Instructor Guide

AGRIBUSINESS: SALES, MARKETING, AND MANAGEMENT

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FOREWORD

The development of the *Agribusiness Sales, Marketing, and Management* curriculum guide is the result of suggestions by the MVATA Teaching Aids Committee. The Agribusiness Sales, Marketing, and Management Advisory Committee suggested the topics to be included and reviewed the materials.

This curriculum contains nine units. The instructor guide includes: objectives, competencies, motivational techniques, teaching procedures, other activities, activity sheets, transparency masters, evaluations, answers to evaluations and activity sheets, references and teaching aids, and materials and equipment. Topics include agriculture as an industry, economic principles in agribusiness, financial management, personal development, communication skills, preparing for a sale, making a sale, promotional tools, and entrepreneurship. One copy of the student reference is packaged with the instructor guide. Additional copies of the student reference can be purchased separately.

During the summer of 1981, the Missouri State Board of Education formally adopted the concept of "Instructional Management Systems" (IMS) as a priority for the 1981-82 school year. The Missouri Commissioner of Education described the IMS concept as a practical way of "organizing for excellence" in education. To meet the demand for greater productivity and accountability, the director of Vocational Education applied the elements of IMS to form the Vocational Instructional Management System (VIMS). The VIMS process provides a framework to use in planning and organizing to assure excellence in Missouri's vocational education system by focusing greater attention on the management of teaching and learning.

This guide incorporates the needed components to aid agriculture teachers in the implementation of VIMS. For ease of use, performance objectives and competencies have been included at the beginning of the guide as well as incorporated within each lesson. A competency profile has been provided in the front of the guide for convenient record keeping.

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AGRIBUSINESS SALES, MARKETING, AND MANAGEMENT

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COMPETENCIES/OBJECTIVES

UNIT I - AGRICULTURE AS AN INDUSTRY
1. Explain the role of agriculture in today's economy.
2. Identify opportunities for employment in agribusiness sales, marketing, and management.

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS
1. Describe how supply and demand interact to determine the price of agricultural commodities.
2. Determine the point of maximum net returns (profit) given a sample list of inputs and outputs and the prices of each.
3. Determine the per-unit fixed and variable costs of producing a given output.
4. Determine the most profitable amount of substitution for inputs and/or outputs in an agribusiness.
5. Identify the opportunity cost of choosing one economic alternative over another.
6. Identify the major markets for price discovery in the United States.
7. Explain how the government is involved in the economics of agriculture.

UNIT III - FINANCIAL MANAGEMENT
1. Explain how to manage financial resources.

2. Develop a budget.
3. Describe the sources of credit and credit guidelines.
4. Develop a savings and investment plan as part of a complete financial plan.

UNIT IV - PERSONAL DEVELOPMENT
1. Describe how to develop a positive work attitude.
2. Describe how to develop positive workplace relationships.
3. Describe how to receive and give criticism.
4. Describe what is considered to be ethical behavior in the workplace.
5. Use goals to plan projects and solve problems.
6. Develop stress management techniques.
7. Develop a plan for finding a job.
8. Develop a resume and complete a job application.
9. Explain how to apply and interview for a job.

UNIT V - COMMUNICATION SKILLS
1. Utilize verbal and nonverbal communication skills, as well as effective listening.
2. Use written communication skills in the sales process.
3. Describe the proper use of communications technology.

UNIT VI - PREPARING FOR A SALE
1. Differentiate between selling environments and the salesperson's role in each of these environments.
2. Identify different communication styles and use this information to improve the sales presentation technique.
3. Describe the factors that motivate a person to make purchases and how to identify these factors in an individual.
4. Describe how to obtain product, company, and industry knowledge and use it in a sales presentation.
5. Identify potential customers and the best method for approaching them.

UNIT VII - MAKING A SALE
1. Demonstrate techniques for building rapport with customers.
2. Identify customer needs.
3. Recognize the steps and tools involved in constructing an effective sales presentation.
4. Demonstrate techniques for closing a sale.
5. Identify the activities the salesperson must do after the sales presentation to maintain a long-term relationship with the customer.

UNIT VIII - PROMOTIONAL TOOLS
1. Describe the components and purpose of a promotional campaign.
2. Develop a print advertisement.
3. Develop a public relations campaign.

UNIT IX - ENTREPRENEURSHIP
1. Describe the basic concepts of a free market system.
2. Identify the forms and characteristics of business ownership.
3. Identify and evaluate business opportunities.
4. Prepare an income statement.
5. Prepare a balance sheet.
6. Summarize cash flow and project a statement of cash flows.
7. Describe how to obtain financing for a business.
8. Explain the importance of making business decisions.

EVALUATION

1. Give short, objective tests following each lesson and a more in-depth objective test at the conclusion of the unit.

2. Observe the changes in behavior as evidence of the improved ability of students to deal with problems in this unit using background information acquired from earlier units.

3. Observe students' attempts to solve similar problems in their supervised agricultural experience programs.

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TEACHING CALENDAR

	Periods for Classroom Instruction/Activities	Length for Activity Sheets (AS)	
Unit I, Lesson 1	2	AS 1.1	30 min.
Unit I, Lesson 2	3	AS 2.1	2 class periods
Unit II, Lesson 1	8	AS 1.1	30 min.
Unit II, Lesson 2	8	AS 2.1	30 min.
		AS 2.2	30 min.
		AS 2.3	30 min.
Unit II, Lesson 3	6	AS 3.1	10 min.
		AS 3.2	30 min.
Unit II, Lesson 4	6	AS 4.1	30 min.
		AS 4.2	30 min.
Unit II, Lesson 5	5	AS 5.1	10 min.
		AS 5.2	30 min.
Unit II, Lesson 6	12	AS 6.1	20 min.
		AS 6.2	40 min.
Unit II, Lesson 7	3	AS 7.1	2 class periods
Unit III, Lesson 1	5	AS 1.1	20 min.
		AS 1.2	20 min.
		AS 1.3	30 min.
		AS 1.4	30 min.
Unit III, Lesson 2	3	AS 2.1	30 min.
		AS 2.2	30 min.
		AS 2.3	30 min.
		AS 2.4	30 min.
Unit III, Lesson 3	3	AS 3.1	30 min.
Unit III, Lesson 4	5	AS 4.1	20 min.
Unit IV, Lesson 1	1	AS 1.1	20 min.
Unit IV, Lesson 2	2	AS 2.1	30 min.
Unit IV, Lesson 3	2	AS 3.1	30 min.

	Periods for Classroom Instruction/Activities	Length for Activity Sheets (AS)
Unit IV, Lesson 4	3	AS 4.1 30 min.
		AS 4.2 20 min.
Unit IV, Lesson 5	2	No activity
Unit IV, Lesson 6	2	No activity
Unit IV, Lesson 7	3	AS 7.1 30 min.
Unit IV, Lesson 8	5	AS 8.1 1 class period
		AS 8.2 30 min.
Unit IV, Lesson 9	5	AS 9.1 1 class period
		AS 9.2 30 min.
Unit V, Lesson 1	3	AS 1.1 15 min.
		AS 1.2 1 class period
Unit V, Lesson 2	2	AS 2.1 30 min.
Unit V, Lesson 3	3	AS 3.1 1 class period
Unit VI, Lesson 1	2	No activity
Unit VI, Lesson 2	2	No activity
Unit VI, Lesson 3	2	AS 3.1 20 min.
Unit VI, Lesson 4	4	AS 4.1 1 class period
		AS 4.2 1 class period
Unit VI, Lesson 5	4	AS 5.1 30 min.
		AS 5.2 1 1/2 class periods
Unit VII, Lesson 1	2	AS 1.1 30 min.
Unit VII, Lesson 2	3	AS 2.1 30 min.
Unit VII, Lesson 3	2	No activity
Unit VII, Lesson 4	6	AS 4.1 20 min.
		AS 4.2 1 class period
		AS 4.3 3 class periods
Unit VII, Lesson 5	2	AS 5.1 30 min.
Unit VIII, Lesson 1	2	AS 1.1 30 min.
Unit VIII, Lesson 2	3	AS 2.1 1 class period
Unit VIII, Lesson 3	2	AS 3.1 20 min.
Unit IX, Lesson 1	2	AS 1.1 30 min.

	Periods for Classroom Instruction/Activities	Length for Activity Sheets (AS)
Unit IX, Lesson 2	2	AS 2.1 30 min.
		AS 2.2 30 min.
Unit IX, Lesson 3	12	AS 3.1 20 min.
		AS 3.2 1 class period
Unit IX, Lesson 4	3	AS 4.1 30 min.
Unit IX, Lesson 5	3	AS 5.1 15 min.
		AS 5.2 40 min.
Unit IX, Lesson 6	4	AS 6.1 15 min.
		AS 6.2 40 min.
		AS 6.3 20 min.
		AS 6.4 40 min.
Unit IX, Lesson 7	3	No activity
Unit IX, Lesson 8	3	AS 8.1 20 min.
		AS 8.2 30 min.
		AS 8.3 30 min.

AGRIBUSINESS SALES, MARKETING, AND MANAGEMENT

Competency Profile

Directions: Evaluate the student by checking the appropriate number or letter to indicate the degree of competency. The rating for each task should reflect **employability readiness** rather than the grades given in class.

Rating Scale: **3 Mastered** - can work independently with no supervision
2 Requires Supervision - can perform job completely with limited supervision
1 Not Mastered - requires instruction and close supervision
N No Exposure - no experience or knowledge in this area

3	2	1	N

A. Agriculture as an Industry

1. Explain the role of agriculture in today's economy
2. Identify opportunities for employment in agribusiness sales, marketing, and management

Other: _____

3	2	1	N

B. Economic Principles in Agribusiness

1. Describe how supply and demand interact to determine the price of agricultural commodities
2. Determine the point of maximum net returns (profit) given a sample list of inputs and outputs and the prices of each
3. Determine the per-unit fixed and variable costs of producing a given output
4. Determine the most profitable amount of substitution for inputs and/or outputs in an agribusiness
5. Identify the opportunity cost of choosing one economic alternative over another
6. Identify the major markets for price discovery in the United States
7. Explain how the government is involved in the economics of agriculture

Other: _____

3	2	1	N

C. Financial Management

1. Explain how to manage financial resources
2. Develop a budget
3. Describe the sources of credit and credit guidelines
4. Develop a savings and investment plan as part of a complete financial plan

Other: _____

3	2	1	N

D. Personal Development

1. Describe how to develop a positive work attitude
2. Describe how to develop positive workplace relationships
3. Describe how to receive and give criticism
4. Describe what is considered to be ethical behavior in the workplace
5. Use goals to plan projects and solve problems
6. Develop stress management techniques
7. Develop a plan for finding a job
8. Develop a resume and complete a job application
9. Explain how to apply and interview for a job

Other: _____

3	2	1	N

E. Communication Skills

1. Utilize verbal and nonverbal communication skills, as well as effective listening
2. Use written communication skills in the sales process
3. Describe the proper use of communications technology

Other: _____

_____

3	2	1	N

F. Preparing for a Sale

1. Differentiate between selling environments and the salesperson's role in each of these environments
2. Identify different communication styles and use this information to improve the sales presentation technique
3. Describe the factors that motivate a person to make purchases and how to identify these factors in an individual
4. Describe how to obtain product, company, and industry knowledge and use it in a sales presentation
5. Identify potential customers and the best method for approaching them

Other: _____

_____

3	2	1	N

G. Making a Sale

1. Demonstrate techniques for building rapport with customers
2. Identify customer needs
3. Recognize the steps and tools involved in constructing an effective sales presentation
4. Demonstrate techniques for closing a sale
5. Identify the activities the salesperson must do after the sales presentation to maintain a long-term relationship with the customer

Other: _____

_____

3	2	1	N

H. Promotional Tools

1. Describe the components and purpose of a promotional campaign
2. Develop a print advertisement
3. Develop a public relations campaign

Other: _____

_____

3	2	1	N

I. Entrepreneurship

1. Describe the basic concepts of a free market system
2. Identify the forms and characteristics of business ownership
3. Identify and evaluate business opportunities
4. Prepare an income statement
5. Prepare a balance sheet
6. Summarize cash flow and project a statement of cash flows
7. Describe how to obtain financing for a business
8. Explain the importance of making business decisions

Other: _____

_____

AGRIBUSINESS SALES, MARKETING, AND MANAGEMENT

Student Names														

UNIT I - AGRICULTURE AS AN INDUSTRY

1. Explain the role of agriculture in today's economy.
2. Identify opportunities for employment in agribusiness sales, marketing, and management.

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

1. Describe how supply and demand interact to determine the price of agricultural commodities..
2. Determine the point of maximum net returns (profit) given a sample list of inputs and outputs and the prices of each.

UNIT III - FINANCIAL MANAGEMENT

1. Explain how to manage financial resources.
2. Develop a budget.
3. Describe the sources of credit and credit guidelines.
4. Develop a savings and investment plan as part of a complete financial plan.

UNIT IV - PERSONAL DEVELOPMENT

1. Describe how to develop a positive work attitude.
2. Describe how to develop positive workplace relationships.
3. Describe how to receive and give criticism.
4. Describe what is considered to be ethical behavior in the workplace.
5. Use goals to plan projects and solve problems.
6. Develop stress management techniques.

Student Names													

7. Develop a plan for finding a job.
8. Develop a resume and complete a job application.
9. Explain how to interview for a job.

UNIT V - COMMUNICATION SKILLS

1. Utilize verbal and nonverbal communication skills, as well as effective listening.
2. Use written communication skills in the sales process.
3. Describe the proper use of communica-tion technology.

UNIT VI - PREPARING FOR A SALE

1. Differentiate between selling environments and the salesperson's role in each of these environments.
2. Identify different communication styles and use this information to improve the sales presentation technique.
3. Describe the factors that motivate a person to make purchases and how to identify these factors in an individual.
4. Describe how to obtain product, company, and industry knowledge and use it in a sales presentation.
5. Identify potential customers and the best method for approaching them.

UNIT VII - MAKING A SALE

1. Demonstrate techniques for building rapport with customers.
2. Identify customer needs.
3. Recognize the steps and tools involved in constructing an effective sales presentation.
4. Demonstrate techniques for closing a sale.

Student Names													

5. Identify the activities the salesperson must do after the sales presentation to maintain a long-term relationship with the customer.

UNIT VIII - PROMOTIONAL TOOLS

1. Describe the components and purpose of a promotional campaign.
2. Develop a print advertisement.
3. Develop a public relations campaign.

UNIT IX - ENTREPRENEURSHIP

1. Describe the basic concepts of a free market system.
2. Identify the forms and characteristics of business ownership.
3. Identify and evaluate business opportunities.
4. Prepare an income statement.
5. Prepare a balance sheet.
6. Summarize cash flow and project a statement of cash flows.
7. Describe how to obtain financing for a business.
8. Explain the importance of making business decisions.

UNIT I - AGRICULTURE AS AN INDUSTRY

Lesson 1: Agriculture Today

Competency/Objective: Explain the role of agriculture in today's economy.

Study Questions

1. **What are the major sectors of agriculture in the United States?**

2. **How do the sectors fit together?**

3. **How does agriculture affect the economy of the United States?**

4. **How does American agriculture affect the international economy?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit I.

2. Transparency Masters

   a) TM 1.1: Agricultural Industry
   b) TM 1.2: Agricultural Employment in Missouri, 1990

3. Activity Sheet

   a) AS 1.1: The Agricultural Industry

UNIT I - AGRICULTURE AS AN INDUSTRY

Lesson 1: Agriculture Today

TEACHING PROCEDURES

A. Introduction

Agriculture has been, is now, and will always be an industry critical to the United States. Improved technology has made it possible for the nation to produce more and better products with fewer and fewer people. Because the United States is blessed with abundant resources and the ability to produce vast amounts of agricultural goods, the world looks to it as the leading source of food and fiber products. To achieve this high level of production, today's agricultural producers rely on agribusiness firms and their employees to meet their production needs. The thousands of agribusinesses in the United States provide the financing, processing, distribution, wholesale, and retail services needed to support the production of agricultural products. This lesson will discuss the major sectors of agriculture and explain how they fit together to form a diverse industry that is vital to the economies of both the United States and the world.

B. Motivation

Bring in a sample of soybeans or corn. Make three columns on the blackboard. Label the first column "Production Needs," the second column "Product Uses," and the third column "Consumers and Processors of Products." Ask the students to identify the production needs for growing soybeans or corn, their uses, and their consumers and processors. List the responses and then discuss the different sectors of agriculture and how they are linked to the information in the columns.

C. Assignment

D. Supervised Study

E. Discussion

1. Using AS 1.1, have students fill out the first two columns of the activity sheet by listing the different agricultural businesses in the community and then identifying the sector of the agricultural industry to which each business belongs. The class could be broken up into groups of three or four to fill out the activity sheet together.

   What are the major sectors of agriculture in the United States?

   a) Production
   b) Manufacturing
   c) Service
   d) Marketing

2. Discuss with students how the sectors of agriculture interact to support the production of agricultural goods. Refer to TM 1.1. Have students fill in the third column of AS 1.1 by describing the function of each business in connection to the other sectors.

   How do the sectors fit together?

   The production sector relies on the manufacturing and service sectors of the agricultural industry for the inputs for production and on the processing sector to utilize the outputs.

   a) Manufacturing - includes businesses that make such things as fertilizer and chemicals, feed, and machinery that are needed for production; producers who supply feed and breeding

stock to other producers; and processing plants that transform the output of agricultural production into goods for the consumer

b) Service - includes credit agencies that provide financial support for production, insurance companies that protect producers against losses, and federal and state government agencies that provide price supports, conservation and planning services, and information on agricultural research to producers

c) Marketing - includes companies that transport raw and processed agricultural goods to wholesalers and retailers who sell those goods to other businesses or to consumers; also includes businesses engaged in the transport and sale of the goods made by the manufacturing sector for agricultural production

3. Ask the students to describe ways in which the agriculture industry is critical to the U.S. economy. Remind them that the agriculture industry includes the manufacturing of farm machinery and supplies and the processing and distribution of agricultural commodities and products that are made from them. Display TM 1.2.

How does agriculture affect the economy of the United States?

a) Agriculture generates a huge amount of revenue, more than any other industry, in the domestic and international markets.

b) The agricultural industry employs more people than any other industry in the United States.

c) The United States agricultural industry can produce, process, market, and distribute food at a lower price than any other nation in the world, leading to savings for consumers.

d) Demand due to expanding international markets for U.S. agricultural products creates better prices for products, generating more revenue for producers.

e) Trade stimulates producers to make the best use of resources, improving efficiency and reducing prices for consumers.

f) Trade balances established by the export of agricultural goods allow the importation of food products not widely produced in the United States, increasing the variety and lowering the price of food for consumers in the United States.

g) Trade balances influence the volume of non-food products imported.

4. Discuss with students how important the exportation of agricultural products is not only to the U.S. economy but also to the economies of other nations. Have students describe the effect of American agriculture on the international economy.

How does American agriculture affect the international economy?

a) Many countries rely on U.S. exports for food supplies.

b) Agricultural imports and exports make more products available to the people of each country, helping to increase the standard of living throughout the world.

c) Expanding markets through international trade helps all countries to improve the use of resources and increase economic output.

d) The U.S. agricultural industry benefits industries in other countries.
   1) U.S. agricultural producers, processors, manufacturers, and distributors buy machinery, equipment, and supplies from other countries.
   2) Petroleum products are imported to operate machinery and equipment.

e) Trade in international markets plays an important part in international diplomacy and foreign relations.

F. Other Activities

Break the class up into small groups of three or four students. Ask each group the following question: Should the United States feel obligated to produce enough food to supply the world's needs even if it means producing fewer products that are not necessary for life for citizens of this country? Give the students in each of the groups about 20 minutes to discuss the question and then let each group present their findings to the class. After the presentations, have an open class discussion.

G. Conclusion

The agricultural industry of the United States encompasses more than just production. It includes thousands of agribusinesses that support the production of foods and fibers. The agricultural industry plays a critical role in the economy of the United States and in the international economy.

H. Answers to Activity Sheet

AS 1.1

Answers will vary.

I. Answers to Evaluation

1. d
2. d
3. a
4. Production, manufacturing, service, marketing

5. Federal and state government agencies provide price supports, conservation planning services, and research to producers of agricultural products.

6. Answers should include any three of the following:

   - Agriculture generates more revenue than any other industry.
   - The agricultural industry employs more people than any other industry in the United States.
   - The U.S. agricultural industry can produce, process, market, and distribute food at a lower price than any other nation in the world, leading to savings for consumers.
   - Demand due to expanding international markets for U.S. agricultural products creates better prices for products, generating more revenue for producers.
   - Trade stimulates producers to make the best use of resources, improving efficiency and so reducing prices for consumers.
   - Trade balances established by the export of agricultural goods allow the importation of food products not widely produced in the United States, increasing the variety and lowering the price of food for consumers in the United States.
   - Trade balances influence the volume of non-food products imported.

7. Answers should include any three of the following:

   - Many countries rely on U.S. exports for food supplies.
   - Agricultural imports and exports make more products available to the people of each country, helping to increase the standard of living throughout the world.
   - Expanding markets through international trade helps all countries to improve the use of resources and increase economic output.
   - The U.S. agricultural industry benefits industries in other countries.
   - Trade in international markets plays an important part in international diplomacy and foreign relations.

UNIT I - AGRICULTURE AS AN INDUSTRY Name_____

Lesson 1: Agriculture Today Date_____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Retailers who sell products made from the output of the production sector are in what sector of agriculture?

   a. Production
   b. Service
   c. Manufacturing
   d. Marketing

2. Which of the following describes a function of the manufacturing sector of the agricultural industry?

   a. Provides insurance to protect the producer against losses incurred during production
   b. Sells the outputs of agricultural production to the consumer
   c. Transports agricultural goods to market for sale to consumers
   d. Makes items like fertilizer and chemicals, feed, and machinery for use by producers

3. How can expanding the trade of agricultural products to other countries affect American farmers?

   a. Expanding agricultural product markets to other countries helps farmers get a better price for their products.
   b. Expanding agricultural product markets to other countries causes farmers to get less money for their products.
   c. Expanding agricultural product markets to other countries has no effect on American farmers.
   d. Expanding agricultural product markets to other countries raises the costs of production.

Complete the following short answer questions.

4. Name the four major sectors of agriculture.

   a.

   b.

   c.

   d.

5. What inputs do government agencies provide for agricultural production?

6. What are three ways agricultural industries affect the U.S. economy?

   a.

   b.

   c.

