

Lesson C4–1

Identify the Advantages and Disadvantages of Sole Proprietorship

Unit C. Entrepreneur Skills and Business Concepts

Problem Area 4. Identify Various Types of Business Ownerships

Lesson 1. Identify the Advantages and Disadvantages of Sole Proprietorship

Illinois State Goal and Learning Standard. This lesson is correlated with the following State Goal and Learning Standard:

State Goal 4: Listen and speak effectively in a variety of situations.

Learning Standards B: Speak effectively using language appropriate to the situation and audience.

English Language Arts Performance Descriptor J/4: Speak clearly and confidently (e.g., use good volume, eye contact, and body language).

National Standards for Business Education. III. Business Organization. Business students will analyze the organization of a business. Level 3: Identify variations of basic ownership forms.

Workplace Skills E/4: Interpreting the Economics of Work. Investigate opportunities and options for business ownership.

Occupational Skill Standards: (1) Administrative Support Cluster (IL96.BAI.AS.82)



- **Student Learning Objectives.** Instruction in this lesson should result in students achieving the following objectives:

- 1 Define sole proprietorship.**
- 2 Identify the advantages and disadvantages of a sole proprietorship.**
- 3 Discover characteristics and skills of successful business owner(s) conducting business as sole proprietor(s).**

- **List of Resources.** The following resources may be useful in teaching this lesson:

Allen, Kathleen R., and Meyer, Earl C. (2006). *Entrepreneurship & Small Business Management*. Woodland Hills, CA: McGraw-Hill.

Brown, Betty J., and Clow, John E. (2006). *Introduction to Business*. Woodland Hills, CA: McGraw-Hill.

Vige', Janet. La. *Challenge Activities for the K–12 Classroom: Business Ownership*. 10 July 2006. <<http://www.challenge.state.la.us/k12act/data/business.html>>

- **List of Equipment, Tools, Supplies, and Facilities**

- ✓ Overhead or PowerPoint projector
- ✓ Visual(s) from accompanying master(s)
- ✓ Copies of test, lab sheet(s), and/or other items designed for duplication
- ✓ Materials listed on duplicated items
- ✓ Computers with Internet access
- ✓ Classroom resource and reference materials

- **Terms.** The following terms are presented in this lesson (shown in bold italics):

- sole proprietorship
- unlimited liability

- **Interest Approach.** Use an interest approach that will prepare the students for the lesson. Teachers often develop approaches for their unique class and student situation. A possible approach is included here.

Approach One: Ask students, “How many of you would like to be your own boss?” Then ask students why they want to be their own boss. Put responses on flip chart or transparency.

Approach Two: Ask students, “Do you know anyone who owns their own business?” Ask students to share information about the business owner and the type of business. Then ask students if they would like to own their own business someday. Why, or why not?

SUMMARY OF CONTENT AND TEACHING STRATEGIES

Objective 1: Define sole proprietorship.

Anticipated Problem: What is a sole proprietorship?

- I. A **sole proprietorship** is a business owned by only one person. It is the easiest and most popular form of business to create.

Many techniques can be used to help students master this objective. As an example, students could use Chapter 6 in Introduction to Business. Use VM-A to illustrate sole proprietorship.

Objective 2: Identify the advantages and disadvantages of a sole proprietorship.

Anticipated Problem: What are the advantages and disadvantages of a sole proprietorship?

- II. Owning your own business
 - A. Advantages of owning your own business
 1. Businesses are easy to start.
 - a. You might only need a license or permit.
 - b. Government regulation is limited.
 - c. Initial costs are relatively low compared to other types of ownership.
 2. You are your own boss.
 - a. Decisions are made by one person.
 - b. You can come and go as you please.
 3. You keep all the profits.
 4. Taxes are usually low.
 - B. Disadvantages of owning your own business
 1. You have to pay for everything yourself.
 - a. Start-up costs, advertising, payroll, supplies, etc.
 2. You need numerous business skills.
 - a. Record keeping, tax preparation, management, finance, and human resource management
 3. You have **unlimited liability**, or full responsibility, for your company's debts.
 - a. If you lose more money than you make, you have to make up the difference.

