This module on owning and operating a welding business is one of 36 in a series on entrepreneurship. The introduction tells the student what topics will be covered and suggests other modules to read in related occupations. Each unit includes student goals, a case study, and a discussion of the unit subject matter. Learning activities are divided into individual activities, discussion questions, and a group activity. Units (and subject matter) in this module are: planning your business (products and services; important personal qualities; how to compete; legal requirements); choosing a location (factors to consider; checking a location); getting money to start (business description; statement of financial need); being in charge (paying for services; hiring employees; supervising and training employees); organizing the work (planning a job; work order; work schedule); setting prices (costs, expenses, and profits; other factors that affect prices); advertising and selling (advertising methods; what makes a good advertisement; selling your products and services; "selling" yourself); keeping financial records (planning your recordkeeping; handling credit; daily cash sheet); and keeping your business successful (the importance of cash flow; profit/loss statement; changing your business). A summary and quiz complete the document. (A teacher's guide is available for this module.) (CT)
ENTERPRENEURSHIP TRAINING COMPONENTS

GETTING DOWN TO BUSINESS:

Welding Business

Module 32
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GETTING DOWN TO BUSINESS:

Welding Business

Joyce P. Call

May 1981

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INTRODUCTION

How are you going to use your job skills after you finish school?

Have you ever thought about starting your own welding business?

This module describes people who have started and managed a welding business. It gives you an idea of what they do and some of the special skills they need.

You will read about:
- planning a welding business
- choosing a location
- getting money to start
- being in charge
- organizing the work
- setting prices
- advertising and selling
- keeping financial records
- keeping your business successful

You will also have a chance to practice some of the things that welding business owners do.

Then you will have a better idea of whether a career as a welding business owner is for you.

Before you read this module, you might want to study Module 1, Getting Down to Business: What's It All About?

When you finish this module, you might want to read:
- Module 31, Getting Down to Business: Auto Repair Shop;
- Module 33, Getting Down to Business: Construction Electrician Business;
- Module 34, Getting Down to Business: Carpentry Business.

These modules are related to other programs in trades and industry.
UNIT 1

Planning A Welding Business

Goal: To help you plan a welding business.

Objective 1: Describe the services, customers, and competition of a welding business.

Objective 2: List three personal qualities a welding business owner should have.

Objective 3: List two ways to help a welding business "stand out" from its competition.

Objective 4: List two special legal requirements for running a welding business.
BEN MILLER'S WELDING BUSINESS.

Two years ago Ben Miller went into business for himself. He is the sole owner of West Coast Welding, which specializes in "ornamental security."

Ben and his two assistant welders make and install wrought iron fences, gates, and window grates around homes and apartments. These materials provide protection from intruders. They also add to the beauty of the home or apartment building. Ben's work is well known for its unique designs and solid quality.

Builders also subcontract to Ben. He does special construction jobs that call for his combination of skill with metal and the ability to design a unique solution to solve a problem. The shop also takes repair jobs when Ben or his assistants have time.

Other welders in his area compete for the repair work. But in "ornamental security," Ben's main love, he stands alone. No one else offers the same type of service: from designing a fence, to making and painting it, to selling and installing it.

Ben's work uses all his abilities. He is a highly skilled welder. He can work with many metals and do heavy jobs or light ones. He is good at measuring and deciding how much metal each job needs. He draws blueprints that call on all his skill as an artist.

Ben also manages the business. He trained his employees, Jamey and Carl. Ben decides what jobs they will do and checks their work. Like Ben, Jamey and Carl are certified to work with iron and steel. This means they know the heat and safety requirements of welding iron and steel equipment and building materials.

Ben's business is growing fast. West Coast Welding handles many kinds of jobs, large and small, in the shop and in the field. But common to every job is welding iron or steel.
Planning a Welding Business

There are many, many small businesses in America. Small businesses can have as few as one worker (the owner) or as many as four workers. A small business owner is "self-employed." Often a whole family works together in a small business.

Products and Services of a Small Welding Business

Welders heat and fuse pieces of metal or other materials using electric, gas, or combination welding machines. Welders must know the heat and penetration qualities of different metals. They must apply heat at the right point to make firm joints that can stand up under stress. Because they work with flame, gas, and hot metal, they must also be safety conscious.

There are many small business opportunities for people who are trained as welders. Welders can make different kinds of equipment or construct pipelines for buildings. They can repair or replace metal parts—for example, broken trailer hitches or dented metal fences.

Ben Miller provides both products and services. He constructs and sells fencing to his customers, which he also installs. Most of his customers are owners of expensive homes or contractors who build apartments or condominiums.

Important Personal Qualities

Ben's business demands and makes use of all his good qualities. Like most highly skilled welders, he has:
good math and measurement skills;
ability to do detailed work relying on fine movements of his hands; and
patience and energy to bend, stoop, and stand still for a long time, often in an awkward position.

Safety is something that Ben can talk about for hours. He has learned you can’t be too careful when you’re welding. Ben has scars where hot metal burned or pierced his skin. He says of welding: "You must like it. You can’t be scared of getting hurt. You’re going to get burned once in a while."

But Ben has become much more careful about safety than when he first began welding 25 years ago. He has a set of rules tacked on the shop bulletin board. If anyone is caught breaking a rule, the person has to buy lunch for everyone. This is Ben’s list.

1. Wear goggles when welding.
2. DON’T look at the flame: ULTRAVIOLET LIGHT can burn your eyes.
3. If you’re too sick or too tired, DON’T WORK. Stay in shape, and do the job you’re supposed to do.
4. Turn off all equipment when you’re not using it.
5. Clean up your area at the end of EVERY day.
6. Stay alert. Never take anything for granted. And if you need help, ASK.

This list shows some important things about Ben. He thinks safety is very important. He insists that his co-workers follow his rules. But Ben is fair. He follows the rules, too. And he cares about his employees. All these qualities help make Ben a successful welding business owner.

As for managing a business, Ben says that initiative and hard work are the most important things you need to succeed. "Initiative" means that Ben does not wait to see how many people will decide, on their own, that their homes need a fence or a gate on the driveway. He goes out to people and tells them what he can offer. He sells owners and builders on his
unique service: fencing materials that offer security but are also attractive. The business image is right there in its name: "West Coast Welders, Ornamental Security."

How to Compete

West Coast Welding shows how you can beat the competition by giving a unique service. In fact, Ben offers a unique set of related services. He designs the job to fit each customer's need. He cuts, welds, and paints the fence or other item. He also installs it. Other welders in his area make or sell fencing, but they rarely do installation.

Ben also uses good materials. He takes enough time to do the job well. He delivers on time. Before he starts a job, he explains to each customer what their choices are.

Legal Requirements

In some of the special construction jobs Ben does, the strength of the weld is critical. For example, he is constructing baseplates to hold up a water ride at an amusement park. To do this type of work, he and his assistants had to pass an examination of their welding skills. "I'm certified in 12 metals," Ben reported.

Ben's business is licensed in the city where it is located. He sells parts and knick-knacks as part of his ornamental security business. He needs a Board of Equalization number (to allow him to resell parts without paying a tax) and a peddler's license. Ben's business must also be inspected from time to time by government fire and safety officials.
Summary

The owner of a small welding business can offer many types of services as well as products. Typical customers are people who need to have metal equipment or machinery built or repaired. Offering a unique service, like Ben's installing the fencing that he makes, helps a welding business compete. Having skill in welding, being safety conscious, and knowing how to get customers are important personal qualities for a welding business owner to have.
Learning Activities

Individual Activities

1. List three kinds of jobs that a small welding business might do and, three kinds of customers it might have.

2. Do you have the personal qualities that would help you run a welding business? Check each statement that fits you.
   - [ ] I like helping people.
   - [ ] I like to make things.
   - [ ] I don't mind a noisy, hot job.
   - [ ] I can work on several jobs at once.
   - [ ] I can handle money well.
   - [ ] I am alert and careful around fast-moving equipment.
   - [ ] I can do a job without wasting time or materials.

3. Ben's welding business is based on providing ornamental security. List a different kind of special product or service that a welding business could offer.

4. Think of a good name for a welding business. It should be "catchy." It should also describe the special product or service you listed in the answer to the last question.

5. Explain why a welder must be certified before he or she can weld materials that will be under heavy stress.
Discussion Questions

1. Why do you think Ben wanted to be in business for himself? What are some problems he may have now that he didn't have when he worked for someone else?

2. Why do you think fire and safety officials make regular inspections of welding businesses? What kinds of things would they look for?

3. Do you think Ben's idea of basing his business on ornamental security is a good one? What kinds of customers would this service appeal to? Is this market likely to grow? Why, or why not?

Group Activity

Locate a welding business near you. Invite the owner or manager to visit your class and talk about how he or she got started.

Write out a list of five to ten interview questions to ask the visitor. The questions should relate to the things listed in the objectives for this unit.

One or two students should ask the visitor the questions. At the end of the interview, take other questions from the rest of the class if there is time.
UNIT 2

Choosing a Location

Goal: To help you choose a location for a welding business.

Objective 1: List three things to think about in deciding where to locate a welding business.

