

Lesson 22: Maintenance Mode

TOPIC: Entrepreneurship 2: Maintaining a Business

OVERVIEW:

While starting a business requires a vast understanding of business management concepts, maintaining a successful business requires an additional set of tools. This lesson engages students in exploring how a business is maintained as it grows, and addresses critical management strategies, ethical tax practices, and insurance. Through the lens of entrepreneurship, students will build upon prior lessons to explore the different management strategies needed to run a successful business.

OBJECTIVES:

1. Understand and describe tax planning and reports
2. Debate business management strategies
3. Explain insurance choices for businesses

INDIVIDUAL HANDOUTS:

- Business Management*
- Letter of Advice*

TEACHER PRESENTATION SLIDES:

- Failure = Fuel to Success
- Tax Requirements
- Business Insurance
- Business Management

ESSENTIAL QUESTIONS:

- How do you maintain a business?
- What actions do entrepreneurs take to maintain success?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Slide:** Failure = Fuel to Success

Post-Assessment:

- **Handout:** Business Management
- **Handout:** Letter of Advice

Time: 75 min

Subject Connections:

- English Language Arts
- Social Studies

Supplies:

- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

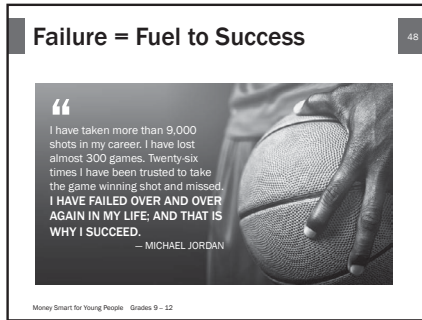
Glossary with key vocabulary 11

***Money Smart Portfolio Handouts**

Instruction Steps

WARM UP Words Of Wisdom

5 MINUTES



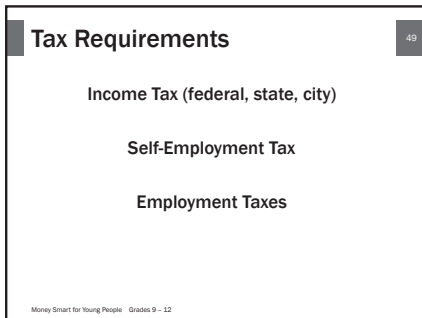
Open the lesson by displaying the **Failure = Fuel to Success** slide and discuss Michael Jordan’s quote and what it means in the business world. Ask students: *How does missing game-winning shots equal success in business? Why do entrepreneurs fail and get back up and try again?* Help students understand that fear and failure do not have to be negatives in the business world; they are valuable learning opportunities that lead to success and growth.

MONEY SMART TIP!

Share examples of entrepreneurs and businesses that have failed and used their setbacks to create growth and opportunity, such as those listed at www.businessinsider.com/successful-people-who-failed-at-first-2014-3?op=1.

GUIDED EXPLORATION How To Maintain Momentum

25 MINUTES



Ask students

- What an *entrepreneur* should consider once a new business is launched and growing.
- What do entrepreneurs do to maintain momentum and keep their business on the upswing?
- What factors do new businesses need to take into consideration in order to expand?

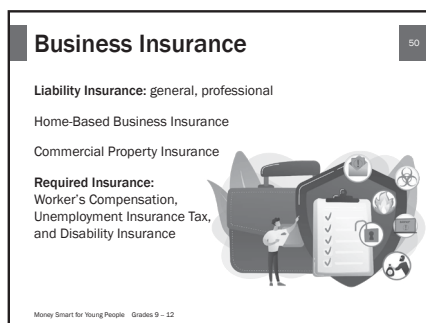
Invite students to share their ideas, and then display the **Tax Requirements** slide.

- **Income Tax:** this is a pay-as-you-go tax so that, as profit is coming into the business, you are expected to pay taxes on those earnings. Estimated taxes are generally due quarterly. Income tax includes federal, state, and some local taxes.
- **Self-Employment Tax:** if you own your business and are considered self-employed, you are responsible for paying Social Security and Medicare taxes.
- **Employment Taxes:** when your business grows to the point where you hire employees, there are certain employment taxes that you must pay. These include Social Security and Medicare tax, unemployment insurance tax, and disability tax.

Help students understand that cash flow is critical for any business, especially new start-ups. This means that managing taxes is a big part of ensuring positive cash flow. For instance, because taxes are generally due quarterly, not anticipating the amount of taxes due can mean that a business misappropriates its money and spends it

on business operations. This can leave a business short on funds when it comes time to pay taxes.

Tell students that it is important to set aside a percentage of profits to ensure that tax obligations are met. Knowing when taxes are due and estimating how much they will cost help entrepreneurs ensure they have enough funds to cover them and continue to grow their business at the same time.



Next, display the ***Business Insurance*** slide and review with students how business insurance protects an entrepreneur's investment. Tell students that, like employment taxes, if your business has employees you are also required by law to have certain types of insurance. Insurance protects a business from a multitude of risks, from loss of income to natural disasters.