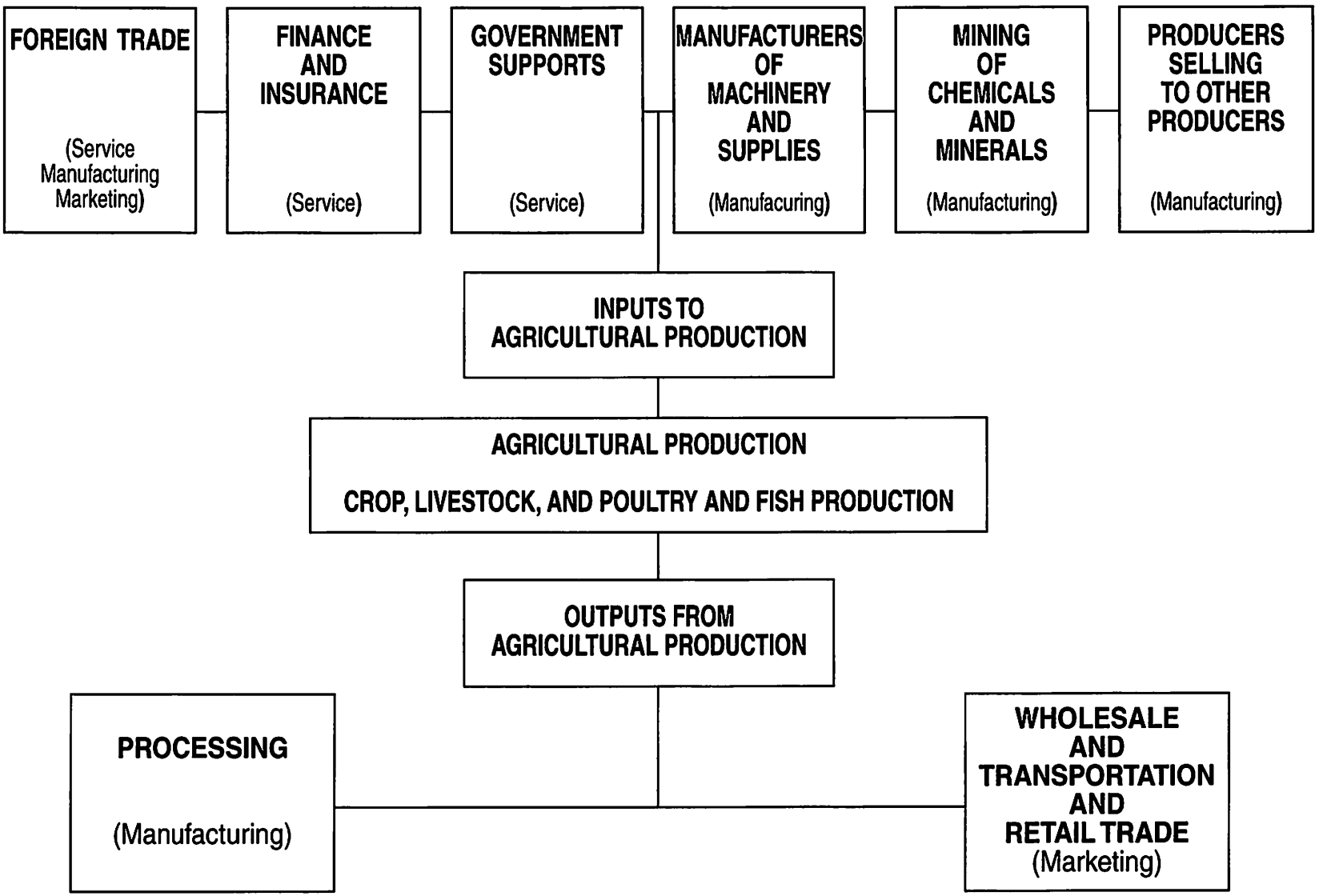
7. What are three ways that the trade in agricultural goods affects the international economy.

   a.

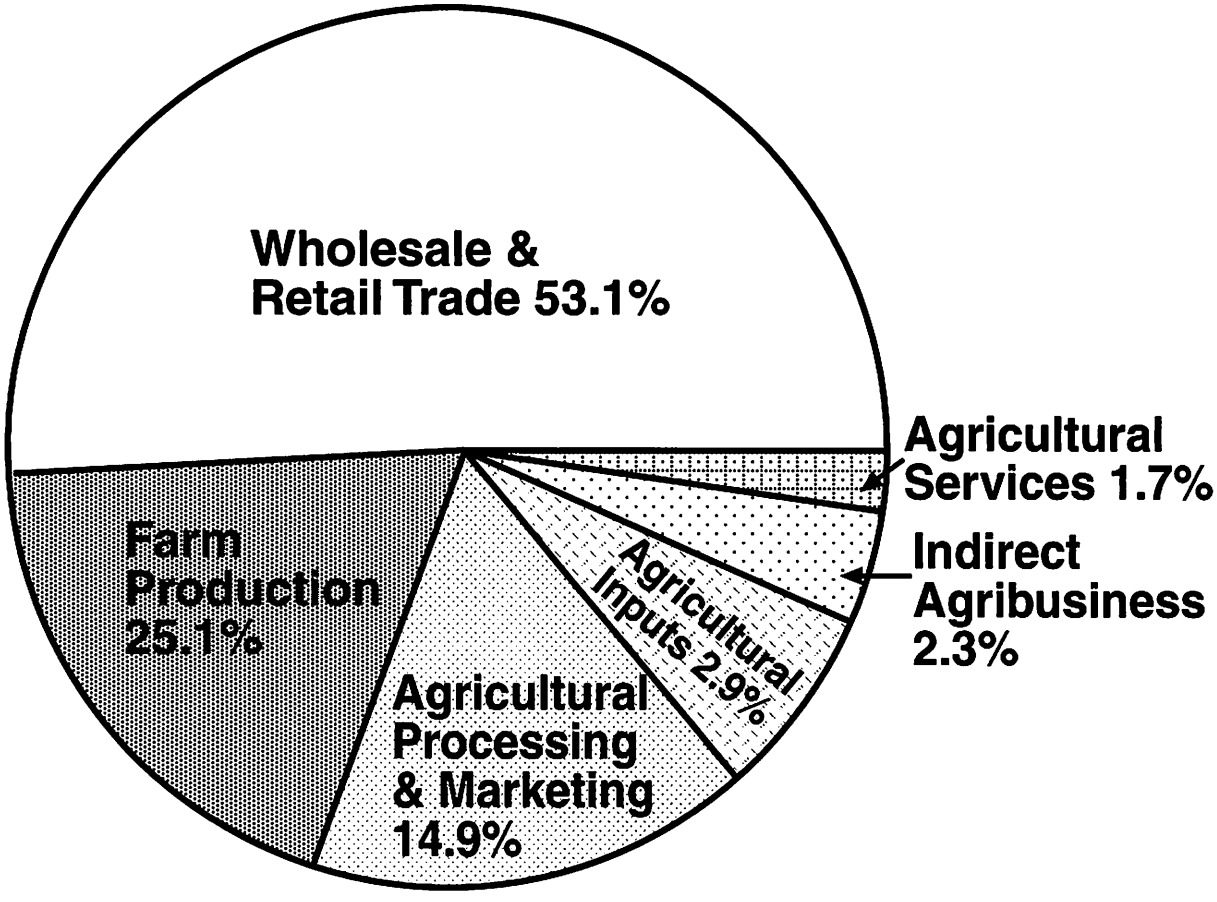
   b.

   c.

Agricultural Industry



Agricultural Employment in Missouri, 1990



Source: Economic Research Service

Lesson 1: Agriculture Today Name_____

The Agricultural Industry

Objective: Identify the businesses that are included in the various agricultural sectors and the relationships between the sectors.

Identify businesses in your community involved in agriculture, their agricultural sectors, and their connection to other sectors in terms of their function.

Name of Community Agricultural Business	Sector of the Agricultural Industry	Relationship to Other Sectors
Ex. Farm supply store	Marketing	Sells needed inputs to the production sector

Name of Community Agricultural Business	Sector of the Agricultural Industry	Relationship to Other Sectors

UNIT I - AGRICULTURE AS AN INDUSTRY

Lesson 2: Opportunities in Agribusiness Sales, Marketing, and Management

Competency/Objective: Identify opportunities for employment in agribusiness sales, marketing, and management.

Study Questions

1. **What is the history of agricultural employment?**

2. **What are the future trends for employment in agriculture?**

3. **What are some of the career opportunities in the United States in agribusiness sales, marketing, and management?**

4. **What are some of the career opportunities internationally in agribusiness sales, marketing, and management?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit I.

2. Transparency Master

   a) TM 2.1: Two Hundred Years of Agricultural Production

3. Activity Sheet

   a) AS 2.1: Career Research

Lesson 2: Opportunities in Agribusiness Sales, Marketing, and Management

TEACHING PROCEDURES

A. Review

Lesson 1 discussed how agricultural production, manufacturing, service, and marketing fit together to form the U.S. agricultural industry, which is an important source of food and fiber for the world. In this lesson, the history of employment in agribusiness and the current and future career opportunities in agribusiness sales, marketing, and management will be discussed.

B. Motivation

Emphasize to students that choosing a career is one of the most important decisions that they will make in their lives. Ask students what they think are important factors to consider when making career choices. Explain to them that knowing the educational needs, salary, location, and job availability of a particular career will help them make decisions. Point out that their choice of career will affect the rest of their lives. For example, discuss these figures from the Economic Policy Analysis web page (http//www.epinet.org/fids19.html, accessed on May 13,1997).

Educational Level	Average Hourly Wage (1995)
Less than high school	$8.16
High school diploma	$10.46
Some college	$11.64
College degree	$17.26
Advanced degree	$22.81

C. Assignment

D. Supervised Study

E. Discussion

1. Discuss with students how the production of agricultural goods has changed over the past 200 years. Describe how agriculture has changed from primarily self-sustaining farms to the diverse agricultural industry of today. Discuss how changes in technology have made agricultural production a small but very important part of the agricultural industry. Refer to TM 2.1.

What is the history of agricultural employment?

a) In subsistence farming, farms were self-sustaining units for growing crops and raising livestock primarily to meet the needs of the farm families. Most of the farm tools and clothing were homemade.
b) Agribusiness began with farmers trading excess crops and livestock for things that they could not produce, such as salt and sugar.
c) The nineteenth century brought improved methods of farming (i.e., new tillage methods) and the beginning of modern agricultural technology.
   1) 1834 - McCormick reaper
   2) 1837 - John Deere steel plow

d) By the late nineteenth century, the foundation of the modern agricultural industry was in place as the producers of agricultural goods relied on manufacturers and suppliers for inputs and on other agribusinesses to process and sell their goods.
e) By the early twentieth century, the era of the self-sustaining farm was almost over. Technology and specialization were spreading at a rapid pace.
f) By mid-century, agricultural production had increased and greater benefits began to be realized, causing more reliance on agribusinesses.
g) Between 1950 and 1975, the agricultural industry developed more rapidly than ever before.
h) Today the U.S. agricultural industry is a diverse industry consisting of producers (only 2 percent of the population in 1995) and thousands of agribusinesses and their employees.

2. Discuss the present and future needs of agribusinesses for employees trained in various areas, including agricultural management, sciences, mechanics, supply and services, and production.

What are the future trends for employment in agriculture?

a) The need for employees to work on corporate farms has increased dramatically.
b) Trained employees are needed in agricultural manufacturing, processing, and marketing.
c) Employees trained in computer technology will be needed to operate new monitoring and control systems for production and other agribusinesses.
d) Individuals who are trained in the management and monitoring of pesticides, groundwater contamination, disposal of animal waste, and many other ecological concerns will be necessary to satisfy the growing concern for a safe and healthy environment.
e) Employees who have a background in nutrition and food science will be needed to address health issues in the production of food.

3. Discuss specific career opportunities in agricultural sales, marketing, and management. Have students choose careers that they might like to pursue. After they have completed AS 2.1, each of the students should present his or her findings to the class.

What are some of the career opportunities in the United States in agribusiness sales, marketing, and management?

a) Careers in sales and marketing, many of which involve wholesale and retail sales,
    1) May or may not require travel
    2) Vary in terms of the skills and education required, with some positions requiring only a high school diploma and no special knowledge or skills, and others requiring a university degree and a great deal of technical knowledge; may include on-the-job training for advancement
    3) Usually pay a straight salary for retail sales positions and a commission or salary plus commission for wholesale sales positions
    4) Require an outgoing personality, initiative, persistence, good communication skills, and a willingness to learn about the product or service being sold in order to become a better salesperson.
b) Careers in management, including farm equipment factories, feedlots, corporate farms, and businesses involved in retail and wholesale sales,
    1) Generally require a college degree or technical education beyond high school and a varied amount of experience in the field; may include on-the-job training for advancement
    2) Require the ability to direct, train, and work with people
c) Career titles
    1) Retail sales manager
    2) Retail salesperson
    3) Wholesale sales manager
    4) Wholesale salesperson
    5) Personnel manager

6) Plant manager
7) Commodities trader
8) Corporate farm manager

4. Discuss careers in international sales and marketing. Note that many of the U.S. businesses involved in the sale, marketing, processing, and manufacturing of agricultural goods do business in international markets and that trained agribusiness employees are needed for these jobs.

What are some of the career opportunities internationally in agribusiness sales, marketing, and management?

a) Career opportunities in agricultural export sales, international marketing, agribusiness management, distribution systems, and international product development and packaging
   1) Require specialized education and training, with an educational background that includes the study of a foreign language along with international finance, international trade, international law, or marketing
   2) Allow individuals in entry-level positions with an education in agriculture to obtain training for other positions in the international market
b) Career descriptions in export sales
   1) Salesperson working directly for a processor or manufacturer
   2) Employee of an export brokerage firm

F. Other Activities

1. Have students visit some agricultural businesses in the community. Ask different people working in these businesses to talk to the students about the training and educational needs of their careers. Have them describe their responsibilities and the availability of jobs.

2. Have students with part-time jobs in agribusinesses talk about the different career opportunities at the businesses where they are employed.

G. Conclusion

Agricultural production in the United States has changed dramatically over the past 200 years, from subsistence farming, employing a large proportion of the population, to corporate farming, employing a small segment of the population to produce high yields. At the same time, the agricultural industry has shifted away from just production to include a wide variety of agribusinesses. A multitude of career opportunities are available in the thousands of agribusinesses that support agricultural production.

H. Answers to Activity Sheet

AS 2.1

Answers will vary.

I. Answers to Evaluation

1. c
2. d
3. a

4. Agribusiness began when farmers started trading excess crops for such things as sugar and salt.

5. Answers may include any three of the following.

   - The need for employees to work on corporate farms has increased dramatically.
   - Trained employees are needed in agricultural manufacturing, processing, and marketing.
   - Employees trained in computer technology will be needed to operate new monitoring and control systems for production and other agribusinesses.
   - Individuals who are trained in the management and monitoring of pesticides, groundwater contamination, disposal of animal waste, and many other ecological concerns will be necessary to satisfy the growing concern for a safe and healthy environment.
   - Employees who have a background in nutrition and food science will be needed to address health issues in the production of food.

6. A person interested in export sales might work directly for a processor or manufacturer as a salesperson operating in foreign markets. He or she might also find a job at an export brokerage firm.

UNIT I - AGRICULTURE AS AN INDUSTRY Name_____

Lesson 2: Opportunities in Agribusiness Sales, Marketing, and Management Date_____

EVALUATION

Circle the letter that corresponds to the best answer.

1. What did John Deere invent in 1837 that helped farmers increase production?

   a. Steam tractor
   b. McCormick reaper
   c. Steel plow
   d. Gasoline tractor

2. How much educational experience is necessary to obtain a job in agricultural management without the benefit of on-the-job training or experience?

   a. Less than a high school education
   b. High school diploma
   c. Some college experience
   d. College degree

3. In 1995, how many people were involved in production?

   a. 2 percent of the population
   b. 3 percent of the population
   c. 4 percent of the population
   d. 5 percent of the population

Complete the following short answer questions.

4. What activity by farmers in early America formed the basis of the agricultural industry?

5. What are three future trends for employment in agriculture?

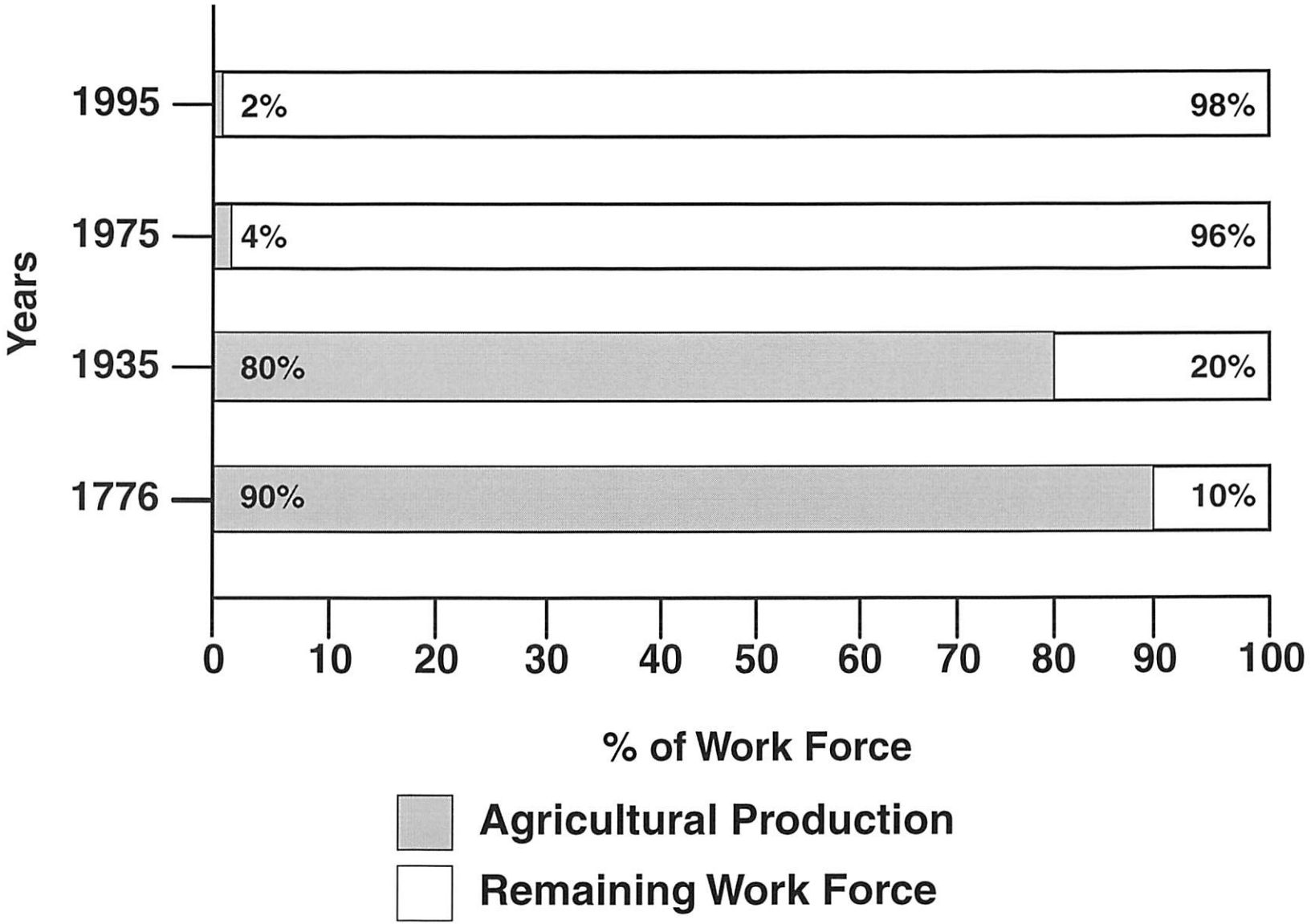
   a.

   b.

   c.

6. What job opportunities are available to a person interested in export sales?

Two Hundred Years of Agricultural Production



Lesson 2: Opportunities in Agribusiness Sales, Marketing, And Management Name _____

Career Research

Objective: Identify opportunities for employment in agribusiness sales, marketing, and management.

Pick a career that you are interested in and research to find the following information. You should interview people in your community with that particular career, if possible. You may also use reference materials such as the *Dictionary of Occupational Titles, Occupational Outlook Handbook,* and *Guide for Occupational Exploration.* They may be available at your library or counselor's office.

1. What are the educational requirements for the career you have chosen?

2. Where can this education be obtained?

3. What is the average salary of someone working in this career?

4. In what area of the country would you have to live if you choose this career?

5. What are the job responsibilities of someone working in this career?

6. What is the job market like for someone looking for work in this career?

Prepare a presentation on the career based on your research. Make sure to answer the following questions in your presentation:

- Why are you interested in this career?
- What are the educational requirements for the career, and where can this type of education be obtained?
- What is the average salary?
- Where are job opportunities available? Would you have to move to obtain this job?
- What are the job responsibilities?
- What is the job market outlook?
- Having completed your research, would you consider entering this career?

Divider should read:

Unit I. Agriculture as an Industry

Agribusiness Sales, Marketing, and Management

Curriculum Guide: *Agribusiness Sales, Marketing, and Management*

Unit: I. Agriculture as an Industry

Unit Objective:

Students will explore agribusiness career opportunities by researching positions at a specific company and submitting their findings in a written report.

Show-Me Standards: 1.2, CA4

References:

Agribusiness Sales, Marketing, and Management. University of Missouri-Columbia, Instructional Materials Laboratory, 1997.

Business and Company Resource Center. MOREnet (Missouri Research & Education Network). Accessed May 5, 2003, from http://www.more.net/online/index.html.

Students will use additional outside sources to complete this activity.

Instructional Strategies/Activities:

- Students will engage in study questions in lessons 1 through 2.
- Students will complete AS 1.1, The Agricultural Industry.
- Additional activities that relate to the unit objective can be found under the heading "Other Activities" in the following location: p. I-19 (1, 2).

Performance-Based Assessment:

Each student will select a specific agribusiness company and research three specific positions, one each in sales, marketing, and management. Students will submit their findings in a 400- to 500-word written report, which summarizes each position and describes those positions' individual and collective roles in the company's overall mission.

Assessment will be based on the completeness of the report with significant weight given to content, organization, details, and thoroughness. Spelling, grammar, punctuation, and capitalization also will be factors in the assessment.

Unit I—Agriculture as an Industry
Instructor Guide

The instructor should assign the performance-based assessment activity at the beginning of the unit. Students will work toward completing the activity as they progress through the unit lessons. The assessment activity will be due at the completion of the unit.

1. Each student should select a specific agribusiness company from a national agribusiness directory.
   a. This company will serve as the subject of research on jobs in the categories of sales, marketing, and management.
   b. After identifying the company, each student will contact the company's public relations department for a copy of the latest annual report.
   c. Students will also contact the company's human relations department for job descriptions of specific positions in sales, marketing, and management.

2. After completing the research, each student will write a 400- to 500-word report about his or her findings.
   a. The report will include information about three positions (one each in sales, marketing, and management).
   b. The report should provide a summary that includes the following information on each position.
      - ❑ Job description
      - ❑ Salary range
      - ❑ Necessary experience
      - ❑ Educational requirements
   c. Also, the report should include a brief analysis of each job's role in relation to the other two jobs and in relation to the company's overall mission.

3. Students may not use source material word for word and must provide a complete bibliography of their sources along with their report.

4. Assessment will be based on the completeness of the report.
   a. Among the attributes to be evaluated will be content, organization, accuracy of details, and thoroughness.
   b. The job summaries and analysis will each be assessed separately.
   c. Technical aspects of the written report, such as grammar, spelling, punctuation, and capitalization, will be factors in the assessment.

Unit I—Agriculture as an Industry
Student Handout

1. Select a specific agribusiness company from a national agribusiness directory.
   a. This company will serve as the subject of your research on jobs in sales, marketing, and management.
   b. After identifying the company, contact the company's public relations department for a copy of the latest annual report.
   c. Also contact the company's human relations department for job descriptions of specific positions in sales, marketing, and management.

2. After completing the research, write a 400- to 500-word report about your findings.
   a. The report will include information about three positions (one each in sales, marketing, and management).
   b. The report should provide a summary that includes the following information on each position.
      - ❑ Job description
      - ❑ Salary range
      - ❑ Necessary experience
      - ❑ Educational requirements
   c. Also, the report should include a brief analysis of each job's role in relation to the other two jobs and in relation to the company's overall mission.

3. You may not use source material word for word and must provide a complete bibliography of the sources along with your report.

4. Assessment will be based on the completeness of the report.
   a. Among the attributes to be evaluated will be content, organization, accuracy of details, and thoroughness.
   b. The job summaries and analysis will each be assessed separately.
   c. Technical aspects of the written report, such as grammar, spelling, punctuation, and capitalization, will be factors in the assessment.

