

Name:

Date:

Class:

Lesson 11.1

Practice Your Understanding

1. A friend of yours is planning to start a photography business. They plan to take out a small-business loan to get started. Point out three bootstrapping tactics that may be useful in their situation to help save money. (11.1-1)

Answer:

2. Analyze each of the following scenarios to determine the type of equity financing described. (11.1-2)
 - a. An investor invests in an upstart software company launched by an entrepreneur who sold their previous technology venture for nearly ten million dollars. The investor is requesting 30 percent equity in return for their funding.

Answer:

- b. A retired musician decides to invest \$100,000 in a local business that teaches music lessons to young children to help them open a new location. In return, they gain equity in the company and will teach lessons to children several days a week.

Answer:

- c. A teenage entrepreneur who launched a clothing line uses social media and a business website to gather supporters who wish to support their business monetarily.

Answer:

- d. A chef desires to start a downtown café serving healthy food options. They contact a local restaurateur with the hopes of persuading them to agree to a co-ownership deal where they will own 50 percent of the business for providing half of the required start-up capital.

Answer:

3. You have decided to start a landscaping business in your community. The services you offer include cutting grass, edging, cleaning natural spaces, trimming shrubs, spreading mulch, and removing yard debris. Prepare a list of potential start-up costs you will incur for the business. Based on your list, determine an estimated amount of financing, or start-up capital, that will be necessary to launch the business. (11.1-3)

Answer: