

REAL Life!

Entrepreneurship and Personal Finance Curriculum

PROJECT PROFIT

Thinking Like an Entrepreneur

An entrepreneur is someone who is in business to make money by serving his customers. In order to stay in business he/she has to make a profit. If there is no profit, there is no reason to be in business! In Project Profit we do a simulation that will help you figure out profits when you are making a product. We also have a couple of activities that help you think like an entrepreneur and be open to new ideas and grateful for old ones. Also included are discussion questions for a great book!

Objectives:

Create an environment where students learn about profit, costs of goods sold and overhead by figuring out the costs involved in operating a small business – primarily the cost of labor and materials, in order to inspire students to start their own businesses. Also, introduce the concept of changing personal paradigms about money.

Materials Needed per student:

Buttons – between 25 and 30 depending on button size (ideal size is 3/8" -5/8")
Stretchy Cording – 18"
Button Bracelet worksheet

Additional Materials:

Competition examples – look up similar products on Etsy or other website and print out pictures/prices.
Stopwatch
Fast drying glue
White board or large notepad with pens
Samples of finished product

Resources:

Buttons – Oriental Trading (best price) – search “craft buttons”, Amazon, Etsy, Ebay
Stretchy cording – Oriental trading, Michaels, Joanns

Terms:

from: www.investorwords.com

Profit –the positive gain from an investment or business operation after subtracting for all expenses.

Cost of goods sold – an income statement figure which reflects the cost of obtaining raw materials and producing finished goods that are sold to consumers.

Overhead – the ongoing administrative expenses of a business which cannot be attributed to any specific business activity but are still necessary for the business to function. Examples include rent, utilities, and insurance.

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PROJECT PROFIT SIMULATION

Small Business Simulation – Button Bracelets

I have been doing this simulation for years. I originally would have pairs of students make one bracelet but when my mostly male students started fighting over who would get the finished product, I decided that each student should get their own! I have students from years ago still wearing their bracelets on a regular basis. In the past I have sorted out buttons for each student but I recommend just having a pile that they pick from. It encourages creativity and innovation!

Ideally you would have a venue to sell the finished product (open house? School play? Garage sale? Craft sale?) and you could have your students working towards a goal like a pizza party. Or you can just have them take their finished projects home to enjoy. The idea is for them to get inspired!

I put together this simulation primarily because I saw many of my friends make and sell items and never think about the cost. They thought they were making money but were, in fact, not even paying themselves minimum wage, and not considering overhead. There are so many opportunities out there, if you just do the math, you can see which one is truly best for you and your bank account.

Procedure:

1. Welcome students and enthusiastically inform them that they have joined you on an entrepreneurial adventure and will be working with you to create some products to sell. BUT you need to see if you can make a profit first (define profit).
2. Show the students your product. Pass it around and let them really look at it while you talk to them about this business venture. Look up similar products on websites such as Etsy and share the prices that they have listed for their products.
3. While they are still looking at the product, have them list the materials needed to make it. (Buttons, stretchy cord, glue)
4. Tell the students the cost for each of the materials (ie, \$6.50 for 800 buttons). Have them work together to figure out how many buttons are on each bracelet sample and then, using an average, figure the approximate cost for buttons for each bracelet. Also figure out the cost of the stretchy cord per bracelet.
For example: If you get 800 buttons for \$6.50 each button costs you .008 cents. Multiply that by the 30 buttons for each bracelet, your button material cost would be approximately 24 cents. The stretchy cord comes in a roll of 27 yards for \$5.50. You would figure out how much it costs per yard and then halve it (18" is ½ a yard) – about 10 cents a bracelet.
5. Now that you have the cost figured out for the materials, you need to figure out how much labor is going to cost. Federal Minimum Wage (as of this writing) is \$7.25 an hour. How much is it going to cost us to have people make these for us? Let's figure it out!
6. Give the students a piece of stretchy cord and a pile of buttons. Explain that they need to make a bracelet that goes around the wrist easily... about 9" long. Then go over the button bracelet instructions (see the attached worksheet).
7. Time the students with a stopwatch. Have them all start at the same time and as they finish give them their time and have them write it down on the white board. Figure out the average time it took to make one bracelet and multiply it by the minimum wage. So if it took 15 minutes

to make one bracelet that would be .25 of an hour multiplied by \$7.25 minimum wage or about \$1.81 in wages per bracelet.