Agribusiness Sales, Marketing, and Management

Unit I—Agriculture as an Industry
Scoring Guide

Name _____

Assessment Area	Criteria	0 Points	1 Point	2 Points	3 Points	4 Points	Weight	Total
Sales Job	❑ Content ❑ Organization ❑ Accuracy of details ❑ Thoroughness	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 5.625	
Marketing Job	❑ Content ❑ Organization ❑ Accuracy of details ❑ Thoroughness	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 5.625	
Management Job	❑ Content ❑ Organization ❑ Accuracy of details ❑ Thoroughness	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 5.625	
Analysis	❑ Content ❑ Organization ❑ Accuracy of details ❑ Thoroughness	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 5.625	
Technical Considerations	❑ Spelling ❑ Grammar ❑ Punctuation ❑ Capitalization	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 2.5	
TOTAL								

Final Assessment Total _____**/100 pts.**

Comments:

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 1: Supply and Demand

Competency/Objective: Describe how supply and demand interact to determine the price of agricultural commodities.

Study Questions

1. **Explain the difference between demand and quantity demanded.**
2. **Explain the difference between supply and quantity supplied.**
3. **What determines price?**
4. **Define the Law of Demand and show how it can be illustrated.**
5. **What factors may shift the demand curve?**
6. **Define the Law of Supply and show how it can be illustrated.**
7. **What factors may shift the supply curve?**
8. **What is the point of equilibrium?**
9. **What are the two basic types of goods demanded by consumers?**
10. **Define elasticity and the three types of elasticity.**
11. **How are demand price elasticity and supply price elasticity calculated?**
12. **What is the importance of determining demand or supply price elasticity?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit II.
2. Transparency Masters
   a) TM 1.1: What Determines Price?
   b) TM 1.2: Blank Graph
   c) TM 1.3: Shifts in Demand
   d) TM 1.4: Shifts in Supply
   e) TM 1.5: Demand Price Elasticity
   f) TM 1.6: Supply Price Elasticity
3. Activity Sheet
   a) AS 1.1: Supply and Demand Curves

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 1: Supply and Demand

TEACHING PROCEDURES

A. Review

This unit discusses basic economic principles, which are tools used for decision making in every type of agricultural business. This lesson is about the laws of supply and demand. It also describes how price is determined.

B. Motivation

Purchase some cans of soft drinks, preferably enough for the whole class. Bring the soft drinks to class and place them in a closed container before students arrive so they will not be aware of the quantity that you have. Pull the first can out and auction it off to the highest bidder. Have the student wait before drinking it. Next, auction off another can to the highest bidder with the same stipulation. Finally, pull the rest of the cans out and try to obtain the highest price for each can sold. Record all prices and quantities on the board. Return the money to the students.

NOTE: It is suggested that the instructor check with the principal concerning school policy before using the above example. Chewing gum or candy may be used instead of soft drinks.

C. Assignment

D. Supervised Study

E. Discussion

1. Discuss the definition of demand in contrast to quantity demanded with students.

Explain the difference between demand and quantity demanded.

Demand for a product or commodity is the amount that buyers are willing and able to purchase at different prices at a given time and place. Quantity demanded is how much buyers are willing to buy at each specific price.

2. Have students discuss the definition of supply and quantity supplied.

Explain the difference between supply and quantity supplied.

Supply is the amount of product or commodity that producers are willing and able to provide at different prices at a given time and place. Quantity supplied is how much suppliers are willing to provide at each specific price.

3. Ask students how price is determined. Refer to TM 1.1. Discuss with students what happens if either demand changes while supply holds constant or vice versa, emphasizing the effect on price.

What determines price?

Price is the result of the interaction of the forces of supply and demand. If demand increases or decreases without a change in supply, the price will rise or fall, respectively. If supply increases or decreases without a change in demand, the price will drop or rise, respectively.

4. Ask students to discuss the Law of Demand and graph some sample demand curves. Use TM 1.2 to graphically illustrate the Law of Demand.

Define the Law of Demand and show how it can be illustrated.

a) Law of Demand - When the price of a product is increased with no change in factors other than price, less product will be purchased. When price falls, more product will be purchased.
b) Demand schedule - A set of prices and the corresponding quantities that would be purchased at those prices at a given time and place.
c) Demand curve - A graphic illustration of a demand schedule.

5. Discuss with students the factors that may cause the demand curve to shift. Refer to TM 1.3.

What factors may shift the demand curve?

a) Consumer income - per capita income
b) Population - number of consumers
c) Individual taste
d) Price of competing products
e) Consumer expectations
f) Advertising and promotions/salespeople

6. Discuss the Law of Supply and graph some sample supply curves with students. Refer to TM 1.2.

Define the Law of Supply and show how it can be illustrated.

a) Law of Supply - When the price of a product is lowered, assuming there is no change in factors other than price, less of the product will be supplied. When the price increases, more of the product will be supplied.
b) Supply schedule - A listing of the amount of a product that the industry is willing to offer for sale at different prices.
c) Supply curve - A graphic illustration of a supply schedule.

7. Discuss the factors that may cause the supply curve to shift. Refer to TM 1.4.

What factors may shift the supply curve?

a) Supplier expectations
b) Natural forces, such as flood and drought
c) Storage availability and perishability of the product
d) Cost of production
e) Advancement of technology
f) Government programs

8. Discuss with students the point of equilibrium, and determine the market price and quantity using the graphs of supply and demand completed earlier. Refer to AS 1.1 and TM 1.2.

What is the point of equilibrium?

a) The point of equilibrium is the point at which the supply and demand curves cross and equilibrium price can be determined.
b) Equilibrium price is the price at which supply and demand are equal.
c) If the price is too high:
    1) Supply will be greater than demand.
    2) A surplus will develop.

d) If the price is too low:
   1) Demand will be greater than supply.
   2) A shortage will result.
e) Market clearing price is when supply is equal to demand.

9. Discuss with students the classification of items demanded by consumers.

What are the two basic types of goods demanded by consumers?

a) Luxury items - Goods and services that are generally considered nonessential to the survival or well-being of an individual.
b) Necessity items - Goods and services that are generally considered essential to the survival or well-being of an individual.

10. Discuss with students the elasticity of a market.

Define elasticity and the three types of elasticity.

a) Elasticity is the measure of how sensitive the market is to changes in price or quantity.
b) The gap fluctuates due to the ability of products to substitute for each other, the increase or decrease in supply or demand, income changes in the population that buys the product, or price increases or decreases demanded by buyers and sellers.
c) The three types of elasticity are inelastic, elastic, and unit elastic.
   1) Inelastic - Change in price is greater than the relative change in quantity.
   2) Elastic - Change in price is less than the relative change in quantity.
   3) Unit elastic - Change in price is equal to the change in quantity.

11. Discuss with students the elasticity of prices. Refer to TM 1.5 and TM 1.6. Demand-price elasticity is the amount of change in demand due to a certain change in price. Supply-price elasticity is the amount of change in supply due to a certain change in price.

How are demand price elasticity and supply price elasticity calculated?

a) Demand price elasticity =

$$\frac{\%\ \text{change in quantity demanded}}{\%\ \text{change in price}} \quad \text{or} \quad E_d = \frac{(Q_2 - Q_1) \div Q_1}{(P_2 - P_1) \div P_1}$$

b) Supply price elasticity =

$$\frac{\%\ \text{change in quantity supplied}}{\%\ \text{change in price}} \quad \text{or} \quad E_s = \frac{(Q_2 - Q_1) \div Q_1}{(P_2 - P_1) \div P_1}$$

12. Discuss with students how they would use demand and supply elasticities in making business decisions.

What is the importance of determining demand or supply price elasticity?

a) The demand price elasticity allows an agribusiness manager to estimate how much quantity demanded will change when price goes up or down.

b) The supply price elasticity allows an agribusiness manager to estimate how much production will change when the price goes up or down.

F. Other Activities

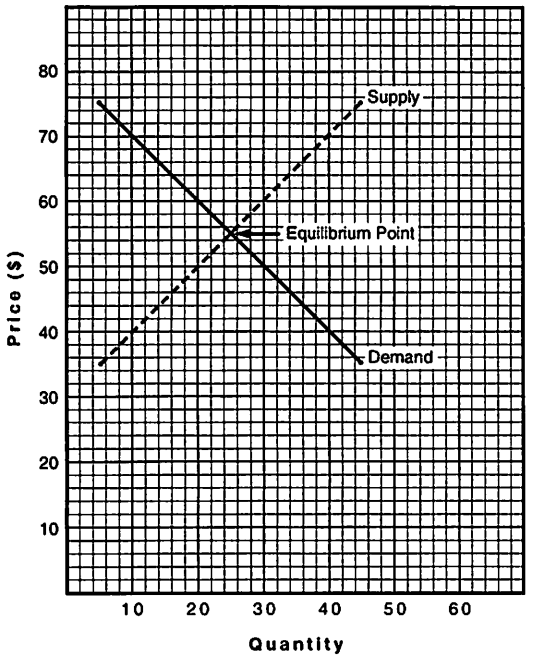
Obtain livestock and crop reports and other sources of information on current trends, and discuss supply and demand and how they affect price.

G. Conclusion

The point where the supply and demand curves cross is known as the point of equilibrium, which is the point of the market clearing price. This point is caused by the interaction of supply and demand, which is the amount sold or bought at a given price and at a given time and place. The items available on the market can be classified as either luxury or necessity items. The sensitivity of the market to change can be measured and is referred to as elasticity.

H. Answers to Activity Sheet

AS 1.1



I. Answers to Evaluation

1.	d	10.	a
2.	d	11.	b
3.	c	12.	c
4.	b	13.	d
5.	a	14.	a
6.	c	15.	c
7.	c	16.	a
8.	b	17.	c
9.	a		

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS Name _____

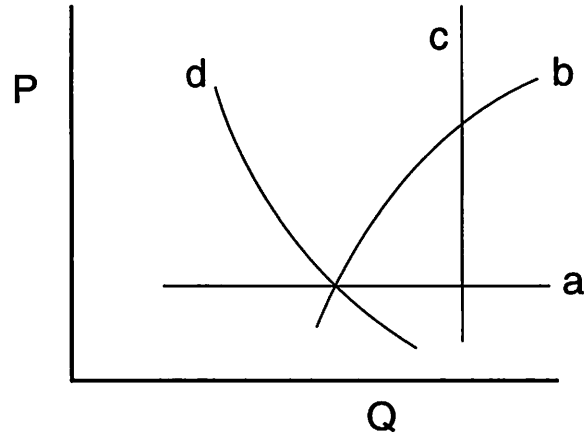
Lesson 1: Supply and Demand Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. In the diagram shown below, which line most closely represents a normal demand curve?

   a. a
   b. b
   c. c
   d. d



2. The price received for an agricultural commodity is determined by which of the following:

   a. Supply and unit elasticity
   b. Customer desires and performance
   c. Demand and family income
   d. Quantity produced and the quantity consumed or purchased

3. If both demand and supply increased equally for an agricultural product, what would be the results on the quantity of the product sold and the price received?

   a. The same quantity will be sold at the same price.
   b. An increased quantity will be sold at a lower price.
   c. An increased quantity will be sold at the same price.
   d. An increased quantity will be sold at a higher price.

4. The higher the price of milk, all other things being equal, the quantity consumed:

   a. Will increase.
   b. Will decrease.
   c. Will not change.
   d. Cannot be predicted from information given.

5. When the change in price is greater than the relative change in quantity produced, an agricultural commodity is said to be:

   a. Inelastic
   b. Elastic
   c. Unitary elastic
   d. Necessity

6. Successful advertising increases demand, thus the demand curve for the product advertised would be:

   a. Unchanged, but more would be sold at a lower price.
   b. Unchanged, but less would be sold at a higher price.
   c. Shifted to the right.
   d. Shifted to the left.

7. An increase in the supply of an agricultural commodity due to government programs results in a shift of the supply curve:

   a. Unchanged, but more would be sold at a lower price.
   b. Unchanged, but less would be sold at a higher price.
   c. Shifted to the right.
   d. Shifted to the left.

8. The amount of an agricultural product available for sale at different prices at a given place and time is called:

   a. Demand.
   b. Supply.
   c. Market.
   d. Utility.

9. Relative to demand, most basic agricultural products tend to be:

   a. Inelastic.
   b. Elastic.
   c. Unitary.
   d. None of the above.

10. What happens to the equilibrium price of a commodity when the supply increases and the demand increases equally?

    a. It stays the same.
    b. It becomes lower.
    c. It becomes higher.
    d. There is not sufficient information available to predict.

11. _____ is how responsive the amount of an agricultural product produced or consumed would be to a change in price.

    a. Price
    b. Elasticity
    c. Consumption
    d. Supply

12. As price of an agricultural product increases, the supply:

    a. Decreases.
    b. Equalizes.
    c. Increases.
    d. Remains unchanged.

13. _____ is a set of various prices and corresponding quantities of a particular agricultural commodity that would be purchased at each price.

a. A supply schedule
b. An elasticity schedule
c. A quantity schedule
d. A demand schedule

14. The amount of a good or service that would be purchased at different prices at a specific time and place is called:

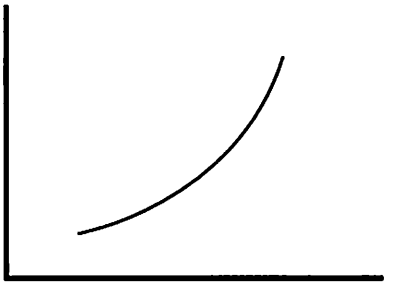
a. Demand
b. Supply
c. Market
d. Utility

15. The equilibrium price of an agricultural product is the point where:

a. Demand and price are constant.
b. Production is stable at a given price.
c. Production (supply) is equal to consumption (demand).
d. Selling price equals purchasing price.

16. The diagram shown below represents which of the following curves?

a. A supply curve
b. An equilibrium curve
c. A demand curve
d. A unit elasticity curve

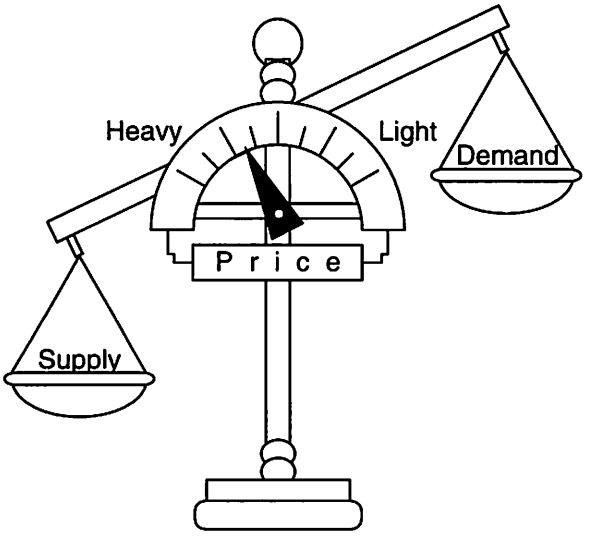


17. The equilibrium price of an agricultural commodity, at a particular point in time, can be determined by using:

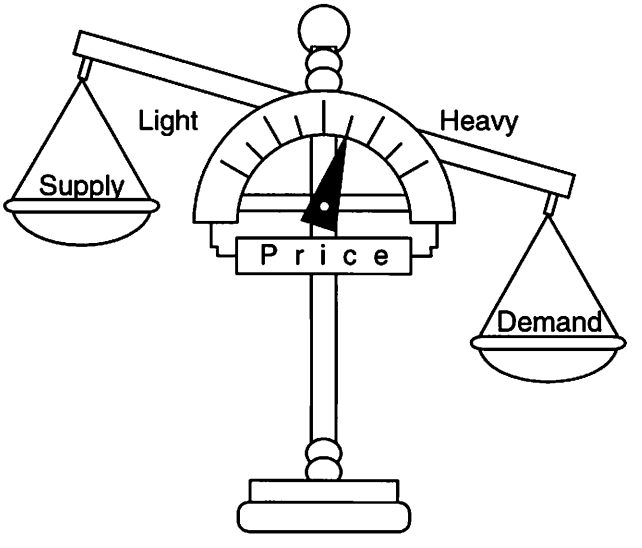
a. The demand schedule.
b. The supply schedule.
c. Both the supply and the demand curve.
d. Both the demand schedule and the demand curve.

What Determines Price?

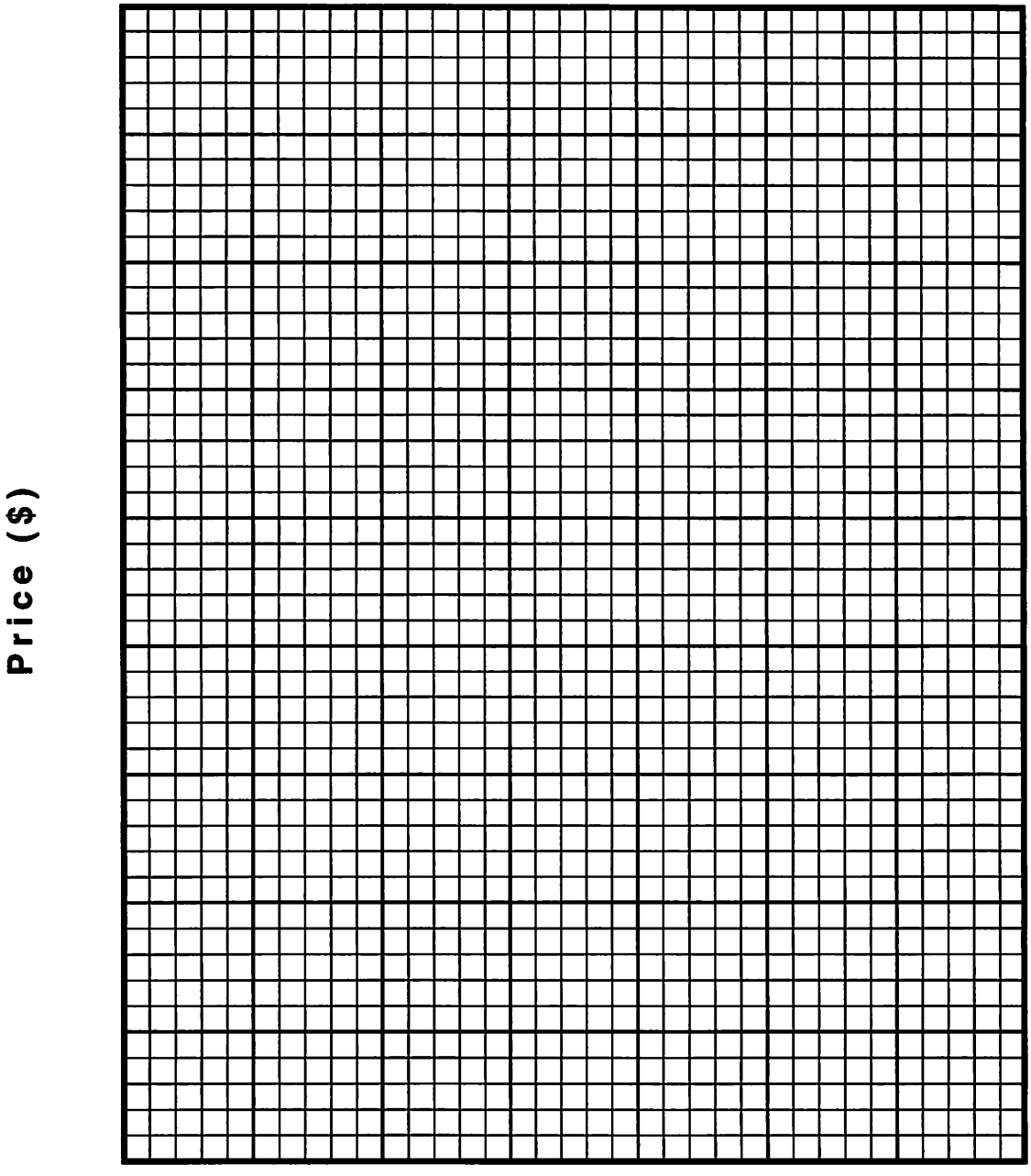
Price is the interaction of the forces of supply and demand.



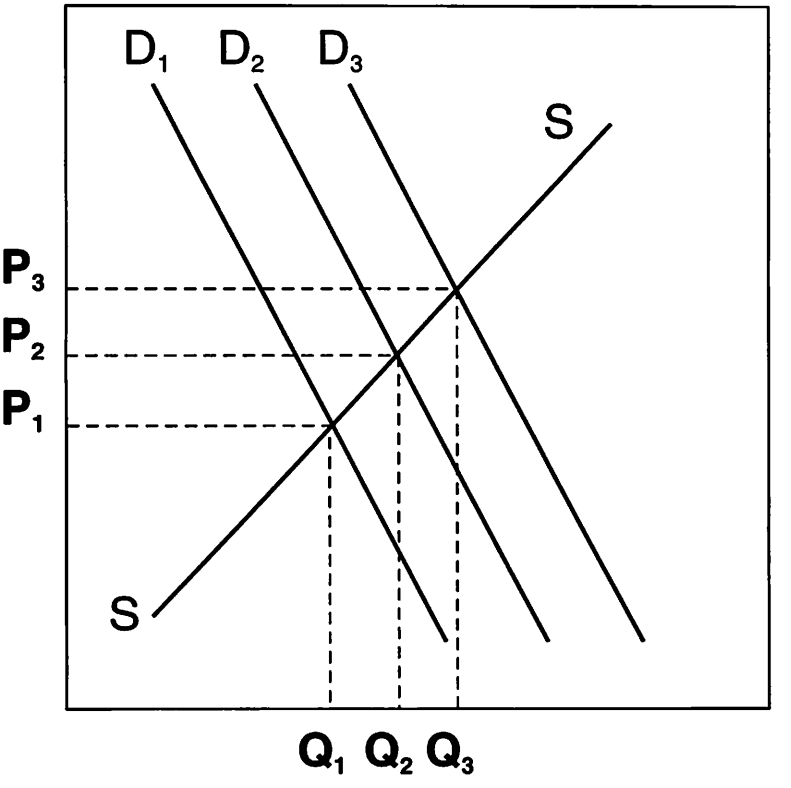
When supply is heavy or demand is light, the price goes down.
When demand is heavy or supply is light, the price goes up.



Blank Graph



Shifts in Demand

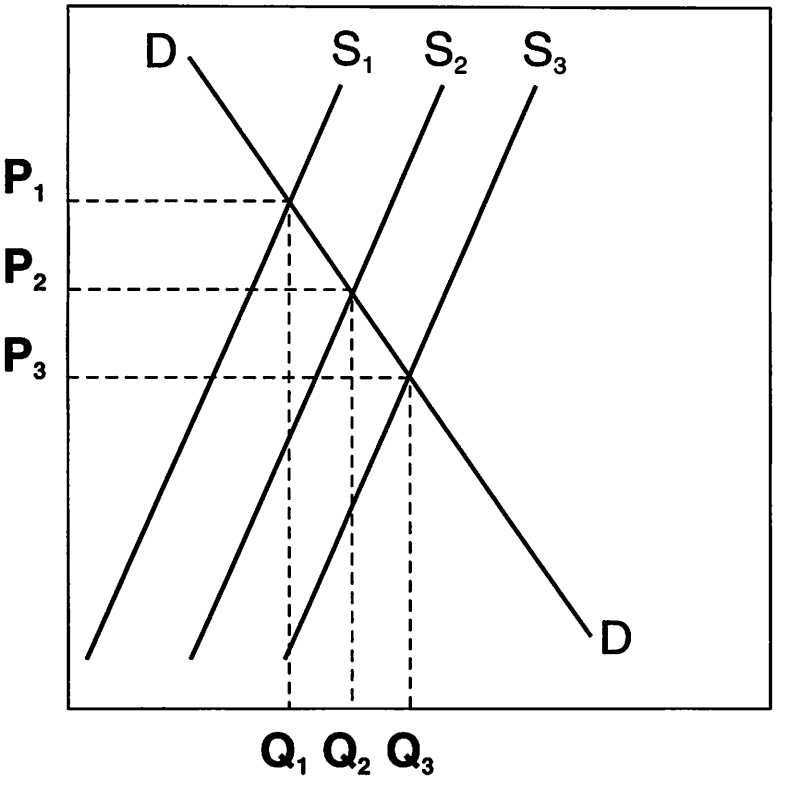


1) If the initial demand for barbed wire is D_2, the quantity demanded would be Q_2, and price would be P_2.

