

Apprenticeship Math 12

NOTES: Owning a Small Business

Name: _____

Date: _____

Considering Small Business Opportunities

Small business owners usually start with an idea of something they are interested in.

Before opening a business, research is required to determine the likelihood that your business will be successful. Factors to consider include:

- Is the business right for you?
- Is the business likely to be financially profitable?
- Are there enough potential customers to support your business?

Example

Ryan is an early childhood educator who is looking to open their own daycare. Ryan lives in Hixon, but could operate in either Prince George or Quesnel.

Prince George has a population of approximately 74 800, with roughly 6% of the population being under the age of 5. There are 41 licensed daycares operating in the Prince George area.

Quesnel has a population of 23 100, with about 8% of the population being under the age of 5. There are 13 daycares operating in the Quesnel area.

a) Approximately how many children under the age of 5 are there in Prince George and Quesnel?

PG: $6\% \text{ of } 74800$
 $= 0.06 \times 74800$
 $= 4488$

Quesnel: $8\% \text{ of } 23100$
 $= 0.08 \times 23100$
 $= 1848$

b) How many children are there per existing daycare for each city?

PG: $4488 \div 41 \approx 109 \text{ kids/daycare}$

Quesnel: $1848 \div 13 \approx 142 \text{ kids/daycare}$

more kids/ex. daycare
 \Rightarrow more opportunity

c) What other factors should Ryan consider before opening their daycare?

- availability of good location
- cost / expenses \rightarrow real estate, taxes, license, business
- availability of staff.

Start-up and Operating Costs

Some costs of creating a business are one-time costs while other costs are recurring.

- **start-up cost** – the goods and services you may need to purchase before you begin operating your business.
- **operating expense** – the ongoing cost of space, equipment, supplies, and other items that are required to run a business.

Example

Toni wants to start a mobile welding business. She estimates the following business expenses:

Item	Cost
Heavy duty vehicle	\$65 000
Portable vehicle mount welding machine	\$1000
Business telephone	\$150/month
Business cards	\$500
Advertisement (tv, paper, radio)	\$5000/media x 3
Vehicle decaling	\$1000
Portable screens x 5	\$100 each x 5
Rack mounts for screens (In vehicle)	\$1000
Fuel for vehicle	\$500/month

total
\$84650

- a) If Toni has \$70,000 saved up for her business startup, does she have enough money to start her business and operate it for the first month? If not, suggest three ways Toni could adjust the startup costs to avoid taking out a business loan.

NO

$$84650 - 70000 = \$14650 \text{ shortfall}$$

→ reduce advertising (pick only 1 media)
cheaper vehicle? - buy used
- lease
use personal cell phone
postpone vehicle decals

- b) What are some operating expenses that Toni has not listed above? List at least three.

- office space
- business license
- welding rods/materials
- computer + accounting software
- insurance