

Learning for Earning

Your Route to Success

Sixth Edition



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PowerPoint Presentations for

Learning for Earning

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CHAPTER

6

**A Business of Your
Own**



Chapter Objectives

After studying this chapter, you will be able to

- give examples of retail and service businesses.
- decide whether you are the right type of person to own your own business.
- summarize the financial considerations of starting a business.
- name and describe three types of business organizations.



Key Terms

- entrepreneurship
- retail business
- franchise
- service business
- working capital
- wholesale
- sole proprietorship
- partnership
- corporation
- stockholder



Your Own Business

- ***Entrepreneurship*** – The starting and owning of a person's own business.
- Entrepreneurs usually turn a hobby into a business or start a small business.
- Most small businesses are involved in retail sales or providing services.

Retail Businesses



- ***Retail business*** – A business that sells products, such as clothing or cars, to consumers.
- They are in malls and business districts.



Retail Businesses

- Some entrepreneurial businesses are one-of-a-kind, but others belong to chains known as franchises.
- ***Franchise*** – The right to sell a company's products in specified areas.
- Many well-known store and restaurant chains are franchises.

Service Businesses

- ***Service business*** – A business that performs tasks for customers.
 - Examples: interior decorating, dry cleaning, and landscaping





Do You Want to Be an Entrepreneur?

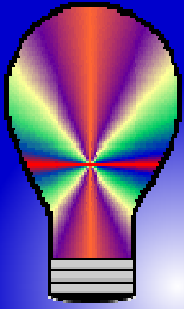
- Entrepreneurs start businesses for many reasons, such as to
 - make more money
 - develop a new idea
 - be their own boss
 - gain recognition in the community
 - do the job better than anyone else

Do You Want to Be an Entrepreneur?

- Successful entrepreneurs have
 - unlimited drive and ambition
 - self-motivation
 - good knowledge of their product or service
 - an ability to make decisions quickly
 - willingness to work long hours and take financial risk

Do You Want to Be an Entrepreneur?

- Entrepreneurs are individuals who
 - enjoy working with people
 - are able to motivate workers and supervise them well
 - are comfortable around strangers
 - have strong people skills
- ❖ *If all these qualities describe you, you may have what it takes to successfully run your own business.*



Think About It

- ❖ *List your strong qualities, skills, and abilities.*
- ❖ *Decide which are needed by successful entrepreneurs.*





Planning a Business

- Experts advise not to start a business in an unfamiliar field.
- An entrepreneur must form a business plan that
 - describes the business
 - details its service or product(s)
 - identifies who the customers will be and how they will be serviced

Planning a Business

- The Small Business Administration (SBA) helps entrepreneurs
 - plan, advertise, and manage the business
 - fulfill their legal responsibilities
 - obtain government-funded loans, which is one type of working capital
- ***Working capital*** – The money needed to start and maintain a business.

Financial Considerations

- When planning a business, people often underestimate their business expenses.
- ❖ *What business expenses can you name?*





Financial Considerations

- *Equipment* must be purchased, rented, or leased.
- *Supplies* must be purchased, ideally at wholesale prices.
- ***Wholesale*** – A large quantity of items packaged in bulk with a per-item cost below the retail price.

Financial Considerations



- *Advertising* must inform potential customers about your business.
- Advertising methods include
 - direct mail
 - newspapers
 - radio
 - television



Financial Considerations

- *Prices* of the product or service must be set. They should
 - cover all costs and include a profit
 - compare favorably to competitors' prices
- *Employees*, if needed, must be hired and paid.
- *Workspace* must be found, often through renting or leasing space.

Types of Business Organizations

- There are three basic types of business organizations:
 - sole proprietorship
 - partnership
 - corporation





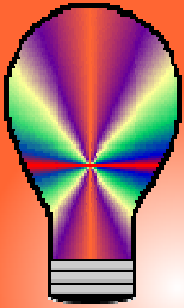
Sole Proprietorship

- ***Sole proprietorship*** – A business owned by one person.
- Advantages:
 - It is easy to start and dissolve.
 - One person usually makes all the decisions.
 - One person earns all the profits.



Sole Proprietorship

- Disadvantages:
 - The owner is responsible for all bills and expenses.
 - Personal property may be taken to cover debts.
 - Success of the business is totally dependent on one person's skills and ability.



Think About It



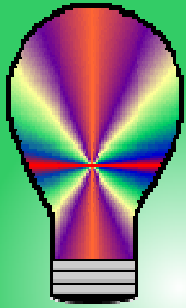
- ❖ *Can you give an example of a sole proprietorship that exists in the area?*

Partnership

- ***Partnership*** – A business owned by two or more people.
- Advantages:
 - Partners share the responsibility, work, profit, and expenses.
 - Partners share ideas and discuss problems before making a decision.

Partnership

- Disadvantages:
 - Partners may disagree on how to run the business.
 - One partner may not do a fair share of the work.
- Disagreements can make a business fail.
- If the business fails, the partners share the losses.



Think About It



- ❖ *Can you give an example of a partnership that exists in the area?*

Corporation

- ***Corporation*** – A business that can legally act as a single person, but may be owned by many people.
- Owners of the corporation are called stockholders.
- ***Stockholder*** – A person who owns a share or shares of a corporation's stock.



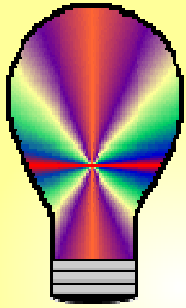
Corporation

- Advantages:
 - People invest in the business by buying stock.
 - Decisions are made by a board of directors.
 - The financial risk to the investors is the cost of a share of stock.



Corporation

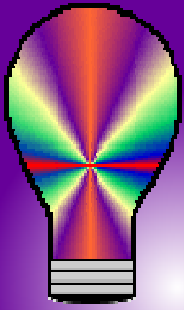
- Disadvantages:
 - Stockholders have little knowledge of the business operations.
 - Decision making may take longer since more people are involved.
 - A corporation can be expensive to set up.



Think About It



- ❖ *Can you give an example of a corporation that exists in the area?*



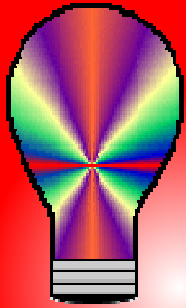
Think About It

- ❖ *Describe what it takes to be an entrepreneur.*
- ❖ *List the factors that must be considered when planning a business.*
- ❖ *Compare and contrast the basic types of business organizations.*



Chapter 6: In the Know

- An entrepreneurial business is either a service business or a retail business that provides a product.
- Some people have the qualities it takes to be a good entrepreneur while others don't.
- A successful business needs careful planning, especially to cover its many expenses.
- Sole proprietorships, partnerships, and corporations are the basic types of business organizations.



Chapter 6: Think More About It

- ❖ *Do you have the personal qualities, skills, and abilities needed to be an entrepreneur?*
- ❖ *Which type of business organization would you prefer to own?*