2) If demand shifted to D_3, quantity demanded equals Q_3, and price equals P_3.

3) If demand shifts to D_1, quantity demanded equals Q_1, and price equals P_1.

Shifts in Supply

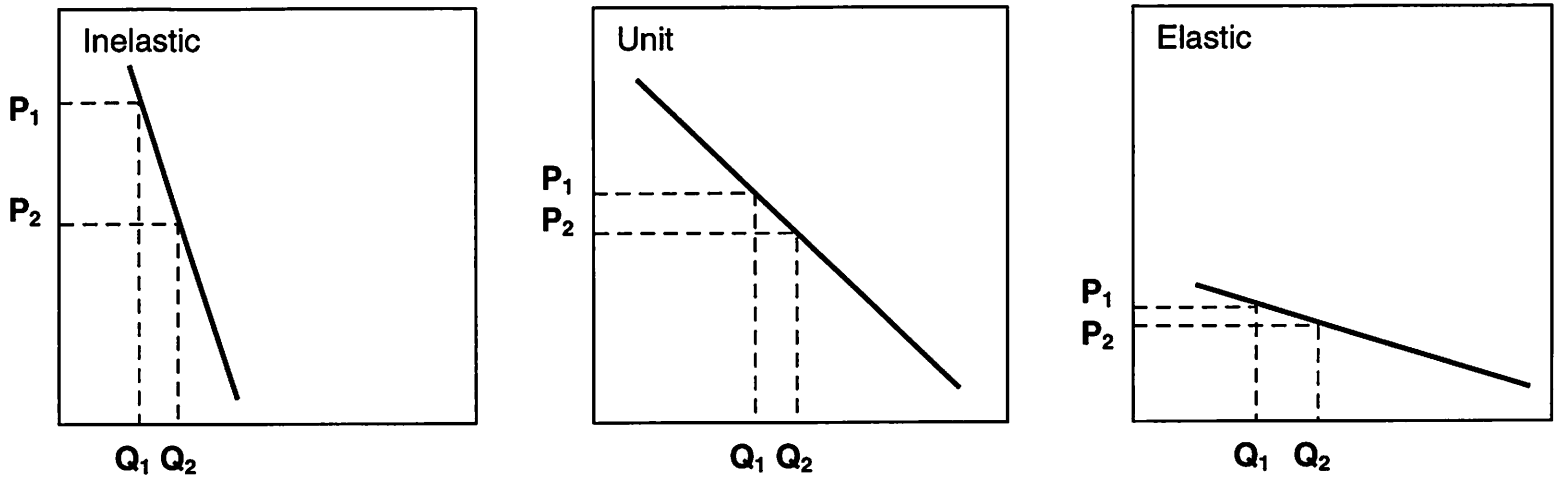


1) If the initial supply for roller bearings is S_2, the quantity supplied would be Q_2, and price would be P_2.

2) If supply shifts to S_1, quantity supplied equals Q_1, and price equals P_1.

3) If supply shifts to S_3, quantity supplied equals Q_3, and price equals P_3.

Demand Price Elasticity

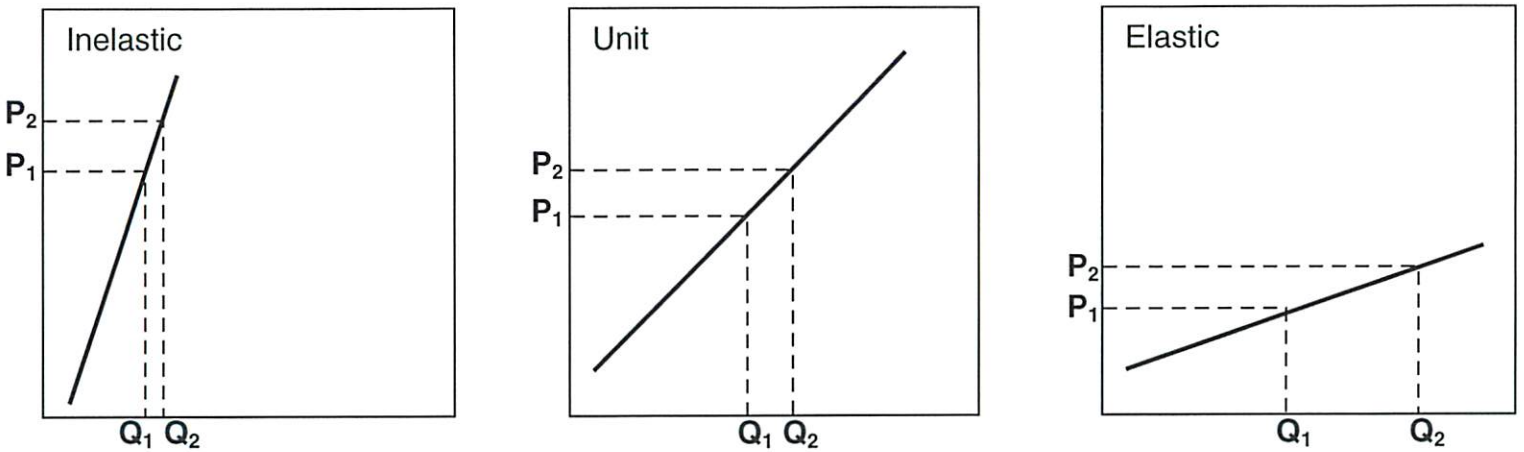


Inelastic - Change in price is **greater** than the relative change in quantity purchased.

Unit - Change in price is **equal** to the relative change in quantity purchased.

Elastic - Change in price is **less** than the relative change in quantity purchased.

Supply Price Elasticity



Inelastic - Change in price is **greater** than the relative change in quantity provided.

Unit - Change in price is **equal** to the relative change in quantity provided.

Elastic - Change in price is **less** than the relative change in quantity provided.

Lesson 1: Supply and Demand Name _____

Supply and Demand Curves

Objective: Illustrate supply, demand, and the equilibrium point on a graph.

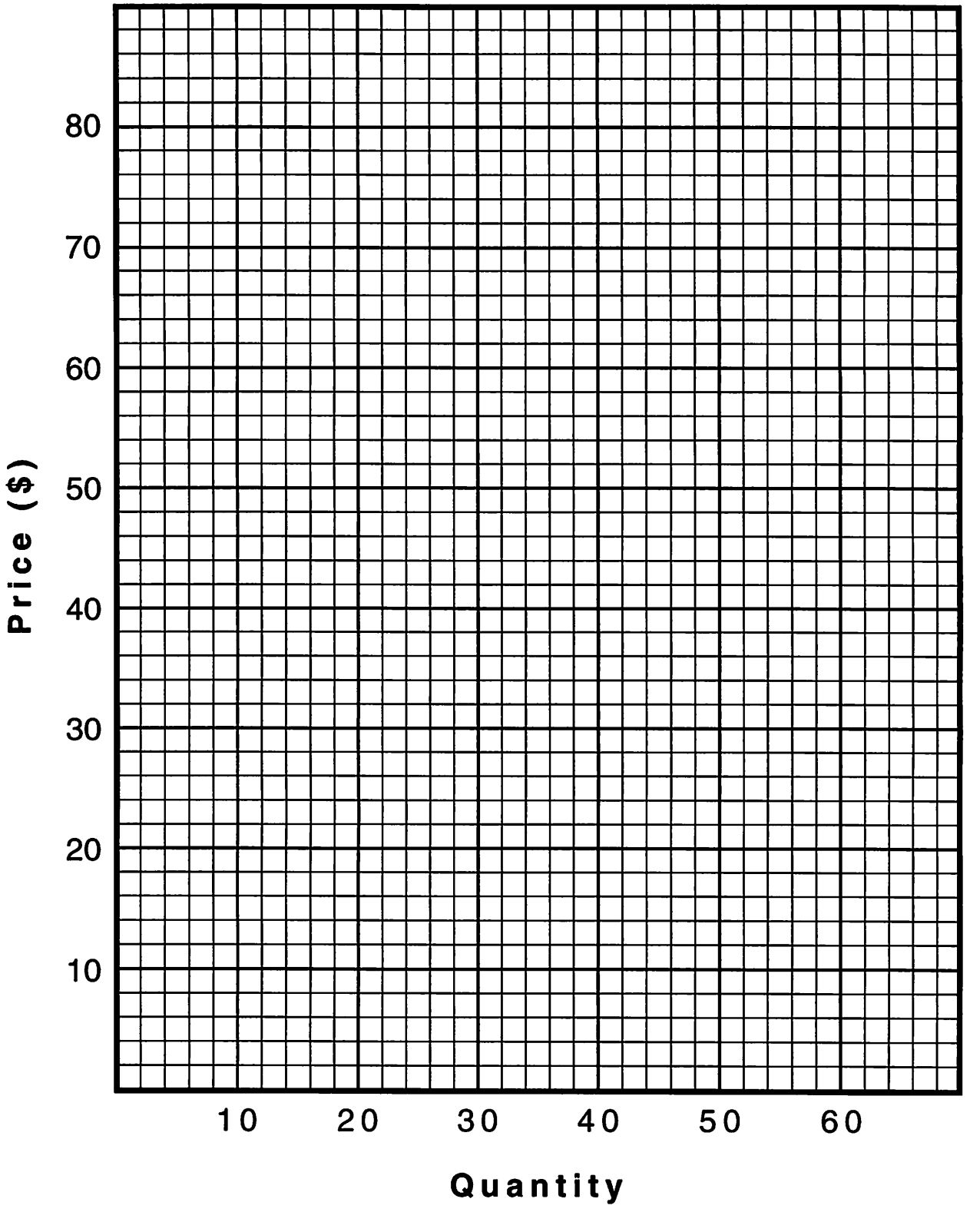
Graph the supply and demand curves on the blank graph on the back of this sheet. Label each curve and the equilibrium point.

Supply of Firewood

Price/Cord	Cords Offered for Sale
$75	45
$65	35
$55	25
$45	15
$35	5

Demand for Firewood

Price/Cord	Cords Purchased
$75	5
$65	15
$55	25
$45	35
$35	45


Price ($)
80
70
60
50
40
30
20
10
10
20
30
40
50
60
Quantity

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 2: The Principle of Diminishing Returns

Competency/Objective: Determine the point of maximum net returns (profit) given a sample list of inputs and outputs and the prices of each.

Study Questions

1. **Define the following terms: total product (TP), marginal product (MP), and average product (AP).**

2. **What is the relationship between total product (TP), marginal product (MP), and average product (AP)?**

3. **What is meant by diminishing physical returns?**

4. **What is meant by diminishing economic returns?**

5. **At what point is maximum profit reached?**

6. **What is the difference between the point of maximum production and the point of maximum profit?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit II.

2. Transparency Masters

   a) TM 2.1: Production Function
   b) TM 2.2: Maximizing Profits in Manufacturing
   c) TM 2.3: Blank Graph
   d) TM 2.4: Maximizing Profits in Lawn Care Service
   e) TM 2.5: Maximizing Profits in a Swine Production Facility

3. Activity Sheets

   a) AS 2.1: Maximizing Profits in Manufacturing
   b) AS 2.2: Maximizing Profits in Lawn Care Service
   c) AS 2.3: Maximizing Profits in a Swine Production Facility

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 2: The Principle of Diminishing Returns

TEACHING PROCEDURES

A. Introduction

Lesson 1 discussed the differences between demand and quantity demanded and between supply and quantity supplied. Demand for a product or commodity is the amount that buyers are willing and able to purchase at different prices at a given time and place. Quantity demanded is how much buyers are willing and able to buy, at each specific price. Supply is the amount of product or commodity that producers are willing and able to produce at different prices at a given time and place. Quantity supplied is how much suppliers are willing and able to provide at each specific price. Lesson 2 is about diminishing returns. The principle of diminishing returns is an important economic concept. It states that at some point in time the marginal product decreases with each additional unit of input.

B. Motivation

Illustrate the principle of diminishing returns by using the example of a student who is hungry for hamburgers. Draw charts or graphs to show how much hunger is satisfied with each hamburger. Ask students the following questions.

1. How many hamburgers can you eat?

2. How much satisfaction would you get from the first hamburger?

3. Is the second hamburger as good as the first?

4. How many hamburgers will it take to give you 100 percent satisfaction?

5. What happens if you continue to eat after 100 percent satisfaction?

C. Assignment

D. Supervised Study

E. Discussion

1. Discuss with students the definitions of total product (TP), marginal product (MP), and average product (AP).

   Define the following terms: total product (TP), marginal product (MP), and average product (AP).

   a) Total product (TP) - total output or yield
   b) Marginal product (MP) - change in output resulting from each additional unit of input
   c) Average product (AP) - total amount of output produced divided by the number of units of input

2. Discuss how total product (TP), marginal product (MP), and average product (AP) relate to each other. Discuss the production function using TM 2.1.

What is the relationship between total product (TP), marginal product (MP), and average product (AP)?

a) As TP increases at an increasing rate, MP and AP also increase, but AP increase more slowly than MP.
b) As TP increases, first MP begins to decrease, then AP begins to decrease.
c) When MP and AP cross, the TP begins to increase at a decreasing rate.
d) When TP is at its maximum level, MP equals zero, and AP is still positive.
e) Once MP becomes negative, TP begins to decrease.

3. Ask students to discuss possible meanings of the principle of diminishing returns. Explain how the amount of satisfaction obtained from eating hamburgers is a good example of diminishing returns. Then, guide the students as they work through examples as a group. Remind students they are looking at only one variable in the examples, but diminishing returns often involve several variables. Work through AS 2.1 (TM 2.2) with students. Have them graph TP, AP, and MP on the blank graph provided (use TM 2.3). Compare the completed graph with the production function on TM 2.1. For more practice, do AS 2.2 (TM 2.4) and AS 2.3 (TM 2.5).

What is meant by diminishing physical returns?

a) The principle of diminishing physical returns states that at some point in time, the marginal product decreases with each additional unit of input.
b) Examining diminishing physical returns requires calculating marginal input, marginal product, and average product.
   1) Calculate the marginal input (i.e., the difference between the initial amount and the next level of input).
   2) Calculate the marginal product (MP) for each level of production (i.e., the difference between the initial amount of total product (TP) and the next level of total product).
   3) Calculate the average product (AP) for each level of production (i.e., the total product divided by the total number of units of input).

4. Discuss the meaning of the principle of diminishing returns. Explain the difference between marginal input cost (MIC) and marginal revenue product (MRP). Using AS 2.3 and 2.4, have students graph the total revenue (TR), MIC, and MRP curves.

What is meant by diminishing economic returns?

a) The principle of diminishing economic returns states that beyond some point, marginal economic returns decrease with each additional unit of input.
b) Determining the most profitable level of production requires calculating total cost, marginal input cost, total revenue, and marginal revenue product.
   1) Calculate total cost (TC) for each level of input (i.e., units of input multiplied by cost per unit).
   2) Calculate marginal input cost (MIC) for each level.

$$MIC = \frac{\text{change in cost (\$)}}{\text{change in input}}$$

   3) Calculate total revenue (TR) for each level of production (i.e., the units of output multiplied by the price per unit).
   4) Calculate marginal revenue product (MRP) for each level.

$$MRP = \frac{\text{change in revenue}}{\text{change in input (marginal input)}}$$

5. Discuss the point at which maximum profit is reached. Use the completed activity sheets to demonstrate the point of maximum profit.

At what point is maximum profit reached?

Maximum profit occurs when net economic returns are at their greatest point (MIC = MRP).

6. Ask students to discuss the difference between maximum production and maximum profit. The completed graph from either AS 2.3 or 2.4 may be used to demonstrate the difference.

What is the difference between the point of maximum production and the point of maximum profit?

a) Maximum production is when production is at its highest possible level.
b) Maximum profit is when net economic returns are at their greatest point (MIC = MRP).
c) Maximum profit always occurs at a level of production that is lower than maximum production.

F. Other Activities

Discuss real-life examples of diminishing returns (e.g., studying for a test, eating a favorite food, staying out late with friends, fertilizing crops).

G. Conclusion

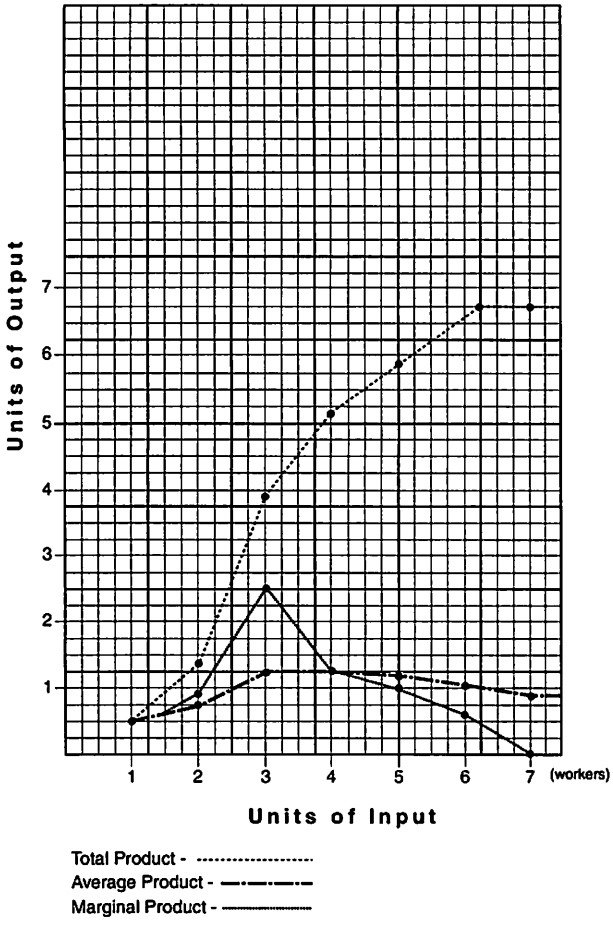
After a certain point, the economic returns for each successive unit of a variable resource added tend to decline. However, one should continue adding inputs as long as MIC is less than MRP. In order to receive maximum profit, expand production until MIC = MRP.

H. Answers to Activity Sheets

Answers to AS 2.1

No. of Workers	No. of Hog Feeders/Day	MI	AP	MP	TR	MRP	TC	MIC
1	.5	XX	.5	XX	50	XX	80	XX
2	1.4	1	.7	.9	140	115	160	80
3	3.9	1	1.3	2.5	390	250	240	80
4	5.2	1	1.3	1.3	520	130	320	80
5	6.2	1	1.2	1.0	620	100	400	80
6	6.8	1	1.1	.6	680	60	480	80
7	6.8	1	.9	0	680	0	560	80

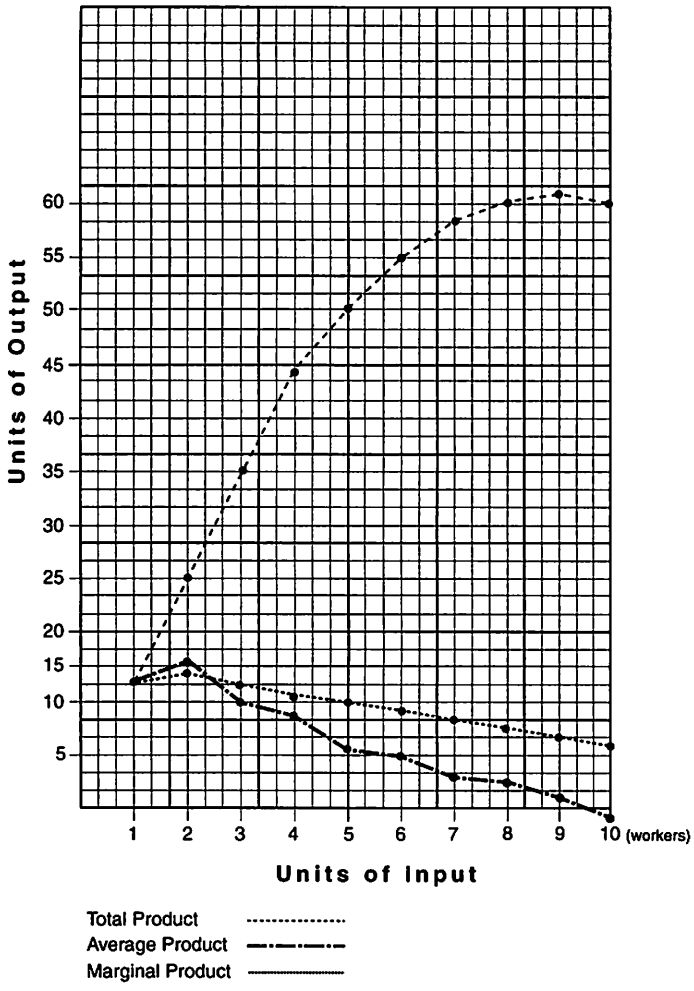
How many workers are needed? 5 workers (MRP > MIC)



Answers to AS 2.2

No. of Workers	No. of Lawns per Week (TP)	MI	AP	MP	TR	MRP	TC	MIC
1	12	1	12	12	360	XX	100	XX
2	25	1	12.5	13	750	390	200	100
3	35	1	11.6	10	1,050	300	300	100
4	44	1	11	9	1,320	270	400	100
5	50	1	10	6	1,500	180	500	100
6	55	1	9.2	5	1,650	150	600	100
7	58	1	8.3	3	1,740	90	700	100
8	60	1	7.5	2	1,800	60	800	100
9	61	1	6.8	1	1,830	30	900	100
10	60	1	6	-1	1,800	-30	1000	100

How many workers should Chris hire? 6 workers
How many lawns should she service? 55 lawns



Answers to AS 2.3

Weight of Hogs (TP)	AP	Lbs. of Feed Fed	MI	MP	TR	MRP	TC	MIC
210#	XX	650	XX	XX	94.50	XXX	58.50	XXX
220#	.32	694	44	10	99.00	4.50	62.46	3.96
230#	.31	739	45	10	103.50	4.50	66.51	4.05
240#	.31	785	46	10	108.00	4.50	70.65	4.14
250#	.30	832	47	10	112.50	4.50	74.88	4.23
260#	.30	881	49	10	117.00	4.50	79.29	4.41
270#	.29	932	51	10	121.50	4.50	83.88	4.59
280#	.28	984	52	10	126.00	4.50	88.56	4.68
290#	.28	1037	53	10	130.50	4.50	93.33	4.77

At what weight should hogs be marketed? 260 lbs (MRP > MIC)

I. Answers to Evaluation

1.

Irrigation	Fertilizer	MI	MIC	BUS./ACRE (TP)	MP	MRP
YES	0	XXX	XXX	102	XXX	XXX
YES	1	1	7.20	122	20	40
YES	2	1	7.20	137	15	30
YES	3	1	7.20	146	9	18
YES	4	1	7.20	152	6	12
NO	0	XXX	XXX	85	XXX	XXX
NO	1	1	7.20	97	12	24
NO	2	1	7.20	105	8	16
NO	3	1	7.20	109	4	8
NO	4	1	7.20	110	1	2

2. b
3. d
4. d
5. d
6. b

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS Name _____

Lesson 2: The Principle of Diminishing Returns Date _____

EVALUATION

Using the following information, calculate the MI, MIC, MP, and MRP for each of the test plots. These numbers will then be used to answer the following questions.

1. The ABC Fertilizer Company has decided to run a fertilizer test on a new product it has developed. The company's research field will be used for the test. The field is divided into ten equal-size test plots. Five plots have been irrigated, and five have not. The researchers applied different amounts of fertilizer to each of the test plots. The company plans to sell the corn produced in the plots for about $2.00 per bushel. The fertilizer cost is $7.20 per unit.

