: Arnold, J. (2009). *How to complete a loan application form*. Retrieved October 19, 2010, from <http://ezinearticles.com/?How-To-Complete-A-Loan-Application-Form&id=870632>

74. B

Short-term operating expenses. New businesses need to be able to pay routine operating expenses for a period of time until they are generating a profit. Most businesses estimate the amount of time it will take before they are profitable and determine the amount of money they will need to continue operating until that time. For example, if a new business will begin earning a profit in three months, it will need sufficient funds to pay its expenses until then. Not having sufficient funds to cover short-term operating expenses is one of the main reasons why new businesses fail. Corporations pay dividends to stockholders based on profits. Long-term renovation costs are not part of start-up financing. Salespeople are often paid a commission that is based on sales.

SOURCE: FI:036

SOURCE: Allen, K.R. (2007). *Growing and managing a small business: An entrepreneurial perspective* (2nd ed.) [pp. 358-359]. Boston: Houghton Mifflin Company.

75. C

\$38,475. New businesses need to calculate the amount of start-up money they will need in order to open and operate for a period of time before they begin to generate an income. The categories of costs include rent, furniture and supplies, utilities, working capital, and wages. Depending on the type of business, there may be other start-up costs involved. In this example, first calculate the amount needed for three months' wages by multiplying the monthly figure by the number of months ( $\$5,500 \times 3 = \$16,500$ ). Then, add all the costs to determine the amount of start-up money that is needed ( $\$5,400 + \$3,750 + \$825 + \$12,000 + \$16,500 = \$38,475$ ).

SOURCE: FI:036

SOURCE: AllBusiness.com. (n.d.). *Estimating your startup costs*. Retrieved February 14, 2011, from <http://www.allbusiness.com/articles/StartingBusiness/661-25-1822.html>



76. A

\$13,900. When calculating start-up expenses, a new business should calculate the amount of money needed to pay salaries and other operating costs for the first several weeks or months until the business starts to earn a profit. In this example, the business plans to hire one full-time employee at a weekly salary of \$550. To calculate the salary, multiply by salary by the number of weeks ( $\$550 \times 10 = \$5,500$ ). To calculate the part-time salary, multiply the hourly rate by the number of hours, and that amount by the number of weeks ( $\$12 \times 20 = \$240$ ;  $\$240 \times 10 = \$2,400$ ). To calculate other expenses, multiply the weekly costs by the number of weeks ( $\$600 \times 10 = \$6,000$ ). Then, add the three totals to determine the amount of start-up money that will be needed ( $\$5,500 + \$2,400 + \$6,000 = \$13,900$ ).

SOURCE: FI:036

SOURCE: Business Owner's Toolkit. (1995-2011). *The first 90 days*. Retrieved December 7, 2011, from [http://www.toolkit.cch.com/text/P01\\_2450.asp](http://www.toolkit.cch.com/text/P01_2450.asp)

77. A

A family-friendly employer. To be competitive in the business environment, many companies use branding strategies to attract talented and skilled workers. Successful employee branding strategies usually involve providing competitive salaries, exceptional benefits and programs, and services that encourage individuals to want to work for the company. In the example, a company that offers flexible hours, part-time work, telecommuting, and health-care and child-care services likely appeal to individuals balancing work and family obligations. Therefore, the corporation is branding itself as a family-friendly employer. There is not enough information provided to determine if GRS is a highly creative, team-oriented, or culturally diverse organization.

SOURCE: MK:021

SOURCE: Moroko, L., & Uncles, M.D. (2009, March 23). *Employer branding*. Retrieved May 16, 2012, from <http://online.wsj.com/article/SB123740504559375085.html>

78. A

Does the vendor have the resources to consistently meet our business's needs? A business that wants to build a long-term relationship with a vendor must consider many factors. Most importantly, the business must determine if the vendor has the resources to meet the business's needs. Some resources include the product availability, technical-system compatibility, customer-service support, etc. The vendor's project management computer program is not usually a primary consideration during the vendor-selection process. The business's own target market is a marketing consideration for the business rather than for vendor selection. The business's strengths and weaknesses are identified in its SWOT analysis, and do not directly relate to the vendor-selection process.

SOURCE: OP:161

SOURCE: Cash, R.P., Thomas, C., Wingate, J.W., & Friedlander, J.S. (2006). *Management of retail buying* (pp. 132-134). Hoboken, NJ: John Wiley & Sons.

79. C

Risk levels of doing business with the vendor. If a vendor is not financially stable, there is a risk that the vendor may not have the resources to meet the business's needs. And, if the vendor's financial condition is extremely poor, the vendor may go out of business. A lack of financial resources may affect the vendor's products, its level of customer services, and its lead times.

SOURCE: OP:161

SOURCE: Monczka, R.M., Handfield, R.B., Giunipero, L.C., & Patterson, J.L. (2009). *Purchasing and supply chain management* (4th ed.) [pp. 252-253]. South-Western Cengage Learning.