Many techniques can be used to help students master this objective. As an example, students could use Chapter 6 in Introduction to Business. Use VM–B and VM–C to illustrate the advantages and disadvantages of a sole proprietorship.

Objective 3: Discover characteristics and skills of successful business owner(s) conducting business as a sole proprietor(s).

Anticipated Problem: What characteristics and skills are important to the success of a sole proprietorship?

III. Characteristics and skills important to the success of a sole proprietor:

- A. Hard work and perseverance
- B. Commitment and dedication
- C. Technological skills
- D. Communication skills
- E. Management skills
- F. Marketing and advertising skills
- G. Finance and accounting skills

Many techniques can be used to help students master this objective. VM–D can be used to illustrate some important characteristics/skills of a sole proprietor. Ask students to add any additional characteristics/skills they feel are important. The flip chart or transparency that was created in the beginning of the lesson can be used to stimulate further discussion and to transition into the review/summary.

■ **Review/Summary.** Use the student learning objectives to summarize the lesson. Have students explain the content associated with each objective. Student responses can be used in determining which objectives need to be reviewed or taught from a different angle. Questions at the ends of chapters in the textbook may also be used in the review/summary.

■ **Application.** Application can involve one or more of the following student activities:

- ◆ Use LS–A. Ask students to work in groups and to identify 10 questions to ask a local business owner conducting business as a sole proprietor. Students will then type a profile worksheet to take to the interview. After the interview, the students will prepare a three- to five-minute speech, using proper speech technique, to deliver the findings of the interview. The “Let Me Tell You about a Sole Proprietorship” rubric can be used to assess the presentation.

- **Evaluation.** Evaluation should focus on student achievement of the objectives for the lesson. Various techniques can be used, such as student performance on the application activities. A sample written test is provided.

- **Answers to Sample Test:**

	Sole Proprietorship
Simple to start	X
Decisions made by one person	X
Low initial cost	X
Limited liability	
Limited government regulation	X
Raise capital by selling stocks	
Double taxation of profits	
Profits go to owner	X

Entrepreneur Skills and Business Concepts

(These test items can be combined with the other sample tests in this Unit.)

Instructions: Place an “X” in the box next to the item(s) pertaining to a sole proprietorship.

	Sole Proprietorship
Simple to start	
Decisions made by one person	
Low initial cost	
Limited liability	
Limited government regulation	
Raise capital by selling stocks	
Double taxation of profits	
Profits go to owner	



Let Me Tell You about a Sole Proprietorship

Performance Standard 4B.J

Each student will research a sole proprietorship, prepare a three- to five-minute speech, and deliver the speech using proper public speaking technique accordingly:

- ◆ *Deliver the Speech:* Focus on fundamentals of speech delivery (e.g., introduction, clarity of purpose, language, bodily action / posture, eye contact / gestures, use of voice, enthusiasm/vigor, confidence/self-control, organization of material, and conclusion).

Procedures

1. ***In order to speak effectively using language appropriate to the situation and audience (4B)***, students should experience sufficient learning opportunities to develop the following skill:

- ◆ Speak clearly and confidently (e.g., use good volume, eye contact, and body language).

Students employed in various business careers must use and improve their speaking and organization skills in addition to demonstrating their knowledge of business ownership. These skills will be very critical as students enter the business world. This assessment aligns with the National Standards for Business Education III, Business Organization, A/3, (Identify variations of basic ownership forms) and Workplace Skills E/4 (Interpreting the Economics of Work).

2. Business Education students will review and discuss the assessment task and how the rubric will be used to evaluate their work.
3. Provide opportunities for students to observe models of good public speaking.
4. Each student will select a sole proprietorship for the speech.
5. Each student will research and develop an outline of the speech (e.g., introduction, main points, first- and second-level support, and conclusion). The outline must be formatted using a word processing program and using appropriate outline format.
6. Each student will develop a visual aid to enhance the presentation of the speech.
7. Each student will practice the delivery of the speech before the assessment.
8. Each student will deliver a three- to five-minute speech on the topic agreed upon with the teacher.