Irrigated	Fertilizer	Marginal Input Cost	Marginal Input	Bus./Acre (TP)	Marginal Product	Marginal Revenue
Yes	0	XXX	XXX	102	XXX	XXX
Yes	1			122		
Yes	2			137		
Yes	3			146		
Yes	4			152		
No	0	XXX	XXX	85		
No	1			97		
No	2			105		
No	3			109		
No	4			110		

Circle the letter that corresponds to the best answer.

2. If fertilizer costs 18¢ per pound, what is the marginal input cost of one unit?

   a. 18¢ times yield
   b. 18¢ times 40 pounds
   c. 18¢ times change in yield
   d. It is different for irrigated and non-irrigated corn.

3. If the expected corn price is $2 per bushel, what is the most profitable level of fertilization for irrigated corn?

   a. 1 unit
   b. 2 units
   c. 3 units
   d. 4 units

4. If the expected price of corn is $2 per bushel, what is the most profitable level of fertilization for non-irrigated corn?

   a. 0 units
   b. 1 unit
   c. 2 units
   d. 3 units

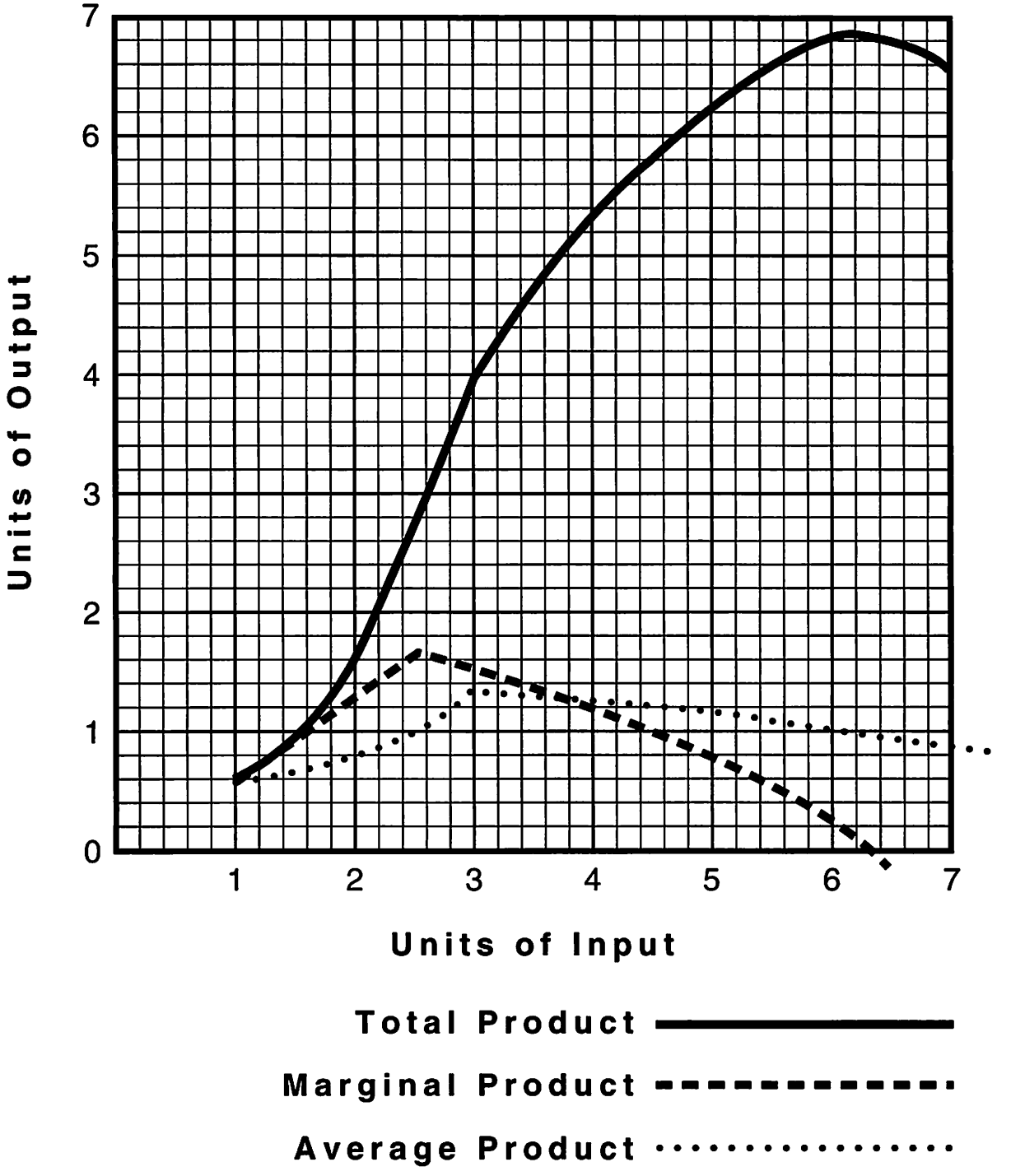
5. Which of the following items would tend to increase the profit-maximizing level of fertilizer?

   a. Lower fertilizer price
   b. Higher than expected corn price
   c. Irrigating
   d. All of the above

6. If a producer plans to produce corn with an irrigation cost of $50 per acre, which of the following should the company recommend to the producer?

   a. Irrigated corn with 3 units of fertilizer
   b. Irrigated corn with 4 units of fertilizer
   c. Non-irrigated corn with 3 units of fertilizer
   d. Non-irrigated corn with 4 units of fertilizer

Production Function

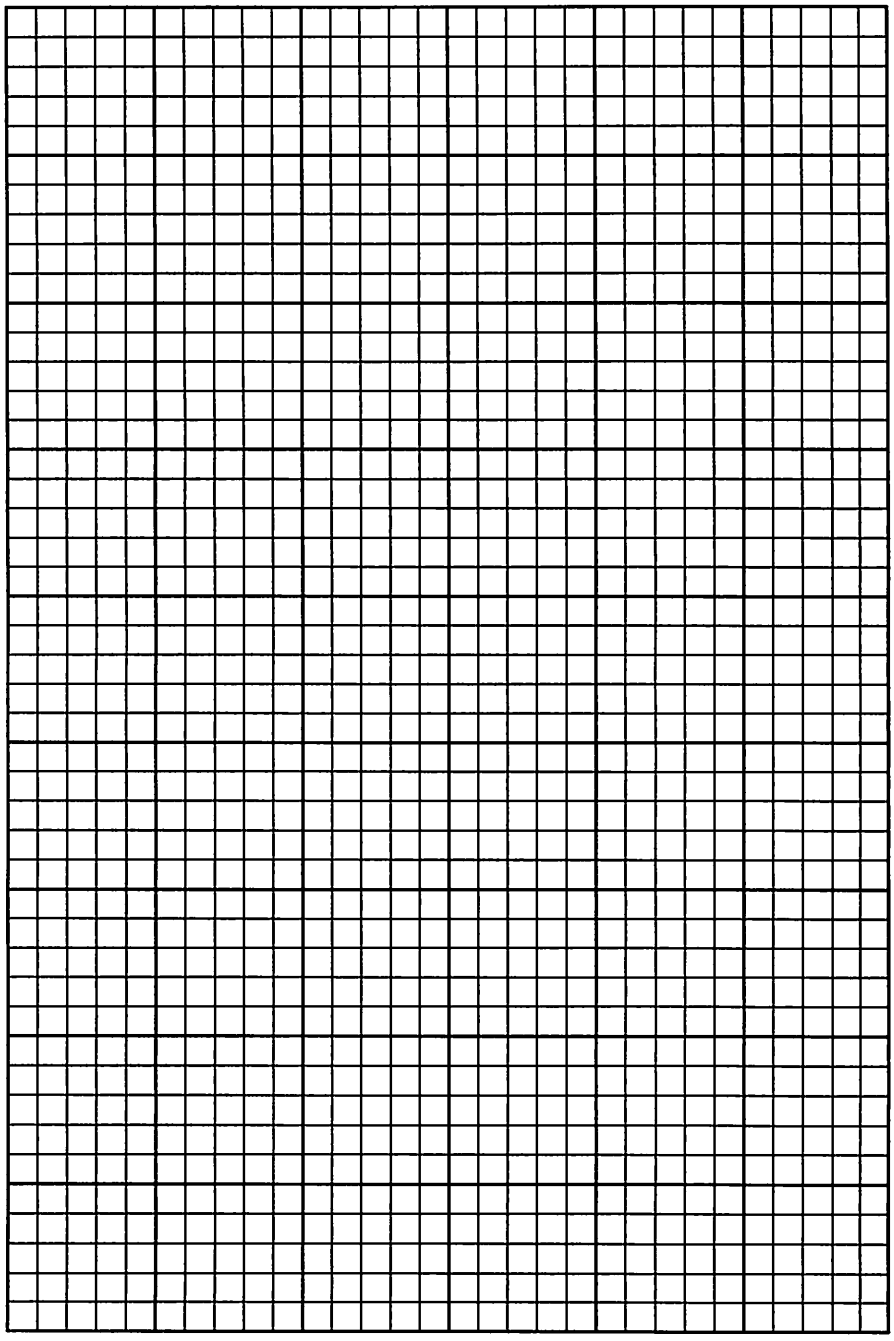


Maximizing Profits in Manufacturing

No. of Workers	No. of Hog Feeders/ Day	MI	AP	MP	TR	MRP	TC	MIC
1	.5		XX		XX		XX	XX
2	1.4							
3	3.9							
4	5.2							
5	6.2							
6	6.8							
7	6.8							

How many workers are needed?_____

Blank Graph



Units of Output

Units of Input

Maximizing Profits in Lawn Care Service

No. of Workers	No. of Lawns per Week (TP)	MI	AP	MP	TR	MRP	TC	MIC
1	12	XX		XX		XX	XX	
2	25							
3	35							
4	44							
5	50							
6	55							
7	58							
8	60							
9	61							
10	60							

How many workers should Chris hire?_____

How many lawns should she service?_____

Maximizing Profits in a Swine Production Facility

Weight of Hogs (TP)	AP	Lbs. of Feed Fed	MI	MP	TR	MRP	TC	MIC
180#	XX	*650	XX	XX	81	XXX	58.50	XX
190#		694						
200#		739						
210#		785						
220#		832						
230#		881						
240#		932						
250#		984						
260#		1037						

At what weight should hogs be marketed?_____

* 650 pounds of feed were needed to get hog to 180 pounds.

Lesson 2: The Principle of Diminishing Returns Name _____

MAXIMIZING PROFITS IN MANUFACTURING

Objective: Calculate marginal input, average product, marginal product, total revenue, total cost, marginal revenue product, and marginal input cost.

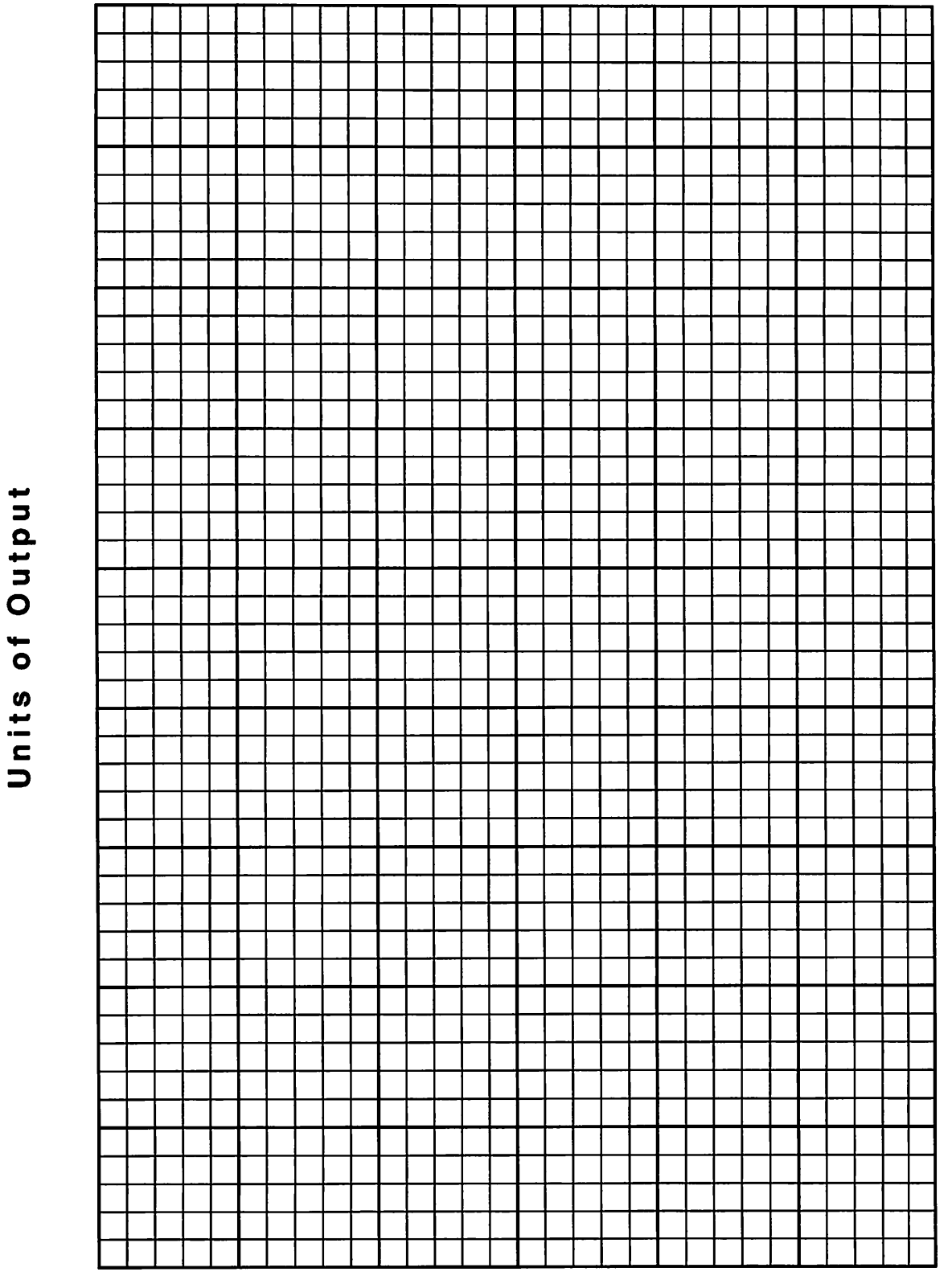
Jerry is a manager for the Do-Rite Agricultural Manufacturing Company. The company is considering expanding its manufacturing operation to building small portable hog feeders. There is a limited amount of space and equipment to get started, and Jerry has been asked to estimate how many new workers will be needed. Jerry has compiled the following information about the relationship between the number of workers used and the number of hog feeders that can be built in one day. Workers will be paid $80/day. Returns from hog feeders will be $100 each.

Calculate the amount of marginal input, average product, marginal product, total revenue, total cost, marginal revenue product, and marginal input cost. Then answer the question below.

No. of Workers	No. of Hog Feeders/Day	MI	AP	MP	TR	MRP	TC	MIC
1	.5		XX		XX		XX	XX
2	1.4							
3	3.9							
4	5.2							
5	6.2							
6	6.8							
7	6.8							

How many workers are needed?_____

Graph the total product, average product, and marginal product curves on the graph on the back of this sheet.


Units of Output
Units of Input

Lesson 2: The Principle of Diminishing Returns Name _____

MAXIMIZING PROFITS IN LAWN CARE SERVICE

Objective: Calculate marginal input, average product, marginal product, total revenue, total cost, marginal revenue product, and marginal input cost.

Chris owns a lawn and garden center and sells trees, shrubs, flowers, and other lawn and garden products. She knows there is a demand in the area for a complete lawn care service, since she already has customers that want the service. Chris has the equipment that will be used, but she is not sure how many workers she will need. She knows she can hire students to work about 20 hours per week to mow and trim lawns. She wants to do as many lawns as possible with the equipment she has available. Employees will be paid $100 per week, and the income for each lawn will be $30. Chris has put together the following information.

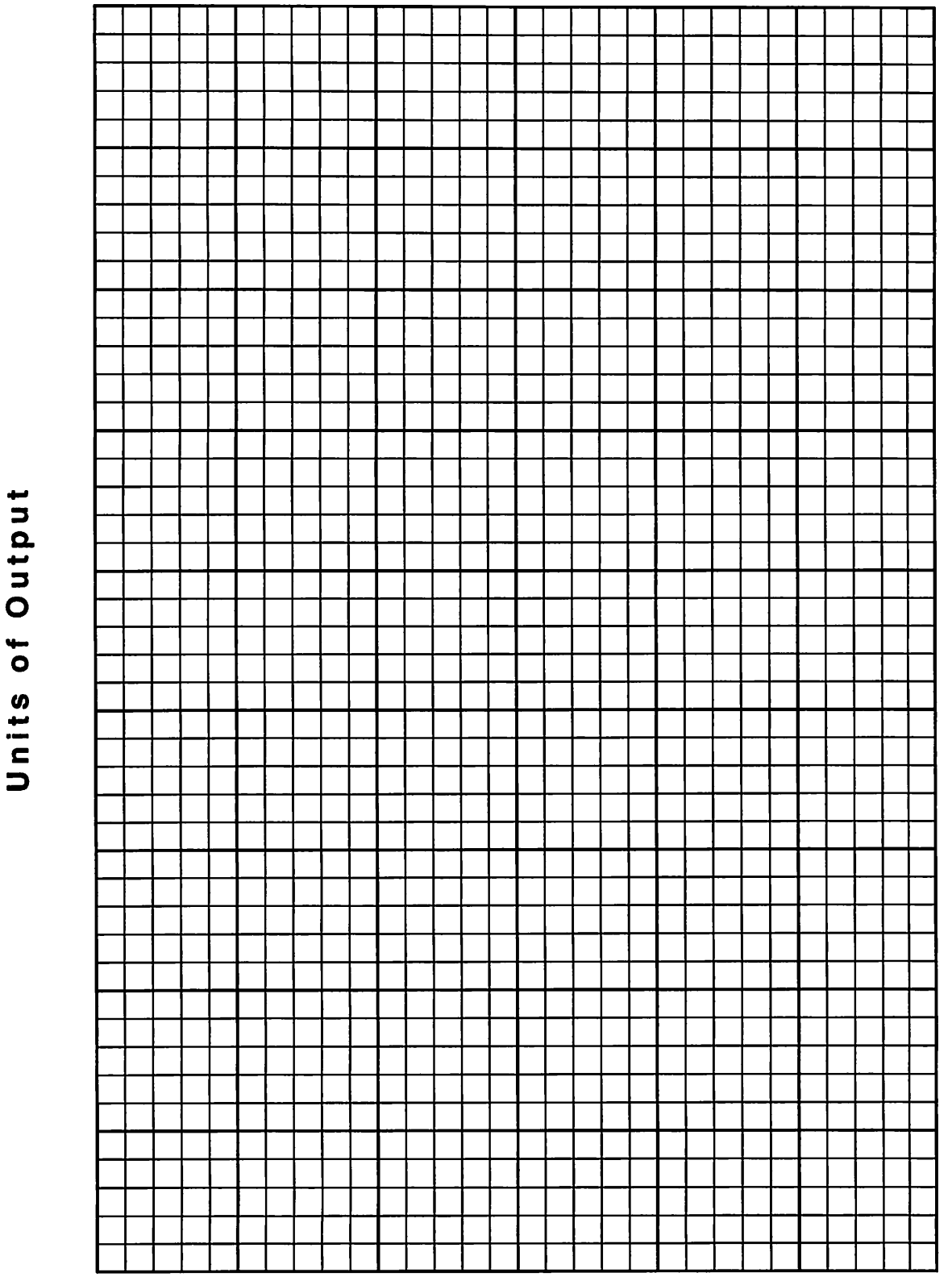
Calculate the amount of marginal input, average product, marginal product, total revenue, total cost, marginal revenue product, and marginal input cost. Then answer the questions below.

No. of Workers	No. of Lawns per Week (TP)	MI	AP	MP	TR	MRP	TC	MIC
1	12	XX		XX		XX	XX	
2	25							
3	35							
4	44							
5	50							
6	55							
7	58							
8	60							
9	61							
10	60							

How many workers should Chris hire? _____

How many lawns should she service? _____

Graph the total product, average product, and marginal product on the graph on the back of this sheet.


Units of Output
Units of Input

Lesson 2: The Principle of Diminishing Returns Name_____

MAXIMIZING PROFITS IN A SWINE PRODUCTION FACILITY

Objective: Calculate marginal input, average product, marginal product, total revenue, total cost, marginal revenue product, and marginal input cost.

Ashley is a manager for a large hog producer. The division of the company she manages receives the hogs at about 210 pounds and raises them to market weight. She is not sure of the most profitable weight at which to market the hogs. Ashley decides to do some research and come up with some estimates using the market price and feed cost, which are $45/cwt and $.09 per pound of feed.

Calculate the amount of marginal input, average product, marginal product, total revenue, total cost, marginal revenue product, and marginal input cost. Then answer the questions below.

Weight of Hogs (TP)	AP	Lbs. of Feed Fed	MI	MP	TR	MRP	TC	MIC
210#	XX	*650	XX	XX	94.50	XXX	58.50	XX
220#		694						
230#		739						
240#		785						
250#		832						
260#		881						
270#		932						
280#		984						
290#		1037						

At what weight should hogs be marketed?_____

* 650 pounds of feed were needed to get the hog to 210 pounds.

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 3: Fixed and Variable Costs

Competency/Objective: Determine the per-unit fixed and variable costs of producing a given output.

Study Questions

1. **What are fixed costs?**
2. **What are the five types of fixed costs?**
3. **What are variable costs?**
4. **When do variable costs become fixed?**
5. **How is total cost calculated?**
6. **How are average variable cost (AVC), average fixed cost (AFC), and average total cost (ATC) calculated?**
7. **How can per-unit cost be used to make decisions?**
8. **What is the difference between the short and the long run?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit II.
2. Transparency Masters
   a) TM 3.1: Fixed and Variable Costs
   b) TM 3.2: Classification of Costs
   c) TM 3.3: Total Cost
   d) TM 3.4: Time Relationship
3. Activity Sheets
   a) AS 3.1: Classification of Costs
   b) AS 3.2: Fixed and Variable Costs

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 3: Fixed and Variable Costs

TEACHING PROCEDURES

A. Review

The last lesson (Lesson 2) covered the principle of diminishing returns, which states that at some point in time the marginal product and marginal economic returns decrease with each additional unit of input. Maximum profit occurs when net economic returns are at their greatest point (MIC = MRP). In this lesson, the difference between fixed and variable costs will be discussed.

B. Motivation

Use the example of the costs associated with operating a car to introduce the concept of fixed and variable costs. Develop a list of the costs of operating a car on the board using these leading questions:

1. How many of you own a car?
2. How many of you drive a family car?
3. If you drive a family car, what costs do you have to pay?
4. If you own a car, what costs do you have to pay?
5. Are all the costs of operating a car alike?
6. What will be the cost of oil to you if you do not drive the car in the next year?
7. What will be the interest cost at 10 percent on $4,000 if you do not drive the car in the next year?
8. What other costs are associated with owning and operating a car?

C. Assignment

D. Supervised Study

E. Discussion

1. Discuss the definition of fixed costs, associating "fixed" with "constant." Remind students that the goal of any business is to maximize profit.

   What are fixed costs?

   a) Fixed costs are costs that remain constant regardless of the level of production.
   b) Sometimes fixed costs are referred to as ownership costs or overhead costs.
   c) They are expenses that have to be paid on a regular basis.

2. Ask students to name the types of costs classified as fixed.

   What are the five types of fixed costs?

   The **DIRTI** Five fixed costs are:
   a) **D**epreciation
   b) **I**nterest
   c) **R**epairs and Shelter
   d) **T**axes
   e) **I**nsurance

3. Ask students to discuss the definition of variable costs. Display TM 2.1 to illustrate the difference between fixed and variable costs. Using AS 3.1 and TM 3.2, have students classify costs as fixed

or variable. You may want to refer back to the motivation and talk about variable expenses, such as that of fuel, that occur with owning or operating a car.

