



FINANCIAL MANAGEMENT FOR ENTREPRENEURS

Facilitator's Guide



Youth Employment Services - YES

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Financial Management for Entrepreneurs: Workshop At-A-Glance

Overview and Purpose

This workshop introduces participants to the basics of financial management. Participants first learn the importance of financial management and regular tracking at all stages of developing and running a business. Participants explore the structure and purpose of a budget. They discuss good bookkeeping habits to use on a daily basis. Participants are introduced to the key financial statements of a business: the income statement, balance sheet and statement of cash flows. Finally, participants use the key financial statements to understand the financial health of a business.

Time

The workshop is between three to six hours long. All timings provided in the Facilitator's Guide are approximate. Note that the timings for the slides don't add up exactly to three or six hours, because some of the activities can be extended or shortened. You can lengthen, shorten or leave out activities based upon the needs of your participants and the amount of time you have for the workshop. This is a challenging and numbers-heavy module. You might want to take breaks more frequently in this module, every 45 minutes or hour.

If you would like to split this workshop into two parts, divide it between constructing a budget and understanding financial statements, activities four and five.

Learning Outcomes

At the end of this workshop participants will be able to:

1. Discuss the importance of financial management at all stages of developing and running a business.
2. Use good financial management habits with their business on a daily basis.
3. Build and maintain a good relationship with their bank.
4. Identify the components of a budget and build a simple budget for their business.
5. Discuss the structure and purpose of the key financial statements for a business.
6. Analyze the financial health of a simple business from its financial statements.
7. Identify different financing options for their business.
8. Identify the different taxes that apply to their business.

Leading Questions

As participants complete this workshop, they will think about and answer the following questions:

1. What do you already know about how to manage the financials of a business?
2. Why is it important to monitor the financials of a business on a regular basis?
3. What do you feel are your strengths and weaknesses with financial management?

Workshop Agenda

Introductions and Workshop Overview

1. Key Financial Terms and Concepts
2. Regular Financial Habits
3. Working with Banks
4. Constructing a Budgeting
5. Understanding Financial Statements
6. Financing Our Business
7. Understanding Taxes
8. Review and Wrap-Up
9. Additional Resources

Materials Needed

1. White board/Screen/
Internet connectivity
2. Each participant should have a workbook and a device
3. PPT Presentation *Financial Management for Entrepreneurs*
4. The Additional Resources section has recommended short videos on different aspects of financial management. If you have a class that responds well to videos, integrate these into your module delivery.

Formative Assessment

Concept Check Multiple Choice Quiz (completed as a class).

Detailed Workshop Plan

Slide
1



Timing: Display as the participants come in.

Interaction Pattern: Whole class.

Materials Needed: None.

Procedures and Notes: None.

Slide
2



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: None.

Procedures and Notes: Introduce yourself as the instructor. Have each participant briefly state their name. Have each participant put a name card in front of them for your reference.

Slide
3



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: None.

Procedures and Notes: Review all of the housekeeping details indicated on the slide. For cell phone use, indicate that if they are expecting an urgent call, their phone should be on vibrate. Otherwise indicate it should be on silent. They should not respond to texts or emails during the workshop.

Slide
4



Workshop Materials



Participant Workbook



Digital device



6/7/2018 4

Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: One Participant Workbook per participant.

Procedures and Notes: Direct participants to their Participant Workbooks. Have them put their names on them. Indicate that this is their record of the key information in the workshop and ideas they generate during the workshop. Indicate that there are several activities in which they may choose to use their cell phone/device.

Slide
5

Rules of Engagement

- This workshop is for you.
- Ask your questions.
- Make your comments.
- One person speaking at a time.
- Communicate respectfully even when you disagree.
- Have some fun along the way.

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Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: None.

Procedures and Notes: Review your expectations for the participants. Indicate that your role is to guide them through the material and facilitate discussion.

Slide
6

Learning Outcomes

At the end of this workshop you will be able to:

1. Discuss the importance of financial management at all stages of developing and running a business.
2. Use good financial management habits with your business on a daily basis.
3. Build and maintain a good relationship with your bank.
4. Identify the components of a budget and build a simple budget for your business.

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Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 2.

Procedures and Notes: Review the learning outcomes of the workshop, stressing the practical knowledge and abilities that participants will walk away with.

Slide
7



Learning Outcomes

At the end of this workshop you will be able to:

- 5. Discuss the structure and purpose of the key financial statements for a business.
- 6. Analyze the financial health of a simple business from its financial statements.
- 7. Identify different financing options for your business.
- 8. Identify the different taxes that apply to your business.

Continued from previous slide.

Slide
8

- 1. Key Financial Terms and Concepts
- 2. Regular Financial Habits
- 3. Working with Banks
- 4. Constructing a Budgeting
- 5. Understanding Financial Statements
- 6. Financing Our Business
- 7. Understanding Taxes
- 8. Review and Wrap-Up
- 9. Additional Resources



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 3.

Procedures and Notes: Review the agenda for the course.

Slide
9



Match the definitions of the following basic financial terms and concepts that we need to know as we run our businesses.

