

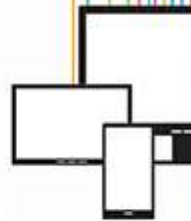
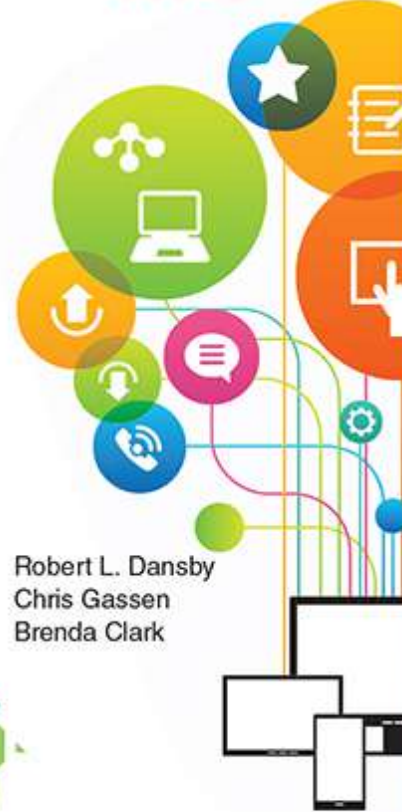
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# Principles of Business, Marketing, and Finance

PRECISION  
EXAMS



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*Presentations for PowerPoint*

# Principles of Business, Marketing, and Finance

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6



# Entrepreneurship

## **Section 6.1**

# **Entrepreneurs in a Free Enterprise System**

# Objectives

- **Describe** common skills and traits of successful entrepreneurs.
- **Explain** the criteria to qualify as a small business.
- **Identify** sources of professional advice for entrepreneurs.
- **List** common reasons that new businesses fail.

# Key Terms

- trait
- leadership
- job-specific skills
- transferable skills
- planning
- mentor



# Essential Question

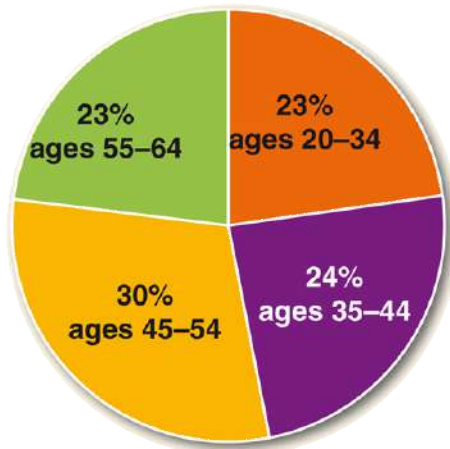
What are common elements of success in new businesses?

# Entrepreneurs

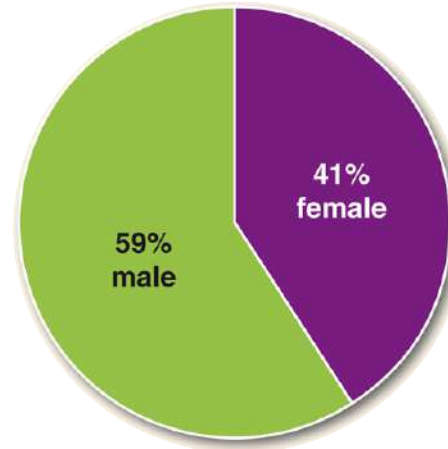
- *Entrepreneur* is a person who starts a new business or purchases an existing business
- Anyone has the opportunity to be an entrepreneur