Objective 2: Pick the best location for a welding business from three choices and explain your choice.
When Ben decided to go into business for himself, he had to find a location. He thought about all the things he needed. "I need a place where I can do the welding. I need room to store my supplies. Those are the most important things."

Ben thought some more. "If possible, I'd like extra room to store fencing. Then I could have a supply of the bestselling fence types. I could buy extra gates, grates, and locks. That way, when an order comes in, I could fill it faster. I wouldn't have to wait to make the fencing to order unless it was a special type."

Ben also thought it would be nice to have a store section where he could display the types of fences, gates, and window grates he could make. Then customers could come to a clean, quiet place to see Ben's wares and decide what they needed.

Ben had been checking the classified ads under "Commercial, Industrial For Rent" every week. This week two ads caught his eye.

1000 SQUARE FEET
Suitable for commercial and/or industrial use.
3-phase power. $350/mo.

1700 sq. ft., downtown.
Ideal for light assembly, storage, auto repair, etc.
Small, carpeted office. $500/mo.

Ben went to see both business sites. Both seemed fine for his main need: a place to do welding. There was good electric power and enough outlets and lights. The bigger place would give Ben more storage space. The office was nice, too.

"I'd better take the cheaper place," Ben decided. "As it is, I set a limit of $300 a month for rent. I can raise that to $350 but no higher. Once business builds up, I can move to a place where I have more room for storage and display. But now I guess I'd better stick to welding."
Choosing a Location

Did Ben's choice surprise you? He liked the bigger business site better. But he chose the smaller one for two reasons. First, it had the most important things Ben needed. It had enough space and electric power for Ben and his helpers to do welding. It also was big enough to store the materials they needed.

Second, it would be risky to choose the larger place because the rent was much higher. Ben was not sure he could do enough business to pay for "extras" in his location. So, he decided to take the smaller place and then move when he could afford to.

Ben was smart to sort out his needs and pay more attention to the important ones. Small business owners often have to make hard decisions.

Factors in Choosing a Location

Though it came down to a choice between two locations, choosing Ben's location was really not that simple. He checked out ads for months before he found anything he wanted to see. He looked at many locations in many areas of town.

As Ben looked, he learned. He got better at guessing what a place would look like from what the ad said and what it did not say.

Ben knows the good and bad points of his location even better since he's been there almost two years. This is how he sees it now.

Good points. It's easy to reach by car. It's near other small industrial businesses but not close to heavy competition. There's another
welding business down the street. But it involves heavy equipment, so it's no problem. He has a good landlord who makes repairs quickly. He has a long-term lease, so Ben won't have to move or pay more rent on short notice. The rent is not too high. There is enough room for the welding table, vise, welding machine, and supplies. And the electric power is suited to his needs.

Bad points. It's not on a main street, so people don't just "find" it by chance. There is not enough room to store or display finished materials. "And it's noisy!" Ben adds.

His neighbors, who make their own noise, do not seem to mind the racket. But Ben had to put a flashing light on the phone. Otherwise, no one could hear it if it rang when someone was welding.

Checking a Location

There are many ways to find out about possible locations for a welding business. Besides using the newspaper ads you can:

- look for lease or rent signs in neighborhoods that have small industrial and trade businesses;
- talk to a realtor who handles commercial and industrial property;
- talk to customers, suppliers, and other small business owners.

Once you find a location, you must check whether it is right for your type of business. There are several things you can do.

You can walk or drive through the neighborhood. See what kinds of businesses are nearby. Are any competing welding businesses close by? Will the types of customers you want be in the area? Is it because they live there or shop there?

You might talk to former tenants, neighbors, and the landlord. Find out how good business has been in the past. See what others think of the landlord. Compare their reactions to your own feelings.
You can inspect the site and make followup visits. Don't be shy about looking around. Remember, you are going to spend most of your time there if you decide to lease (or rent, or buy) this location. Check to see if the site and building are in good condition. How are the light, heat, and water? Is there enough work space and storage space? If repairs are needed, it is a good idea to find out before you put your money down.

Summary

Your business location will be one of your main expenses. In return, it should be a comfortable place for working and dealing with your customers. It should have the space and utilities you need, too. The neighborhood is also important. There are many ways to find out about available locations. Once you find one that seems good, you should check the site and the neighborhood before you decide. Personal inspection, a walking or driving tour, and talking to people are good ways to check on a business location.
Individual Activities

1. Ben's welding shop is a few doors away from a welding shop that specializes in construction and repair of heavy equipment. List two advantages and two disadvantages of Ben's being close to this other shop.

2. For each type of information needed to choose a location, decide whether it is best to get that information (a) by personal inspection of the site or (b) by talking to former tenants, neighbors, or the landlord. Put the letter a or b in the space before each type of information.

   - How strict the landlord is about getting the rent paid on time
   - Whether the electricity is in good condition
   - Whether there is enough room for supplies and for customers to park
   - How good business is in the area

3. You are comparing three business sites to locate your welding business. Rate each site good (3), so-so (2), or poor (1) on each feature on the next page. Then choose the best site overall.
<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three other welding businesses in area</td>
<td>No other welding businesses in area</td>
<td>One other welding business in area</td>
</tr>
<tr>
<td>Room for eight parking spaces</td>
<td>Room for one parking space</td>
<td>Room for two parking spaces</td>
</tr>
<tr>
<td>Electric wiring and power good</td>
<td>Needs electric rewiring</td>
<td>Electric wiring and power borderline</td>
</tr>
<tr>
<td>Huge storage space</td>
<td>Not much storage space</td>
<td>Good storage space</td>
</tr>
</tbody>
</table>

4. You are thinking about locating your welding shop next to a gas station. The station is on a very busy intersection. List one possible advantage and one disadvantage of this location.

Discussion Questions

1. You and your two partners own a welding business. It specializes in making metal storage units for home workshops. Your new business location has a small carpeted office next to the shop area. Discuss ways you will use this area. Try to reach an agreement on the best use for this area.

2. Discuss whether Ben made the right choice in choosing the smaller location for his business. In what ways would the larger location have been a better or worse choice?

3. Based on what you have learned about Ben's business, do you think there is a need for a welding business specializing in ornamental security in your area? Why, or why not?

Group Activity

Two or more students should visit a nearby welding business and make a class report on the strong and weak points of the business location.
1. Select a nearby welding business. Call the manager. Ask whether one or more of the students in your class can visit the business.

2. One or more students will make a personal inspection of the site and report to the class on: (a) size and layout of the shop; (b) storage space; (c) electrical power and location of outlets; and (d) amount of parking space.

3. One or more other students will explore the neighborhood. If possible, they will talk with neighboring business owners or customers. Then they will report to the class on: (a) types of businesses in the area; (b) number of customers doing business in the area; (c) number of people driving or walking by; and (d) whether there is competition nearby.
UNIT 3

Getting Money to Start

Goal: To help you plan how to borrow money to start a welding business.

Objective 1: Write a business description for a welding business.

Objective 2: Fill out a form showing how much money you need to borrow to start a welding business.
While he was still working in Mr. Fowler's welding shop, Ben began to plan his own business. Mr. Fowler said he would help Ben go through the necessary steps.

He urged Ben to write a business description. It helped Ben spell out what he could offer that was different from his competition. And it would help him get a loan from the bank.

Ben described the location he had picked out. He listed its good points. He even put in a chart. It showed that when his net profit reached a certain level, he would move to a bigger shop and build a store/display area.

Ben wrote a good section about "ornamental security." He stressed why the need for decorative fences, gates, and window grates was going to grow. He put in some blueprints of jobs he was proud of. Ben said he hoped to do about $30,000 worth of business his first year.

Then Ben wrote his statement of financial need. It showed how much money he had to invest. It showed how much Ben thought he would have to pay in expenses for the first six months. He showed the difference between the total expenses and the total money on hand. That was how much Ben had to borrow to start his business.

Ben took the business description and statement of financial need to his bank. He had no trouble getting a $2,000 business loan from the bank. The loan officer said she liked Ben's business idea. In fact, she said she thought she could use one of Ben's fences around her own home.
Getting Money to Start

Business Description

Writing a business description takes time. But it is good to have because it forces you to be clear about what your business will be like. It makes you think through some hard questions before you start. "What is my competition? How much money can I expect to make?" It also helps others decide whether to put their own money on the line. The bank loan officer felt fine about lending Ben $2,000 when she saw Ben's plan in writing.

Your business description should include:

- the type of your business and its name;
- the products or services you will provide;
- the business location and why you chose it;
- who your customers will be and how many you might serve;
- who your competition will be;
- your plan for competing: unique services, your business image, etc.; and
- your plan for running the business.

Statement of Financial Need

You will then attach your statement of financial need. It shows the lender how much you want to borrow. And it also shows whether you are a good judge of costs and earnings for a new business.