Timing: 10 minutes.

Interaction Pattern: Pairs.

Materials Needed: Pages 4 and 5.

Procedures and Notes: Tell the class that the module will start with a look at key financial terms and concepts. Direct participants to work in pairs to match the terms on the left with the correct definitions on the right on pages 4 and 5 of their Participant Workbook.

Slide
10

Key Financial Terms and Concepts

1. Assets

These are the economic resources that a business has. They can include money in the bank, equipment and product inventory.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 4.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
11

Key Financial Terms and Concepts

2. Liabilities

These are the debts or amounts of money that the business owes either a bank, a funder, a shareholder or any individual. This includes money owed immediately or in the future.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 4.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
12

Key Financial Terms and Concepts

3. Revenue

This is money that comes into the business that the business earns.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 4.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
13

Key Financial Terms and Concepts

4. Expenses

This is money that goes out of the business or the costs of running the business.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 4.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
14

Key Financial Terms and Concepts

5. Earnings

This is the difference between the revenue and expenses of a business. It is also known as the margin or the profit.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 4.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
15

Key Financial Terms and Concepts

6. Cash Flow

This is the difference between the cash coming into a business and the cash going out of the business. If this is positive, the business is healthy; if it is negative, the business may not be healthy.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 4.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
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Key Financial Terms and Concepts

7. Fiscal year

This is a 12-month period of time in which a business reports its financial performance. Most businesses have this be the same as a calendar year.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 4.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
17

Key Financial Terms and Concepts

8. Quarter

This is a 3-month period of time in which a business tracks and reports its short term financial performance.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 4.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
18

Key Financial Terms and Concepts

9. Budget

This is the projected revenue, expenses and earnings for a business, usually for a 12-month time period.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 4.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
19

Key Financial Terms and Concepts

10. Accounts Receivable

This is money a business has earned, but has not yet been paid.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 4.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
20

Key Financial Terms and Concepts

11. Accounts Payable

This is money a business has spent, but has not yet paid.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 5.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
21

Key Financial Terms and Concepts

12. Profit and Loss Statement

This is one of three key financial statements that is used to measure a business’ financial performance. It shows the difference between what a business has earned and what it has spent.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 5.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
22

Key Financial Terms and Concepts

13. Balance Sheet

This is one of three key financial statements that is used to measure a business’ financial performance. It shows the assets and liabilities of a business.



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Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 5.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
23

Key Financial Terms and Concepts

14. Statement of Cash Flows

This is one of three key financial statements that is used to measure a business’s financial performance. It shows where the company’s cash has come from and where it has gone.



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Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 5.

Procedures and Notes: Take up the answers of the matching activity as a class using the terms and definitions on the slides.

Slide
24

Regular Financial Habits



Why is it important to know our financial position **AT ALL TIMES** when we are building and running our business?



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Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 5.

Procedures and Notes: Ask the class why it is important to know the financial position of their business at all times. You are looking for:

We need money in order to operate our business. If we don’t have money, we don’t have a business. Our financial position can change very quickly, especially in our first few years. We therefore need to know our financial position at all times so that we can make changes immediately if necessary.

Slide
25



Regular Financial Habits



Good financial management starts with our **regular financial habits**. The following habits will help us keep our fingers on the pulse of our business.

Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 5.

Procedures and Notes: Stress that good financial management of our business starts with regular financial habits, things we do on a daily, weekly and monthly basis to track our finances.

Slide
26

1. Make strategic decisions about our expenses.
2. Use an organization system for hard copies of receipts and invoices.
3. Have an organized bookkeeping system.
4. Have a separate bank account for our business.



Timing: 10 minutes.

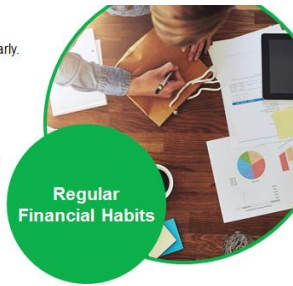
Interaction Pattern: Whole class.

Materials Needed: Pages 5 and 6.

Procedures and Notes: Review each of the habits listed on the slide, using the additional information provided in the Participant Workbook on pages 5 and 6. Ask participants to take turns reading the details for each strategy given in the workbook.

Slide
27

5. Check our bank account regularly.
6. Have a separate business credit card.
7. Put money aside for any taxes we need to pay.
8. Have a clear and proactive payment collection system.



Timing: 10 minutes.

Interaction Pattern: Whole class.

Materials Needed: Pages 6 and 7.

Procedures and Notes: Continue on with strategies to use on a regular basis to manage our finances.

Slide
28



Working With Banks

Our bank relationship is important as a small business owner. We need a bank as a place to keep our money and as a channel through which to conduct financial transactions with customers and vendors as we run our small business. We need to be realistic about what banks can and can't do while getting what we need from them. We need to proactively manage that relationship and make sure our bank support us in what we do.

Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 7.

Procedures and Notes: As a class, review why our relationship with our bank is important as a small business, using the information in the slide as a reference.