8. Have your students figure out the cost (labor + materials) of the bracelet. Compare this to the prices the competition has for a similar product. Decide if there is enough profit to make it a desirable business venture. If your times are too high to make it profitable, have the students discuss how to reduce the time (practice, bigger buttons, etc.)
9. Decide on a price for your product and figure out how much profit you will make on each one.
10. Introduce the concept of “overhead” by telling your students that you are going to have to rent a room to get all these bracelets made. This room is going to cost \$100 a month to rent. Have them think of other costs (utilities, etc.) that might also be included in overhead. You might turn off the light to illustrate the need for electricity. If you are in a warm climate, ask them if they need AC. Will your employees need to use the restroom?
11. After the discussion on overhead, let them know that fortunately the landlord for the room included all utilities and a restroom for the \$100. Now you just have to figure out how many bracelets you need to make and sell each month just to break even.
12. DEBRIEF – This is a time to talk about the simulation. Don’t skip it! Ask the students if they can think of other products that they could make and sell. Ask them if they can think about other costs that might be incurred (we didn’t even touch on the cost of selling the bracelets). Have them figure out how much they could make an hour (take their time) working in their own home (no overhead or labor costs) by making these bracelets. What else have they learned?

One Step Further...

Have your students take their list of other products and research them on sites like Pinterest and Etsy. Have them write up supply lists and price everything out. Encourage them to make up a sample and figure out their labor costs. If you have more than one student, set up a day to bring their sample products to share.

Two Steps Further...

If your students get really excited about this project, take the time to help them find a venue to sell their creations. This might mean setting up an Etsy account or finding a local craft fair they can participate in. You can even work with your students to set up a special “Young Entrepreneurs” craft fair and market it to your community. The sky is the limit!

PROJECT PROFIT Worksheet

Supply list:

Where can you buy this?

For how much?

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

What will each one of your products cost for materials?

Do you have any overhead costs?

How long does it take to make each one of your products?

How much do others with similar products sell their items for?

Can you profitably make and sell your product?

PROJECT PROFIT - ACTIVITY

Vision/Gratitude Journal

Discovering your financial paradigms (and often changing them) is a BIG job. One way to do this is to create a vision board to help you visualize what you want in your life. Another way is to write in a gratitude journal. In this activity we combine both of these.

Materials required per student:

Composition book
magazine pictures or pictures printed out from the internet
scissors
glue
clear contact paper

Directions:

1. Have students watch the following video. It is a TED Talk given by a woman who emigrated to the U.S. from Russia when she was a child.

http://www.ted.com/talks/tania_luna_how_a_penny_made_me_feel_like_a_millionaire.html

Discuss with your students. Be sure to bring in how they think about things and how that may affect how they see things.

2. Students will then need to look through magazines, print out pictures from the internet, and cut these pictures out in order to glue them onto the front and back of the composition book. Have them arrange them in a mosaic fashion on their book. They can include words, quotes, pictures, whatever they want... quite literally! Have them think of their goals for the future and find pictures that will represent those goals. I usually print out their name for them in several different fonts so they can include that on their book.
3. When their pictures are all glued down, you are going to cover these pictures with clear contact paper. Be sure to measure the book while it is closed. Also, you want at least an inch extra on all sides so that you can fold this to the inside.

Some tips for working with the contact paper:

- Take the backing off of just a few inches and position the front edge of the composition book onto it, keeping the composition book closed.
- Slowly pull off more of the backing while you carefully smooth it out onto the book.
- Once you have the front all done, still keeping the book closed, wrap the contact paper around the spine.
- Cover the back in the same way.
- To prepare to fold over the extra, this time working with the book open, clip the extra contact paper at the spine. Also make clips at each of the corners.

- Start with the corners and carefully fold the extra contact paper around to the inside. Continue all the way around, working carefully at the spine to separate the contact paper around the two sides.

Once the book is done, explain how they should use it. Several times a week (preferably every day) they should write down what they are grateful for TODAY. If they have a hard time figuring out what they are grateful for, suggest they start with simple things like “air” and then get more detailed. They could even go through the colors – for example have them find 10 orange things they are grateful for.

PROJECT PROFIT Book Discussion

The Toothpaste Millionaire by Jean Merrill

Chapter 1

Who is Rufus?