Ben's statement of financial need is shown on the next page.
## STATEMENT OF FINANCIAL NEED

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Money on Hand</th>
</tr>
</thead>
<tbody>
<tr>
<td>(for first six months)</td>
<td></td>
</tr>
<tr>
<td><strong>Salaries</strong></td>
<td>$0</td>
</tr>
<tr>
<td><strong>Building &amp; Property ($350/mo)</strong></td>
<td>$2100</td>
</tr>
<tr>
<td><strong>Repairs &amp; Remodeling</strong></td>
<td>$400</td>
</tr>
<tr>
<td><strong>Equipment &amp; Furniture</strong></td>
<td>$1700</td>
</tr>
<tr>
<td><strong>Materials ($300/mo)</strong></td>
<td>$1800</td>
</tr>
<tr>
<td><strong>Advertising ($500/mo)</strong></td>
<td>$3000</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$9,100</td>
</tr>
</tbody>
</table>

| Owner's Cash on Hand | $7,000 |
| TOTAL MONEY ON HAND  | $2,100 |
| TOTAL EXPENSES       | $5,000 |
| TOTAL MONEY ON HAND  |        |
| TOTAL BUSINESS LOAN  |        |
| NEEDED               | $2,100 |

Ben decided it would take at least six months to get well known enough to get his business going. He counted on satisfied customers, plus a lot of advertising, to spread the word.

The location Ben wanted was in good shape. So he didn't put in much money for repairs. His rent, supplies, and advertising would be his biggest regular expenses.

The cost of the equipment and furniture he needed to get started was high. This was a one-time cost, however.

Like other people who start their own businesses, Ben learned a lot about financing a business by first working for someone else.
Before you start a business you must have a plan for what you will offer and how you will compete. A business description puts your plan in writing and helps you get money to start. You also need a statement of financial need. It shows your total expenses of getting started, your total money on hand, and the total business loan needed.
Learning Activities

Individual Activities

1. List the advantages and disadvantages of borrowing money from friends to start a welding business.

2. List three things that a business description for a welding business should include.


4. What are the four main areas in which Ben will have to spend money to start his business? In which areas will his costs go down after he gets his business going? Why?

Discussion Questions

1. Why is it important to write a business description and a statement of financial need for a new business even if you do not plan to ask for a loan?

2. Which part of your business description would probably be the longest for a new welding business? Would it be the products or services you will provide, the business location, or your competition? Explain your answer.

3. Discuss different ways to get a business loan for a welding business and the advantages and disadvantages of each.
Group Activity

In groups of three to five students, write a business description for a new welding business. Assume there is an owner who will hire two other welders. In your description include:

- products and services to be offered;
- planned business location;
- existing competition and expected share of the market;
- plans for competing successfully; and
- types of customers you hope to attract.
UNIT 4

Being in Charge

Goal: To help you learn about managing work and people in a welding business.

Objective 1: Decide how to divide the work of a welding business among several people.

Objective 2: Pick the best person for a specific job in your welding business.

Objective 3: Describe one kind of training you might give your employees.
When Ben opened his welding shop, he was working alone. But it was hard to get everything done. He needed help so he could do the kinds of jobs he liked best. "And I want a pro to handle the books," Ben said. "My math is good when it comes to welding. I'll get someone else to count my money."

Ben hired a bookkeeper soon after he started. Miguel Diego took over his bookkeeping. Ben calls him "Mike." Mike worked in a bank for five years. Then he went into business for himself. He does the books for a number of small businesses like Ben's.

Ben hired Carl after six months of business. He and Carl had worked together before. In Year 2, Ben decided he could hire another welder besides Carl. He knew three or four other good people who needed a job. How should he decide?

About that time, Jamey Barnes showed up. Jamey was taking a vocational education course in high school. He loved the welding part. But he did not get much time to weld in class.

He asked Ben if he could get some on-the-job training in Ben's shop. "You bet!" Ben told him. Ben enjoyed training Jamey. He would work through a whole job and have Jamey watch.

Ben explained each step. Jamey asked questions. Then Jamey tried it, and Ben watched. Jamey worked hard and learned fast. When he got out of school, Ben hired him to work full-time.

Now Carl and Jamey do all the welding. They make the fencing and gate materials. They do the welding for special building jobs. They also do repair work. Ben supervises their work.

Ben sees himself as the owner-foreman for the business. He takes phone calls and makes appointments. He pays the bills. He talks to customers who come in. He makes estimates of how much a job will cost.
Being in Charge

Dividing the Work

Many different kinds of work need to get done in a welding business. If the owner of the welding business works alone, he or she must do all these tasks. If the owner hires people to work for him or her, they can help in these tasks. But it is still the owner’s job to decide who does what.

Most owners of welding businesses do welding themselves. But they also have to run the business. They must deal with customers and suppliers. They must train and supervise employees.

One of the most important parts of the owner’s job is to take in money for work done and to pay the bills. Ben felt this part of the job was too important to handle by himself. Yet he did not need a full-time bookkeeper.

Paying for Services

Like many small business owners, Ben contracted out his bookkeeping to an independent agent. Miguel Diego works for Ben and other clients. He sells a service that they need: bookkeeping and financial advising. Ben pays to have someone help him with his books.

Ben also pays a lot of attention to the money coming in and going out himself. He trusts Mike and knows Mike will do a good job for him. But Ben knows that it is his own responsibility to keep his business from going into debt.
A small business owner may pay for many services. Some services, like bookkeeping, help the owner handle money and make decisions about money. The owner may decide to pay for other services, like custodial service or a phone-answering service. These services help get the day-to-day work of the business done.

Hiring Employees

The time of most welding business owners is split between selling services and managing the business. Workers are usually hired to do welding.

At the end of six months, Ben had enough business that he needed an employee. He decided to hire someone to do welding full-time. Then he could divide his time equally between custom welding and managing the business.

Supervising and Training Employees

Now Ben's job is more complex. He is a boss. He must oversee the work of two employees. Ben's idea of supervising is to be there when his employees need him. He does not watch every step. But he does check the finished product to see if it is sound.

Ben uses the same approach for checking an employee's hours. There is neither a clock to punch nor time sheets. Ben trusts his employees to put in a full week of work every week. Since they are out in the field on some jobs, he does not keep close tabs on them. He treats them the way he likes to be treated. That is, he gives them a lot to do and he expects them to do it well.

Carl came to Ben as a fully skilled welder. So training was not a big concern. All Ben had to do was show Carl where he kept things. They worked out a few rules so they would not get in each other's way.
Jamey was not highly skilled. So Ben spent more time training him. Welding depends on knowing about metals and how they combine. It also takes a great deal of practice to build up skill in making sound joints.

Ben trained Jamey well. He went back and forth between explaining how to weld and giving Jamey practice. When Jamey showed he understood and could do the job, Ben gave him bigger jobs.

What to Look for in Hiring

Ben liked Jamey. But that was not a good enough reason to hire him. Ben knew what he was looking for in an employee. He already had Carl. So he did not have to hire someone who was fully skilled. But he did want someone who would learn fast and well.

For his second assistant welder, Ben wanted someone who had:
- some experience in welding from a high school vocational education program or from on-the-job training;
- good skills in math;
- a good grasp of welding—that is, knowing about heat and metals and how they combine;
- willingness to learn on the job, and
- the qualities of being honest, hard working, and easy to get along with.

Summary

Welding business owners need to define all the important jobs that must get done in their business. They must decide which jobs to do themselves, which ones to contract out, and which ones to hire employees to do. Before hiring an employee, you should decide what personal qualities and skills the person needs to do the job. As a boss, you must also provide training to help each employee do the best possible job.
Individual Activities

1. You want to contract for the services of a bookkeeper for your welding business. Another business owner recommends Lee Woods, who:

- is good looking;
- is neat and orderly;
- plays great tennis;
- throws wonderful parties;
- is good at arithmetic;
- is polite and pleasant;
- is thorough and careful; and
- has a wild sense of humor.

You decide to hire Lee Woods to do your bookkeeping. Check the four qualities above you should base your decision on, and explain why.

2. List two possible benefits Ben got from hiring Carl to assist him with welding, and two possible problems.

3. Jose Ortega finds that small repair jobs are taking up too much of his time. He cannot do much construction welding, which pays more. List two ways he could solve this problem.

4. Jose's brother Manuel would like to do repair jobs. But he has only taken one welding course so far. List two ways Manuel could get training and take over this work for Jose.
5. Belinda Gray is a skilled welder who has gotten hard of hearing in the past few years. Which of the following jobs should Ben have her do if he hires her?

- a. Take customers' orders
- b. Draw blueprints
- c. Repair equipment
- d. Answer phones
- e. Construct fencing

Discussion Questions

1. Ben hired Jamey without doing a search for any other people who might have wanted the job. Discuss the advantages and disadvantages of this approach.

2. You and your partners run a welding business and have three employees (all male). You want to hire a person to draw blueprints and run a welding machine that takes a patient, steady, but light touch. Sandra Williams and John Olson are the top choices. Both are highly skilled, good people, though John has a bit more experience. One of your welders has heard saying a welding shop is no place for a woman.
   a. Discuss the advantages and disadvantages of hiring each person.
   b. Discuss how you might handle problems with other employees if you decide to hire Sandra.