Slide
29



Working With Banks

1. Understand the type of bank it is.
2. Find the best small business banking account.
3. Find the best personality fit.
4. Build a relationship with the branch manager.
5. Understand the structure of banks.
6. Check your bank records regularly.

DO NOT USE ANY ORGANIZATION THAT OFFERS QUICK AND EASY LOANS.

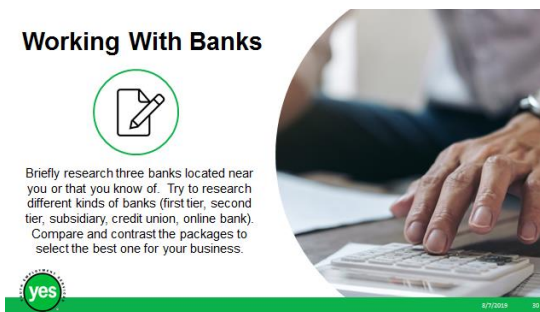
Timing: 5 minutes.

Interaction Pattern: Whole class.


Materials Needed: Page 7.

Procedures and Notes: As a class review the tips for building and maintaining a good relationship with a bank for your small business account. Use the tips on the slide, and fill them in with details from the page 7 of the Participant Workbook.

Slide
30



Working With Banks



Briefly research three banks located near you or that you know of. Try to research different kinds of banks (first tier, second tier, subsidiary, credit union, online bank). Compare and contrast the packages to select the best one for your business.

Timing: 20-25 minutes.

Interaction Pattern: Small groups.

Materials Needed: Page 8.

Procedures and Notes: Direct participants to work in small groups to research three banks located near them. Direct them to research different types of banks and compare and contrast the packages available for small businesses. Wrap up the activity by having several groups share what they found with the whole group.

Slide
31



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 8.

Procedures and Notes: Tell the class that there are different financial documents that they can build in order to track the financial performance of their business. Tell the class that you will look at these documents in detail and then they will have time to start to make the documents for their businesses.

The first of these documents is a budget. A budget is a document that we create to predict how our business will perform financially over a year. Use the notes on page 8 to further discuss a budget and how we use it with our business.

Slide
32



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 9.

Procedures and Notes: Tell the class that there are three sections to our budget. Refer to the slide to describe revenue, expenses and profit (loss).

Slide
33



Timing: 10 minutes.

Interaction Pattern: Whole class.

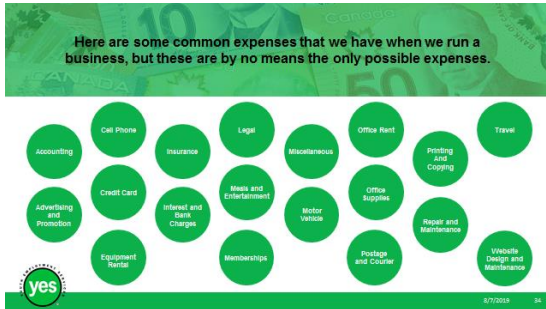
Materials Needed: Page 9.

Procedures and Notes: As a whole class review how a budget is structured using the example on the slide. The same example is available on page 9 in the Participant

Workbook. Note that revenue comes first, then expenses, and then the difference (profit or loss).

Note the two different types of revenue and the different expenses in this particular business.

Slide 34



Timing: 20-30 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 10.

Procedures and Notes: Tell the class that businesses will have slightly different types of revenue and expenses. Review the different example expenses on the slide. These are also found on page 10 in the Participant Workbook.

Slide 35



Timing: 30-45 minutes.

Interaction Pattern: Pairs, individual.

Materials Needed: Page 10.

Procedures and Notes: Direct participants to work in pairs to discuss questions 1 and 2. They should critique each other’s responses so that both participants have a clear and accurate idea of what their revenues and expenses will be.

Direct participants to then work individually to construct a simple budget for their business. They should do this within a Microsoft Excel spreadsheet or an alternative spreadsheet application if possible.

If you don’t have time for participants to complete this in class, assign it as homework.

If at all possible, collect their finished budgets for review.

Slide 36



Understanding Financial Statements

In addition to our budget, there are three other financial documents that we use to manage the financial performance of our businesses: **the Profit and Loss Statement, the Balance Sheet and the Cash Flow Statement.**

Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 10.

Procedures and Notes: Tell the class that the in addition to a budget, they need to understand three financial documents so that they can understand how their business is doing financially: the Profit and Loss Statement, the Balance Sheet and the Cash Flow Statement. Tell the class you will look at each of these three documents in turn.

Slide 37

Understanding Financial Statements

5.1 The Profit and Loss Statement

The Profit and Loss Statement tells us how much money we have made or lost with our business over a specific period of time. It shows money that has come in (Revenue), money that has gone out (Expenses) and the difference between the two (Profit/Loss).

Timing: 10-15 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 11.

Procedures and Notes: Introduce the first financial statement, the Profit and Loss Statement, using the information given on the slide.

Slide 38

Understanding Financial Statements

Here is a sample Profit and Loss Statement for our hypothetical business, Perfect Pet Services.