What are variable costs?

Variable costs change in relationship with the level of production or the amount of use.

4. Discuss with students how variable costs may become fixed. Give students an example, such as the cost of seed corn becoming fixed after the seed has been planted.

When do variable costs become fixed?

Once an item has been purchased its cost is fixed. The money has been spent and cannot be spent elsewhere.

5. Ask students how total cost is calculated. Using TM 3.3, illustrate total cost. Hand out AS 3.2 and have students calculate fixed, variable, and total costs.

How is total cost calculated?

Total cost is equal to the fixed costs plus the variable costs.

6. Discuss with students the importance of average variable cost (AVC), average fixed cost (AFC), and average total cost (ATC).

How are average variable cost (AVC), average fixed cost (AFC), and average total cost (ATC) calculated?

a) $AVC = \frac{TVC}{Q}$

b) $AFC = \frac{TFC}{Q}$

c) $ATC = \frac{TC}{Q}$

7. Ask students to describe how per-unit cost can be used to make decisions in an agribusiness.

How can per-unit cost be used to make decisions?

Businesses use per-unit cost figures when making decisions because these figures reduce the values to equal units, such as tons, acres, or bushels. Businesses are generally interested in having low per-unit costs.

8. Discuss with students the influence of fixed and variable costs on short- and long-run decisions, using TM 3.4.

What is the difference between the short and the long run?

a) The short run is a period during which costs are both fixed and variable. Only inputs considered variable may be changed. To minimize losses, business should continue as long as variable costs are covered.
b) In the long run, all resources are variable. In the long run, businesses plan for future needs.

F. Other Activities

Have students classify their family's own business or household expenses as fixed or variable costs. Ask students how certain variable costs would turn to fixed costs. Students may also calculate total cost for their families.

G. Conclusion

Managers should consider two types of costs--fixed and variable--when making business decisions. In the short run, costs may be either one. As long as managers can meet variable costs, their businesses will continue to operate. In the long run, all costs are variable.

H. Answers to Activity Sheets

AS 3.1

Expenses	Fixed Costs	Variable Costs
Inventory		X
Salaries		X
Payroll		X
Depreciation	X	
Interest	X	
Supplies		X
Advertising		X
Taxes	X	
Miscellaneous		X
Insurance	X	
Repairs	X	
Telephone		X
Utilities		X
Principal Payment		X
Gasoline and Oil		X

AS 3.2

1.

	Gasoline	Diesel
Fixed Costs:		
Depreciation/year	2,692	3,178
Interest on average investment/year	1,130	1,334
Repairs/year	300	300
Insurance/year	300	330
Total fixed cost/year	4,422	5,142
Operating Costs:		
Fuel/mile	.08	.0478
Lubrication & gen. maint./mile	.02	.03
Total operating cost/mile	.10	.0778

$$\frac{\textit{Diesel Fixed Costs - Gasoline Fixed Costs}}{\textit{Diesel Operating Costs - Gasoline Operating Costs}} = \frac{\$720/\textit{year}}{\$.0222/\textit{mile}} = 32{,}432 \text{ miles per year}$$

2. $5,142 = .5142

.5142	(Fixed cost/mile)
+ .0778	(Variable cost/mile)
.5910	(Total cost/mile)

I. Answers to Evaluation

1. b
2. a,c,f,g
3. b
4. a
5. Depreciation
   Interest
   Repairs (shelter)
   Taxes
   Insurance
6. To minimize losses
7. ATC (average total cost per unit) = $\frac{TC}{Q}$
8.

Economic depreciation/year	=	$1,062.50	($9,500 - $1,000 = $8,500/8 years = $1,063)
Interest on average investment/year	=	$683.00	($9,500 + $1,000 = $10,500/2 = $5,250 X 0.13 = $683)
Repair/year	=	$250.00	
Total fixed costs/year	=	$1,996.00	($1,063 + $683 + $250 = $1,996)
Fixed cost/day	=	$6.65	($1,996/ 300 days)
Labor/product	=	$2.33	($7.00/ 3 =$2.33)
Material/product	=	$1.00	($3.00/3 = $1.00)
Total variable cost/day	=	$ 3.33	($2.33 + $1.00 = $3.33)
Total cost/day	=	$9.98	($3.33 var. + $6.65 fixed = $9.98)

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS Name _____

Lesson 3: Fixed and Variable Costs Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Costs that remain constant regardless of the level of production are known as _____ costs.

   a. Variable
   b. Fixed
   c. Total
   d. Depreciation

2. Which of the following are variable costs that change in direct relationship with the level of production or amount of use? (More than one answer may be circled.)

   a. Advertising
   b. Depreciation
   c. Fuel
   d. Insurance
   e. Interest
   f. Salaries
   g. Supplies
   h. Taxes (property)
   i. All of the above
   j. None of the above

3. When does seed corn become a fixed cost?

   a. Before it has been purchased
   b. After it has been purchased
   c. When it sprouts
   d. Before it is harvested

4. Per-unit cost figures are used when making decisions because:

   a. Businesses want to have low per-unit costs.
   b. Those figures are needed to calculate average total cost.
   c. Businesses want to have high per-unit costs.
   d. Those figures are needed to calculate total cost.

Complete the following short answer questions.

5. List the five types of costs that are classified as fixed.

   a.
   b.
   c.
   d.
   e.

6. Why does it pay to operate in the short run if total costs are not covered?

7. What is the formula for figuring average total cost (ATC)?

8. Use the following information to calculate cost in the question below:

John is a manager for a large agricultural manufacturing company. He needs to decide whether or not to buy a new piece of equipment to be used in production. The new piece of equipment costs $9,500 and will be used approximately 300 days a year. John thinks it will last about eight years and have a salvage value at the end of those eight years of $1,000. He figures that the interest on the average investment will be around 13 percent. Repairs will run around $250 per year for the eight years it will be used. The equipment will produce three products per hour. John estimates the cost of labor to be $7.00 per hour and the material cost of running the machine to be $3.00 per hour.

How much will it cost to run the new piece of equipment per day?

Economic depreciation/year =

Interest on average investment/year (see bottom of page) =

Repair costs per year =

Total fixed costs per year =

Fixed cost per day =

Labor cost per product =

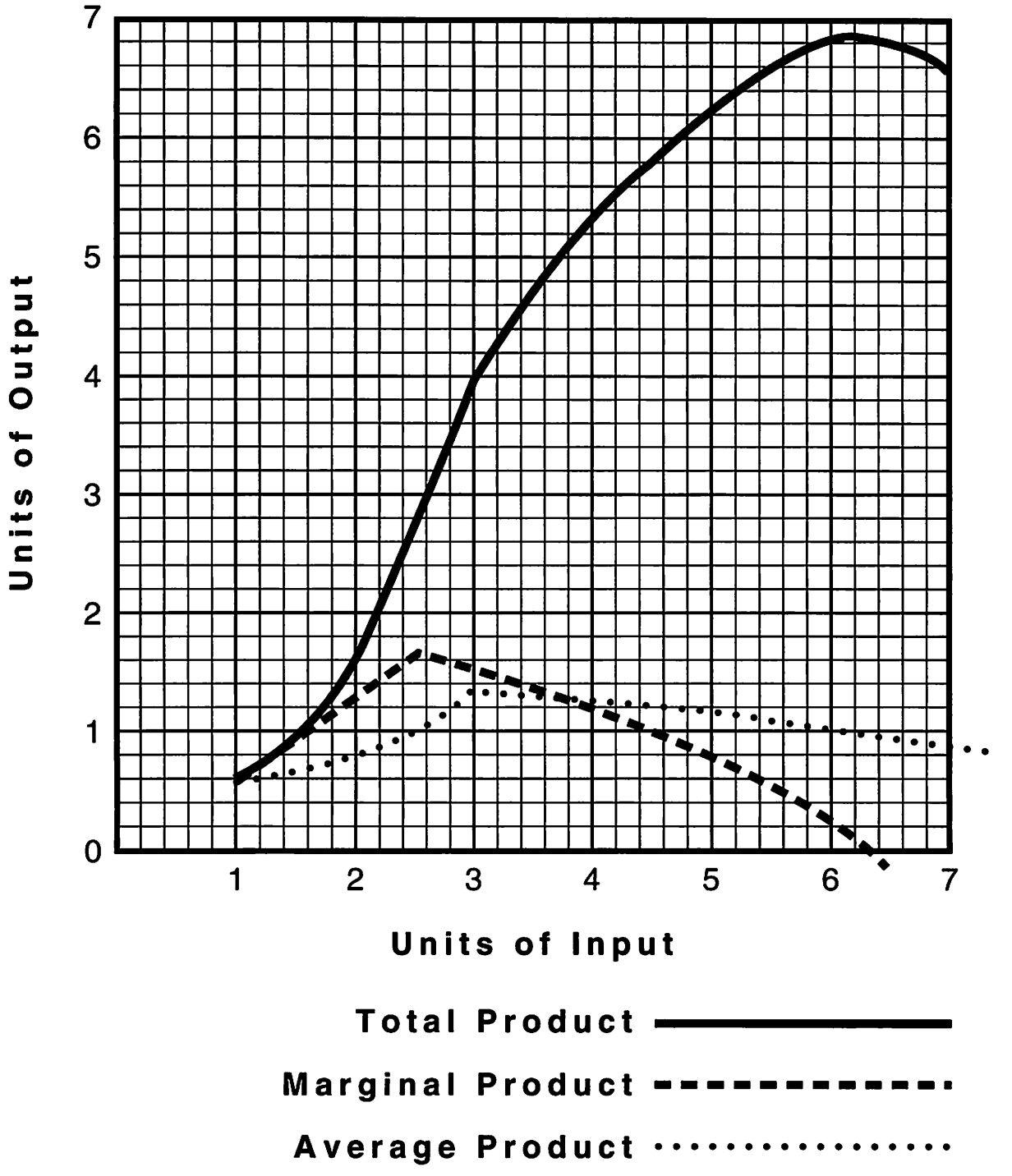
Material cost per product =

Total variable cost per day =

Total cost per day =

$$\frac{\text{Purchase Price + Trade-in Value}}{2} = \text{Average Investment}$$

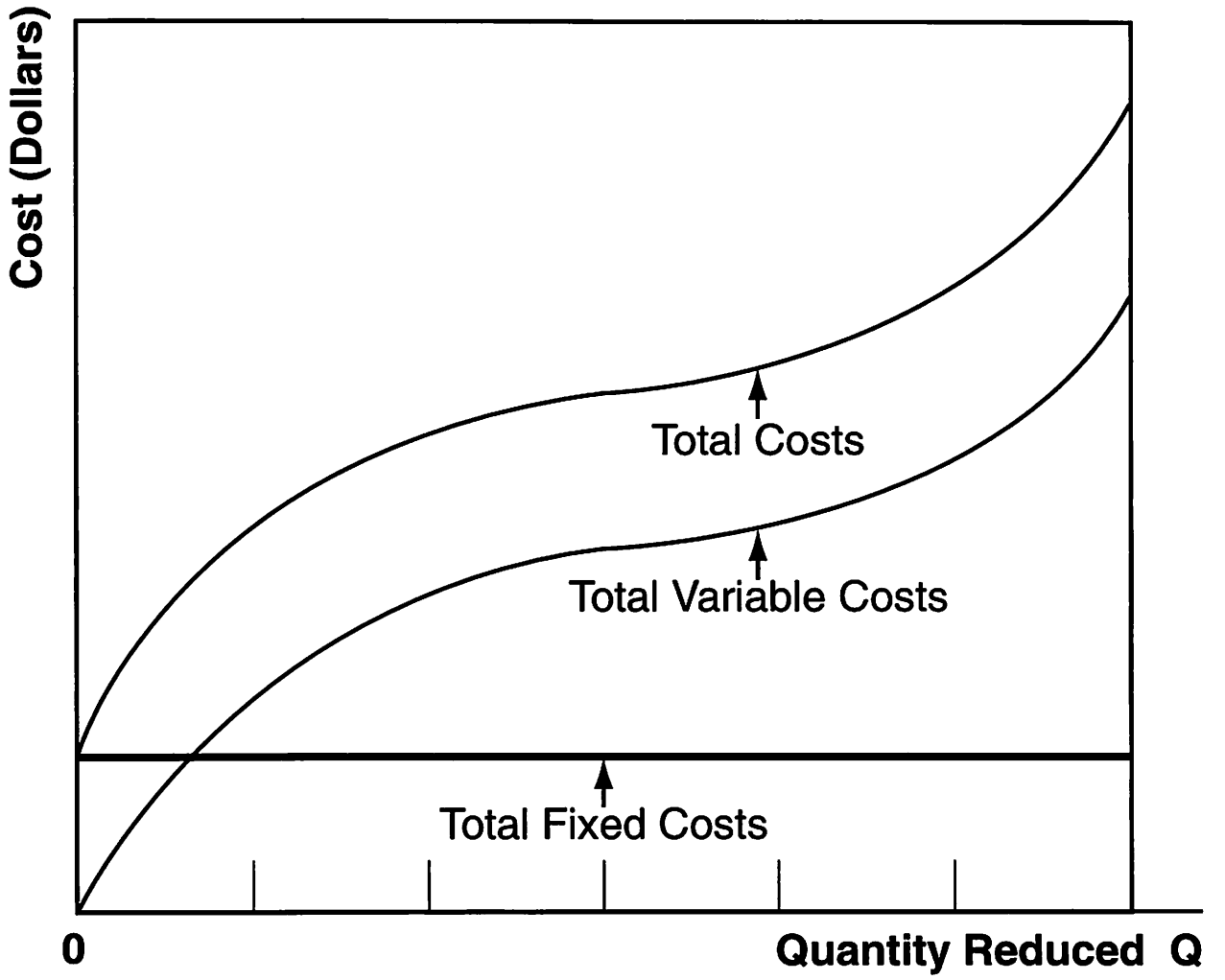
Fixed and Variable Costs



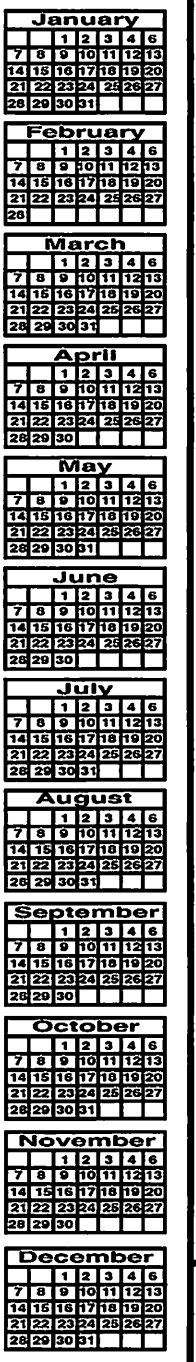
Classification of Costs

Expenses	Fixed Cost	Variable Cost
Inventory		
Salaries		
Payroll		
Depreciation		
Interest		
Supplies		
Advertising		
Taxes		
Miscellaneous		
Insurance		
Repairs		
Telephone		
Utilities		
Principal Payment		
Gasoline and Oil		

Total Cost


Cost (Dollars)
Total Costs
Total Variable Costs
Total Fixed Costs
0
Quantity Reduced Q

Time Relationships



Short Run ●●▷

Time is insufficient to vary amounts of fixed resources.

Long Run ●●●●●●●●●▷

Time is sufficient to alter fixed resources to change output. In essence, these fixed resources become variable. All resources are variable in the long run.

Lesson 3: Fixed and Variable Costs Name _____

Classification of Costs

Objective: Identify fixed and variable costs.

Indicate whether each expense is fixed or variable.

Expenses	Fixed Cost	Variable Cost
Inventory		
Salaries		
Payroll		
Depreciation		
Interest		
Supplies		
Advertising		
Taxes		
Miscellaneous		
Insurance		
Repairs		
Telephone		
Utilities		
Principal Payment		
Gasoline and Oil		

Lesson 3: Fixed and Variable Costs Name _____

Fixed and Variable Costs

Objective: Calculate fixed and variable costs.

Using the information given below, answer the following questions, by calculating the fixed and variable costs. Round figures to the nearest dollar when calculating fixed costs and to four decimal places for operating costs.

Karen is a buyer for a large agribusiness. She needs to purchase some small trucks for sales representatives who call on customers and deliver small amounts of their product. She does some checking at the dealer and learns that the small trucks that the company needs will cost $18,844 for a truck with a gasoline engine and $22,244 for a diesel. She figures that either type of truck will last about seven years with little or no salvage value. Diesel fuel will cost the company on the average approximately $1.10 per gallon and gasoline $1.20 per gallon. The gasoline operated truck has an overall miles per gallon rating of 15 miles per gallon, compared to 23 miles per gallon for the diesel. Insurance costs $150 every six months for the truck with the gas engine and $165 every six months for the diesel. The interest rate on the average investment will be around 12 percent. Repairs are estimated at $300 per year for each truck. Lubrication and general maintenance is estimated at 2 cents per mile on the gas and 3 cents per mile on the diesel.

1. How many miles must be driven to justify buying the diesel?

COST COMPARISON

FIXED COSTS:	GASOLINE	DIESEL
1. DEPRECIATION/YEAR		
2. INTEREST ON AVERAGE INVESTMENT/YR.		
3. REPAIRS/YEAR		
4. INSURANCE/YEAR		
TOTAL FIXED COST/YEAR		
OPERATING (VARIABLE) COSTS:		
1. FUEL PER GAL./MILES PER GAL.		
2. LUBRICATION & GEN. MAINT./MILE		
TOTAL OPERATING COST/MILE PER GAL.		

$$\frac{\textit{DIESEL FIXED COSTS - GASOLINE FIXED COSTS}}{\textit{DIESEL OPERATING COSTS - GASOLINE OPERATING COSTS}} = \frac{\textit{dollars/year}}{\textit{dollars/mile}} = _____ \text{ miles per year}$$

2. If Karen buys the diesel truck and sales representatives drive it an average of 10,000 miles per year, what is the cost per mile?

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 4: Substitution of Inputs

Competency/Objective: Determine the most profitable amount of substitution for inputs and/or outputs in an agribusiness.

Study Questions

1. **What does substitution mean?**
2. **How is maximum profit determined?**
3. **Define the two methods of substitution.**
4. **How is the best rate of substitution calculated?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit II.
2. Transparency Master
   a) TM 4.1: Substitution
3. Activity Sheets
   a) AS 4.1: Substituting Silage for Corn
   b) AS 4.2: Substituting Hay for Corn

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 4: Substitution of Inputs

TEACHING PROCEDURES

A. Review

The last lesson discussed the difference between fixed and variable costs. Fixed costs, such as depreciation and taxes, remain constant regardless of the level of production. Variable costs change in direct relationship with the level of production or the amount of use. In this lesson, we will discuss substitution of inputs. Substitution is replacing one input with another in an attempt to maximize profit.

B. Motivation

Use the example of two brands of candy bars to illustrate the principle of substitution. (You may wish to bring a couple of candy bars to class.) Ask the students the following questions:

1. Which type of candy bar do you prefer?
2. If both it and a different kind of candy bar cost 55 cents, which would you buy?
3. If the one not chosen was reduced to 50 cents, would you select it over the other one that is still 55 cents?

NOTE: If the students would still select their original choice, keep reducing the price of the unchosen candy bar.

4. If the price difference remains the same, will you continue to buy the cheaper candy bar?

C. Assignment

D. Supervised Study

E. Discussion

1. Discuss the definition of substitution with students. Talk about different substitutions that can be made in agribusiness to increase profit. Refer to TM 4.1.

What does substitution mean?

Substitution is replacing one input with another in an attempt to maximize profit.

2. Discuss with students the meaning of "maximum profit."

How is maximum profit determined?

Maximum profit is determined by the best combination of inputs, which are organized in such a way that the business' manager can neither add nor subtract inputs without decreasing profit.

3. Explain the two types of substitution (constant and variable) using an example of each type. An example of constant substitution would be exchanging one type of feed for another in a livestock ration. An example of variable substitution would be the replacement of workers by machines in a business.

Define the two methods of substitution.

a) Constant substitution - when one resource substitutes for another at the same rate for each additional unit of input
b) Variable substitution - when one resource substitutes for part of another at different rates for each additional unit of input

4. Ask students to calculate the best rate of substitution for several different agribusinesses, using AS 4.1 (TM 4.1) as an example. Have students do AS 4.2.

How is the best rate of substitution calculated?

a) Marginal Rate of Substitution (MRS):

$$MRS = \frac{Number\ of\ units\ replaced}{Number\ of\ units\ added}$$

b) Price ratio (PR):

$$PR = \frac{Price\ of\ added\ units}{Price\ of\ replaced\ units}$$

c) The best rate of substitution is when the marginal rate of substitution equals the price ratio.

$$MRS\ \frac{(Number\ of\ units\ replaced)}{(Number\ of\ units\ added)} = \frac{(Price\ of\ added\ units)}{(Price\ of\ replaced\ units)}\ PR$$

F. Other Activities

Discuss with students the history of substitutions in agriculture to maximize profit. Some examples are the use of tractors instead of horses, machine power instead of manpower, computers instead of ledgers, or no-till instead of tillage. Write their answers on the board, making a list of original items and their substitutes. Have students identify whether the substitution was constant or variable.

G. Conclusion

Substitution is desirable when it allows a product to be produced at a higher profit. The best level of substitution can be determined with the use of the substitution and price ratios.

H. Answers to Activity Sheets

AS 4.1

Ration	Pounds of Corn	Pounds of Corn Replaced	Pounds of Silage	Pounds of Silage Added	MRS	PR
A	1,950		1,200		XX	XX
B	1,790	160	1,400	200	.80	.75
C	1,640	150	1,600	200	.75	.75
D	1,500	140	1,800	200	.70	.75
E	1,370	130	2,000	200	.65	.75
F	1,250	120	2,200	200	.60	.75

Which ration would you feed? C
Why? MRS=PR, best possible level of substitution under these conditions

AS 4.2

Ration	Pounds of Corn	Pounds of Corn Replaced	Pounds of Hay	Pounds of Hay Added	MRS	PR
A	800		250		XX	XX
B	730	70	300	50	1.4	.69
C	675	55	350	50	1.1	.69
D	635	40	400	50	.8	.69
E	605	30	450	50	.6	.69
F	580	25	500	50	.5	.69
G	560	20	550	50	.4	.69

Which ration would you feed? D
Why? Closest point MRS ≥ PR

I. Answers to Evaluation

1. d
2. b
3. c
4. b

5.

#Workers	#Workers Replaced	#Machines	#Machines Added	MRS	PR
30		0			
	10		2	5	3
20		2			
	5		2	2.5	3
15		4			
	3		2	1.5	3
12		6			

How many should you buy? 2

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS Name _____

Lesson 4: Substitution of Inputs Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. How many items may be substituted for a single input?

   a. Only one
   b. Very few
   c. Only two
   d. Usually several, depending on what the input is

2. When is variable substitution used?

   a. When one unit of input will take the place of a set amount of another unit of input
   b. When one unit of input will take the place of different amounts of another input
   c. When prices of inputs are the same
   d. When prices of inputs are different

3. Purchasing a large piece of machinery in order to reduce the cost required to complete a particular operation is profitable if _____.

   a. The savings in labor is less than the cost of owning the larger machine
   b. There is sufficient capital available
   c. The cost of owning the larger machine is less than the savings in labor
   d. The savings in labor is equal to the cost of owning the larger machine

4. The reason for using the substitution principle in deciding upon the right combination of inputs to use is _____.

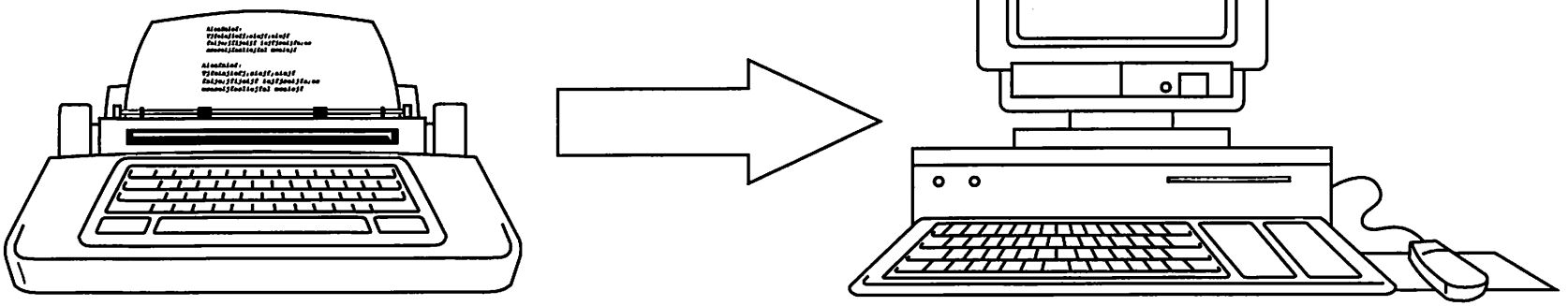
   a. To maximize cost
   b. To maximize profit
   c. To reduce fixed costs
   d. To minimize product cost

Fill in the table to answer the question below.