80. C

Delivery timeliness. When selecting a supplier, businesses must consider delivery timeliness. The business must ask if the supplier can deliver the goods when they are needed. In some situations, it may be better for a business to use a supplier who may be a little more expensive, but in closer physical proximity of the business, if that supplier can consistently meet delivery requirements. Personnel policies are guidelines for employees' behavior in the workplace. The exchange rate is the value of one nation's currency in relation to another nation's currency. Return on sales or target return is a profit-oriented pricing objective in which the business bases the amount of profit it wants to earn on the amount of its sales.

SOURCE: OP:161

SOURCE: Hayes, D.K. & Ninemeier, J.D. (2010). *Purchasing: A guide for hospitality professionals* (p. 91). Upper Saddle River, NJ: Pearson Education.

81. D

Committed, involved, and take responsibility for quality. Executive-level managers are both committed and involved. They take responsibility for quality and do not delegate that responsibility. This is a characteristic shared by organizations with a quality culture. The alternatives remove the responsibility for quality from the executive-level manager and delegate it to others.

SOURCE: OP:019

SOURCE: Kotelnikov, V. (n.d.) *Six Sigma—New approach to quality management and efficiency improvement*. Retrieved June 28, 2010, from [http://www.1000ventures.com/business\\_guide/mgmt\\_quality\\_six\\_sigma.html](http://www.1000ventures.com/business_guide/mgmt_quality_six_sigma.html)

82. B

Teamwork. Teamwork is a cooperative effort of two or more people working together to reach a common goal. Teamwork is important to business success. When employees work together and with the business to improve themselves and the products of the business, the result is usually quality. The combination of continual improvement and teamwork creates quality products, a quality atmosphere in the business, and quality service for the customers. Businesses that have a quality culture often develop goodwill with the community and customers. Research and security may contribute to improvement, but teamwork is needed to develop a quality culture.

SOURCE: OP:019

SOURCE: Briscoe, G. (n.d.). *Improving performance through teamwork*. Retrieved January 5, 2012, from <http://managers-net.org/improvingperformance.html>

83. D

Find ways to improve. Businesses that have a quality culture are continually trying to improve the business, its products, and its relationships with customers. As part of this overall movement to create quality, businesses encourage all employees to find ways to improve. Employees contribute to the quality culture by finding ways to do their jobs better and more efficiently, by suggesting ways to improve the product, and by doing everything they can to serve the customer. Involving employees is often the best way to create a quality culture. Creating a quality culture does not involve encouraging employees to give up their authority, compete for attention, or work without supervision.

SOURCE: OP:019

SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (pp. 282-283). New York: Glencoe/McGraw-Hill.

84. A  
Focusing on quick fixes. When problems occur, people often want to fix the problem as quickly as possible. That often results in the identification of symptoms rather than determination of the root cause of the problem. Having management lead the way and stressing standardization are two ways to encourage a quality culture. Adoption and provision of quality are processes rather than programs. Naturally, employees should be trained in quality processes.  
SOURCE: OP:019  
SOURCE: Woodruff, D. (n.d.). *Overcome barriers to quality*. Retrieved March 27, 2012, from <http://www.managementmethods.com/forms/Overcome%20Barriers%20to%20Quality.article.dmw.pdf>
85. B  
Remain competitive. Business today is highly competitive, and one way for a business to compete successfully is to maintain quality throughout the organization. Businesses try to provide quality products that meet customers' needs. If all other factors are the same, quality is often what makes customers select one business over another. Businesses may implement change to improve quality. Allocating resources and delegating authority are not reasons why management focuses on improving quality throughout the organization.  
SOURCE: OP:020  
SOURCE: DuBrin, A.J. (2003). *Essentials of management* (6th ed.) [pp. 246-247]. Mason, OH: South-Western.
86. C  
Meeting the customers' expectations. Quality is the degree of excellence of a good or service. It is important for a business's management team to monitor all aspects of the business so it can maintain or exceed the quality level that its customers expect. If quality decreases, the business may lose customers to its competitors. Financial status, production processes, supplies, and personnel affect the quality of a business's product. A goal is a desired outcome. A business's quality is not monitored for the purpose of developing goals or establishing credibility with its competitors. A positive work environment can help the business meet its desired quality levels, but it is not the only reason that the business monitors all aspects of its activities.  
SOURCE: OP:020  
SOURCE: Daft, R.L., & Marcic, D. (2001). *Understanding management* (3rd ed.) [p. 514]. Cincinnati: Thomson/South-Western.
87. C  
Solicit input from employees. Quality is the degree of excellence of a good or service. It is important for a business's management team to monitor all aspects of the business so it can maintain or exceed the quality level that its customers expect. If quality decreases, the business may lose customers to its competitors. An important part of monitoring quality is soliciting input from the workers who are actually performing the tasks, because they often have ideas that will help them do their jobs with more efficiency. Ongoing communication is necessary for continuous quality improvement because unexpected issues might occur that affect quality, and management needs to know so the problems can be fixed. Continuous quality improvement usually occurs in small increments over time. The number of changes is dependent on the business's goals. It is not always necessary to hire additional staff to oversee quality control programs. The frequency of reports that management requires is dependent on the business's needs, objectives, and procedures.  
SOURCE: OP:020  
SOURCE: DuBrin, A.J. (2003). *Essentials of management* (6th ed.) [pp. 246-247]. Mason, OH: South-Western.

