

ISABEL'S CAR WASH

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LESSON DESCRIPTION:

Students are introduced to the roles of entrepreneur and investor in the context of starting a business through the book, *Isabel's Car Wash*. After discussing the story, students are divided into entrepreneur and investor groups for a business start-up simulation. In this simulation, each entrepreneur group uses a business plan and pitch to sell their idea to the investor groups. Each investor group decides on a business to invest in with the money allotted them, and negotiates a profit percentage with the entrepreneur.

GRADE LEVEL: 4-6

CONCEPTS: entrepreneur, investor, loss, profit, risk, tax

ESSENTIAL QUESTION: What are the roles of the entrepreneur and investor in beginning a business?

OBJECTIVES: Students will be able to:

- Explain the roles of the entrepreneur and investor in beginning a business
 - Define profit, loss and tax
 - Discuss the importance of a business plan in setting up a business
 - Develop a business pitch and share the key ideas of their business plan
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TIME REQUIRED: 60 minutes

MATERIALS:

- Visual 1: Business Ideas, one copy cut apart and placed in a container; one copy for teacher reference
 - Visual 2: Investor Dollars, one copy cut apart and placed in a container
 - Handout 1: Entrepreneur Plan, one for each student in the entrepreneur groups
 - Handout 2: Investor Plan, one for each student in the investor groups
 - Handout 3: Assessment, one copy for each student
 - Handout 3A: Assessment Answer Key
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PROCEDURE:

1. Introduce the lesson by asking the following questions:
 - Have you ever wanted to buy something, like a toy or game, so much that you were willing to work to earn money to buy it? *(Answers will vary.)*
 - What item did you work to buy? *(Answer will vary.)*
 - Were you successful in earning enough to purchase it? *(Answers will vary.)*
2. Tell students that in the book that will be shared, *Isabel's Car Wash*, Isabel wants a special doll and decides to start her own car-washing business to earn money to buy it. Explain that someone who takes a risk to produce a good or service or starts a new business, like Isabel, is an **entrepreneur**. The **risk**, or chance of loss, that an entrepreneur takes is that the business may not be successful and the money used to start and run the business may be lost.
3. Ask students if anyone has tried to start a business to earn money, and if so, what good or service they sold. *(Answers will vary, but may include lemonade or another food product; crafts; garage sale items; or services, such as baby or pet sitting, yard work, etc.)*
4. Explain to students that entrepreneurs don't always have enough money to start a business on their own, so they need to borrow money from others or a bank. The people that lend money to the entrepreneur are **investors**, or those that lend money to use in order to make a **profit**, which is the extra money the business can earn after it pays its production costs. If a business is not successful, it may incur a **loss**, or lose money after the business pays its production costs.
5. Ask students to listen as you read the book to find out how Isabel convinces her friends to invest in her business, and if the business has a profit or loss. Read the book to the class.
6. To review the story, ask the following questions:
 - a) Why did Isabel need to borrow money from her friends? *(She didn't have enough money for the doll she wanted. She needed money from friends to buy supplies for a car-washing business to earn the money.)*
 - b) How did Isabel convince her friends to invest in her business? *(She said she would pay them back, plus give them extra money, or a profit. She also assured them she knew how to wash cars and that she would have good business, due to the weather. Isabel told them that she would keep half of her earnings and split the other half with them.)*
 - c) How did Isabel prepare to start her business? *(She borrowed money from her friends, bought soap and shammies, hooked up the hose, and got clean rags and a bucket to use. She also made a sign that said "Isabel's Car Wash \$1.00".)*
 - d) How did the news spread about Isabel's car wash business? *(Isabel's first customer, Mrs. Pristine, called her friends to tell them about the car wash. Mrs. Pristine's friends then called their friends and the news spread quickly.)*
7. Tell students that you are going to ask some math questions about Isabel's business. Review that a **profit** is the extra money a business can earn after it pays its production costs.
 - a) How much money did Isabel spend on supplies to start her business? *(\$5)*
 - b) How much money did Isabel earn from her business? *(\$20)*
 - c) How much of the earnings were a profit, or the extra money made by the business after the production costs? *(\$20-\$5 for production costs=\$15 profit.)*
 - d) How much money did she pay back to her investors? *(\$10, or \$2 each)*
 - e) What percentage of the \$20 was that amount? *(\$10 = 50%, or half)*



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Remind students that when Isabel finally purchased her doll, a sales tax was added on. A **tax** is a required payment of money made to the government by people and businesses.

f) How much did Isabel have left to buy her doll? (\$10)

g) Why did the doll cost more than \$10? (There was a \$0.50 sales tax added on to the purchase.)