3. Mr. Jones owns Baylor Welding and retired last year. He asked his top welder, Jim Jones, to take over as foreman. But neither Jim nor the other men seem happy, and business has gone down. Come up with a list of two ideas of what the problem might be, and two things Mr. Jones could do to help.
Group Activity

Ben has decided to hire another welder, for these reasons:

a. Neither Carl nor Jamey likes dealing with customers, and sometimes there is more direct customer contact than Ben can handle.
b. Carl, who does every type of welding work, wants to cut his time to four days a week.
c. Jamey is sometimes late to appointments in the field, so installing work has suffered.

Working in groups, write a job description for the welder Ben needs.
List the work this person will do. Also list the skills, education, or experience needed to do the work.
UNIT 5

Organizing the Work

Goal: To help you learn how to keep track of the work of a welding business.

Objective 1: On a work order form, list what needs to be done for one of your customers.

Objective 2: Plan a work schedule for yourself or an employee.
BEN GETS ORGANIZED

Ben has just agreed to do a job. He will make and install a fence around Mr. and Mrs. Krakow's pool in Crest Heights.

Before this, Ben had done some planning. First he talked to the Krakows about what they needed. He asked about the size of the pool.

Ben went to the house to take measurements. He also wanted to see what style the building was. He formed a picture in his mind of a good fence design.

Ben wrote out an estimate of the job for the Krakows to see. It stated that for about $950, West Coast Welding would make and install fencing around the pool.

The Krakows accepted Ben's estimate. Then he filled out a work order. It spelled out what the job was and who was to be billed. Ben checked with his welders. Carl was busy building a 14-foot gate. So Ben gave Jamey the job of making the fence.

Jamey filled in his name and the date on the work order. When Jamey finished making the fence, he wrote the number of hours he spent on the job. "When do they want it installed, Ben?" Jamey asked.

Ben called the Krakows. He said he and Jamey could complete the job in one day. "Monday's the earliest I can do it," Ben said.

They agreed. Ben tacked the work order back on the shop bulletin board. "Jamey, we'll spend Monday on the Krakow job," he said. "Try and get your other jobs done by then. Don't take on any more work until Tuesday." Ben made a note in his appointment book that Monday he would be out all day on the Krakow job. He was glad Carl would be welding that day and could get the phone. "I don't want to lose any business!"
Planning a Job

When a job like the Krakows' came in, Ben spent quite a bit of time planning. Before going to the job site, he would help the customers think through what they wanted. He would explain costs and try to make a rough estimate based on what size job they had.

Ben had learned not to waste time estimating a job if the buyers had not thought about it enough. He knew the costs would scare off some people.

Ben made an estimate for the customer's sake and for his sake too. He found that most people did not know how much work it took to make and install top-grade fencing. When they saw it spelled out in black and white, they had more respect for the job.

There was often some room to bargain, like using a lighter grade of steel. If the customer accepted Ben's estimate within 20 days, he agreed to do the job at that price.

Why 20 days? Ben knew that the cost of materials could go up sharply at any time. So he reserved the right to raise his price if people took longer than that to make up their minds.

Ben also asked customers to sign the estimate. This showed that they agreed to pay half the total amount down (that is, before Ben started the job) and the other half on completion of the work.
Here is the work order for the Krakows' job.

**WORK ORDER**

FROM: West Coast Welding  
1318 DeSoto  
Rocky Heights.

ORDER TAKEN BY: Ben

JOB FOR: Emil Krakow  
15700 Acorn Dr.  
Crest Heights

START WORK ON: April 9
TERMS OF PAYMENT: 50% down, 50% on completion

<table>
<thead>
<tr>
<th>Person Doing Work</th>
<th>Description of Work</th>
<th>Materials</th>
<th>Labor</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jamey</td>
<td>Make and install 160 feet of custom fence (10 hours labor for construction; 10 hours labor for installation)</td>
<td>333 00</td>
<td>500 00</td>
<td>833 00</td>
</tr>
</tbody>
</table>

WORK STARTED: April 9, 9:30  
WORK FINISHED: April 14, 5:00

TOTAL MATERIALS: 333 00
TOTAL LABOR: 500 00
TAX (5%): 16 65
TOTAL COST: $849 65

It shows the total amount of Jamey's labor, both to make and help install the fence. It shows the total cost of the materials used in making the fence. The actual cost was less than the estimate because Ben got a discount on some materials.

Ben tried to keep his price estimates reasonable. He didn't want to "scare away" customers. However, Ben always added a little extra to his estimate to allow for unexpected expenses. His customers agreed to pay a certain price for a job. If his actual expenses were more than his estimate, he was in trouble. Either he'd lost money or he'd have to try to get the customer to pay the price—which wasn't always possible,
Scheduling Work

If you have many employees and they work together on some jobs, scheduling is very important. Even in a small business like Ben's, he must keep track of many jobs going on at once.

The work order is Ben's main way of scheduling his employees' work. All the work orders for work in progress are on the shop bulletin board. If an employee is handling a job himself, Ben expects him to work out his own schedule.

Ben asks Carl and Jamey to let him know when they will be out of the shop. He keeps their day-to-day schedules in his memory.

Ben found that he needed an appointment book for himself when he started West Coast Welding. He uses the bulletin board, his appointment book, and his knowledge of where Jamey and Carl are to keep the work organized.

Monday was an easy day for Ben to schedule. Tuesday was something else again. Here is how Ben's appointment book looked for Tuesday.

**Tuesday, April 8**

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:00</td>
<td>Crestview Condominium--make estimate</td>
</tr>
<tr>
<td>9:00</td>
<td>See Bayview Steel Supply about overcharge</td>
</tr>
<tr>
<td>10:00</td>
<td>Install sliding gate for driveway at 1137 Newport, T.A. Hills</td>
</tr>
<tr>
<td>11:00</td>
<td></td>
</tr>
<tr>
<td>12:00</td>
<td></td>
</tr>
<tr>
<td>1:00</td>
<td>Check job for Carters Trucking--steel support frame</td>
</tr>
<tr>
<td>2:00</td>
<td>Mr. Brown here--possible window grates</td>
</tr>
<tr>
<td>3:00</td>
<td>Mike Diego here--books</td>
</tr>
<tr>
<td>4:00</td>
<td>Work with Jamey on Kennedy driveway gate</td>
</tr>
<tr>
<td>5:00</td>
<td></td>
</tr>
</tbody>
</table>
This kind of schedule is common for a welding business owner. It shows the many kinds of people he or she may see in a day: suppliers; employees; and past, present, and future customers. It shows the different kinds of jobs the owner must do: making estimates; paying for materials; installing and checking work; discussing work; keeping the books; and even—once in a while—some welding.

Summary

To deliver good products and services at a fair price, a welding business owner must plan work well. A work order spells out the total labor and materials needed to do each job. When there are several employees, the work orders can also be used to assign work. A written schedule helps you keep track of your own time. If you work with others, you may also need to share information about each person's daily schedule.
Individual Activities

1. List two reasons for making written estimates of welding jobs.

2. List three kinds of information contained on the work order.

3. List two reasons why Ben may want customers to pay half of the total payment for a job in advance.

4. Mr. Tom Carson accepted Ben's estimate for making and installing a two-panel, 8'7" standard height gate across his driveway. Each panel will take $100 worth of materials and five hours of Jamey Barnes' time (at $25/hour) to make. Jamey will spend another five hours installing both panels. Complete the work order on the next page by writing in the cost of labor and material, 5% tax, and the total cost.
WORK ORDER

FROM: ____________________________  DATE: ____________________________

_____________________________  WORK ORDER NUMBER: ____________________________

_____________________________  ORDER TAKEN BY: ____________________________

JOB FOR: ____________________________

START WORK ON: ____________________________

TERMS OF PAYMENT: ____________________________

<table>
<thead>
<tr>
<th>Person Doing Work</th>
<th>Description of Work</th>
<th>Materials</th>
<th>Labor</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

WORK STARTED: ____________________________

WORK FINISHED: ____________________________

TOTAL MATERIALS
TOTAL LABOR
TAX
TOTAL COST

Discussion Questions.

1. Discuss the strong and weak points of Ben’s way of scheduling work for himself and his employees.

2. Ben enjoys welding. But since he opened his own welding business, he spends less time welding than he used to. Does this mean something’s wrong with the business? Why or why not?

3. Discuss which parts of Ben’s job you think you would enjoy and which you would not. How could you divide the work or organize your time in a different way to avoid tasks you do not like?
Group Activity

In small groups of two or three students each, make a daily schedule for Ben Miller to cover the five tasks listed below. (Time estimates for each task are shown. Note: Ben does not charge for his driving time.) Fit them all in between 9:00 - 12:00 and 1:00 - 5:00 today. Put the most important tasks first. Save the less important tasks until last. That way, Ben can change them if he has to.