- **Liability Insurance:** For service-based businesses, such as medical practices, you should have **professional liability insurance**, which protects your business if you are sued for errors or negligence (some states require certain businesses hold this insurance). There is also **general liability insurance**, which generally protects businesses from lawsuits.
- **Home-Based Business Insurance:** For individuals who operate their business from their home, additional insurance coverage may be added to an existing homeowner's insurance policy to ensure full protection from unforeseen events.
- **Commercial Property Insurance:** Property insurance covers any damage to property, whether it is caused by vandalism or a natural event like a storm.
- **Required Insurance:** If your business has employees, you are also required by law to hold worker's compensation insurance, unemployment insurance, and disability insurance.

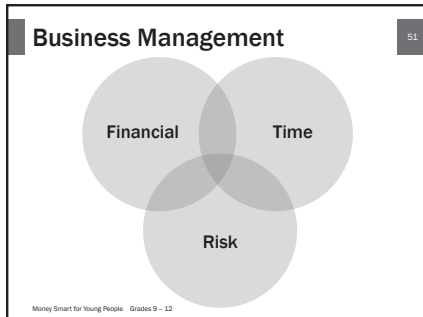
Grade-Level Modifications:

Beginner: Simplify the discussion by focusing on general liability insurance and why businesses need to protect themselves. Connect back to Lesson 11, *Risky Business*, and review the reasons individuals obtain insurance to help students understand that businesses face similar risks and more, especially when a business has employees.

Advanced: Expand the discussion of insurance to include industry-specific options such as contractor liability insurance, malpractice insurance, and automotive liability insurance.

INDEPENDENT EXPLORATION Management Mode

35 MINUTES



Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Explain to students that managing a business is a complex endeavor that requires strategic thinking and the ability to forecast potential business growth today and in the future. To manage a new or existing business efficiently, it is helpful to break down management strategies into three main categories: financial management, time management, and risk management.

Display the **Business Management** slide and ask students why it is important to juggle financial, time, and risk management strategies.

Ask: *What do we gain by keeping all three balls in the air?*
Invite students to share their initial ideas and tell students that they will now get the chance to become “experts” on a management category and present their expert opinion to the class.

Distribute the **Business Management** handout and divide students into small groups. Assign each group a management topic to research: financial, time, or risk. Allow students time to research their topic and complete the activity sheet.

When students are finished, arrange the class into three separate sections—one for students who researched financial management, one for time management, and one for risk management.

Next, ask volunteers from each section to present their research to the class. Once each group has had a chance to share their “expert” findings, open up the discussion to the class for questions and answers among all of the groups. Guide the discussion to emphasize that successful businesses use a healthy balance of all three management strategies and are continually evaluating and analyzing actions and behaviors within each.

WRAP UP Letter Of Advice

10 MINUTES

Close the lesson by distributing the **Letter of Advice handout** and allowing students time to reflect and write their letter.

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

What risks do businesses face that are similar and different to those of individuals?

What qualities do entrepreneurs need in order to grow a new business? In what ways are entrepreneurs' leaders?

If you were to become CEO of a start-up company, how would you grow the business, and why? What would you do? What wouldn't you do?

Suggested Readings:

Deducting Business Expenses by the IRS: Detailed information on business tax deductions.

www.irs.gov/businesses/small-businesses-self-employed/deducting-business-expenses

Generation Sell by the NY Times: Read about generational shifts on self-employment, particularly Millennials and their perspectives on starting businesses.

www.nytimes.com/2011/11/13/opinion/sunday/the-entrepreneurial-generation.html?pagewanted=all&_r=0

MATHEMATICS

Activity/Project Ideas:

Have students calculate the amount of estimated taxes required for different businesses based on projected income.

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Discuss how entrepreneurial decisions are influenced by tax policies. For example: do tax deductions offer incentives for entrepreneurs to launch their ideas into a business? Why or why not?

Explore the ways in which entrepreneurial ventures help to create employment opportunities and enhance economic growth.

TECHNOLOGY

Online Resources:

Small Business Taxes: The Virtual Workshop by the IRS: A complete online workshop with information on federal tax obligations for small businesses.

www.irsvideos.gov/SmallBusinessTaxpayer/virtualworkshop

Ready.gov: Information on preparedness planning for businesses.

www.ready.gov/business

U.S. Department of the Treasury Small Business and Community Development Programs: Information on initiatives available to help small businesses succeed.

<https://home.treasury.gov/policy-issues/small-business-programs>

Write Your Business Plan: A web resource with information and assistance on how to prepare a business plan.

www.sba.gov/business-guide/plan-your-business/write-your-business-plan

Answer Key

Student Handout 1:

Business Management

Answers will vary. Use handout to assess student ability to conduct research, evaluate and compare data, and present research findings.

Student Handout 2:

Letter of Advice

Answers will vary. Use handout to assess student ability to reflect on research.