8. Tell students that they will play the roles of entrepreneurs and investors during a class group activity. Divide the class into groups of 3-4 students. Designate half of the groups as entrepreneurs who are beginning businesses, and the other half as investors who are able to lend the entrepreneurs money to start their businesses.
9. Distribute copies of Handout 1: Entrepreneur Plan to all members of the entrepreneur groups. Ask each of these groups to randomly pick a business start-up idea from Visual 1: Business Ideas, which should be cut apart and placed in a container. Tell each group to complete Handout 1: Entrepreneur Plan with the amounts needed for start-up costs from their Visual 1: Business Ideas. They should also compose a "business pitch" of one minute or less that they will use to convince investor groups to lend money to their start-up. Remind them that Isabel doubled the money of each investor as a profit in the story. The group should decide how much of their profit they are willing to give to investors and list that percentage. Their goal is to get investors to back them for the total amount needed in their business plan.
10. Distribute copies of Handout 2: Investor Plan to the investor groups to complete within each group. Ask groups to randomly pick an investor dollar amount from Visual 2: Investor Dollars, which should be cut up and placed in a container. Tell investor groups they will hear a business pitch from different entrepreneur groups, along with their business plan amounts. The investors need to decide which entrepreneur group to lend money to without going over the total amount allotted to them. A majority of the investor group members must agree before their dollar amount can be invested with a start-up. (Note: the teacher can break any ties if needed.) All investor groups must choose a start-up to back, or invest their money in, and their goal should be to earn the best profit they can for the amount they invest.
11. Give entrepreneur groups time to complete their business plans and write sales pitch talking points. While they are preparing, share Visual 1: Investor Dollars with investor groups. Ask the investor groups to discuss which start-up ideas they are interested in backing within their group to see if there is a consensus on any business. They should also discuss the profit percentage they want in return from the business they choose.
12. Ask one or two spokespersons from each entrepreneur group to give their pitch from Handout 1: Entrepreneur Plan to all investor groups. Have investor groups use Handout 2: Investor Plan to take notes on each business plan and the total amount requested. Investors may ask questions of entrepreneurs if needed.
13. After all entrepreneur groups have given their pitches, allow investor groups time to consult and decide which business/ businesses they are interested in backing, the total amount they are willing to lend and the profit percentage they want. (Groups should have a second business in mind in case the first business is taken by an investor group offering a higher dollar amount that they can't match.) Entrepreneur groups can use this time to decide on the least amount they will accept from an investor group to back their business.
14. Ask investor groups to announce their top business choice, the dollar amount they're willing to invest and the profit percentage they want. If more than one investor group wants the same business, the dollar amounts may increase as the groups bid for the business. If an entrepreneur group has no backers, an investor group that doesn't get their first business choice can choose to back them instead.



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CLOSURE:

15. Debrief the activity by discussing the following:

- a) What was the entrepreneurs' role in setting up the business? *(The entrepreneur groups completed a business plan and pitch to sell their business idea to the investor groups.)*
- b) What was the investors' role in setting up the business? *(The investor groups listened to each business pitch and decided which business they would like to invest in, as well as the profit percentage they hoped to receive.)*
- c) Were all entrepreneur groups successful in getting the dollar amounts from investor groups that they asked for? Why or why not? *(Answers will vary. Reasons for the entrepreneur groups' success could include presenting a good business pitch; a clear business plan; and accepting the requested profit percentage from the investor groups. Reasons for being unsuccessful may include not accepting the dollar amounts or profit percentages given by investors.)*
- d) Did some businesses and investors have to compromise on dollars requested and profit percentages required to reach an agreement? *(Answers will vary. Some type of compromise usually occurs.)*
- e) Why is the business plan an important part of beginning a business? *(Answers will vary, but could include that the business plan sets up the budget for the business, so that entrepreneurs know how much money they need to start and maintain the business.)*

ASSESSMENT:

Distribute Handout 3: Assessment and ask students to complete the multiple choice questions. They should then play the role of the entrepreneur and use the business plan to develop a pitch for Party Popcorn, a business start-up. They will also play the role of the investor and decide how much they would invest in Party Popcorn.



