

Be Your Own Boss

Imagine you operate a retail business selling disposable cell phones. First, decide on a selling price for the phones and prepare a list of the estimated fixed and variable expenses. Second, you want the business to increase its profit, so you try to come up with several ways to lower the variable and fixed expenses. Prepare 2 PowerPoint slides summarizing your ideas. Email the PowerPoint as an attachment.



Think Critically

1. How are receipts useful in recordkeeping?
2. What is the difference between a purchase order and a sales invoice?
3. Why is it important to keep good business records?
4. How are expenses related to profits?
5. What is a fixed expense? Why don't fixed expenses change in response to sales?

6. List the eight most common fixed expenses and the phrase that helps you remember them.

7. What is depreciation? What is the formula used in the straight-line method of depreciation?

8. What is a variable expense?

9. What is Cost of Goods Sold (COGS) and what does it include?

10. What is an economy of scale?

what went wrong?

AVOID PERSONAL DEBT

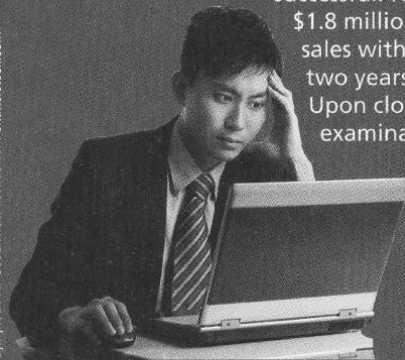
Dave McClure took on a great amount of debt when he founded a Web and database services company, Aslan Computing. He used his own personal savings and took out a second mortgage on his home to get the money he needed to get his business off the ground. At first, it appeared that Dave's venture was successful. He made \$1.8 million in sales within two years. Upon closer examination

of his financial records, however, things did not look as good. Although Dave's business generated a large amount of revenue, it did not generate much profit. Aslan Computing's costs exceeded its revenues, and it incurred a net loss of \$50,000 the second year. On the brink of collapse, no bank would lend Dave additional funds. He managed to sell the business for enough money to pay off his debts.

THINK CRITICALLY

1. Do you think it is wise for a business owner to take on a large amount of personal debt when starting a business?
2. What other options does an entrepreneur have if no bank is willing to loan money to help finance the business?

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When starting your business, be sure to avoid personal debt.