9. Evaluate each student's performance using the rubric. Add each student's scores to determine the performance level.

Time Requirements

One to two class periods

Resources

- ◆ Materials for visual aids
- ◆ Research resources, print and electronic as available
- ◆ Let Me Tell You about a Sole Proprietorship student worksheet
- ◆ Let Me Tell You about a Sole Proprietorship rubric

Let Me Tell You about a Sole Proprietorship

The assessment of a speech covers 10 major categories of good public speaking. Each of the categories will be evaluated on a six-point scale, with one to three points being weak and four to six points being strong qualities. Your task is to listen carefully to the speech and evaluate it according to each of the 10 categories. While you are listening, you should also jot down (on the bottom of the evaluation page) the outline of the major points the speaker covers in the organization of the speech. Here is the explanation of the six-point scale and the 10 categories you are to assess.

Six-Point Scale:

1. Poor: The item is inferior in quality; it is not present or is barely detectable.
2. Weak: The item is deficient of required criteria. Some attempt is made to use this in the speech, but that attempt does not impact the audience.
3. Fair: The item meets most criteria but is lacking at least one. The effect on the audience is detectable but minimal.
4. Adequate: The item meets minimum acceptable standards for the speaking assignment. All criteria are present but may not be well developed.
5. Good: The criteria for the assignment are fulfilled with greater detail and a level of development in places above the required minimum. Development of criteria may not be consistent throughout the speech.
6. Excellent: There is consistent development of the criteria for an item throughout the speech. The attention to development of the item is clearly planned and carefully executed.



Evaluation Criteria for the 10 Categories:

1. **Introduction:** The speaker should identify clearly the subject of the speech and his or her purpose for speaking (persuade, inform, demonstrate, etc.). The introduction should be developed using one of the accepted patterns discussed in class (e.g., tell a story, unusual fact, anecdote, or personal experience). The speaker should establish his or her credibility (give proof that the speaker knows the topic well enough to speak about it as an authority of sorts).
2. **Clarity of Purpose:** The identified purpose for speaking should be evident throughout the body of the speech. The speaker should not deviate from the intended purpose for speaking. Transition devices and word choice should be selected with the purpose in mind and should link the elements of the speech together to achieve the purpose. Any comments that detract from the purpose should be absent; such comments will result in a lower score in this category of the evaluation.
3. **Language:** The choice of words and structure of sentences should be appropriate to the audience and occasion. An occasional slang term is okay, but the recurring use of inappropriate slang will lower the score in this category. Excessive use of slang without the proper motivation (necessary to achieve the particular purpose for speaking and appropriate to the audience) will result in an unsatisfactory rating (1–3).
4. **Bodily Action / Posture:** The speaker stands erect and comfortable with both feet a comfortable distance apart for good support. Speaker should appear confident and alert but at ease. Distracting movements should not be present. At no time should the speaker slouch, lean on furniture, move unnecessarily, or fidget.
5. **Eye Contact, Gestures:** Eye contact should be nearly constant with the audience and should move frequently across all parts of the audience. No “locking on” to note cards or one particular part of the audience. Gestures should be smooth and integrated with the points being made in the speech. Gestures should not detract attention from the message or communicate excessive nervousness to the audience. Note cards should be read only momentarily to gain information and to keep track of the speaker’s next point. More frequent references to note cards will detract from the link to the audience and lower the score in this category.
6. **Use of Voice:** Voice should accent the points being made. Inflection, volume, speaking rate, accents, etc., should be chosen carefully to reinforce the message and blend smoothly with the speaker’s appearance and gestures. Any elements of voice that detract from the effective communication of ideas (monotone, unvarying speaking rate, weak volume, etc.) will lower the evaluation in this category.
7. **Enthusiasm, Vigor:** The speaker should demonstrate interest in the topic through the use of gestures, posture, voice, and word choice. A high degree of perceived interest and enthusiasm for the topic will result in a “6” evaluation. Very brief speeches lacking in detail and delivered in a monotone will indicate a lack of enthusiasm and will be rated 1 or 2 accordingly.