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VISUAL 1- BUSINESS IDEAS

<p style="text-align: center;">Ice Cream Shop</p> <p>Business Plan Budget:</p> <ul style="list-style-type: none"> • Shop rental-- \$10,000 yearly • Supplies-- \$ 5,000 • Advertising-- \$ 2,000 Total needed \$17,000 	<p style="text-align: center;">Homework Service</p> <p>Business Plan Budget:</p> <ul style="list-style-type: none"> • Desks/Tables-- \$ 1,000 • Computers-- \$ 5,000 • Other supplies-- \$ 2,000 • Advertising-- \$ 1,000 Total needed \$ 9,000
<p style="text-align: center;">Craft Store</p> <p>Business Plan Budget:</p> <ul style="list-style-type: none"> • Store rental-- \$10,000 yearly • Supplies-- \$ 3,000 • Advertising-- \$ 2,000 Total needed \$15,000 	<p style="text-align: center;">Sports Camp</p> <p>Business Plan Budget:</p> <ul style="list-style-type: none"> • Camp space rental-- \$ 5,000 yearly • Equipment/supplies-- \$ 4,000 • Advertising-- \$ 1000 Total needed \$10,000
<p style="text-align: center;">Cooking School</p> <p>Business Plan Budget:</p> <ul style="list-style-type: none"> • Kitchen rental-- \$ 8,000 yearly • Food-- \$ 3,000 • Equipment/supplies-- \$ 2,000 • Advertising-- \$ 2,000 Total needed \$ 15,000 	<p style="text-align: center;">Nature Hike Guides</p> <p>Business Plan Budget:</p> <ul style="list-style-type: none"> • Equipment/supplies-- \$ 5,000 • Advertising-- \$ 2,000 Total needed \$ 7,000
<p style="text-align: center;">Kids' Art Museum</p> <p>Business Plan Budget:</p> <ul style="list-style-type: none"> • Museum space rental-- \$ 8,000 yearly • Supplies-- \$ 4,000 • Advertising-- \$ 2,000 Total needed \$14,000 	<p style="text-align: center;">Toy Repair Shop</p> <p>Business Plan Budget:</p> <ul style="list-style-type: none"> • Shop rental-- \$ 9,000 • Tools/supplies-- \$ 2,000 • Advertising-- \$ 2,000 Total needed \$13,000



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VISUAL 2-INVESTORS DOLLARS

<p>Your investor group has</p> <p>\$15,000</p> <p>to invest in a business.</p>	<p>Your investor group has</p> <p>\$10,000</p> <p>to invest in a business.</p>
<p>Your investor group has</p> <p>\$13,000</p> <p>to invest in a business.</p>	<p>Your investor group has</p> <p>\$8,000</p> <p>to invest in a business.</p>
<p>Your investor group has</p> <p>\$12,000</p> <p>to invest in a business.</p>	<p>Your investor group has</p> <p>\$17,000</p> <p>to invest in a business.</p>
<p>Your investor group has</p> <p>\$14,000</p> <p>to invest in a business.</p>	<p>Your investor group has</p> <p>\$15,000</p> <p>to invest in a business.</p>
<p>Your investor group has</p> <p>\$16,000</p> <p>to invest in a business.</p>	<p>Your investor group has</p> <p>\$6,000</p> <p>to invest in a business.</p>



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HANDOUT 1: ENTREPRENEUR PLAN

Group members:

Type of business:

Name of business:

Business Budget Plan

Rental Space	\$
Supplies/Equipment	\$
Advertising	\$
Other	\$
Total Needed	\$

Your Business Pitch!

Begin by introducing your group members to the investors.

Share the name and type of business you are beginning:

Share your business budget plan costs:

Make your pitch! You should invest in our business because....

We are willing to share _____% of our profit with investors.



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HANDOUT 2: INVESTOR PLAN

Group members:

Dollars to invest:

Possible business for investment:

Business pitch notes:

Our group has decided to invest \$ _____ in _____ because

Our requested profit percentage is _____ %.



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HANDOUT 3-ASSESSMENT

Part 1: Circle the letter of the correct definition for each concept below.