88. C

Guidelines to follow. To achieve quality in a business, management must develop a clear standard for employees to follow and then enforce the standard. Employees need to know what quality of good they are expected to produce or what quality of service they are expected to provide to customers. Having a clear standard will give employees guidelines to follow. Then, businesses need to check regularly to make sure employees are following the standard. If the business discovers problems, it needs to take action and make corrections. Employees usually are not expected to repair equipment. Businesses do not develop standards to achieve quality to provide employees with ways to stay healthy or activities for being safe.

SOURCE: OP:020

SOURCE: Daft, R.L., & Marcic, D. (2009). *Understanding management: Instructor's edition* (6th ed.) [pp. 575-580]. Mason, OH: South-Western Cengage Learning.

89. B

Long-term cost. Over time, leasing is more expensive than buying, so the long-term cost is a reason why a business might decide to buy rather than to lease. When a business leases a facility, the owner builds a profit into the lease payment. This is additional money that the business pays out each month that it could be using for other activities. Buying a facility eliminates that expense and may also save on taxes because depreciation, interest payments, and other property expenses are tax deductible. Many new businesses have limited cash flow which makes it easier to lease than to invest a lot of money in buying a facility. Decreasing land values and a negative credit rating are other reasons why a business might decide to lease rather than to buy.

SOURCE: OP:028

SOURCE: CCH Inc. (n.d.). *When leasing makes sense. Business Owner's Toolkit*. Retrieved July 18, 2007, from [http://www.toolkit.cch.com/text/P04\\_3005.asp](http://www.toolkit.cch.com/text/P04_3005.asp)

90. D

Interest paid on a mortgage is tax deductible. Businesses often obtain mortgages to finance the purchase of facilities because they do not have sufficient funds to pay cash. The interest that businesses pay on mortgages each year is tax deductible and may result in a significant tax savings. The amount of savings varies from business to business and depends on a business's overall profitability. However, all businesses can take mortgage interest as a deduction which will result in a tax savings. Ownership may improve a business's credit rating but will not result in a tax savings. Businesses pay security deposits to lease facilities rather than obtain mortgages.

Maintenance fees usually are included in monthly lease payments.

SOURCE: OP:028

SOURCE: Business Owner's Toolkit. (n.d.). *When buying makes sense*. Retrieved October 13, 2008, from [http://www.toolkit.cch.com/text/P04\\_3009.asp](http://www.toolkit.cch.com/text/P04_3009.asp)

91. D

Real estate market is saturated or slow. When there is an abundance of properties for rent or sale, or fewer business owners are looking for facilities to rent, there is more competition among property owners for buyers or leasers. The longer a facility is unoccupied, the more money the facility owner loses. Therefore, facility owners are often more likely to agree to potential leaser's requests (e.g., lower rent, interior painting) in order to obtain cash inflow from the rentals.

Ownership of multiple properties does not necessarily mean that the property owner is willing to provide concessions during lease negotiations. Tax rates are established by governments and are not negotiable. A facility owner would probably have an easier time finding tenants for a property that is located in a popular location. Therefore, the facility owner has more influence in negotiating lease terms than the prospective tenant.

SOURCE: OP:028

SOURCE: Nonprofit Facilities Fund. (n.d.). *Leasing basics*. Retrieved November 1, 2007, from <http://www.nonprofitcenters.org/resources/doc/LebensteinWolf.pdf>.

92. C

Interest rates are low. Businesses consider a variety of financial factors when deciding whether to purchase a facility or to lease space. In some situations, it is more economical to purchase, especially if interest rates are low at the time. This means that businesses can obtain mortgage loans at a low interest rate, which will result in low monthly payments. These payments may be lower than monthly lease payments because of the low interest rates. Businesses may decide to lease space rather than purchase a facility if cash flow is limited, gross profit is low, and mortgage money is limited because these situations often make it more expensive to buy than to lease.

SOURCE: OP:028

SOURCE: CCH Inc. (n.d.). *When leasing makes sense. Business Owner's Toolkit*. Retrieved February 13, 2008, from [http://www.toolkit.cch.com/text/P04\\_3005.asp](http://www.toolkit.cch.com/text/P04_3005.asp)

93. C

Signage restrictions. A lease is a contract to use property that belongs to someone else for a specific period of time and a specific amount of rent. Before leasing space, a small-business owner should ask the property owner about procedures related to building maintenance and exterior landscaping. In some cases, the small-business owner may be able to negotiate lower rental rates in exchange for performing some basic maintenance and landscaping. The small-business owner must also find out about any signage restrictions that the property owner or local jurisdiction might have. In some instances, the size and placement of exterior signs are restricted. The property owner may provide uniform signage for businesses that are located in a large office building for free or for an additional charge. Labor laws are developed and enforced by government. A warranty is a promise made by the seller to the buyer that the seller will repair or replace a product that does not perform as expected. Royalties are fees paid to a parent company that are often based on a percentage of the franchise's profits. Labor laws, product warranties, and royalty payments are not factors that affect a commercial lease.