Revenue	
Dog Walking	\$83,820.00
Pet Sitting	\$63,780.00
Total Revenue	\$147,600.00
Expenses	
Accounting	\$1,700.00
Cell Phones	\$1,200.00
Insurance	\$1,200.00
Internet	\$360.00
Miscellaneous	\$430.00
Motor Vehicles	\$5,430.00
Office Supplies	\$880.00
Dog Walking Supplies	\$2,500.00
Print Advertising	\$6,500.00
Website Hosting	\$420.00
Total Expenses	\$20,810.00
Projected Profit (Loss)	\$126,790.00

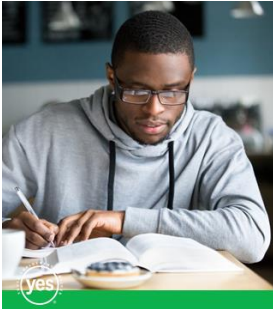
Timing: 5 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 11.

Procedures and Notes: Review the sample Profit and Loss Statement for Perfect Pet Services. Review the structure of revenue first, followed by expenses, followed by profit or loss. Ask the class what this looks similar to. They should notice that it is similar to the

Slide
39



Compare the sample Budget and the sample Profit and Loss Statement for our hypothetical business, Perfect Pet Services. Did the company meet our financial expectations? If no, what is different between our expectations and what actually happened?

structure of a budget.

Timing: 5 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 11.

Procedures and Notes: Tell the class that we can use our Budget and our Profit and Loss Statement to compare how we predicted our business would do (Budget) and how it actually did (called Actuals, from our Profit and Loss Statement). This comparison helps us to understand what is happening with our business.

As a class, compare the sample Budget with the sample Profit and Loss Statement. Did the company perform as predicted? If no, what is different between the prediction and what actually happened?

You are looking for the following:

- We made more from dog walking than predicted. We predicted \$77,820.00 and actually made \$93,850.00.
- We made less from pet sitting than predicted. We predicted \$77,820 and actually made \$63,780.
- Our total revenue was higher than predicted. We predicted \$154,560.00 and actually made \$157,630.00.
- Some of our expenses were higher than expected (miscellaneous, motor vehicles, office supplies, dog walking supplies, print advertising).
- Our profit was slightly lower than expected.

With this information we can then look at our expenses and see if we can decrease them at all. We might also look at our revenue and realize that there is more demand for dog

walking than pet sitting, so we might increase our advertising for dog walking. Or we might think we didn’t advertise pet sitting enough, and so increase that.

Slide
40



Understanding Financial Statements

5.2 The Balance Sheet

The purpose of the **Balance Sheet** is to tell us what our business is worth at a specific point in time. The Balance Sheet has two main sections, Assets and Liabilities & Equity. The financial statement is called a Balance Sheet because the two sections must be equal or balance.

Assets = Liabilities & Equity

Timing: 5 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 11.

Procedures and Notes: Introduce the second financial statement that we use to manage the financials of our business, the Balance Sheet. Describe the Balance Sheet using the information provided on the slide.

Slide
41



Understanding Financial Statements

1. **Assets** are property owned by your business that have value and are available to meet your financial commitments, or what the company owes plus the shareholder value.
2. **Current assets** are assets that you expect to turn into cash or use within a year.

Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 11.

Procedures and Notes: Review the definitions of terms needed to understand a Balance Sheet given on the slide.

Slide
42



Understanding Financial Statements

3. **Accounts receivable** are money owed to your business by your customers or others in your debt.
4. **Fixed assets** are property for long-term use by the business and that are not going to be converted quickly into cash such as land, machinery and equipment. Many small businesses don't have fixed assets, as is the case with our hypothetical business.

Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Pages 11 and 12.

Procedures and Notes: Review the definitions of terms needed to understand a Balance Sheet given on the slide.

Slide 43



Understanding Financial Statements

- 5. **Liabilities** are a company’s legal financial obligations such as loans and credit.
- 6. **Current liabilities** are a company’s debts or obligations that are due within one year.
- 7. **Accounts payable** are money owed by the business to its creditors.

Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 12.

Procedures and Notes: Review the definitions of terms needed to understand a Balance Sheet given on the slide.

Slide 44



Understanding Financial Statements

- 8. **Equity** is the value of the shares issued by a company.
- 9. **Retained earnings** is the money not paid to shareholders in previous years but that is kept in the business.
- 10. **Dividends** are money paid to the shareholders or owners of the business.

Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 12.

Procedures and Notes: Review the definitions of terms needed to understand a Balance Sheet given on the slide.

Slide 45

Assets	
Current Assets	
Business Checking Account	\$26,000.00
Accounts Receivable	\$2,520.00
Total Current Assets	\$28,520.00
Fixed Assets	
None	\$00.00
Total Fixed Assets	\$00.00
Total Assets	\$28,520.00
Liabilities & Equity	
Liabilities	
Current Liabilities	
Accounts Payable	\$500.00
Credit Cards	\$1,200.00
Total Current Liabilities	\$1,700.00
Equity	
Retained Earnings	\$00.00
Dividends Paid	-\$100,000.00
Net Income	\$128,820.00
Total Equity	\$26,820.00
Total Liabilities & Equity	\$28,520.00

Understanding Financial Statements
Here is a sample Balance Sheet for our hypothetical business, Perfect Pet Services.