5. You are the manager of a company and your job is to maximize profit. Workers for a certain job are paid $400 a week. A new machine can replace different number of workers. It costs $1,200 a week to own and operate. How many should you buy? _____

# Workers	#Workers Replaced	#Machines	#Machines Added	MRS	PR
30		0			
20		2			
15		4			
12		6			

Substitution



Typewriter

Computer

Lesson 4: Substitution of Inputs Name _____

SUBSTITUTING SILAGE FOR CORN

Objective: Determine the best rate of substitution.

Suppose you have just become manager of a large livestock feedlot. You have received a large number of 600-pound steers that need to be fed to 1,050 pounds each. You are able to substitute silage for corn, and you want to feed the steers at the lowest cost possible. Corn costs 4¢ per pound. Silage costs 3¢ per pound.

Fill out the table, calculating marginal rate of substitution and price ratio. Use the information to answer the questions below.

Ration	Pounds of Corn	Pounds of Corn Replaced	Pounds of Silage	Pounds of Silage Added	MRS	PR
A	1,950		1,200		XX	XX
B	1,790	____	1,400	____	____	____
C	1,640	____	1,600	____	____	____
D	1,500	____	1,800	____	____	____
E	1,370	____	2,000	____	____	____
F	1,250	____	2,200	____	____	____

What ration would you feed? _____

Why? _____

Lesson 4: Substitution of Inputs Name _____

SUBSTITUTING HAY FOR CORN

Objective: Determine the best rate of substitution.

As the manager of a large livestock feedlot, you need to keep feed costs as low as possible while maximizing average daily feed gain. You have the option of substituting hay for corn. Your goal is to maintain 2.2-pound average gain per head. Corn costs $2.24 per bushel (4¢ per pound). Hay costs $55.00 per ton (2.75¢ per pound).

Fill in the table, calculating the marginal rate of substitution and price ratio. Then use the information to answer the questions.

Ration	Pounds of Corn	Pounds of Corn Replaced	Pounds of Hay	Pounds of Hay Added	MRS	PR
A	800		250		XX	XX
B	730	____	300	____	____	____
C	675	____	350	____	____	____
D	635	____	400	____	____	____
E	605	____	450	____	____	____
F	580	____	500	____	____	____
G	560	____	550	____	____	____

Which ration would you feed? _____

Why? _____

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 5: Opportunity Cost

Competency/Objective: Identify the opportunity cost of choosing one economic alternative over another.

Study Questions

1. **What is opportunity cost?**

2. **How are business decisions affected by opportunity cost?**

3. **What happens if a manager does not consider opportunity cost?**

4. **What measures can be used to represent opportunity cost?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit II.

2. Activity Sheets

   a) AS 5.1: Opportunity Cost
   b) AS 5.2: Return on Investment for a Cooperative Store

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 5: Opportunity Cost

TEACHING PROCEDURES

A. Review

Lesson 4 discussed how maximum profit is determined by the best combination of inputs, which are organized in such a way that the manager can neither add to nor subtract from the business without decreasing profit. The best level of substitution of inputs is where the marginal rate of substitution equals the price ratio. In Lesson 5, opportunity cost will be discussed. Opportunity cost is the difference between the return on one investment and the return on an alternative.

B. Motivation

Place a dollar on the table. Ask students how they would spend that dollar. Make a list of their answers. Show them that once a decision is made, the opportunity to spend the dollar in another way is gone.

C. Assignment

D. Supervised Study

E. Discussion

1. Ask the students to describe opportunity cost. Work through the examples in AS 5.1 and 5.2.

   What is opportunity cost?

   Opportunity cost is the return on the best alternative not selected.

2. Discuss with students what decisions would be affected by opportunity cost.

   How are business decisions affected by opportunity cost?

   All business decisions involve limited resources, which are land, labor, and capital. Every business must find the right mixture of these resources to continue earning a profit.

3. Discuss with students what can happen if opportunity cost is not considered.

   What happens if a manager does not consider opportunity cost?

   If a manager fails to consider the opportunity cost of a decision, the opportunity to make a greater profit may be missed.

4. Discuss with students what factors can be used to represent opportunity cost.

   What measures can be used to represent opportunity cost?

   a) The rate of return on investment is used when the opportunity available requires different amounts of investment.
   b) Net return is used when different opportunities available require the same amount of investment.

F. Other Activities

Have an open discussion about opportunity cost. Ask the students what the opportunity cost of keeping more money than necessary in a checking account is. Have students come up with some examples.

G. Conclusion

All decisions have some costs. Managers need to consider the opportunity cost when making those decisions. Opportunity cost is the difference between the return on one investment and the return on an alternative. The rate of return on investment and net return are indicators of which alternative is the best choice.

H. Answers to Activity Sheets

AS 5.1:

Corn	$92
Soybeans	$100
Wheat	$100
Alfalfa	$100
Pasture	$100

Corn should be planted.

AS 5.2

Options:	**A**	**B**	**C**
	16' metal tubing gate (pipe)	16' metal galvanized gate	16' wooden gate
Expense	$70.00	$45.00	$30.00
Return	$80.00	$70.00	$40.00
Net Return:	$10.00	$25.00	$10.00
Rate of Return on Investment:	14.28%	55.56%	33.33%

What is the best option for purchasing farm gates for resale? B

I. Answers to Evaluation

1. b
2. a
3. c
4. c
5. Land, labor, and capital

6. Opportunity cost is the return on the best alternative not selected.

7. The manager may miss an opportunity to make a greater profit.

 Name _____

Lesson 5: Opportunity Cost Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which of the following measures can be used to represent opportunity cost when the opportunities available require different amounts of investment?

   a. Net return
   b. Rate of return on investment
   c. Total return
   d. Total expense

2. Which of the following values could be an opportunity cost?

   a. $2,000 net return from steer operation that was not selected
   b. $1,500 total return from an alternative that was not selected
   c. $200 expense for supplies in an alternative that was not selected
   d. 12.5 percent rate of return on investment for the alternative selected

3. Opportunity cost is included in which of the following?

   a. Cash costs
   b. Expenses
   c. Noncash costs
   d. Returns

4. What would be the opportunity cost for selecting Option D if all options required a $1,750 investment?

   a. Option A: $2,000 net return
   b. Option B: $2,336 net return
   c. Option C: $2,950 net return
   d. Option D: $3,000 net return

Complete the following short answer questions.

5. List three limited resources that a manager must try to allocate to the best alternatives.

   a.

   b.

   c.

6. What is opportunity cost?

7. If a manager fails to consider opportunity cost, what may be the result?

Lesson 5: Opportunity Cost Name _____

OPPORTUNITY COST

Objective: Calculate opportunity cost.

John is a manager for a large feedlot. The owner of the feedlot has a chance to rent 800 acres next to the feedlot, but if he does, he is not sure what to plant. He has asked John to come up with some net return figures for different crops. John thinks he can get the following net returns.

Using the information given above, determine opportunity costs.

CORN	$100/ACRE
SOYBEANS	$ 92/ACRE
WHEAT	$ 60/ACRE
ALFALFA	$ 35/ACRE
FESCUE OR PASTURE	$ 15/ACRE

What is the opportunity cost if the owner decides to plant:

CORN ?

SOYBEANS ?

WHEAT ?

ALFALFA ?

PASTURE ?

What should be planted on the land?_____

Lesson 5: Opportunity Cost Name _____

RETURN ON INVESTMENT FOR A COOPERATIVE STORE

Objective: Calculate the net return and rate of return on investment.

A cooperative dealer has a limited amount of money to use to stock the following options. Select the option that would be the most profitable by calculating the rate of return on the investment.

Fill in the table, calculating net return and rate of return on investment. Then answer the question.

Options:	**A**	**B**	**C**
	16' metal tubing gate (pipe)	16' metal galvanized gate	16' wooden gate
Expense	$70.00	$45.00	$30.00
Return	$80.00	$70.00	$40.00
Net Return:	_____	_____	_____
Rate of Return on Investment:	_____	_____	_____

What is the best option for purchasing farm gates for resale? _____

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 6: Major Markets for Price Discovery in Agribusiness

Competency/Objective: Identify the major markets for price discovery in the United States.

Study Questions:

1. **What are the major markets for price discovery in the United States?**

2. **How are the commodities markets utilized by agribusiness?**

3. **How is the stock market utilized by agribusiness?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit II.

2. Transparency Masters

   a) TM 6.1: Live Cattle Futures
   b) TM 6.2: Agricultural Options

3. Activity Sheets

   a) AS 6.1: Live Cattle Futures
   b) AS 6.2: Agricultural Options

4. Handout

   a) HO 6.1: The History of the Chicago Board of Trade

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 6: Major Markets for Price Discovery in Agribusiness

TEACHING PROCEDURES

A. Review

In Lesson 5, opportunity cost was discussed. Opportunity cost is the difference between the return on investment and the return on an alternative. Lesson 6 will discuss the major markets in which prices for agricultural products are discovered. Price discovery is the process by which buyers and sellers arrive at a specific price for a given lot of product in a given location.

B. Motivation

1. Give students HO 6.1 and allow them to read it. Discuss the history and function of the Chicago Board of Trade with the students.

2. Ask the students what the present prices of soybeans, corn, hogs, and cattle are. Write the amounts on the board, and then ask them how these prices were determined. Write the answers on the board. After the supervised study, ask them again how prices are determined, and write the answers on the board. Discuss whether they still agree with their original answers.

C. Assignment

D. Supervised Study

E. Discussion

1. Ask the students to list the major markets for price discovery in the Unites States. Discuss the purpose of the commodities market.

What are the major markets for price discovery in the United States?

a) The major markets for price discovery in the United States are commodities exchanges.
b) Price discovery is the process by which buyers and sellers arrive at a specific price for a given lot of produce in a given location.
    1) Supply and demand and the market clearing price are estimated.
    2) Price discovery differs from price determination, which is based on the general principles of supply and demand.
    3) The equilibrium price target for each transaction is discovered in the marketplace based on the bargaining powers of buyers and sellers.
    4) The price does not necessarily equal the market clearing price, as it does in price determination.
c) The commodities market allows the price discovery system to function by providing an organized marketplace, providing uniform rules for trading, delivery, and payment, and collecting and distributing price information to the public.

2. Discuss how agribusinesses utilize the commodities markets. Explain the important role of speculators in the market. Define the terms used in futures marketing. Using AS 6.1 and 6.2, work some sample problems with students that involve hedging and the use of options. TM 6.1 and 6.2 illustrate the answers to the activity sheets.

NOTE: Current stock prices are available on the Internet from sites such as the Chicago Board of Trade.

How are the commodities markets utilized by agribusinesses?

a) Producers and agribusinesses use the commodities market to protect themselves against price changes.
b) Speculators carry out a large part of commodities trading and have a large impact on the discovery of price. Speculators are generally interested not in agricultural products but in selling the futures contracts for those products at higher prices than those at which they were purchased.
c) Producers, agribusinesses, and speculators trade futures contracts for the purchase and sale of commodities for future delivery, trading them on the commodities exchange.
    1) Hedging - means of managing price or market risk by taking an opposite position in the futures market from that held in the cash market
    2) Basis - difference between the local cash price and the expiring futures contract
    3) Long - buying a futures contract without closing out one's position through an offsetting sale or taking delivery
    4) Short - selling a futures contract without closing out one's position through an offsetting purchase or taking delivery
    5) Long hedge - buying a futures contract to offset the risk of a price increase on an upcoming cash commodity purchase
    6) Short hedge - selling a futures contract to offset the risk of a decline in prices on an upcoming cash commodity sale
d) Agricultural options are another tool that can provide price insurance and market flexibility for producers and agribusinesses.
    1) Option - contract that gives its owner the right, but not the obligation, to buy or sell a futures contract at a certain price for a certain period of time
    2) Strike price - guaranteed price at which the futures contract can be bought or sold
    3) Call option - conveys the right to purchase a futures contract at a designated strike price
    4) Put option - conveys the right to sell a futures contract at a specific strike price
    5) Premium - price that must be paid for an option

3. Discuss how stocks are used by agribusiness corporations and other corporations to raise money. Explain how stocks are bought and sold at stock exchanges.

How is the stock market utilized by agribusiness?

a) The sale of stock to individuals provides money agribusiness corporations can use to start or expand operations.
b) Individuals or other companies that purchase shares of stock are called shareholders or stockholders. Stockholders receive certificates called shares that indicate the number of units of stock they have purchased and entitle them to a share of the profits.
c) The two main categories of stock are common and preferred.

F. Other Activities

1. Have a commodities broker visit the class and discuss the mechanics of hedging. Be sure the students understand the basic principle before the visit occurs. The visit could emphasize how to work with a broker and how to start a commodities trading account.

2. Invite a local grain elevator manager or owner who uses price protection in the commodities market to discuss futures contracting.

3. Have students pretend to purchase a commodity and then follow its movement in the commodities market for a set period. Compute profit or loss.

4. Obtain the *Commodity Challenge* by calling or writing the Chicago Board of Trade. This 57-page booklet provides additional information on commodities markets and activities for students.

5. Divide the class into teams and have them do FFA's Commodity Marketing Activity. The activity involves determining when to buy and sell products to achieve the greatest economic gain.

6. Show videos from the Farm Credit Services Series, available from MVRC: "Speculation," "The Hedge Broker and Types of Orders," "Introduction to the Futures Market," "The Futures Market: Hedging," "Introduction to Agricultural Options."

G. Conclusion

The commodities market is the major market for price discovery. Price discovery is the process by which buyers and sellers arrive at a specific price for a given lot of produce in a given location. It is the process in which the equilibrium price target is discovered and applied to each transaction in the agricultural marketplace. The stock exchange is the means by which agribusiness corporations raise money to establish or expand the size of the corporation.

H. Answers to Evaluation

1. c
2. a
3. d
4. b
5. a

6. In price discovery, buyers and sellers arrive at a specific price for a particular lot of produce in a given location. It does not necessarily equal the market clearing price. Price determination is based on the general principle of supply and demand and equals the market clearing price.

7. The commodities market provides an organized marketplace, set out uniform standards for trading, delivery, and payment, and collect and distribute price information to the public. These functions allow price discovery to take place.

EVALUATION

Circle the letter that corresponds to the best answer.

1. What is the process by which buyers and sellers arrive at a specific price for a given lot of produce in a given location?

   a. Price determination
   b. Price point
   c. Price discovery
   d. Strike price

2. What is it called when participants in the commodities market take an opposite position in the futures market to that in the cash market as a means of managing price risk?

   a. Hedging
   b. Basis
   c. Price discovery
   d. Price determination

3. What is the difference between the local cash price and the nearby expiring futures contract?

   a. Short hedge
   b. Long hedge
   c. Strike price
   d. Basis

4. What gives the owner the right, but not the obligation, to buy or sell a futures contract at a certain price for a certain period of time?

   a. Hedging
   b. Option
   c. Long hedge
   d. Short hedge

5. What are the two main categories of stock?

   a. Common and preferred
   b. Short and long
   c. Common and special
   d. Regular and preferred

Complete the following short answer questions.

6. What is the difference between price determination and price discovery?

7. What are the primary functions of the commodities market?

LIVE CATTLE FUTURES

Date	Cash	Futures	Basis
April	Expected hedge price in October = $66.70/cwt.	Sell Oct 1 live cattle futures @ $68.70/cwt.	Expected = -$2.00/cwt.

When you offset your hedge, what is the realized sales price?

Date	Cash	Futures	Basis
April	Expected hedge price in October = $66.70/cwt.	Sell Oct 1 live cattle futures @ $68.70/cwt.	Expected = -$2.00/cwt.
October	Cash sales price = $61.75/cwt.	Cattle futures sell Oct 1 @ $63.50/cwt.	Actual = -$1.75/cwt.
		Gain of $5.20	Improvement = +$0.25

Cash Sale Price + Futures Gain = Realized Hedge Price
$61.75 + $5.20 = $66.95/cwt

AGRICULTURAL OPTIONS

Date	Cash	Futures	Option
Nov. 1	$2.00/bu.	$2.50/bu.	Buy put option with $2.50 strike price, 20 cents premium
Jan. 10	Sell @ $1.80/bu.	$2.30/bu.	Sell put option with $2.50 strike price, 40 cents premium

What is the total return received on the sale of the corn?

	January cash price	=	**$1.80**
+	**Premium gain**	=	**.20**
	Total return	=	**$2.00**

Suppose that instead of falling, corn prices rise:

Date	Cash	Futures	Option
Nov.1	$2.00/bu.	$2.50/bu.	Buy put option with $2.50 strike price, 20 cents premium
Jan. 10	Sell @ $2.40/bu.	$2.90/bu.	

What should be done with the option?

The option should be allowed to expire.

What will the total return on the corn be?

	January cash price	=	**$2.40**
-	**Premium loss**	=	**.20**
	Total return	=	**$2.20**

Lesson 6: Major Markets for Price Discovery in Agribusiness Name_____

Live Cattle Futures

Objective: Calculate prices on futures contracts.

Use the information below to answer the question.

Suppose you manage a large livestock feed lot. It is now April, and you have 300 steers that will be ready for the cash market in October. You are afraid that prices will decline, and you want to protect the price that you will receive with a short hedge in live cattle futures.

Date	Cash	Futures	Basis
April	Expected hedge price in October = $66.70/cwt.	Sell Oct. 1 live cattle futures @ $68.70/cwt.	Expected basis = -$2.00/cwt.

In October, live cattle futures are trading at $63.50/cwt. The local cash market is at $61.75.

When you offset your hedge, what is the realized hedge price?

Lesson 6: Major Markets for Price Discovery in Agribusiness Name_____

Agricultural Options

Objective: Calculate the return on an options contract.

Use the information to answer the questions below.

Suppose you are a manager for a large corporate grain producer. You have a large amount of stored corn scheduled to be sold in January and are concerned about prices. You decide to purchase a put option to protect the corporation against falling market prices. You observe the market and make the following decisions.

Date	Cash	Futures	Option
November 1	$2.00/bu.	$2.50/bu.	Buy put option with $2.50 strike price, 20 cents premium
January 10	Sell @ $1.80/bu.	$2.30/bu.	Sell put option with $2.50 strike price, 40 cents premium

What is the total return received on the sale of the corn?

Suppose that instead of falling, corn prices rise:

Date	Cash	Futures	Option
November 1	$2.00/bu.	$2.50/bu.	Buy put option with $2.50 strike price, 20 cents premium
January 10	Sell @ $2.40/bu.	$2.90/bu.	

What should be done with the option?

What will the total return on the corn be?

The History of the Chicago Board of Trade

The history of commodity futures trading is closely associated with the city of Chicago. Chicago became a city in 1837 with a population of 4,107. The city grew rapidly because of its location at the lower terminus of the Great Lakes close to the fertile lands of northern Illinois, since the opening of the land depended chiefly on water transportation.

Originally, the grain and livestock required for the city of Chicago were produced nearby, but as the city began to grow and farms began to spread out across the plain, it became more difficult for Chicago's citizens to obtain the produce they needed. To make transportation of goods such as grains easier, plank roads were built out into the countryside a substantial distance from the city. Railroads were built, and trains traveled in all directions in and out of Chicago carrying agricultural freight. Chicago became a major terminus for grains after the completion of the Illinois-Michigan Canal in 1848.

The Chicago Board of Trade was organized in 1848. Its 82 members were responsible for promoting commerce in the city. In 1859, the Board of Trade was licensed by the state of Illinois to hire and instruct personnel to measure, gauge, weigh, and inspect grain. Until this time, Chicago had followed the Old World custom of public trading, in which trading took place in city squares and on street curbs. The grain trade then moved from curb to curb, with merchants often buying agricultural products in several places in one day. To end this confusion, the Board of Trade provided a facility to display grains, with regular hours for trading to take place.

At the time, a great deal of risk was involved in holding corn through the winter until spring. Bankers were very reluctant to issue large loans on unsold corn. The river merchants selling grain quickly developed their own method of selling futures by going to Chicago and making contracts at firm prices for the delivery of grain in the spring. The first commodity contract on record was made on March 13, 1851. It was a contract for the delivery of 3,000 bushels of corn in June at the price of one cent per bushel under the price on March 13.

In May 1865, the first rule dealing with time contracts was established by the board. It provided for the deposit of a margin that was not to exceed 10 percent of the value of the commodity. Other rules were adopted in October 1865, that provided for certain procedures to be followed in the event of failure to deliver. The rules also provided for standard delivery procedure and terms of payment.

By the late 1800s, futures contracting had passed into the hands of speculators. Speculators became vital early in the development of commodity market; they were much better prepared to assume price risks than were the commercial interests.

As time passed and the size of the market increased, more rules were adopted. The process of futures trading became a better way of making the market efficient and fair. It also became a source of income for the owners and employees of commission houses, commodity brokerage firms, and commodity exchange employees. Today, the Chicago Board of Trade consists of thousands of members who are authorized to buy and sell contracts. These members provide the means for the market to operate smoothly and efficiently.

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 7: Government and the Economics of Agriculture

Competency/Objective: Explain how the government is involved in the economics of agriculture.

Study Questions:

1. **Why does the government become involved in agriculture?**

2. **How does government involvement impact the agricultural industry?**

3. **What effect does the government have on agricultural prices?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit II.

2. Transparency Masters

   a) TM 7.1: The Effect of Government Storage Programs
   b) TM 7.2: The Effect of Price Controls

3. Activity Sheet

   a) AS 7.1: The Government's Impact on Agriculture

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS

Lesson 7: Government and the Economics of Agriculture

TEACHING PROCEDURES

A. Review

As discussed in Lesson 6, commodities markets are the major markets for price discovery. Price discovery is the method by which buyers and sellers arrive at a specific price for a given lot of agricultural product at a given location. The lesson also covered the stock market, which is used for raising money to start and expand corporations. Lesson 7 is about how and why the government becomes involved in the economics of agriculture. Government involvement in agriculture has affected supply and demand as well as the price of agricultural products. Government policies continue to change to meet what are considered to be the social, economic, and political needs of the nation.

B. Motivation

Discuss the following dilemma with the class. Ask students why it is acceptable for the government to pay for agricultural producers not to grow crops on their land through programs such as CRP. Explain to them that programs like this are designed to protect the soil and to prevent soil and other pollutants from entering our rivers and streams. Ask students if they believe this is a good program. Ask those students who say it is why they think government agencies such as the EPA assess large fines against other businesses for polluting our rivers and streams instead of paying them to protect the environment.

C. Assignment

D. Supervised Study

E. Discussion

1. Discuss with students why the government becomes involved in agribusiness. Explain to them that, historically, the major justification for government involvement has been to maintain an ample food supply at a reasonable price, but goals and values have changed over time, increasing the government's involvement in the agricultural industry.