SOURCE: OP:028

SOURCE: Murray, J. (n.d.). *How to negotiate a commercial lease*. Retrieved January 29, 2009 from <http://biztaxlaw.about.com/od/findingabusinesslocation/a/negotiatelease.htm>

94. A

To track key performance indicators. Dashboards and scoreboards are types of computer-generated, custom-designed reports that indicate in graphic form the overall condition of a business. They present a set of key performance indicators that, when viewed together, give a snapshot of the health of the company. Managers use dashboards and scoreboards to track the key performance indicators and identify potential problems so they can make adjustments before any harm is done. The information in company databases is used to generate dashboards and scorecards. Dashboards and scorecards are not used to maintain the security of the systems or to develop new software programs.

SOURCE: SM:027

SOURCE: Peart-Hannon. (2006). *Executive dashboards & scorecards*. Retrieved February 21, 2008, from <http://www.peart-hannon.com/services/scorecardsanddashboards.aspx>

95. B  
Contingency plan. An action plan is the specific tactics businesses will use to carry out an activity. A contingency plan is a type of action plan that describes the specific activities that the business will carry out under certain circumstances. In the example, the business has specific procedures to follow if it loses power. This type of contingency plan may be a component of the business's overall emergency plan, which also addresses fire evacuation procedures, bomb threats, illness, etc. Contingency plans are also developed for other areas of the business—marketing, finance, human resources, etc. An environmental scan involves collecting information about the environment surrounding the business. Changes in regulations may be addressed in an environmental scan. The procedures for the situation described are not outlined in the environmental scan, evacuation plan, or regulatory scan.  
SOURCE: SM:012  
SOURCE: Pride, W.M., Hughes, R.J., & Kapoor, J.R. (2008). *Business* (9th ed.) [pp. 223-224]. Boston: Houghton Mifflin.
96. C  
Market analysis. A competitive analysis should be included as part of a business plan's overall market analysis. A competitive analysis is not included in the appendices, executive summary, or financial plan. The appendices are the extra bits of information provided to support points already made in the business plan. The executive summary is a two- to three-page "miniature" of the full plan. The financial plan addresses the business's ability to generate a profit as well as its financing needs.  
SOURCE: SM:013  
SOURCE: SM LAP 2—Plan for Success (Create a Business Plan)
97. C  
Strategy and implementation. The strategy and implementation section of the business plan sets specific assignments and deadlines for putting the plan into action. It shows your readers that you're serious about the plan and have created measurable ways to track your progress. The market analysis section addresses the business's target market and industry. The company description section informs readers about what the business is. The product(s) offered section describes the business's products and services.  
SOURCE: SM:013  
SOURCE: SM LAP 2—Plan for Success (Create a Business Plan)
98. B  
Organizational structure. Organizational structure is addressed in the management plan component of a business plan. Cash flow is addressed in the financial plan. Market research is addressed in the market analysis. Legal documents are included in the appendices.  
SOURCE: SM:013  
SOURCE: SM LAP 2—Plan for Success (Create a Business Plan)
99. D  
Historical financial data. Existing businesses need to provide historical financial data (from the last three to five years) in their financial plans. Management resumes, contracts, and licenses belong in the appendices. It is not necessary to provide financial data from competitors.  
SOURCE: SM:013  
SOURCE: SM LAP 2—Plan for Success (Create a Business Plan)

100. D

Appendices. Building permits are usually included in the appendices of a business plan. The table of contents lists all sections with their corresponding page numbers. The product(s) offered section covers the business's products and services. The executive summary is a two- to three-page "miniature" of the full plan.

SOURCE: SM:013

SOURCE: SM LAP 2—Plan for Success (Create a Business Plan)

## Appendix B

### **SCANS Competencies and Skills**



**Background**

The Secretary's Commission on Achieving Necessary Skills (SCANS) was established in February 1990 to examine the demands of the workplace and to determine whether the current and future work force is capable of meeting those demands. Commission members included 31 representatives from the nation's schools, businesses, unions and government. The Commission issued its first report, "What Work Requires of Schools," in June 1991. This report told educators and employers what students and workers need to know and be able to do in order to succeed in the workplace. This kind of information is especially vital today, when more than half of our young people leave school without the basic skills required to find and hold a good job.

Specifically, the Commission was directed to advise the Secretary of Labor on the type and level of skills required to enter employment. In carrying out this charge, the Commission was asked to:

1. Define the skills needed for employment;
2. Propose acceptable levels in those skills;
3. Suggest effective ways to assess proficiency; and
4. Develop a strategy to disseminate the findings to the nation's schools, businesses and homes.

The Commission identified two types of skills: competencies and foundations. Competencies are the skills necessary for success in the workplace and are organized into five areas. Foundations are skills and qualities that underlie the competencies. The competencies and foundations are generic—most of them are required for most jobs. The SCANS competencies and foundations are identified and defined on the following pages. The number referenced before each of them relates to the SCANS identified in each planning guide sheet.