Timing: 10 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 12.

Procedures and Notes: As a class, review the sample Balance Sheet for Perfect Pet Services. Point out where all of the different components, defined in the previous slides, are located. So, point out the current assets, accounts receivable, fixed assets and so on. Point out that Total Assets equals Total Liabilities and Equity, making the Balance Sheet balance!

Finally point out that because Perfect Pet Services is a simple business, the Balance Sheet is also simple. There are no fixed assets and the owners have taken most of the money out of the business to pay themselves.

Slide
46



Looking at the sample Balance Sheet, answer the following questions:

1. Does the business need to collect a lot of money from its customers?
2. Does the business owe a lot of money?
3. How much money did the owners take out of the business to pay themselves?
4. Why do you think the business doesn't have any Fixed Assets?

Indicate that most of the businesses they run will have simple Balance Sheets like Perfect Pet Services.

Timing: 10-15 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 13.

Procedures and Notes: Tell the class that a Balance Sheet is also useful for telling us how well we are collecting money from our customers. If our Accounts Receivables is low, it means we are doing a good job of collecting money from our customers—they do not owe us a lot of money. If our Accounts Receivable is high, it means the opposite is true, and we need to focus on collecting money from our customers. Point out the Balance Sheet is also good at highlighting how much money we owe—in the Accounts Payable.

As a class, answer the questions on the slide using the sample Balance Sheet. You are looking for the following answers:

1. Does the business need to collect a lot of money from its customers? No, not a lot. They are doing a good job of ensuring their customers pay.
2. Does the business owe a lot of money? No, they only owe \$500.00.
3. How much money did the owners take out of the business to pay themselves? They took out \$100,000, to pay themselves \$50,000 each.
4. Why do you think the business doesn't have any Fixed Assets? Because the business doesn't need any expensive equipment to run and it doesn't need any property.

Slide
47

Understanding Financial Statements

5.3 The Cash Flow Statement

The purpose of the Cash Flow Statement is to tell us where our money came from and where it went over a specific period of time. We can have cash flow from our operating activities, what we do to make money, and we can have cash flow from our investing and financing activities, if we are investing our money or have loans.

Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 13.

Procedures and Notes: Introduce the third financial document that we use to understand our business. Using the information on the slide, describe the purpose of the Cash Flow Statement, to tell us where our money came from and went.

Slide
48

Understanding Financial Statements

Here is a sample of a simple Cash Flow Statement for our hypothetical business, Perfect Pet Services.

Operating Activities	
Net income	\$136,820.00
Accounts Receivable	\$2,520.00
Accounts Payable	-\$900.00
Credit Card	-\$1,200.00
Dividends	-\$100,000.00
Net cash provided by Operating Activities	\$37,640.00
Net cash increase for period	\$37,640.00
Cash at beginning of period	\$0
Cash at end of period	\$37,640.00

Timing: 10 minutes.

Interaction Pattern: Whole Class.

Materials Needed: Page 13.

Procedures and Notes: As a class, review the sample Cash Flow Statement for Perfect Pet Services. Note that Perfect Pet Services only makes its money from operating activities and not from investing activities. Also point out that items from the Balance Sheet can also be seen in the Cash Flow Statement—the Accounts Receivable, Accounts Payable, and Dividends. These items either bring money into the business (Accounts Receivable) or take money out of the business (Accounts Payable, Dividends). Point out the most important thing about a Cash Flow Statement—whether we have positive cash flow (a positive number for Cash at End of Period) or negative cash flow (a negative number for Cash at End of Period). We obviously want a positive number.

Slide
49



Look at the sample Cash Flow Statement and answer these questions.

1. How much cash does the business have now?
2. Where did the business get its cash from this year (its first year of business)?
3. Where did the business' cash go?



yes

Timing: 5-10 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 14.

Procedures and Notes: As a class, answer the questions on the slide about the Cash Flow Statement for Perfect Pet Services.

1. How much cash does the business have now? \$37,640.00
2. Where did the business get its cash from this year (its first year of business)? Its operating activities, in other words its pet sitting and dog walking activities.
3. Where did the business' cash go? It went in dividends to the business owners (\$100,000). And some of it stayed in the business (\$37.640).

Slide
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Financing Our Business

We need money to get our business off the ground, to keep it running, and to grow it. There are many different ways to access the money that we need at the different stages of our business' life. Some of these ways are easier and less expensive than others.

yes

Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 14.

Procedures and Notes: As a class, introduce the next topic, how we finance our business. Tell the class that there are many ways that we can finance our business. As entrepreneurs we need to be aware of our options and select the options that work best for us and our business.

Slide
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1. Personal Resources
2. Friends and Family
3. Bootstrapping
4. Bartering
5. Special Entrepreneurship Funding Programs
6. Banks



Financing Our Business

yes

Timing: 15-20 minutes.