The best definition of an entrepreneur is:

- a) Someone who takes a risk
- b) Someone who takes a risk of producing a good or service, or starts a new business
- c) Someone who produces a product

The money a business earns after it pays its production costs is:

- a) Tax
- b) Loss
- c) Profit

The best definition of an investor is:

- a) Someone who lends money to use in order to make a profit
- b) Someone who takes a risk to produce the product
- c) Someone who lends money

A tax is money a business loses after it pays its production costs.

- a) True
- b) False

Part 2:

You are an entrepreneur with a great new product, Party Popcorn. It comes in four fruity flavors and colors: cherry, blueberry, orange and banana. It is microwaveable and packaged four to a box. Use the business plan for your product below to write a business pitch, giving all the important information investors would need.

Business Budget Plan

Rental space (yearly)	\$ 6,000
Supplies/equipment (popcorn, flavoring, bags, boxes, packaging equipment)	\$ 5,000
Advertising	\$ 2,000
Total needed	\$ 13,000



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HANDOUT 2: INVESTOR PLAN

Business Pitch for Party Popcorn

You should invest in Party Popcorn because _____

Now play the role of the investor with \$15,000 to spend and complete the following information:

I have decided to invest \$ _____ in Party Popcorn because _____

I request a profit percentage of _____ %.

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HANDOUT 3A-ASSESSMENT ANSWER KEY

Part 1: Circle the letter of the correct definition for each concept below.

The best definition of an entrepreneur is:

- a) Someone who takes a risk
- b) Someone who takes a risk of producing a good or service, or starts a new business
- c) Someone who produces a product

The money a business earns after it pays its production costs is:

- a) Tax
- b) Loss
- c) Profit

The best definition of an investor is:

- a) Someone who lends money to use in order to make a profit
- b) Someone who takes a risk to produce the product
- c) Someone who lends money

A tax is money a business loses after it pays its production costs.

- a) True
- b) False

Part 2:

Accept any business pitch that includes discussion of the business budget as well as several other reasons to invest in the business.

Accept any investor plan that includes a reasonable amount to invest as well as several reasons why the investor believes the business will be successful.



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STANDARDS AND BENCHMARKS

NATIONAL CONTENT STANDARDS IN ECONOMICS

Standard 14: Entrepreneurs take on the calculated risk of starting new businesses, either by embarking on new ventures similar to existing ones or by introducing new innovations. Entrepreneurial innovation is an important source of economic growth.

- Benchmark 1, Grade 4: Entrepreneurs are individuals who are willing to take risks, to develop new products, and start new businesses. They recognize opportunities, like working for themselves, and accept challenges.

NATIONAL CONTENT STANDARDS IN FINANCIAL LITERACY

Standard 1: Income for most people is determined by the market value of their labor, paid as wages and salaries. People can increase their income and job opportunities by choosing to acquire more education, work experience, and job skills. The decision to undertake an activity that increases income or job opportunities is affected by the expected benefits and costs of such an activity. Income is also obtained from other sources such as interest, rents, capital gains, dividends, and profits.

- Benchmark 6, Grade 4: People who own a business can earn a profit, which is a source of income.
- Benchmark 7, Grade 4: Entrepreneurs are people who start new businesses. Starting a business is risky for entrepreneurs because they do not know if their new businesses will be successful and earn a profit.

COMMON CORE STANDARDS: ENGLISH AND LANGUAGE ARTS

Common Core Standards: English and Language Arts

- Key Ideas and Details
 - CCSS.ELA-Literacy.RL.4.1: Refer to details and examples in a text when explaining what the text says explicitly and when drawing inferences from the text.
 - CCSS.ELA-Literacy.RL.4.2: Determine the theme of a story, drama, or poem from details in the text; summarize the text.
 - CCSS.ELA-Literacy.RL.4.3: Describe in depth a character, setting or event in a story or drama, drawing on specific details in the text (e.g., a character's thoughts, words, or actions).

Writing

- Text Types and Purposes:
 - CCSS.ELA-Literacy.W.4.1: Write opinion pieces on topics or texts, supporting a point of view with reasons and information.

Speaking and Listening

- Comprehension and Collaboration:
 - CCSS.ELA-Literacy.SL.4.1: Engage effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grade level topics and texts, building on other's ideas and expressing their own clearly.
- Presentation of Knowledge and Ideas:
 - CCSS.ELA-Literacy.SL.4.4: Report on a topic or text, tell a story, or recount an experience in an organized manner, using appropriate facts and relevant, descriptive details to support main ideas or themes; speak clearly at an understandable pace.