<table>
<thead>
<tr>
<th>Tasks</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Make estimate for 10' driveway gate</td>
<td>Driving time</td>
</tr>
<tr>
<td></td>
<td>Time to estimate</td>
</tr>
<tr>
<td>2. Make estimate for 900' fence around condominium</td>
<td>Driving time</td>
</tr>
<tr>
<td></td>
<td>Time to estimate</td>
</tr>
<tr>
<td>3. Pick up fence posts for installation job tomorrow</td>
<td></td>
</tr>
<tr>
<td>4. Repair trailer door</td>
<td></td>
</tr>
<tr>
<td>5. Finish welding and painting fence for installation job tomorrow</td>
<td></td>
</tr>
</tbody>
</table>
UNIT 6

Setting Prices

Goal: To help you decide how to set prices for a welding business.

Objective 1: Pick the best price for one of the services or products of a welding business.
BEN'S PRICES GO UP.

One morning Ben saw in the paper that the steel strike had ended. The steel workers were to get a pay increase. "That means higher prices for my materials," he thought. Ben made a note to raise the price of his fencing. Ben considered raising the price of his labor, too.

Ben's operating expenses were going up. Jamey Barnes had worked there one year. So Ben gave him a raise to $9.50 an hour. His shop rent was going up from $350 to $375 a month. And the utility company was planning to raise electricity rates by 3%.

Raising his prices was one way that Ben could deal with rising costs. He was always looking for ways to cut expenses, too. Last month he replaced the lights in his office with energy-saving fluorescents. Each month this would save him a little on his electric bill.

When Ben got to the shop that morning, he found a message from the contractor of the new Crestview Condominium complex. The note said Ben should go ahead with the plan to put in fences and gates around the complex.

The condo job called for the basic type fence, which had been priced at $16.00 a foot. Ben decided to raise it to $16.50 a foot. He called the contractor on the phone. "Sorry, I made your estimate over a month ago. The price will be at least 3% higher now." The contractor said, "They talked some more. At least the contractor gave in. I'll come down and sign the new estimate tomorrow," he said.
Setting Prices

Setting prices was an important part of Ben's job as a welding business owner. If his prices were too high, he would lose customers. If his prices were too low, he'd have trouble making a profit.

Ben charged two kinds of prices—materials and labor prices and flat rates. On special welding jobs, Ben charged for materials and labor. "Materials" covered the metal, paint, and other supplies he needed for a job. Ben charged his customers the same price for materials that his suppliers charged him. "Labor" covered wages, other operating expenses of the business, and profit. Ben had to raise the hourly cost for labor periodically to cover increases in his operating expenses. At present, his rate was $25/hour.

On standard fencing jobs, Ben charged customers a flat rate for each foot of fence he made. In the rest of this unit, we will be discussing this kind of pricing.

Costs, Expenses, and Profits

The new selling price for Ben's basic type fencing is $16.50 per foot. This is 50 cents, or about 3%, higher than before. How did Ben decide on this price?

The price of Ben's fencing is based on three factors: the cost of goods sold, Ben's operating expenses, and his expected profit.

The cost of goods sold refers to the cost of materials that Ben needs in order to make a fence, such as metal and paint. For one foot of basic
type fence, the supplies now cost about $6.40, or 40% of the selling price. If steel prices rise, Ben must pay more for his supplies.

Ben's operating expenses are all the costs of running the business. Operating expenses include salaries, rent, utilities, advertising, transportation costs, repair and depreciation of equipment, and interest on his loan. Depreciation is the amount that his equipment reduces in value each year due to wear and tear. Wages for labor are Ben's highest operating expense. That's because it takes time to do welding jobs, especially to make new products, as Ben did. Operating expenses make up about 40% of the selling price of one foot of Ben's basic fence.

The rest of the selling price is called profit. For all the products and services Ben sells, figured together, he expects about 20% of his revenues to go for profit. If expenses increase more than revenues, the amount of profit may be less. Does Ben's profit percentage seem high? Not if you think about all the things Ben must pay for with his profit. Some of it is to pay his salary and income taxes. And the rest he uses to improve his business.

Ben's profit varies a bit from job to job. On large jobs, he gets a bigger percentage as profit. Why? Because, for example, he can often buy materials more cheaply if he orders a large supply at one time. The time spent to plan and estimate a job is also a smaller percentage of the total cost for a big job than it is for several small jobs.

Other Factors That Affect Prices

Ben charged a high price for making and installing his fences. But he felt it was a fair price. First of all, he knew he had little competition. "No one else in this area makes a fence this solid and then welds and cements it into place," he thought.

Second, there was a growing demand for his products and services. In his specialty area he served mostly well-to-do customers. They were
willing to pay a good deal for both the safety and the beauty that Ben's products added to their property.

Demand might go down for some reason. Or a competing welding business might open nearby. Then Ben would have to take these things into account in pricing his products and services.

Summary

The selling price of a product or service offered by a welding business is made up of three parts: the cost of materials, operating expenses, and profit. Demand and competition also affect how much you can charge.
Individual Activities

1. List three factors Ben Miller must take into account in pricing his welding jobs.

2. The price of paint and iron and steel has gone up by 10% since last year. John Washington decides he must either raise his prices or cut his own salary and his assistant's hours to avoid going into debt. List one problem that will result from doing each of these things.

3. You can buy a standard metal shop cabinet and have it installed for $55.00 if you go to Scrubb Welding. John Washington charges $49.50 for the same job. List three factors that might explain the difference in price.

4. If Ben's hourly labor charge is $25/hour and about 20% of this goes to profit, how much profit does he make per employee per hour?

Discussion Questions

1. A welding business with employees has to take into account some factors in setting prices that a welding business owner working alone does not. Discuss such factors.

2. Three months have passed since Ben's shop made and installed a fence for Mr. and Mrs. Jordan for $3,000. Now Mr. Kowalski wants the same
job for his home. Of the three choices below, what is the best price for Ben to charge, and why?
(a) $3,000
(b) $3,090
(c) $3,150

3. "Ben would save money by not making an estimate for each job, because he would not have to spend time traveling to the site and making the estimate." Discuss what is wrong with this statement.

Group Activity

John Washington runs a welding equipment supply shop in a large city located near Ben Miller's area. He sells welding equipment and raw materials to welding businesses throughout the area. He is thinking about selling ready-to-install ornamental iron fencing. Washington Welding Supply has a high volume of business. It buys its materials and equipment in quantity.

As a group, discuss the following:
1. How would fencing prices from Washington be likely to compare to Ben Miller's prices?
2. Discuss how Washington Welding would differ from Ben Miller's welding business in each of the factors that affect the price of fencing materials.
3. If Washington Welding sells regular grade fence at $20 per foot, how much should Ben Miller charge to compete: $15, $20, or $25?
UNIT 7

Advertising and Selling.

Goal: To help you learn ways to advertise and sell the services or products of a welding business.

Objective 1: Pick one way to advertise a welding business.

Objective 2: Design a printed ad for a welding business.

Objective 3: Describe one way to sell the products of a welding business.
HOW BEN MILLER ADVERTISES

Yesterday Ben finished installing the last section of fence for the Crestview job. Then he had lunch with his old friend Will. Will had watched Ben's business start and grow. Will thought Ben could make a fortune if more people knew what he had to offer.

"You've got a great thing going here, Ben. But you need to advertise more," Will argued. When Ben came back to the shop, he was still thinking about what Will had said. "I think word of mouth and good service are the best ways to advertise," he thought. "And my new Yellow Pages ad will be out soon."

Ben also had a card that he could hand out. It showed the name, address, and phone number of his business. The border was a sample design for one of his fences. Ben decided he should advertise more. He called Will. "Could you help me design an ad for the newspaper?" Will said he'd be glad to help.

Just then a man and woman came into the shop. "Hello, we're Mr. and Mrs. Serbin," the man said. He said some friends had told them about West Coast Welding. "We just moved here," Mrs. Serbin explained. "Our home is full of antiques. They are insured, but we don't want to take a chance."

Ben sat down and talked with the couple about the layout of their new home. He said that a fence and locked gates would keep out most burglars. "But I'll be honest. They're not foolproof," he added. "How about window grates?" Ben suggested. "I can build and install those for you, too." Ben also suggested a burglar alarm system. "I don't handle alarms, but I can give you the name of someone good who does."

Then they talked about prices. Ben explained the cost of each product the Serbins would need. He told them about each step in making and installing the fences, gates, and window grates. Mr. and Mrs. Serbin said they would think it over and call Ben. A few hours later, Mrs. Serbin was on the phone. "We want you to do the job, Mr. Miller," she said. "When can you come and give us an estimate?"
Advertising and Selling

Advertising Methods

Even if a small welding business does not have much competition, it pays to advertise. Otherwise, many people will not know what services and products you offer.

There are many good ways to advertise a welding business. These are the ways that Ben Miller uses.

Word of mouth. People who have used Ben's services can tell other people about Ben's business. If they are happy with Ben and like the work he did, they will tell others. This is how the Serbins found out about Ben's business.

A business card. Your business card is a good way to tell people about your business. You can have a large number of cards printed at a fairly low price. Then you can hand a card to each customer, supplier, and other people whom you meet.

Ben's card tells just the most important facts about his business. The border is important too. It is a picture that reminds people what kinds of products Ben sells.

The Yellow Pages. People who are looking for welding services may turn to the Yellow Pages in the phone book. You should have a one-line listing of your business name and phone number under "Welding."