**Competencies  
Resources**

- 1 Allocates Time—Selects relevant, goal-related activities; ranks them in order of importance; allocates time to activities; and understands, prepares and follows schedules. Competent performance in allocating time includes properly identifying tasks to be completed; ranking tasks in order of importance; developing and following an effective, workable schedule based on accurate estimates of such things as importance of tasks, time to complete tasks, time available for completion and task deadlines; avoiding wasting time; and accurately evaluating and adjusting a schedule.
- 2 Allocates Money—Uses or prepares budgets, including making cost and revenue forecasts, keeps detailed records to track budget performance and makes appropriate adjustments. Competent performance in allocating money includes accurately preparing and using a budget according to a consistent and orderly accounting method; accurately calculating future budgetary needs based on projected costs and revenues; accurately tracking the extent to which actual costs and revenues differ from the estimated budget; and taking appropriate and effective actions.

**Information**

- 3 Allocates Material and Facility Resources—Acquires, stores and distributes materials, supplies, parts, equipment, space or final products in order to make the best use of them. Competent performance in allocating material and facility resources includes carefully planning the steps involved in the acquisition, storage and distribution of resources; safely and efficiently acquiring, transporting or storing them; maintaining them in good condition; and distributing them to the end user.
- 4 Allocates Human Resources—Assesses knowledge and skills and distributes work accordingly, evaluates performance and provides feedback. Competent performance in allocating human resources includes accurately assessing peoples' knowledge, skills, abilities and potential; identifying present and future workload; making effective matches between individual talents and workload; and actively monitoring performance and providing feedback.
- 5 Acquires and Evaluates Information—Identifies need for data, obtains them from existing sources or creates them and evaluates their relevance and accuracy. Competently performing the tasks of acquiring data and evaluating information includes analytic questions to determine specific information needs; selecting possible information and evaluating its appropriateness; and determining when new information must be created.
- 6 Organizes and Maintains Information—Organizes, processes and maintains written or computerized records and other forms of information in a systematic fashion. Competently performing the tasks of organizing and maintaining information includes understanding and organizing information from computer, visual, oral and physical sources in readily accessible formats, such as computerized data bases, spreadsheets, microfiche, video disks, paper files, etc.; when necessary, transforming data into different formats in order to organize them by the application of various methods such as sorting, classifying or more formal methods.
- 7 Interprets and Communicates Information—Selects and analyzes information and communicates the results to others using oral, written, graphic, pictorial or multi-media methods. Competently performing the tasks of communicating and interpreting information to others includes determining information to be communicated; identifying the best methods to present information (e.g., overheads, handouts); if necessary, converting to desired format and conveying information to others through a variety of means including oral presentation, written communication, etc.
- 8 Uses Computers to Process Information—Employs computers to acquire, organize, analyze and communicate information. Competently using computers to process information includes entering, modifying, retrieving, storing and verifying data and other information; choosing format for display (e.g., line graphs, bar graphs, tables, pie charts, narrative); and ensuring the accurate conversion of information into the chosen format.

**Interpersonal**

- 9 Participates as a Member of a Team—Works cooperatively with others and contributes to group with ideas, suggestions and effort. Demonstrating competence in participating as a member of a team includes doing own share of tasks necessary to complete a project; encouraging team members by listening and responding appropriately to their contributions; building on individual team members' strengths; resolving differences for the benefit of the team; taking personal responsibility for accomplishing goals; and responsibly challenging existing procedures, policies or authorities.
- 10 Teaches Others—Helps others learn. Demonstrating competence in teaching others includes helping others to apply related concepts and theories to tasks through coaching or other means; identifying training needs; conveying job information to allow others to see its applicability and relevance to tasks; and assessing performance and providing constructive feedback/reinforcement.
- 11 Serves Clients/Customers—Works and communicates with clients and customers to satisfy their expectations. Demonstrating competence in serving clients and customers includes actively listening to customers to avoid misunderstandings and identifying needs; communicating in a positive manner especially when handling complaints or conflict; and efficiently obtaining additional resources to satisfy client needs.
- 12 Exercises Leadership—Communicates thoughts, feelings and ideas to justify a position; encourages, persuades, convinces or otherwise motivates an individual or groups, including responsibly challenging existing procedures, policies or authority. Demonstrating competence in exercising leadership includes making positive use of the rules/values followed by others; justifying a position logically and appropriately; establishing credibility through competence and integrity; and taking minority viewpoints into consideration.
- 13 Negotiates to Arrive at a Decision—Works toward an agreement that may involve exchanging specific resources or resolving divergent interests. Demonstrating competence in negotiating to arrive at a decision involves researching opposition and the history of the conflict; setting realistic and attainable goals; presenting facts and arguments; listening to and reflecting on what has been said; clarifying problems and resolving conflicts; adjusting quickly to new facts/ideas; proposing and examining possible options; and making reasonable compromises.
- 14 Works with Cultural Diversity—Works well with men and women and with a variety of ethnic, social or educational backgrounds. Demonstrating competence in working with cultural diversity involves understanding one's own culture and those of others and how they differ; respecting the rights of others while helping them make cultural adjustments where necessary; basing impressions on individual performance, not on stereotypes; and understanding concerns of members of other ethnic and gender groups.