8. **Confidence, Self-Control:** The speech continues smoothly and without noticeable breaks from beginning to end. The speaker's use of eye contact, gestures, and posture indicate clear command of the situation. Nervousness that appears uncontrolled, stuttering pauses, and other signs of lack of preparation will result in a lowered score in this category.
9. **Organization:** The speaker should utilize a clearly developed introduction, body, and conclusion. Visual aids should be integrated smoothly into the presentation. If the evaluator cannot construct a clear outline of the speech just by listening to the transitions and pauses and by watching movements and picking up the verbal clues to shifts in emphasis that signal new sections of the outline, the score will be lowered according to the degree of difficulty experienced in the attempt to outline the speech's content.
10. **Conclusion:** The speech should be summarized clearly. All main points covered in the organization of the speech should be touched upon one final time to remind the audience of the main ideas. The speech should make a smooth exit with no sense that we have been "dropped" by the speaker at the last moment. Clear evidence of a plan conclusion should be observed here.

Let Me Tell You about a Sole Proprietorship

- ◆ Exceeds standard 55–60 total points
- ◆ Meets standard 40–54 total points
- ◆ Approaches standard 26–39 total points
- ◆ Begins standard 10–25 total points

Point Values	1	2	3	4	5	6	Totals
Introduction							
Clarity of Purpose							
Language							
Bodily Action and Posture							
Eye Contact and Gestures							
Use of Voice							
Enthusiasm and Vigor							
Confidence and Self-Control							
Organization of Material							
Conclusion							
Total Points							

Speech Outline:

(List main points presented in the speech)

(Adapted from Washington Community High School, District 308, Speaking and Listening In-House Assessment.)

SOLE PROPRIETORSHIP

- ◆ A sole proprietorship is a business owned by only one person.
- ◆ It is the easiest and most popular form of business to create.



ADVANTAGES OF OWNING YOUR OWN BUSINESS

◆ Easy to start.

- You might only need a license or permit.
- Government regulation is limited.
- Initial costs are relatively low compared to other types of ownership.

◆ You are your own boss.

- Decisions are made by one person.
- You can come and go as you please.

◆ You keep all the profits.

◆ Taxes are usually low.



DISADVANTAGES OF OWNING YOUR OWN BUSINESS

- ◆ You have to pay for everything yourself.
 - Start-up costs, advertising, payroll, supplies, etc.
- ◆ You need a lot of business skills.
 - Record keeping, tax preparation, management, finance, human resource management
- ◆ You have unlimited liability, or full responsibility, for your company's debts.
 - If you lose more money than you make, you have to make up the difference.



CHARACTERISTICS AND SKILLS IMPORTANT TO THE SUCCESS OF A SOLE PROPRIETOR

- ◆ Hard Work and Perseverance
- ◆ Commitment and Dedication
- ◆ Technological Skills
- ◆ Communication Skills
- ◆ Management Skills
- ◆ Marketing and Advertising Skills
- ◆ Finance and Accounting Skills



Profile Worksheet

Purpose

The purpose of this lab sheet is to generate questions students can ask during an interview with a local business owner operating a business as a sole proprietorship. Students can work individually or in groups of two, three, or four.

Objective

1. Identify the characteristics and skills important to the success of a sole proprietorship (Objective 3).

Materials

- ◆ lab sheet
- ◆ writing utensil or computer

Procedure

In groups, have students brainstorm interview questions for a business owner operating a business as a sole proprietorship. Groups will then share their 10 questions with the class. Students will then type a Profile Worksheet with 10 questions to ask at an interview.

Profile Worksheet

Name of Business Owner: _____

Name of Business: _____

Type of Business: _____

Question 1	
Question 2	
Question 3	
Question 4	
Question 5	
Question 6	
Question 7	
Question 8	
Question 9	
Question 10	