A boxed ad in the Yellow Pages is more expensive. But it helps readers see what is special about your welding business. Ben Miller always puts an ad in the Yellow Pages for his business.
Newspaper ads. Ads in the local paper reach large numbers of people at a fairly low cost. Newspaper ads are a good way to build up new business or to advertise sales. They are also useful to introduce an unusual product or service, like Ben's "ornamental security" fences.

You could advertise a welding business in still other ways. For example, you could use direct mail, radio and TV, or outdoor advertising. The advertising medium you use depends on the kinds of customers you want to attract and how much you want to spend.

What Makes a Good Ad

A good ad needs to be simple, so that people who hear it or see it will understand it. It should catch their eyes or ears, so they will remember it. It should be easy to recognize, so it makes them think of your business. It should give people important information about your business. It must make them want to buy your products and services.

Here is the printed ad that Ben's friend Will helped him design for the local newspaper. Ben hopes it will attract new customers who will buy his ornamental iron security materials and have Ben install them.

SAFEGUARD YOUR HOME
PROTECT YOUR FAMILY

West Coast Welding will fabricate, weld, paint, and install ornamental iron fencing, window grates; and gates around your home or place of business.

These materials are sound and will deter intruders. Choose from standard patterns or select a special design.

West Coast Welding
654-3210

1318 DeSoto - Rocky Heights
Ben Miller, Owner-Foreman
Selling Your Products and Services

Selling the products and services of a welding business is important. Ben's plan for selling is made up of two things. First, he offers products and welding services of high quality. Second, he treats people with care and respect.

The way Ben treated Mr. and Mrs. Serbin shows how he sells his products and services. First, he paid attention to the need they had. This need is to protect their home and its furnishings.

Ben Miller uses a very firm approach to customers about his products and services. He believes that his materials will meet the needs of businesses and homeowners for security better than other available materials. He makes this clear when he talks to people about a job.

Ben does not push too hard, though. Once customers understand what Ben has to offer, they decide for themselves if that is what they want.

Ben helps customers understand. As a welding business owner, he follows these steps of good selling.
- He takes time to greet customers and talk to them about what they need.
- He explains the products and services he offers.
- He answers questions and explains why a job costs what it does and takes the time it takes.
- He gets an agreement in writing as to the terms of the sale and when the job will be paid for.

"Selling" Yourself

Ben is "businesslike" in dealing with customers. He also tries to be cheerful and polite at all times, even with people who don't act that way themselves. Ben feels that he must sell his products and services in
such a way that people will keep coming to him. That means he must also "sell" himself.

Another way that Ben "sells" his business is to have a good relationship with other businesses in his community. Ben refers customers to other welders or to other types of businesses when he cannot meet their needs. When he has time, he also helps with worthy projects. Last year, for example, he installed a gate at a school for retarded children for just the cost of supplies.

Summary

Advertising lets people know what products and services your welding business offers. You can use printed ads and cards, ask people to tell other people about your business, and advertise with other more costly methods. To sell your products and services, you must meet people's needs and deal with them in a helpful way. "Selling yourself" by being a good neighbor and community member can also help your business.
Learning Activities

Individual Activities

1. List three ways to sell welding services when you deal with customers.

2. List three things that a good ad for your business should be or do.

3. Match the advertising medium on the left with the statement that fits it best.
   - Word of mouth
   - Newspaper ad
   - Yellow Pages ad
   - Business card

   a. Does not cost anything
   b. Easy to keep handy
   c. Reaches people who already want to buy
   d. Good for advertising a sale

4. People buy welding services and products for many reasons! Check which customer needs you think Ben Miller's "ornamental security" welding business appeals to. List one way it appeals to each need you checked.
   - Comfort
   - Convenience
   - Pride or status
   - Saving money
   - Security

5. Write down one way you would regularly want to advertise your welding business and your reasons for using it.
Discussion Questions.

1. Discuss the strong and weak points of the newspaper ad that Ben and Will designed in terms of its:
   a. headline;
   b. copy;
   c. identification information; and
   d. layout.

2. Team up with another student. Role play the first contact between Ben Miller and Kelly Nakai, a possible customer. Kelly wants a fence put around her pool. Kelly is not sure whether she should put in a chainlink fence or have Ben design and install an iron fence.

3. Can an ad be liked by some customers and not liked by others? If you owned a welding business, what could you do about that?

Group Activity

In a small groups of three or four students, design a printed Yellow Pages ad for the following business. Call the phone company to find out how much an ad of the size and number of words you want would cost to run.

UNIT 8

Keeping Financial Records

Goal: To help you learn to keep financial records for a welding business.

Objective 1: Fill out a customer billing form for welding services or products.

Objective 2: Fill out a daily cash sheet for money you receive and pay out in one day.
BEN KEEPS TRACK OF FINANCES

Ben had just finished installing the fence around Mr. Kowalski's home and pool. The job came to $3,150. Mr. Kowalski had paid half, or $1,575, before the work began. Now the rest, another $1,575, was due. Mr. Kowalski could not pay Ben that day. He asked Ben to bill him for the rest. He promised to send a check by next week.

When Ben went back to the shop, he filled out a statement to use in billing Mr. Kowalski. He wrote in the customer's name and address. He added that day's date. He wrote down the total cost of the job, the payment received, and the amount due. Ben put his copy of the statement in his file of due accounts. He mailed the other copy to Mr. Kowalski's home.

At the end of the day, Ben had to fill out the daily cash sheet. First he collected all the checks that customers had given him or Carl that day. These were the "cash sales" for today. They were all the payments made to West Coast Welding as soon as they were due. Some cash sales were down payments that Ben received today for work to be done. The rest were payments for work completed that day, which the customers paid for right away.

All of today's payments were made by check. Ben added the amounts for these checks. He put the total in the "cash sales" line on his daily cash sheet. Then Ben put a check that came in today's mail on the pile of other checks. That check was from a credit customer. It was to pay the balance of her account for a job that Ben finished a week ago. Ben put the amount of that check in the "credit sales" line on the daily cash sheet.

Ben added together the amounts for cash sales and credit sales. He put this sum in the line marked "total revenues" on the daily cash sheet. Then Ben got out his checkbook to help him fill out the "expenses" side of today's cash sheet. Today he had paid Carl and Jamey their weekly salaries. He had also paid $200 for a new piece of welding equipment. In the "other" column, he marked down the last check he filled out that day. It was to pay the monthly bill from his bookkeeper, Mike. Ben added the total for all four checks he had made out today in the line marked "total expenses" on the daily cash sheet.
Keeping Financial Records

When Ben hired a bookkeeper, he thought he would not have to spend as much time keeping financial records. Instead, he found that he had to keep a daily record of money coming in and going out.

Mike, Ben's bookkeeper, explained that he would need Ben's daily cash sheets to fill out the monthly cash flow statement for Ben's business. If there were no daily cash sheets, it would be hard to correct an error. Or Ben might lose a check or a bill. Then he would not be able to keep track of money he took in or paid out.

A daily record of revenues and expenses made Ben more careful about keeping track of money. It also gave Mike a way to check his own figures each month.

Ben's financial records were important for keeping track of revenues and expenses. They were useful when he had to write financial reports for government agencies. The records helped Ben see how his business was doing. They also helped him make important decisions about the business.

Planning Your Recordkeeping

To prevent recordkeeping from becoming a burden, you must decide who will do it and how to do it. Many small business owners, like Ben, hire someone to help them. But the owner must work with the bookkeeper.

The owner must explain the way payments are made, the amount of money coming in, and whether credit is given. The type of financial records you keep depends on these kinds of things. The records must also give you the information you need to make decisions about the business.
Handling Credit

Most businesses that sell costly products or services, like Ben's, accept credit. This means that they will let customers owe them, at least for a short time.

You must have a clear policy about credit. Your customers need to know whether you will accept national credit cards. Some businesses give a discount if customers pay quickly or charge extra for late payments.

Credit sales and payments due must also be recorded carefully. When you provide goods and services to a credit customer, it means that you have spent money but have agreed to wait for payment. So you need a complete record for your own information and to remind customers that they must pay you.

Some businesses use a separate customer account form to keep a record of how much a credit customer owes. They also keep a billing form to request payment. In Ben Miller's business, he uses a two-copy statement for both these purposes. He keeps one copy and sends the other copy to the customer to request payment.

Here is a copy of the statement that Ben sent to Mr. Kowalski:

<table>
<thead>
<tr>
<th>CUSTOMER BILLING FORM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer: Kowalski, 1800 Abbottsford Rd., Rockdale</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Description of Sale</th>
<th>Amount Charged</th>
<th>Payment Received</th>
<th>Balance Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 17</td>
<td>Install fence</td>
<td>$3150.00</td>
<td>$1575.00</td>
<td>$1575.00</td>
</tr>
</tbody>
</table>
Filling Out a Daily Cash Sheet

To fill out a daily cash sheet, you must first add up all the cash sales you made that day. Then you must add up all the cash received that day from prior sales. These are your credit sales for the day.