**Systems**

- 15 Understands Systems—Knows how social, organizational and technological systems work and operates effectively within them. Demonstrating competence in understanding systems involves knowing how a system's structures relate to goals; responding to the demands of the system/organization; knowing the right people to ask for information and where to get resources; and functioning within the formal and informal codes of the social/organizational system.

**Technology**

- 16 Monitors and Corrects Performance—Distinguishes trends, predicts impact of actions on system operations, diagnoses deviations in the function of a system/organization and takes necessary action to correct performance. Demonstrating competence in monitoring and correcting performance includes identifying trends and gathering needed information about how the system is intended to function; detecting deviations from system's intended purpose; troubleshooting the system; and making changes to the system to rectify system functioning and to ensure quality of product.
- 17 Improves and Designs Systems—Makes suggestions to modify existing systems to improve products or services and develops new or alternative systems. Demonstrating competence in improving or designing systems involves making suggestions for improving the functioning of the system/organization; recommending alternative system designs based on relevant feedback; and responsibly challenging the status quo to benefit the larger system.
- 18 Selects Technology—Judges which set of procedures, tools or machines, including computers and their programs, will produce the desired results. Demonstrating competence in selecting technology includes determining desired outcomes and applicable constraints; visualizing the necessary methods and applicable technology; evaluating specifications; and judging which machine or tool will produce the desired results.
- 19 Applies Technology to Task—Understands the overall intent and the proper procedures for setting up and operating machines, including computers and their programming systems. Demonstrating competence in how to apply technology to task includes understanding how different parts of machines interact and how machines interact with broader production systems; on occasion installing machines including computers; setting up machines or systems of machines efficiently to get desired results; accurately interpreting machine output; and detecting errors from program output.
- 20 Maintains and Troubleshoots Technology—Prevents, identifies or solves problems in machines, computers and other technologies. Demonstrating competence in maintaining and troubleshooting technology includes identifying, understanding and performing routine preventative maintenance and service on technology; detecting more serious problems; generating workable solutions to correct deviations; and recognizing when to get additional help.

**Foundation Skills**  
**Basic Skills**

- 1 Reading—Locates, understands and interprets written information in prose and documents—including manuals, graphs and schedules—to perform tasks; learns from text by determining the main idea or essential message; identifies relevant details, facts and specifications; infers or locates the meaning of unknown or technical vocabulary; judges the accuracy, appropriateness, style and plausibility of reports, proposals or theories of other writers.

**Thinking Skills**

- 2 Writing—Communicates thoughts, ideas, information and messages in writing; records information completely and accurately; composes and creates documents such as letters, directions, manuals, reports, proposals, graphs, flow-charts; uses language, style, organization and format appropriate to the subject matter, purpose and audience; includes supporting documentation and attends to level of detail; and checks, edits and revises for correct information, appropriate emphasis, form, grammar, spelling and punctuation.
- 3 Arithmetic—Performs basic computations; uses basic numerical concepts such as whole numbers and percentages in practical situations; makes reasonable estimates of arithmetic results without a calculator; and uses tables, graphs, diagrams and charts to obtain or convey quantitative information.
- 4 Mathematics—Computational skills needed in maintaining records, estimating results, using spreadsheets or applying statistical process.
- 5 Listening—Receives, attends to, interprets and responds to verbal messages and other cues such as body language in ways that are appropriate to the purpose; for example, to comprehend, to learn, to critically evaluate, to appreciate or to support the speaker.
- 6 Speaking—Organizes ideas and communicates oral messages appropriate to listeners and situations; participates in conversation, discussion and group presentations; selects an appropriate medium for conveying a message; uses verbal language and other cues such as body language appropriate in style, tone and level of complexity to the audience and the occasion; speaks clearly and communicates a message; understands and responds to listener feedback; and asks questions when needed.
- 7 Creative Thinking—Uses imagination freely, combines ideas or information in new ways, makes connections between seemingly unrelated ideas and reshapes goals in ways that reveal new possibilities.
- 8 Decision Making—Specifies goals and constraints, generates alternatives, considers risks and evaluates and chooses best alternative.
- 9 Problem Solving—Recognizes that a problem exists (i.e., there is a discrepancy between what is and what should or could be); identifies possible reasons for the discrepancy; devises and implements a plan of action to resolve it; evaluates and monitors progress; and revises plan as indicated by findings.
- 10 Seeing Things in the Mind's Eye—Organizes and processes symbols, pictures, graphs, objects or other information; for example, sees a building from a blueprint; a system's operation from schematics; the flow of work activities from narrative descriptions; or the taste of food from reading a recipe.
- 11 Knowing How to Learn—Uses efficient learning techniques to acquire and apply new knowledge and skills.
- 12 Reasoning—Discovers a rule or principle underlying the relationship between two or more objects and applies it in solving a problem.