# Entrepreneurs

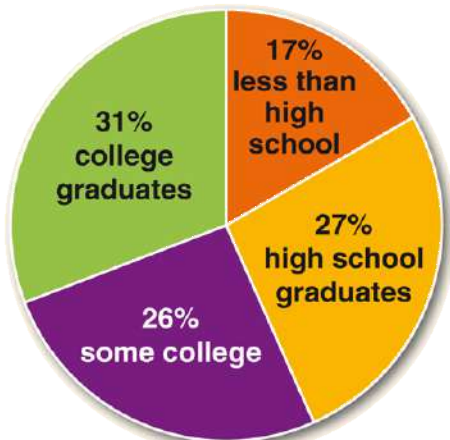
Entrepreneur Statistics



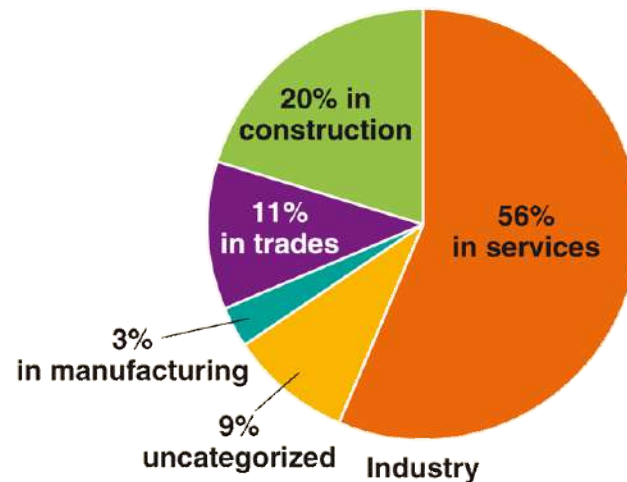
Age



Gender



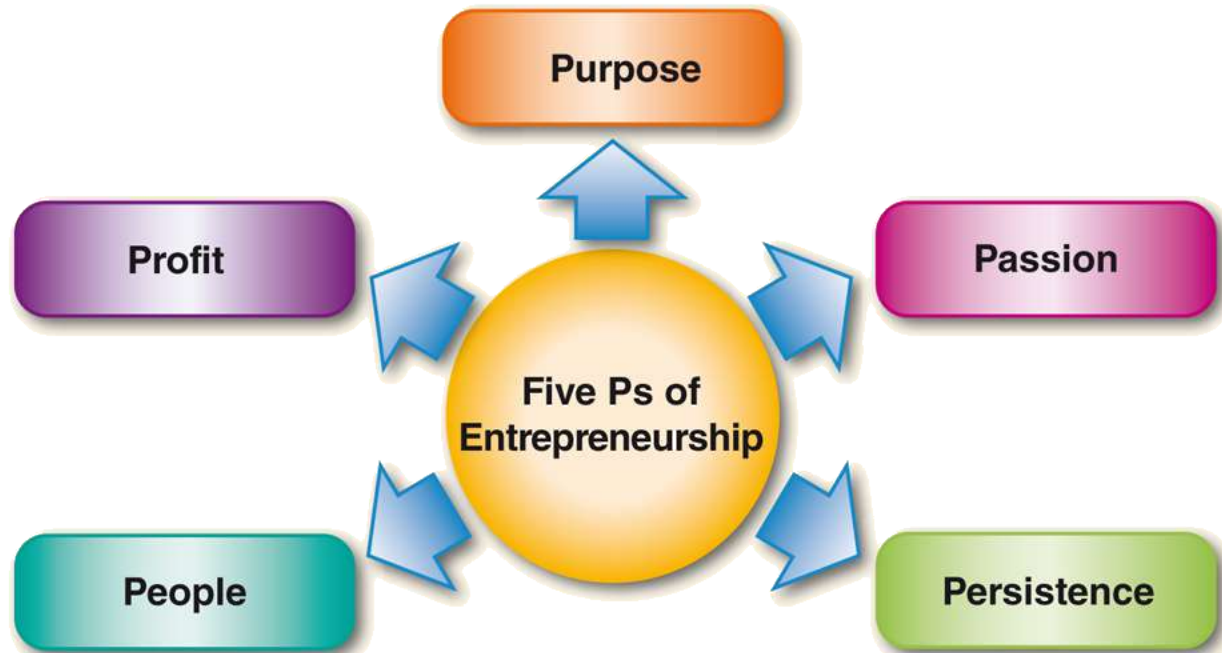
Education



Industry



# Entrepreneurs



# Entrepreneurs

- Many common traits and skills of entrepreneurs
- **Trait** is a distinguishing characteristic or quality that makes each person unique
- **Leadership** is the ability to influence others to reach a goal

# Entrepreneurs

## Common Traits of Successful Entrepreneurs

Achievement-oriented	Enthusiastic	Passionate
Adaptable	Fast learner	Persistence
Competitive	Goal-oriented	Perseverance
Confident	Good with money	Planner
Creative	Honest	Positive attitude
Customer focused	Independent	Receptive
Disciplined	Intuitive	Resourceful
Driven	Motivated	Risk-tolerant
Dynamic	Nonjudgmental	Self-starter
Empathetic	Optimistic	Versatile
Energetic	Organized	Visionary

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# Entrepreneurs

- **Job-specific skills** are necessary to perform the required work-related tasks of a position; *skills of the trade*
- **Transferable skills** help an individual perform in the workplace or gain success in a career; *foundation skills*
  - Basic skills apply to any professional position
  - Problem-solving and decision-making skills
  - **Planning** is the process of setting goals and deciding how to accomplish them

# Small Businesses

- According to the Small Business Administration (SBA), “To be a small business, you must adhere to industry size standards established by the US Small Business Administration.”
- May be any legal form of business ownership

# Small Businesses

## Small Business Size Standards

Industry Group	Size Standard
Wholesale trade	100 employees
Manufacturing	500 employees
Publishing industries	500 employees
Mining	500 employees
Agriculture	\$750,000
Ground passenger transportation	\$15 million
Specialty trade contractors	\$15 million
Travel agencies	\$20.5 million
General and heavy construction	\$36.5 million
<b>Professional and personal services:</b>	
Dry cleaning and laundry services	\$5.5 million
Beauty salons and barbershops	\$7.5 million
Architectural, drafting, interior design, and graphic design services	\$7.5 million
Engineering, surveying, and mapping services	\$15 million