Interaction Pattern: Whole class.

Materials Needed: Pages 14 and 15.

Procedures and Notes: As a class, review each of the six financing options given on pages 14 and 15 in the Participant Workbook.

Have participants discuss which ones are most likely going to be useful for their businesses. This will vary by participant.

Slide
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1. Research at least two of the special entrepreneurship funding programs described in item number 5 above to identify their requirements and their application process.
2. From the entire list of financing options, identify three possible, realistic sources of funding for your business.

Timing: 20-30 minutes.

Interaction Pattern: Pairs.

Materials Needed: Page 15.

Procedures and Notes: Participants work in pairs to complete the two tasks. First, they research at least two of the special entrepreneurship funding programs described in item number 5. They should identify the requirements and application process.

Second, they should continue to work in pairs to identify three possible sources of funding for their businesses, from the six options introduced.

Have different pairs share the possible options they selected with the class, and why they selected them.

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Understanding Taxes

There are several different types of tax that we may pay with our business. We will look briefly at the three most relevant in this section: income or corporate tax, HST/GST and payroll taxes.



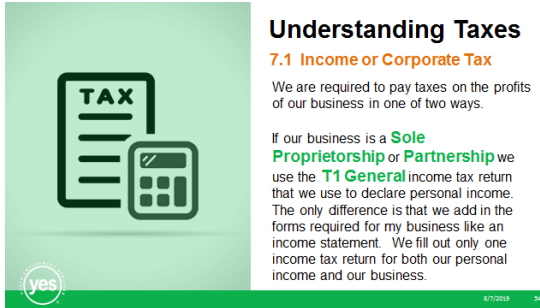
Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 15.

Procedures and Notes: Introduce the next topic, understanding taxes that we may have to pay with our business. Indicate that you will briefly discuss three types of taxes— income or corporate taxes, HST/GST and payroll taxes.

Slide
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Understanding Taxes
7.1 Income or Corporate Tax

We are required to pay taxes on the profits of our business in one of two ways.

If our business is a **Sole Proprietorship** or **Partnership** we use the **T1 General** income tax return that we use to declare personal income. The only difference is that we add in the forms required for my business like an income statement. We fill out only one income tax return for both our personal income and our business.

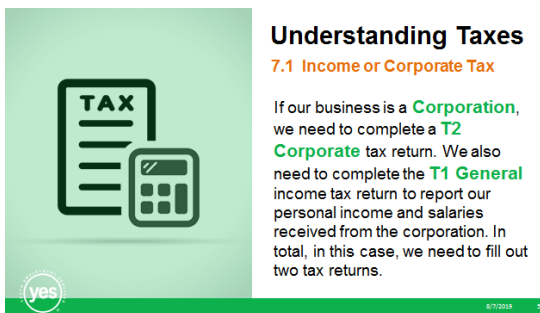
Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Pages 15 and 16.

Procedures and Notes: Introduce the first type of tax we may be responsible for as an entrepreneur, income or corporate tax. The nice thing about this tax is that if we have to pay it, it means we are making money with our business! Using the information on the slide, review the way we pay tax on money our business makes, if we have a sole proprietorship or a partnership.

Slide
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Understanding Taxes
7.1 Income or Corporate Tax

If our business is a **Corporation**, we need to complete a **T2 Corporate** tax return. We also need to complete the **T1 General** income tax return to report our personal income and salaries received from the corporation. In total, in this case, we need to fill out two tax returns.

Timing: 2 minutes.

Interaction Pattern: Whole class.

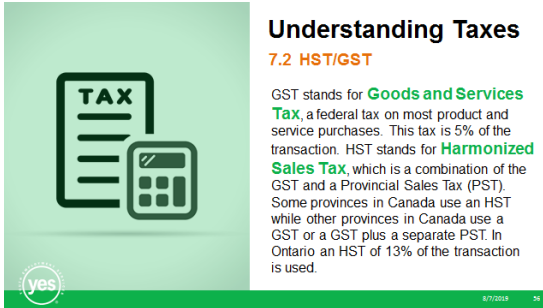
Materials Needed: Page 16.

Procedures and Notes: Using the information on the slide, review the way we pay tax on money our business makes if we have a corporation.

Direct participants to the website for information on personal and business income tax returns that they should reference.

Important: As a course facilitator you are NOT an accountant or a tax expert. Your role in this discussion is to make participants aware of the tax obligations they may have and where to find information about those obligations. Direct participants to talk to an accountant if they have specific tax questions.

Slide
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Understanding Taxes
7.2 HST/GST

GST stands for **Goods and Services Tax**, a federal tax on most product and service purchases. This tax is 5% of the transaction. HST stands for **Harmonized Sales Tax**, which is a combination of the GST and a Provincial Sales Tax (PST). Some provinces in Canada use an HST while other provinces in Canada use a GST or a GST plus a separate PST. In Ontario an HST of 13% of the transaction is used.