**Personal Qualities**

- 13 Responsibility—Exerts a high level of effort and perseverance toward goal attainment; works hard to become excellent at doing tasks by setting high standards, paying attention to details, working well and displaying a high level of concentration even when assigned an unpleasant task; and displays high standards of attendance, punctuality, enthusiasm, vitality and optimism in approaching and completing tasks.
- 14 Self-Esteem—Believes in own self-worth and maintains a positive view of self.
- 15 Social—Demonstrates understanding, friendliness, adaptability, empathy and politeness in new and on-going group settings; asserts self in familiar and unfamiliar social situations; relates well to others; responds appropriately as the situation requires; and takes an interest in what others say and do.
- 16 Self-Management—Assesses own knowledge, skills and abilities accurately; sets well-defined and realistic personal goals; monitors progress toward goal attainment and motivates self through goal achievement; exhibits self-control and responds to feedback unemotionally and non-defensively; and is a "self-starter."
- 17 Integrity/Honesty—Chooses ethical courses of action.

## Appendix C

### **21<sup>st</sup> Century Skills**

**Overview**

While the No Child Left Behind Act of 2001 identifies the core subjects as the traditional academic areas, business and education leaders along with policymakers have identified several other significant content areas that they consider critical to educational success in the 21<sup>st</sup> century. This group known as The Partnership for 21<sup>st</sup> Century Skills leads the way for including these skills in education. To encourage school districts to address these skills, the group provides the necessary tools and resources schools need to add the skills to the curriculum.

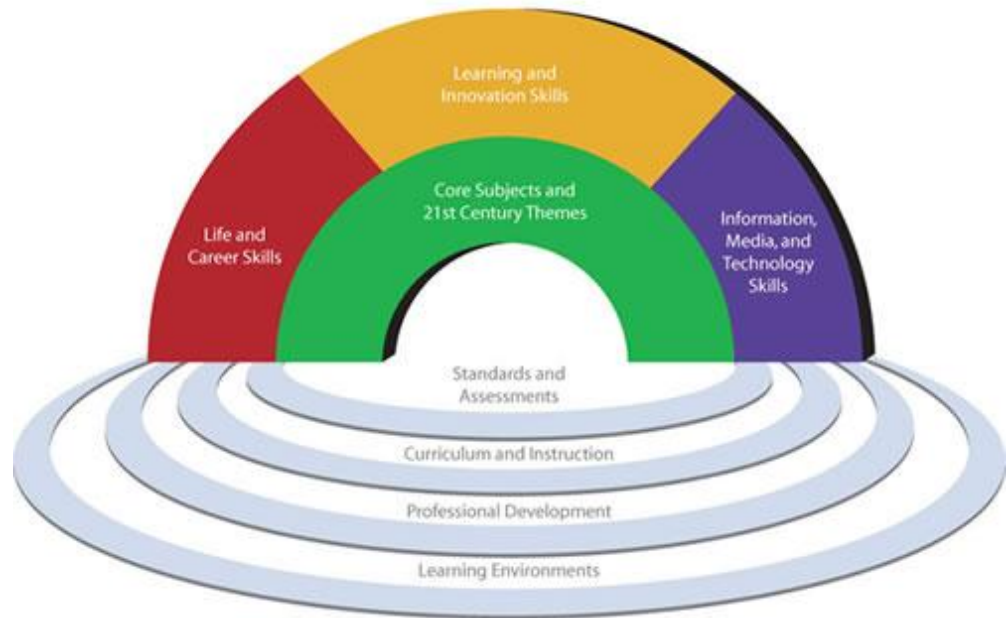
The Partnership for 21<sup>st</sup> Century Skills conducted extensive initial research with thousands of key stakeholders and citizens across the country. The Partnership has identified six elements of 21<sup>st</sup> century learning:

- Core subjects
- 21<sup>st</sup> century content
- Learning and thinking skills
- Information and communications technology literacy
- Life skills
- 21<sup>st</sup> century assessments



## 21<sup>st</sup> Century Content

The Partnership for 21<sup>st</sup> Century Skills has created the graphic below to summarize their work. The graphic represents both 21st century skills student outcomes (as represented by the arches of the rainbow) and 21st century skills support systems (as represented by the pools at the bottom). The text following the graphic describes the Partnership's perspective and then lists the student outcomes identified. For the purposes of the *Principles of Entrepreneurship* crosswalk, numbers have been given to each skill.