What does he do for Kate?

What makes him different from the other kids Kate meets?

Chapter 2

What was in the note that Kate got passed?

What happened when the teacher got it?

What did Kate do after school?

Chapter 3

Why won't Rufus buy the toothpaste his mother wants him to buy?

What makes Kate decide not to buy the eyeshadow?

What does she figure out on her ride back home?

What does Rufus' grandmother use for toothpaste?

Chapter 4

What did Rufus make?

What flavors?

Did Kate like all of them?

Chapter 5

What did Rufus and Kate figure out in this chapter?

How did Kate solve their problem?

Chapter 6

What does the next “math problem” note figure out?

Chapter 7

How does Kate help Rufus get more business?

How does Rufus describe his product?

Does this advertising work?

Chapter 8

How did Rufus get all his orders filled?

When one of the girls asked Rufus if he would have to up his price if he had to pay her, what did he do?

What did the math class figure out?

Chapter 9

What did Kate want to get Rufus for his birthday?

Did he think he needed it? Why did Kate think he did?

Where did she end up finding it?

Chapter 10

What did Kate learn at the auction?

How much did she end up spending on Rufus' present?

Chapter 11

How did Kate get Rufus' present home?

How much did it weigh?

Chapter 12

How did they get toothpaste in the tubes? How did it work?

What did Kate do to try and help?

Who did she meet?

Chapter 13

Why was Hector in front of the “Happy Lips” building? What was so special in that building?

How much was rent and Hector going to cost a month?

Chapter 14

Why do they need a loan?

Who do Kate and Rufus go to in order to get a loan?

Why don't they get it?

Chapter 15

How does Rufus get around the bank's discrimination?

How does Hector help? What does Hector get?

Chapter 16

Why did they call their math class “Toothpaste 1”?

Why did Rufus have to raise his prices?

Chapter 17

How did they advertise?

What made it work?

Who got mad when they got free advertising? Why?

What happened then?

Chapter 18

What did "Consumer's Friend" say about Rufus' toothpaste?

What did the other toothpaste companies do?

Who did it hurt? Who did it help?

Chapter 19

What did the competition try to do?

Why did they get into trouble?

Chapter 20

What did Joey do and why? Why was Kate grateful to him?

What happened when some of Rufus' friends tried to sell their stocks?

Chapter 21

Why did the banker get involved? What kind of advice did he give Rufus?

Why did Rufus take his advice?

Chapter 22

Why did Rufus retire?

What did he do for his summer vacation? What did Kate do?

What do you think his new idea is?

PROJECT PROFIT – Button Bracelet Instructions

Materials needed for one bracelet:

18” piece of Stretchy cord – don’t skimp on this... you need extra to tie it

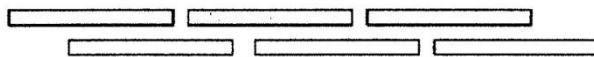
about 30 Buttons (this depends a lot on the size of your buttons) NOTE: do not use “shank” style buttons

Quick drying glue

Directions:

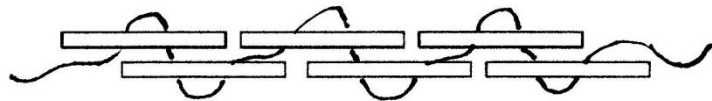
1. From your button supply pick out your buttons.
2. Your buttons will overlap forming two sides of the bracelet (see diagram 1)

Diagram 1



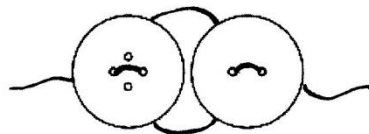
3. Start threading the buttons onto the stretchy cord. Always start from the back of the button (the side you want not seen), come up through the middle and then down again. Continue with the next button. Leave at least a 4” tail at the beginning. See Diagram 2.

Diagram 2



4. If you have buttons that have four holes, use the holes diagonal to each other. See Diagram 3.

Diagram 3



5. Continue putting on buttons, pushing them tightly on to the cord (see Diagram 2), until your bracelet is long enough to go around your wrist easily. Tie it off with a surgeons knot (a square knot that has one extra twist to it). Put a drop of glue on the knot and let dry. Clip the ends of the cord close to the knot. AND YOUR BRACELET IS DONE!