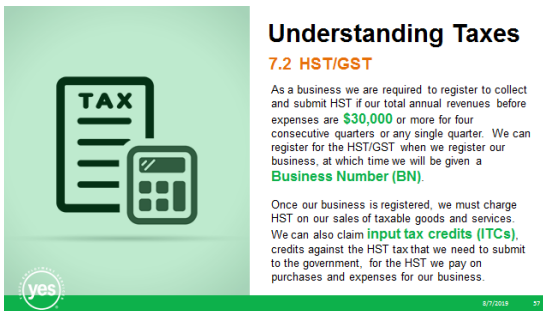
Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 16.

Procedures and Notes: Using the information on the slide, introduce the second type of tax participants need to be aware of, the HST/GST. Differentiate between GST (a federal tax), PST (a provincial tax) and HST (a combined federal and provincial tax).

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Understanding Taxes
7.2 HST/GST

As a business we are required to register to collect and submit HST if our total annual revenues before expenses are **\$30,000** or more for four consecutive quarters or any single quarter. We can register for the HST/GST when we register our business, at which time we will be given a **Business Number (BN)**.

Once our business is registered, we must charge HST on our sales of taxable goods and services. We can also claim **input tax credits (ITCs)**, credits against the HST tax that we need to submit to the government, for the HST we pay on purchases and expenses for our business.

Timing: 5 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 16.

Procedures and Notes: Using the information on the slide, walk the class through the requirements for when a business is large enough to be obligated to collect HST/GST on behalf of the government. Also introduce the term input tax credits (ITCs) that business owners get for all of the HST/GST they have paid on their expenses.

Review the information from the bottom of Page 16, that small businesses with revenues below \$30,000 may choose to collect HST/GST even though they are not required to, in order to take advantage of the ITCs.

Direct participants to the website for additional information on HST/GST.

Important: As a course facilitator you are NOT an accountant or a tax expert. Your role in this discussion is to make participants aware of the tax obligations they may have and where to find information about those obligations. Direct participants to talk to an

accountant if they have specific tax questions.

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Understanding Taxes

If we provide dog walking services for a customer for \$100.00 our invoice would look like this:

Dog walking services	\$100.00
HST (13%)	\$13.00
Total Amount Due	\$113.00



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 17.

Procedures and Notes: Using the information on the slide, walk the class through the basic calculations for determining the amount of HST to add onto their invoices. Indicate that accounting software will do this automatically for them.

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Understanding Taxes

In the first year of business, our two owners of Perfect Pet Services had revenues of \$157,630.00.

The HST that they charged on these sales would have been $\$157,630.00 \times 13\% = \$20,491.90$.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 17.

Procedures and Notes: Using the information on the slide, walk the class through the basic calculations for determining how much HST/GST they have to submit to the government on either an annual basis (small businesses) or quarterly basis (larger businesses).

First, they need to identify the amount of HST that a business collected on its annual revenue. Indicate that accounting software will do this automatically for them.

Slide
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Understanding Taxes

They also had expenses of **\$20,810.00** on which they paid **\$2,705.30 in HST**. These are their **ITCs**.

They then have to submit the difference to the government (HST collected minus ITCs):

\$20,491.90 HST collected minus **\$2,705.30 HST** paid, for a submission of **\$17,786.60 HST** to the government.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 17.

Procedures and Notes: Using the information on the slide, indicate that the second step is to calculate their ITCs, the HST/GST they paid on their expenses. Indicate that they then have to submit the difference to the government—the HST/GST the collected on their revenue, minus the HST/GST they paid on their expenses.

To conclude the discussion of HST/GST, direct participants to the website for information on reporting HST/GST to the government.

Important: As a course facilitator you are NOT an accountant or a tax expert. Your role in this discussion is to make participants aware of the tax obligations they may have and where to find information about those obligations. Direct participants to talk to an accountant if they have specific tax questions.

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Understanding Taxes

7.3 Payroll Taxes

If we have people working for us, we have to first identify if they are **a contractor** (someone who is independent of our company) or **an employee**. If they are a contractor they give us an invoice for the work they complete for us. If they are an employee, they receive a pay check from us.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 17.

Procedures and Notes: Using the information on the slide, introduce the third type of tax that participants need to be aware of, payroll taxes. Differentiate a contractor and an employee using the definitions on the slide. Direct participants to the website given in the Participant Workbook for the criteria for distinguishing between a contractor and an employee.

Slide
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Understanding Taxes

If the people working for us are employees then we have to submit **payroll taxes** to the government.

Depending on the type of work people are doing for us, we may also have to set up an account with the **Workplace Safety and Insurance Board (WSIB)**.

Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 17.

Procedures and Notes: Tell the class that if people work as our employees, then we have to collect and pay payroll taxes to the government. Direct participants to the website given in the Participant Workbook for information on setting up a payroll taxes account with the government.

Briefly introduce the Workplace Safety and Insurance Board (WSIB) with which they may or may not need to set up an account. Work that involves physical risk falls under the WSIB. Work that does not involve physical risk does not usually fall under the WSIB.