Mastery of core subjects and 21st century themes is essential for students in the 21st century. Core subjects include:

- English, reading or language arts
- World languages
- Arts
- Mathematics
- Economics
- Science
- Geography
- History
- Government and Civics

In addition to these subjects, we (The Partnership) believe schools must move beyond a focus on basic competency in core subjects to promoting understanding of academic content at much higher levels by weaving 21st century interdisciplinary themes into core subjects:

**Global Awareness**

1. Using 21st century skills to understand and address global issues
2. Learning from and working collaboratively with individuals representing diverse cultures, religions and lifestyles in a spirit of mutual respect and open dialogue in personal, work and community contexts
3. Understanding other nations and cultures, including the use of non-English languages

**Financial, Economic, Business and Entrepreneurial Literacy**

1. Knowing how to make appropriate personal economic choices
2. Understanding the role of the economy in society
3. Using entrepreneurial skills to enhance workplace productivity and career options

**Civic Literacy**

1. Participating effectively in civic life through knowing how to stay informed and understanding governmental processes
2. Exercising the rights and obligations of citizenship at local, state, national and global levels
3. Understanding the local and global implications of civic decisions

**Health Literacy**

1. Obtaining, interpreting and understanding basic health information and services and using such information and services in ways that are health enhancing
2. Understanding preventive physical and mental health measures, including proper diet, nutrition, exercise, risk avoidance and stress reduction
3. Using available information to make appropriate health-related decisions
4. Establishing and monitoring personal and family health goals
5. Understanding national and international public health and safety issues

**Learning and Innovation Skills**

Learning and innovation skills are increasingly being recognized as the skills that separate students who are prepared for increasingly complex life and work environments in the 21st century, and those who are not. A focus on creativity, critical thinking, communication and collaboration is essential to prepare students for the future.

**Creativity & Innovation**

1. Demonstrating originality and inventiveness in work
2. Developing, implementing and communicating new ideas to others
3. Being open and responsive to new and diverse perspectives
4. Acting on creative ideas to make a tangible and useful contribution to the domain in which the innovation occurs

**Critical Thinking & Problem Solving**

1. Exercising sound reasoning in understanding
2. Making complex choices and decisions
3. Understanding the interconnections among systems
4. Identifying and asking significant questions that clarify various points of view and lead to better solutions
5. Framing, analyzing and synthesizing information in order to solve problems and answer questions

**Communication & Collaboration**

1. Articulating thoughts and ideas clearly and effectively through speaking and writing
2. Demonstrating ability to work effectively with diverse teams
3. Exercising flexibility and willingness to be helpful in making necessary compromises to accomplish a common goal
4. Assuming shared responsibility for collaborative work

**Information, Media and Technology Skills**

People in the 21st century live in a technology and media-suffused environment, marked by access to an abundance of information, rapid changes in technology tools, and the ability to collaborate and make individual contributions on an unprecedented scale. To be effective in the 21st century, citizens and workers must be able to exhibit a range of functional and critical thinking skills related to information, media and technology.

**Information Literacy**

1. Accessing information efficiently and effectively, evaluating information critically and competently and using information accurately and creatively for the issue or problem at hand
2. Possessing a fundamental understanding of the ethical/legal issues surrounding the access and use of information

**Media Literacy**

1. Understanding how media messages are constructed, for what purposes and using which tools, characteristics and conventions.
2. Examining how individuals interpret messages differently, how values and points of view are included or excluded and how media can influence beliefs and behaviors.
3. Possessing a fundamental understanding of the ethical/legal issues surrounding the access and use of information

**ICT (Information, Communications & Technology) Literacy**

1. Using digital technology, communication tools and/or networks appropriately to access, manage, integrate, evaluate, and create information in order to function in a knowledge economy
2. Using technology as a tool to research, organize, evaluate and communicate information, and the possession of a fundamental understanding of the ethical/legal issues surrounding the access and use of information

**Life & Career Skills**

Today's life and work environments require far more than thinking skills and content knowledge. The ability to navigate the complex life and work environments in the globally competitive information age requires students to pay rigorous attention to developing adequate life and career skills.

**Flexibility & Adaptability**

1. Adapting to varied roles and responsibilities
2. Working effectively in a climate of ambiguity and changing priorities

**Initiative & Self-Direction**

1. Monitoring one's own understanding and learning needs
2. Going beyond basic mastery of skills and/or curriculum to explore and expand one's own learning and opportunities to gain expertise
3. Demonstrating initiative to advance skill levels towards a professional level
4. Defining, prioritizing and completing tasks without direct oversight
5. Utilizing time efficiently and managing workload
6. Demonstrating commitment to learning as a lifelong process

**Social & Cross-Cultural Skills**

1. Working appropriately and productively with others
2. Leveraging the collective intelligence of groups when appropriate
3. Bridging cultural differences and using differing perspectives to increase innovation and the quality of work

**Productivity & Accountability**

1. Setting and meeting high standards and goals for delivering quality work on time
2. Demonstrating diligence and a positive work ethic (e.g., being punctual and reliable)

**Leadership & Responsibility**

1. Using interpersonal and problem-solving skills to influence and guide others toward a goal
2. Leveraging strengths of others to accomplish a common goal
3. Demonstrating integrity and ethical behavior
4. Acting responsibly with the interests of the larger community in mind

Source: Partnership for 21<sup>st</sup> Century Skills. (2009, December). *P21 framework definitions*. Retrieved April 18, 2012, from [http://www.p21.org/documents/P21\\_Framework\\_Definitions.pdf](http://www.p21.org/documents/P21_Framework_Definitions.pdf)