Adding cash sales and credit sales tells you your total revenues for the day.

Then you must list all the money your business paid out for the day. These are the total expenses. They may include salaries, building expenses, and money spent for equipment and furniture, and materials as well as other expenses.

The daily cash sheet that Ben Miller filled out is shown below.

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Sales</td>
<td>$1,000</td>
</tr>
<tr>
<td>Credit Sales</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Salaries $900</td>
</tr>
<tr>
<td></td>
<td>Building Expenses</td>
</tr>
<tr>
<td></td>
<td>Equipment &amp; Furniture $200</td>
</tr>
<tr>
<td></td>
<td>Materials</td>
</tr>
<tr>
<td></td>
<td>Advertising</td>
</tr>
<tr>
<td></td>
<td>Other (bookkeeping) $10</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$3,000</td>
</tr>
<tr>
<td></td>
<td>Total Expenses $1,200</td>
</tr>
</tbody>
</table>

On April 17, the total revenues for Ben Miller’s welding business were $3,000. The total expenses were $1,200. The figures each day may be very different, however. Some days revenues are low and expenses are high. Some days you take in much more than you pay out.

Having daily records helps you or the bookkeeper prepare monthly records (and weekly records if they are needed). Then, over time, you are able to see how well your business is doing. Two of these forms are
the profit/loss statement and the balance sheet. You will learn about
profit/loss statements in the next unit. If you do go into business for
yourself, get the advice of an accountant about how to complete a balance
sheet.

Summary

All small business owners keep financial records to keep track of
money coming in and going out, to write financial reports, and to make
decisions about their business. If you accept credit, you need customer
account forms and billing forms to record payments made and amounts due.
Daily cash sheets record the total revenues and expenses for your business each day.
Learning Activities

Individual Activities

1. List two reasons for keeping complete financial records in a welding business.

2. List one purpose of the customer account form and customer billing form.

3. Complete the following statement for Miss Carter's account with West Coast Welding. On November 5 she paid 50% down for a $2,000 job to have a driveway gate built and installed. The work was completed November 23 while Miss Carter was out of town.

<table>
<thead>
<tr>
<th>Date</th>
<th>Description of Sale</th>
<th>Amount Charged</th>
<th>Payment Received</th>
<th>Balance Due</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Fill in a daily cash sheet for West Coast Welding for January 30. On that day Ben got $1,000 on account from Pacific Construction Company. He also got $1,500 on account from Tim Coward. Cash sales totaled $3,000.
Ben paid Jamey and Carl that day. Jamey got $380, and Carl got $520 for a week's pay. Ben also made a $50 payment for insurance and a $900 payment for supplies. (Note: insurance goes under "Other.")

<table>
<thead>
<tr>
<th>DAILY CASH SHEET</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Receipts</strong></td>
</tr>
<tr>
<td>Cash Sales</td>
</tr>
<tr>
<td>Credit Accounts</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>TOTAL CASH RECEIPTS</strong></td>
</tr>
</tbody>
</table>

Discussion Questions

1. Sometimes the total expenses for a welding business for one day are more than the total revenues. Does this mean the business is in trouble?

2. What can a welding business do about customers who pay slowly or not at all?

3. Why should financial records be completed every day? What might happen if they are not?

Group Activity

In teams of two, role play the first business meeting between Ben Miller and his new bookkeeper, Miguel ("Mike") Diego.
Ben should (1) explain the procedures he uses to charge customers and to pay bills, and (2) describe the kinds of information he needs to make business decisions and to make financial reports.

Mike should (1) recommend ways for Ben to keep daily records that will help keep track of revenues and expenses, and (2) describe how he will keep Ben's monthly books in order to give Ben the information he needs.
UNIT 9

Keeping Your Business Successful

Goal: To help you learn how to keep a welding business successful.

Objective 1: Determine the net profit, profit ratio, and expense ratio for a welding business.

Objective 2: State one way this business could increase its profits.

Objective 3: State one way this business could change its services to increase sales.
HOW BEN MILLER KEPT HIS BUSINESS HEALTHY

After Mike kept Ben's books for one year, he made up a profit/loss statement for West Coast Welding. During his first year in business, Ben's revenues (total sales) totaled $65,000. His expenses totaled $26,000. His net profit was $13,000. "Now you need to look at your profit ratio," Mike said. Mike showed Ben how to calculate the profit ratio by dividing his net profit by total revenues. This showed Ben the percent of his revenues that were profit. The profit ratio was .20, or 20%.

So Ben finished the year with more revenues than expenses. But he had two problems. First, there had been days when he did not have enough money on hand to pay his bills and buy supplies. That was because some customers did not pay quickly enough for jobs. Second, his profit was too low for him to expand his business and still have a decent income. To improve his cash flow, Ben decided to ask customers to pay half down on jobs that involved making and installing fences. Then he would have more money to buy supplies and cover operating expenses. He would also give customers a 2% discount if they paid the balance within 10 days of completion of the work.

Next, Ben asked himself how he could increase revenues and net profit. He did not want to raise prices. That could drive customers away. Ben decided he could reduce his operating expenses and increase his sales at the same time. First, he would no longer go out to estimate a job right away. The customer had to come to the shop first and talked over prices with him. In this way, Ben hoped to cut down the amount of time he lost making job estimates that the customer did not accept.

Second, he would accept only eight hours of repair work each week. If someone brought more repair work to him, he would refer the person to another welding shop. Doing less repair work would leave more time for the better-paying work of making and installing security fences, gates, and grates. It also meant that Ben would have to work harder to build up that business. He would not have much repair work to fall back on.
Keeluing Your Business Successful

The Importance of Cash Flow

Many small businesses get into trouble because their cash flow is too slow. Even though the books show a profit, they don't have much cash on hand at any one time. This is because credit customers have received goods and services before paying for them. Even though the business has earned enough, it may not have enough cash available to pay its own bills.

To solve this problem, you must first keep track of cash flow. You can figure out cash on hand for the present month. Better yet, you can "project," or guess, your cash flow for the coming months. If you know ahead of time that you are going to get behind, you can do something about it.

To solve the cash flow problem, small business owners sometimes borrow money, buy on credit, or take less cash out of the business for their own living. Better still, they get people to pay their bills promptly, as Ben Miller did.

To get people to pay faster, you should have a strict credit policy. That way people know you expect prompt payment. You can back this up, as Ben did, by rewarding people for prompt payment in the form of a discount.

Profit/Loss Statement

The first-year profit/loss statement for Ben Miller's welding business is shown on the next page.
West Coast Welding

PROFIT/LOSS STATEMENT: YEAR 1

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$65,000</td>
<td>100%</td>
</tr>
<tr>
<td>Cost of Goods Sold¹</td>
<td>26,000</td>
<td>40%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>$39,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>$9,700</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>4,200</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>2,500</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>4,500</td>
<td></td>
</tr>
<tr>
<td>Transportation²</td>
<td>1,800</td>
<td></td>
</tr>
<tr>
<td>Other³</td>
<td>3,300</td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$26,000</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td>$13,000</td>
<td>20%</td>
</tr>
</tbody>
</table>

¹ Cost of metals, paint, & other welding supplies

² Includes car repairs and gasoline

³ Includes insurance, depreciation on equipment, interest on loan, bookkeeper

Certain figures in this statement can be used to give Ben some very important information about his business. These are net profit, profit ratio, and expense ratio.

Ben's net profit was found by subtracting total expenses from gross profit ($39,000 minus $26,000 = $13,000). This was a low profit, but it wasn't bad for Ben's first year of business.

Ben's profit ratio is the percentage of revenues he kept as profit. It is found by dividing his net profit by total revenues ($13,000 divided...
by $65,000 = 0.20, or 20%). The expense ratio is the percent of revenues that Ben used to pay expenses. You find this by dividing expenses by total revenues ($26,000 divided by $65,000 = 0.40, or 40%).

Next year Ben will again have his bookkeeper develop a profit/loss statement. He will compare his profits, profit ratios, and expense ratios in the two years. Then he can see whether the steps he took to improve his business have been successful.

Ideally, Ben's revenues will go up next year. His net profit will rise about as fast as his revenues. His expense ratio and profit ratio will stay about the same.

How to Keep Your Business Successful

In order to increase profits, you can:
- increase sales;
- raise prices; or
- reduce expenses.

Increasing sales means expanding your business by offering more goods and services to more customers. In Ben's case, it meant hiring employees. That way the business could do more repair welding and more work in ornamental security.

Raising prices is a way of keeping more of your revenues as profit. You can raise prices if all the prices around you are rising. You can also raise prices if there is high demand for your goods and services and not much competition.

First Ben built up his ornamental security business. Then he was able to raise his prices. But he did not want to raise prices too much at first. He did not want to drive customers away.
At this point in his business, Ben decided first to reduce his expenses. There are many ways to cut costs in a business. Each may save you only a little. But together these small ways can make a real difference.

By cutting down on wasted estimates, Ben was able to make a real saving in his own time. Ben had to spend more time talking to new customers. But he saved time by making estimates only for customers who were serious about having a job done.