Direct participants to the website given in the Participant Workbook for information on setting up a WSIB account.

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Research the three different taxes in more depth using the websites provided in the Participant Workbook. Note important information such as: when the taxes will apply to your business, how to register to pay the taxes, and how frequently the taxes have to be paid when they apply.

Timing: 30-45 minutes.

Interaction Pattern: Pairs or small groups.

Materials Needed: Page 18.

Procedures and Notes: If time allows, direct participants to work in pairs or small groups to use the websites provided in the Participant Workbook to research the three different types of taxes. If you do not have time, direct participants to complete this as homework.

Slide
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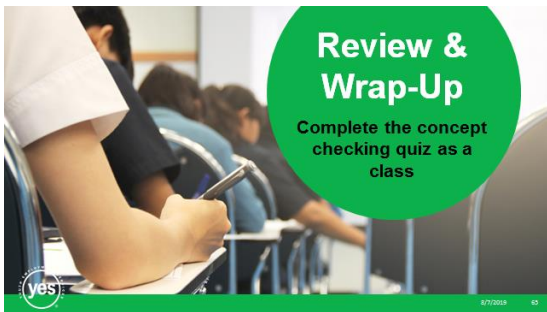
Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: Page 18.

Procedures and Notes: Quickly review the topics covered in the module.

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Timing: 5-10 minutes.

Interaction Pattern: Whole class.

Materials Needed: List of quiz questions at the end of the Facilitator’s Guide. One set of A, B, C cards for every four participants.

Procedures and Notes: Quickly review the topics covered in the module. Divide participants into teams of three or four. Give each team three cards or pieces of paper, with large A, B and C on each piece. Read each multiple choice question below out loud. Teams have ten seconds to decide on the BEST answer and hold up the appropriate card. Provide the correct answer (indicated in bold on the list of questions) and discuss any questions about the answer. Teams get one point for each correct answer. Teams keep track of their own scores. The team with the most points at the end of all of the questions is the winning team.

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Timing: As needed.

Interaction Pattern: Whole class.

Materials Needed: None.

Procedures and Notes: Ask if there are any final questions or comments about the content of the module.

Slide
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Additional Resources

For additional information on emotional intelligence for entrepreneurs, see the additional resource list in your Participant Workbook.



Timing: 2 minutes.

Interaction Pattern: Whole class.

Materials Needed: None.

Procedures and Notes: Direct participants to the additional resources at the end of the Participant Manual for further information.

Module Review Quiz Questions

The correct answer is in bold.

1. Why is it important to know our business' financial position at all times?
 - A. We need to know whether we are following our budget.
 - B. We need to know when we can pay back our debt.
 - C. We need to know how much money we have; if we don't have money we don't have a business.**

2. What is one regular financial habit we should have with our business?
 - A. Use a clear system for organizing the hard copies of our receipts and invoices (rather than just putting them in a shoebox and forgetting about them).**
 - B. Use one credit card and bank account for both our personal and business money.
 - C. Allow our customers to take their time paying us; this creates good customer relations.

3. What is one tip for working effectively with a bank for our business?
 - A. Don't waste time checking our business account; the bank will stay on top of our account for us.
 - B. Shop around for a small business banking package the fits the needs of our business.**
 - C. Build a strong relationship with our small business account representative; he or she will support us over the long term.

4. What is a budget?
 - A. It is a document we develop to predict how our business will perform financially over a year.**
 - B. It is a document that shows us the actual money coming into our business and the money going out of our business.
 - C. It is the document that tells us how much money our customers owe us at any point in time.

5. What are three types of expenses we might have for our business?
 - A. Current liabilities, long term loans and retained earnings.
 - B. Accounts payable, accounts receivable and fixed assets.
 - C. Business insurance, cell phone and office supplies.**

6. What are the three main sections of a Profit and Loss Statement?
 - A. Assets, liabilities and equity.
 - B. Revenue, expenses and profit(loss).**
 - C. Operating activities, net cash increase and cash at the end of period.

7. What is purpose of a Balance Sheet?
 - A. A Balance Sheet tells us where our money is coming from and where it is going.
 - B. A Balance Sheet tells us how much money we have made or lost.
 - C. A Balance Sheet tells us what our business is worth at a specific point in time.**

8. What is the purpose of a Cash Flow Statement?
 - A. A Cash Flow Statement tells us where our money came from and where it went over a specific time period.**
 - B. A Cash Flow Statement tells us how much debt we have in our business.
 - C. A Cash Flow Statement tells us whether our expenses are too high and if yes, which expenses we should decrease.

9. What is one option for financing our business?
 - A. Funding programs specifically for our profile, which use the Five C's of Credit as their determining criteria.
 - B. Bootstrapping, in other words using the money generated by our business to finance our growth.**
 - C. Bartering, in other words asking our friends and family to help us out.

10. How do we pay tax on the income of our business if it is Sole Proprietorship?
 - A. We include it in the income on the T1 General Income Tax Return that we file personally.**
 - B. We don't need to report the income.
 - C. We complete a T2 Corporate Tax Return.