Source: The US Small Business Administration; Goodheart-Willcox Publisher

# Professional Advice

- **Mentor** is someone with experience who can provide advice, suggestions, and ideas
- US Small Business Administration (SBA) is an agency of the federal government that helps entrepreneurs start, build, and grow their businesses
- *Service Corps of Retired Executives (SCORE)* includes retired and active businesspeople who volunteer to help small businesses succeed

# Why Businesses Fail

- Lack of money
- Lack of business experience
- Poor management skills
- Inefficient inventory control
- Poor credit management
- Poor location
- Improper budgeting
- Lack of advertising



# Section 6.1 Review

1. How does the US Small Business Administration define *entrepreneur*?

According to the US Small Business Administration, an entrepreneur is “a person who organizes and manages a business undertaking, assuming the risk for the sake of profit.”

2. What are the five Ps of entrepreneurship?

The five Ps of entrepreneurship are five qualities of successful entrepreneurial ventures, which include purpose, passion, persistence, people, and profit.

# Section 6.1 Review

3. How does the US Small Business Administration define small business in most industries?

For most industries, a small business is defined either in terms of the average number of employees over the past 12 months or average annual receipts over the past three years.

4. Identify three resources an entrepreneur can use for business advice.

Entrepreneurs can turn to mentors, the US Small Business Administration, and the Service Corps of Retired Executives for advice.

# Section 6.1 Review

5. List some reasons that many new businesses fail.

Some common reasons for the failure of new businesses include (any five) lack of money, lack of business experience, poor management skills, inefficient inventory control, poor credit management, bad location, improper budgeting, and lack of advertising.

## **Section 6.2**

# **Business Planning**

# Objectives

- **Discuss** the process of developing an idea for a business.
- **Describe** the components of a business plan.
- **Explain** the types of financing available for new businesses.

# Key Terms

- market research
- market
- cash flow
- business plan
- mission statement
- start-up capital
- pro forma financial statements
- pro forma balance sheet
- pro forma income statement
- pro forma cash flow statement
- capital structure
- debt financing
- collateral
- assets
- equity financing
- venture capital
- angel investors



# Essential Question

Why is planning important for any business venture?

# Developing a Business Idea

- Start with a great idea, or *vision*
- **Market research** is gathering and analyzing information about a business
- **Market** is all the people and organizations that might purchase a product
- Start-up strategies:
  - Start new business
  - Purchase existing business
  - Buy franchise



# Developing a Business Idea

- Start a new business
  - Need new product or operating strategy
- Purchase an existing business
  - Established location and customers
  - **Cash flow** is the movement of money into and out of a business
- Buy a franchise
  - Proven business system
  - Business known in the market

# Business Plan

- **Business plan** is a written statement of goals and objectives for a business with a strategy to achieve them
- Executive summary
  - **Mission statement** is a sentence describing the purpose of the business
- Company description
  - Business activity, market, competitive advantage
- Market analysis
  - Industry and market overview

# Business Plan

- Organization and management
  - Business structure, chain of command, licenses, permits
- Products
  - Goods or services sold, product life cycle, pricing
- Marketing and sales
  - Strategy to reach market

# Business Plan

- Financial plans
  - **Start-up capital** is the money necessary to start and open a business
  - **Pro forma balance sheet** reports assets, liabilities, and net worth of the business
  - **Pro forma income statement** projects revenues and expenses to show whether the business is profitable
  - **Pro forma cash flow statement** reports anticipated flow of income and expenses for the business
- Appendix
  - Material that is referenced as needed

# Business Financing

- **Capital structure** refers to the way a business is financed
  - Determines who has control of the business
- **Debt financing** is borrowing money that must be repaid for use in the business
  - **Collateral** is an asset pledged that will be claimed by the lender if the loan is not repaid.
  - **Assets** are the property or items of value a business owns.

# Business Financing

- **Equity financing** is capital brought into the business in exchange for a percent of ownership in the business
  - **Venture capital** is money invested in a business by investors who form partnerships or groups to pool investments
  - **Angel investors** are private investors who fund start-up businesses

# Section 6.2 Review

1. Why is it important for entrepreneurs to know their market?

Knowing the market allows an entrepreneur to focus on the most effective way to develop, advertise, and deliver a product.

2. What is an advantage of buying a franchise?

The franchisee gets a proven business system and a business name that is already known in the market.

# Section 6.2 Review

## 3. Identify the sections of a business plan.

In general, a business plan includes an executive summary, company description, market analysis, organization and management, service or product line, marketing and sales, funding request, financial projections, and an appendix.



# Section 6.2 Review

4. List the three financial statements that should be included in the financial plans section of a business plan.

The three financial statements that should be included are a pro forma balance sheet, a pro forma income statement, and a pro forma cash flow statement.

5. Name two sources of equity financing.

Two sources of equity financing are venture capitalists and angel investors.