By taking less repair work, Ben also improved his revenues in relation to expenses. He was able to spend less time doing repair work, for which he charged a lower price. He was then able to spend more time selling his more costly goods and services in ornamental security.

To increase sales, a small business can improve its products or services. Or it can change the products and services it offers. When Ben reduced his repair work business and increased his ornamental security business, he was changing his products and services.

Getting Information to Change Your Business

Small business owners must stay informed to keep their business successful. Besides paying attention to their own profits, they must be aware of the market.

Ben Miller knew that ornamental security was an expanding market. He read the papers. He talked to people about changes in housing patterns. He knew that the crime rate was rising and that people were concerned about preventing theft. Like other small businesses that succeed, he was able to change his business as the world around him changed.
Summary

To keep your business successful, you must keep track of cash flow. You must make sure that your customers pay promptly. To increase profits, you can raise prices, reduce expenses, or increase sales. You sometimes need to improve or change the products or services you offer in order to increase sales.
Learning Activities

Individual Activities

1. The profit ratio is the percentage of total revenues that you kept as profit. The expense ratio is the percentage of total revenues that you paid for business expenses. The cost of goods sold ratio is the percentage of total revenues you spent on welding materials. How are these ratios related to each other?

2. As a small business owner, what could you do to improve the cash flow in your business?

3. Complete the two-year profit/loss statement for Scrubb Welding Company below.

<table>
<thead>
<tr>
<th>Scrubb Welding Company</th>
<th>TWO-YEAR PROFIT/LOSS STATEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year 1</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Revenues</td>
<td>$50,000</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>20,000</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>30,000</td>
</tr>
<tr>
<td>Expenses</td>
<td>20,000</td>
</tr>
<tr>
<td>Net Profit</td>
<td>$</td>
</tr>
</tbody>
</table>

4. In which year was Scrubb Welding more successful? Explain why you answered as you did.
Discussion Questions

1. Sometimes raising prices can increase the profits of a welding business and sometimes it can lower profits. Discuss how each of these things could happen.

2. Why do you need to look at net profit and the profit ratio to tell how successful your business is?

3. Many welding businesses do not want to increase their sales beyond a certain point. Can you give some reasons for this?

Group Activity

Ben Miller is ready to move to a new location with increased space for storage and for a store and display area for his fencing supplies.

The class should divide into three groups. Each group should develop a plan for how Ben can increase his profits in the new location. One group will focus on ways to increase sales. The second group will focus on how to raise prices. The third group will focus on ways to reduce expenses. Each group should discuss its plan with the entire class.
SUMMARY

This module has been about owning a small welding business. People with training in welding and managerial skills can offer a variety of goods and services to the public. Some examples are machine construction and repair, constructing metal cabinets or building equipment, and providing ornamental security for people's homes and businesses.

Starting a welding business takes careful planning and enough money to pay your expenses. You must be well organized to handle the many tasks of your business and to deal with employees.

Good money management is also a must. You need to keep good records and use the information in them to improve your business.

In order to own and operate a successful welding business, you need training as a welder, work experience, and the special business management skills we have covered in this module. If you have not had a course in welding, you should take one before deciding to own a welding business. You can learn business management skills through business classes, experience, or by using the advice and example of an expert.

You may not make a lot of money by owning a welding business. However, you would have the personal satisfaction of being responsible for your business and making your own decisions. Think about how important these things are to you in considering whether you should start your own welding business.
QUIZ

1. Give two reasons why there is more competition for light repair work in a welding business than for building ornamental iron gates.
   a. _______________________________________
   b. _______________________________________

2. Which person would be better at running a welding business?
   ___ a. Carl, who likes to work with figures
   ___ b. John, who is a good writer

3. In order to compete when you own a welding business, you should:
   ___ a. only do repair work.
   ___ b. only do construction.
   ___ c. offer related services and products.
   ___ d. offer only low-cost products.

4. Which is a common legal requirement for welding business owners doing bridge construction?
   ___ a. Graduate from high school
   ___ b. Complete four years of math in high school
   ___ c. Pass an exam of their welding skills
   ___ d. Complete a vocational education program

5. What is the best way to find out whether a possible welding shop has enough storage space?
   ___ a. Personally inspect the site
   ___ b. Talk with the former tenant
   ___ c. Talk to the landlord
   ___ d. Take a walking tour of the neighborhood
6. Which of these neighborhoods is best for locating a welding business?
   a. A retail shopping area
   b. An area of small industries
   c. A downtown recreation area
   d. A suburban residential area

7. A business description is most important to help a new welding business get:
   a. customers.
   b. advertising.
   c. a loan.
   d. supplies.

8. List two ways that a welding business owner can handle the task of keeping financial records.
   a. 
   b. 

9. What is the best way to determine whether someone you may hire to help with welding has the necessary skills?
   a. Ask to see the person's high school transcript
   b. Talk to the person's parents
   c. Watch the person do some welding
   d. Ask the person to describe his or her experience

10. List two things that are recorded on a work order for a welding business.
    a. 
    b. 

11. List two factors that affect the price of a welding service.
    a. 
    b. 

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12. A welding business wants to advertise its unique fence design at the lowest possible price. What advertising medium is best?
   (none of the above)
   a. Printed ad
   b. TV ad
   c. Radio ad
   d. Direct mail

13. List two qualities of a good printed ad for a welding business.
   a. __________________________
   b. __________________________

14. List two ways that a welding business sells its products.
   a. __________________________
   b. __________________________

15. What is the main difference between a customer billing form and a customer account form?

16. A daily cash sheet for a welding business shows the:
   (none of the above)
   a. amount of profit
   b. outstanding debts
   c. monthly rent
   d. cash receipts

17. Taking the difference between gross profits and expenses for the year gives you the:
   (none of the above)
   a. profit ratio
   b. expected profit
   c. net profit
   d. expense ratio
18. Increasing sales, raising prices, and reducing expenses are all ways to increase a welding business:
   ____ a. expense ratio.
   ____ b. cash receipts.
   ____ c. net profit.
   ____ d. cash payments.

19. The best way to increase sales for a welding business is to:
   ____ a. do more repair jobs.
   ____ b. cut advertising costs.
   ____ c. raise prices.
   ____ d. sell more high-cost services.
# PROJECT PRODUCTS

## Entrepreneurship Training Components

<table>
<thead>
<tr>
<th>Vocational Discipline</th>
<th>Module, Number and Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Module 1 - Getting Down to Business: What’s It All About</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Module 2 - Farm Equipment Repair</td>
</tr>
<tr>
<td></td>
<td>Module 3 - Tree Service</td>
</tr>
<tr>
<td></td>
<td>Module 4 - Garden Center</td>
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<tr>
<td></td>
<td>Module 5 - Fertilizer and Pesticide Service</td>
</tr>
<tr>
<td>Marketing and Distribution</td>
<td>Module 6 - Dairy Farming</td>
</tr>
<tr>
<td></td>
<td>Module 7 - Apparel Store</td>
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<tr>
<td></td>
<td>Module 8 - Specialty Food Store</td>
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<tr>
<td></td>
<td>Module 9 - Travel Agency</td>
</tr>
<tr>
<td></td>
<td>Module 10 - Bicycle Store</td>
</tr>
<tr>
<td></td>
<td>Module 11 - Flower and Plant Store</td>
</tr>
<tr>
<td></td>
<td>Module 12 - Business and Personal Service</td>
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<td>Module 13 - Innkeeping</td>
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<td>Health</td>
<td>Module 14 - Nursing Service</td>
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<td></td>
<td>Module 15 - Wheelchair Transportation Service</td>
</tr>
<tr>
<td></td>
<td>Module 16 - Health Spa</td>
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<tr>
<td>Business and Office</td>
<td>Module 17 - Answering Service</td>
</tr>
<tr>
<td></td>
<td>Module 18 - Secretarial Service</td>
</tr>
<tr>
<td></td>
<td>Module 19 - Bookkeeping Service</td>
</tr>
<tr>
<td></td>
<td>Module 20 - Software Design Company</td>
</tr>
<tr>
<td></td>
<td>Module 21 - Word Processing Service</td>
</tr>
<tr>
<td>Occupational Home Economics</td>
<td>Module 22 - Restaurant Business</td>
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<td>Module 23 - Day Care Center</td>
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<td>Module 24 - Housecleaning Service</td>
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<td>Module 25 - Sewing Service</td>
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<td>Module 26 - Home Attendant Service</td>
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<td>Module 27 - Guard Service</td>
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<td>Module 28 - Pest Control Service</td>
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<td>Module 29 - Energy Speciality Service</td>
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<td>Trade and Industry</td>
<td>Module 30 - Hair Styling Shop</td>
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<td>Module 31 - Auto Repair Shop</td>
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<td>Module 32 - Welding Business</td>
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<td>Module 33 - Construction Electrician Business</td>
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<td>Module 34 - Carpentry Business</td>
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<td>Module 35 - Plumbing Business</td>
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<td>Module 36 - Air Conditioning and Heating Service</td>
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## Related Resources

- Resource Guide of Existing Entrepreneurship Materials
- Handbook on Utilization of Entrepreneurship Training Components