   To illustrate the effect of government intervention, refer to TM 7.1. Increased production led to a large surplus of corn. The equilibrium was at P_1 and Q_1, but the surplus shifts the supply curve from S_1 to S_2. The price then lowers to P_2, and the quantity demanded increases to Q_2. To avoid this decrease in price during periods of high production, government storage programs would remove Q_2 minus Q_1 bushels of corn to storage. This would bring the supply back to S_1, and equilibrium would temporarily be restored at P_1 and Q_1.

   Why does the government become involved in agriculture?

   a) To ensure the safety of the food supply
   b) To ensure an adequate food supply through programs that expand agricultural production
      1) Irrigation projects
      2) Research
      3) Extension education services
   c) To increase export earnings
   d) To use exports as a part of foreign policy
   e) To protect the environment, ensuring the capacity of agriculture to produce in the future
      1) Soil conservation programs
      2) Programs for water conservation and the preservation of prime farmland
   f) To support farm income

2. Ask students to describe the effects of government involvement on the agricultural industry.

How does government involvement impact the agricultural industry?

a) Policies dealing with the safety of the food supply have had positive and negative effects.
   1) Banning certain herbicides and insecticides has decreased production through the loss of crops to weeds and insects.
   2) Regulations to ensure sanitation and to eliminate the dumping of waste have improved food safety but have also increased production costs and the costs of agricultural commodities; they have had the side effect of forcing many small producers out of certain areas of agricultural production.

b) Policies to expand the food supply have increased productivity.

c) Conservation programs have had a positive impact on the environment.

d) Government policies have made it possible to increase exports, generating more profits for the agricultural industry.

e) Storage programs to control the price of agricultural products have helped agricultural producers during times of high production. They have also encouraged agricultural producers to depend on government intervention to correct the market rather than make changes themselves to meet the demands of competition.

3. Historically, the government has used four programs to control the price of food. Have the students list and describe these programs.

Use TM 7.2 to illustrate what happens without government price controls. Suppose the market for meat with no price control is at equilibrium, that is, supply is equal to demand. This would be at P_1 and Q_1. If consumers income increases because of an increase in wages, the demand for meat will become greater, and demand will shift to D_2. This means that consumers will wish to purchase more meat at each price than previously.

If consumers buy more, prices will go up. At the original price, consumers are now willing to buy the quantity of meat at Q_3 if it is available. The retail meat seller will attempt to buy more meat to satisfy demand, but because supply remains unchanged, a shortage of meat will occur at price P_1 equal to Q_3 minus Q_1. The retailer will have to pay higher prices to obtain enough meat. This price increase will be passed on to the consumer. The rising price will cause more meat to be produced and processed, but it will also discourage consumption. Price and quantity demanded will thus move to a new equilibrium point at P_2 and Q_2.

Have students complete AS 7.1.

What effect does the government have on agricultural prices?

a) Direct price controls have been implemented to control the food supply and prices in times of military conflict or in peacetime when there was high inflation and a decline in wages.

b) Export restrictions have been used by the government to control the food supply and domestic prices; they increase the food supply and lower prices.

c) Reducing import restrictions and allowing more products to be imported increases the food supply and lowers prices.

d) Domestic grain reserves are used as an inflation-fighting tool. If grain prices are too high, the government will release some of the reserves, which increases supply and lowers the price. If the prices are too low, the government can increase the price by increasing reserves.

F. Other Activities

Invite a government representative from your local FSA office to discuss the different programs that the state and federal governments administer. Discuss how these programs affect agriculture.

G. Conclusion

The government has become involved in agriculture for a variety of reasons, and its policies have a great impact on the agricultural industry. Price controls instituted by the government in response to a need to stabilize the U.S. economy or to control food prices are a very important type of government intervention.

H. Answers to Evaluation

1. c
2. d
3. b

4. Instituting direct price controls, restricting exports, reducing import restrictions, and controlling grain reserves

5. Storage programs to control the supply and price of agricultural products have helped agricultural producers during times of high production. They have also encouraged agricultural producers to depend on government intervention to correct the market rather than make changes themselves to meet the demands of competition.

UNIT II - ECONOMIC PRINCIPLES IN AGRIBUSINESS Name_____

Lesson 7: Government and the Economics of Agriculture Date_____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Regulations to ensure sanitation and to eliminate the dumping of waste in processing facilities have:

   a. Not had an impact on food safety.
   b. Decreased the costs of production.
   c. Increased the costs of commodities.
   d. Not affected small producers.

2. Which of the following is <u>not</u> a reason that the government has become involved in agriculture?

   a. To ensure the safety of the food supply
   b. To protect the environment
   c. To regulate agricultural prices
   d. To decrease farm income

3. Government programs to increase the food supply have:

   a. Not affected productivity.
   b. Made it possible to increase exports.
   c. Made it possible to increase imports.
   d. Decreased productivity.

Complete the following short answer questions.

4. What are four approaches that the government has used to control the price of food?

   a.

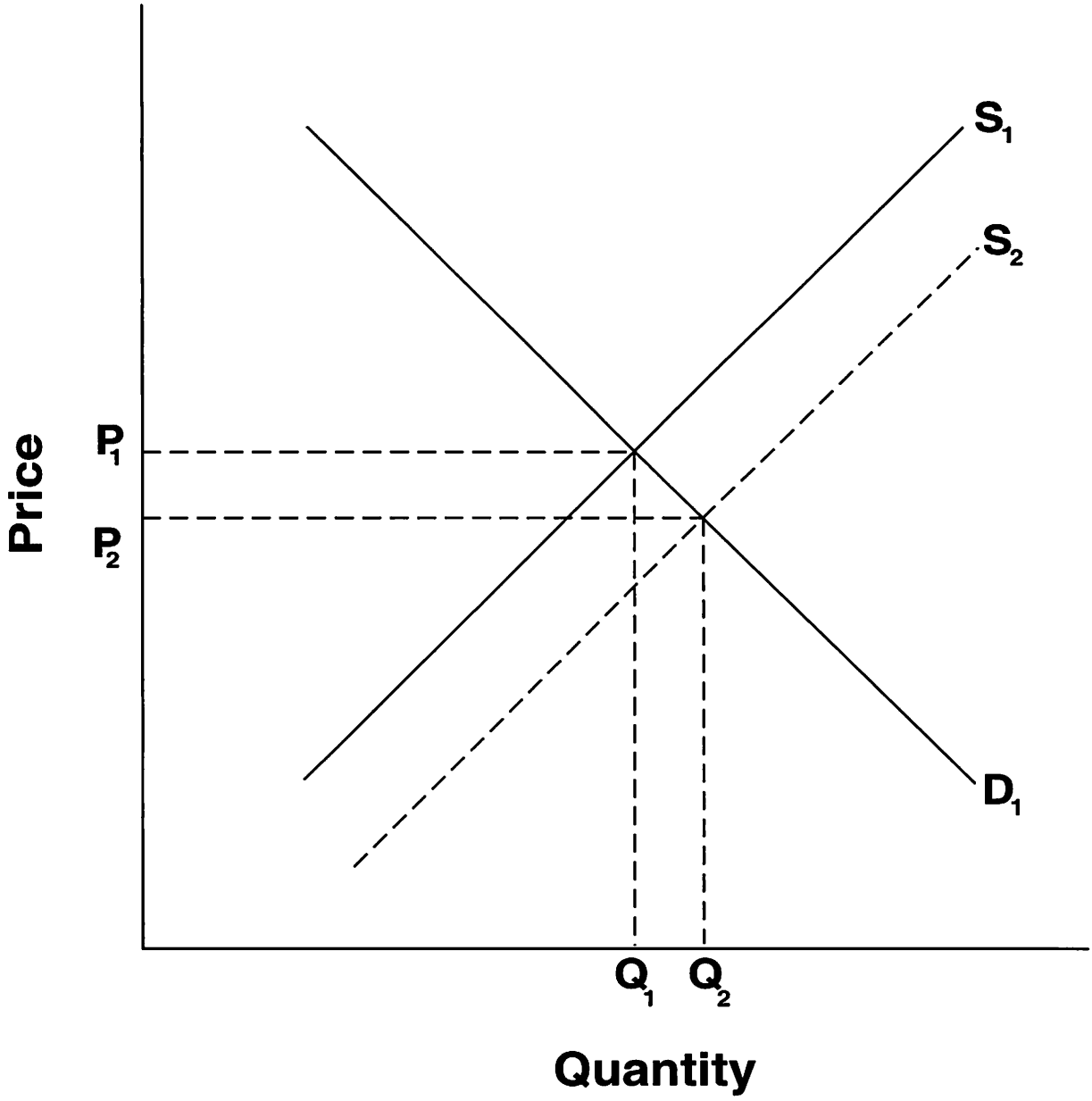
   b.

   c.

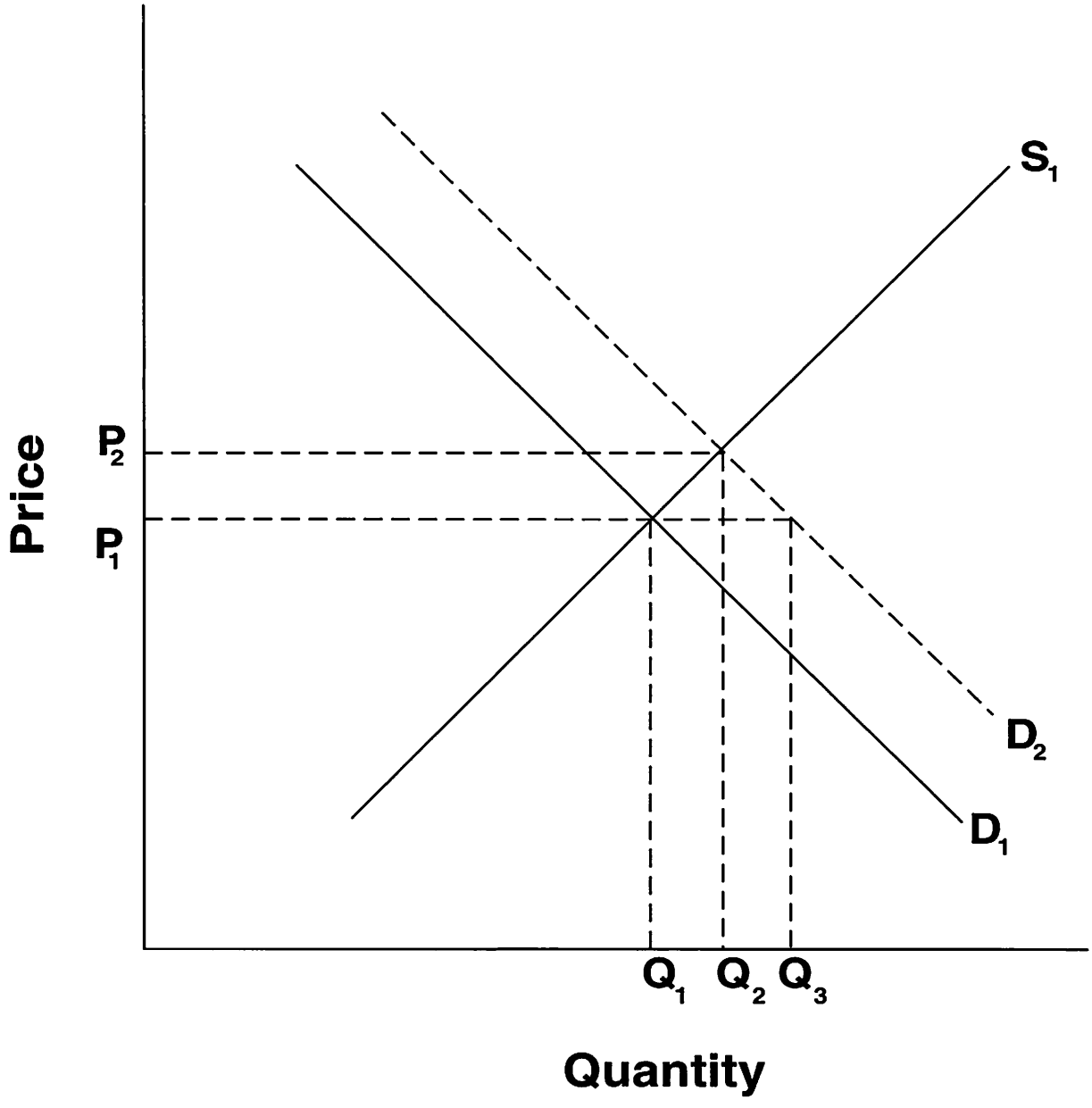
   d.

5. What effect have government storage programs had on the agricultural industry?

The Effect of Government Storage Programs



The Effect of Price Controls



Lesson 7: Government and the Economics of Agriculture Name_____

The Government's Impact on Agriculture

Objective: Examine the impact the government has on agriculture.

Research the impact of the government on agriculture by looking at the effects of a specific government program, such as CRP. Your research may be done using current periodicals or the Internet. Answer the following questions. Then report the results to the class.

1. How does the program affect the economy?

2. Does the program affect agricultural productivity? If so, how?

3. What do you think would happen if the government suddenly ended this program?

Divider should read:

Unit II. Economic Principles in Agribusiness

Agribusiness Sales, Marketing, and Management

Curriculum Guide: *Agribusiness Sales, Marketing, and Management*

Unit: II. Economic Principles in Agribusiness

Unit Objective:

Students will demonstrate their understanding of basic economic principles by producing and presenting a short lesson on a principle and identifying examples that illustrate that principle.

Show-Me Standards: 4.6, CA6

References:

Agribusiness Sales, Marketing, and Management. University of Missouri-Columbia, Instructional Materials Laboratory, 1997.

Morgan, J. N. *Making Your Choices Count: Economic Principles for Everyday Decisions*. Ann Arbor, MI: University of Michigan Press, 1982.

Students may use additional outside sources to complete this activity.

Instructional Strategies/Activities:

- Students will engage in study questions in lessons 1 through 7.
- Students will complete AS 7.1, The Government's Impact on Agriculture.
- Additional activities that relate to the unit objective can be found under the heading "Other Activities" in the following locations: p. II-98 (3) and p. II-119.

Performance-Based Assessment:

Students will work in teams of three to five to research, teach, and identify examples of one of six economic principles: supply and demand, diminishing returns, fixed and variable costs, substitution of inputs, opportunity cost, and major markets for price discovery (futures and options). Each team will develop an outline to distribute to classmates, and produce and present a lesson as a PowerPoint presentation to other members of the class.

Assessment will be conducted on each team's effort and will be based on the thoroughness and understandability of the lesson presentation and outline. Items to be evaluated will be content, organization, details (including examples), and clarity. Spelling, grammar, punctuation, and capitalization will be factors in the assessment.

Unit II—Economic Principles in Agribusiness
Instructor Guide

The instructor should assign the performance-based assessment activity at the beginning of the unit. Students will work toward completing the activity as they progress through the unit lessons. The assessment activity will be due at the completion of the unit.

1. Students will work in teams of three to five to focus on one of six economic principles covered in this unit: supply and demand, diminishing returns, fixed and variable costs, substitution of inputs, opportunity cost, and major markets for price discovery (futures and options).

2. Team members will work as a unit to research and identify examples of the economic principle assigned by the teacher.

3. Students may use material found in the unit and additional outside material to complete their presentations. Students may not use the source material word for word and must provide a complete bibliography of their sources along with their presentation.

4. After completing research, the team will develop, outline, script, and present a PowerPoint-based lesson to teach other members of the class about the topic.
   a. The presentation should effectively explain the principle, provide examples to illustrate it, and make it understandable to members of the class.
   b. The presentation should be thorough, but concise, and range between 10 and 15 minutes, including time for questions and answers.
   c. Immediately preceding the presentation, the team will submit copies of a sentence outline of the lesson to serve as a reference and study guide for members of the class.

5. Assessment will evaluate the team's effort (both presentation and outline/study guide) and will be based on thoroughness of subject matter and understandability of the lesson.
   a. Items to be evaluated will be content, organization, details (including examples), and clarity.
   b. Spelling, grammar, punctuation, and capitalization will be factors in the evaluation.

Unit II—Economic Principles in Agribusiness
Student Handout

1. Work in a team of three to five students to focus on one of six economic principles covered in this unit: supply and demand, diminishing returns, fixed and variable costs, substitution of inputs, opportunity cost, and major markets for price discovery (futures and options).

2. You and your teammates will work as a unit to research and identify examples of the assigned economic principle.

3. You may use material found in the unit and additional outside material to complete the presentation. You may not use the source material word for word and must provide a complete bibliography of your sources along with the presentation.

4. After completing research, your team will develop, outline, script, and present a PowerPoint-based lesson to teach other members of the class about your topic.
   a. Your presentation should effectively explain the principle, provide examples to illustrate it, and make it understandable to members of the class.
   b. The presentation should be thorough, but concise, and range between 10 and 15 minutes, including time for questions and answers.
   c. Immediately preceding the presentation, your team will submit copies of a sentence outline of the lesson to serve as a reference and study guide for members of the class.

5. Assessment will evaluate the team's effort (both presentation and outline/study guide) and will be based on thoroughness of subject matter and understandability of the lesson.
   a. Items to be evaluated will be content, organization, details (including examples), and clarity.
   b. Spelling, grammar, punctuation, and capitalization will be factors in the evaluation.

Agribusiness Sales, Marketing, and Management

Unit II—Economic Principles in Agribusiness
Scoring Guide
Team Topic/Members _____

Assessment Area	Criteria	0 Points	1 Point	2 Points	3 Points	4 Points	Weight	Total
PowerPoint Presentation	❑ Content ❑ Organization ❑ Details and examples ❑ Clarity	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 15	
Outline/Study Guide	❑ Content ❑ Organization ❑ Details and examples ❑ Clarity	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 7.5	
Technical Considerations	❑ Spelling ❑ Grammar ❑ Punctuation ❑ Capitalization	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 2.5	
TOTAL								

Final Assessment Total _____**/100 pts.**

Comments:

UNIT III - FINANCIAL MANAGEMENT

Lesson 1: Managing Financial Resources

Competency/Objective: Explain how to manage financial resources.

Study Questions:

1. **Why is financial planning important?**
2. **Why are goals and objectives important in financial planning?**
3. **What are the steps in the financial planning process?**
4. **How do education and experience affect a financial plan?**
5. **Why is it important to manage company resources?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit III.
2. Activity Sheets
   a) AS 1.1: Recording Receipts
   b) AS 1.2: Monitoring Spending
   c) AS 1.3: Setting Goals
   d) AS 1.4: Business Expense Report

UNIT III - FINANCIAL MANAGEMENT

Lesson 1: Managing Financial Resources

TEACHING PROCEDURES

A. Introduction

Planning for the future is more than setting educational or career goals. Goals have associated costs, and arrangements must be made to finance them. Financial planning helps manage money so that goals and objectives can be reached.

B. Motivation

Discuss the importance of financial planning with students. Ask students what they plan to do after completing high school. Make a heading for each type of plan. Some examples are starting a full-time job, attending technical school, or attending college. Under each heading, list some of the expenses associated with that choice. Expenses include the costs of transportation, housing, entertainment, clothes, and food, as well as the miscellaneous costs associated with starting a job or going away to school. Discuss the different ways that financial planning makes meeting some of these expenses easier. Ask students if they have planned for the costs of their choices.

C. Assignment

In the lessons in this unit, students will be completing various activity sheets that will make up their financial plans. AS 1.1, 1.2, 1.3, and AS 2.1 (from the following lesson) will allow the students to begin planning. The instructor should have the students keep these sheets for future reference and record their expenses for the next month. At the end of the month, following the forms' completion, the students should prepare one-page written reports comparing their actual spending to their planned expenditures and outlining any necessary changes. They should then prepare revised budgets, using AS 2.1.

D. Supervised Study

E. Discussion

1. Ask the students why financial planning is important. Point out the importance of their beginning now to plan for goals in the future. Ask students if they know how much money they receive per week, per month, or per year. Have students list the sources and amounts of money they receive on AS 1.1. Have them use AS 1.2 to record their spending.

   Why is financial planning important?

   a) A financial plan reveals how much money is received.
   b) It enables the planner to monitor spending.
   c) It can help an individual accomplish his or her goals.

2. Discuss the importance of establishing goals and objectives in financial planning. Have students list their short-, intermediate-, and long-term goals and what they think those goals will cost. Be sure to have them project any future educational costs. Have students fill out AS 1.3.

Why are goals and objectives important in financial planning?

a) Goals are statements of what an individual wants to accomplish personally and/or financially. Goals indicate where financial resources will be needed.
b) Objectives are the steps necessary to achieve specific goals. Setting objectives allows an individual to plan the use of financial resources and measure progress toward goals.

3. Have students list the steps involved in financial planning. Show how the information recorded on AS 1.1, 1.2, and 1.3 can be used in the financial planning process. For example, students may want to alter their spending habits in light of the goals they have recorded on AS 1.3.

What are the steps in the financial planning process?

a) Make a list projecting the amount and source of money received weekly, biweekly, monthly, and yearly; take into account the difference between net and gross income.
b) List wants and needs in order to establish goals and objectives.
c) Compare the amount of money received to wants and needs.
    1) Establish short-, intermediate-, and long-term goals considering income.
    2) Balance income and spending so financial obligations and goals can be met.
d) Implement the plan.
    1) Determine how the money received is to be spent.
    2) Record how much money is actually spent.
    3) Track the amount of spending.
e) Monitor the plan and make adjustments if necessary.

4. Ask students how education and experience affect financial planning. Discuss how education and experience affect individual earning power.

How do education and experience affect a financial plan?

a) Education is both an expense (because of the costs of higher education) and an asset (because it may allow an individual to earn more money).
b) Experience generally increases the amount of money earned.

5. Discuss the importance of managing company resources. Have students complete the business expense report in AS 1.4.

Why is it important to manage company resources?

a) Company resources, which form a part of a business's own financial plan, may be given to employees to manage for business expenses. They should be kept separate from personal finances.
b) Proper management of company resources by employees helps the company reach financial goals, creates job stability, opens opportunities for advancement, and allows for increased earnings for employees.

F. Other Activities

Have students research the approximate cost of what they plan to do after high school. For example, students who plan on going to college can get information about the college they plan to attend. Have them include the cost of tuition, books, room and board, supplies, and estimated miscellaneous living expenses (laundry, entertainment, gas, etc.). Have them figure expenses per year, per month, and per week. Students planning to go to vocational school or junior college can

make plans using the same type of information. Have students who plan to work explore approximate costs of housing and utilities in the area. Have them include the cost of furniture and appliances, food, transportation, insurance, and miscellaneous costs of living. Again, have them list costs per year, month, and week. Discuss with students the different ways of paying for school and other costs.

G. Conclusion

Understanding the financial planning process can help an individual reach his or her objectives and goals. A complete financial plan includes a listing of wants and needs and a plan for how to obtain them. Financial planning can help an individual obtain what they believe is important.

H. Answers to Activity Sheets

Answers to AS 1.1, 1.2, and 1.3 will vary.

AS 1.4

See the following page.

I. Answers to Evaluation

1. d
2. b
3. c

4. Education affects earning power. It can be both an expense (because of the costs of higher education) and an asset (because it may allow an individual to earn more money). An individual's experience affects earning power as well, since experience generally increases the amount earned.

5. Proper management of company resources by employees helps the company reach financial goals, creates job stability, opens opportunities for advancement, and allows for increased earnings for employees.

6. A financial plan reveals how much money is received, enables the planner to monitor spending, and can help an individual accomplish his or her goals.

Employee Expense Report

Name	Division	Period Ending
John Sayles	Sales	2-16-96

Purpose of Trip	Approved By	Departure Date	Return Date
Sales		2-12	2-15

1. MEALS AND ENTERTAINMENT

DATE	DAY	NUMBER EMP.	NUMBER GUESTS	BREAKFAST		NUMBER EMP.	NUMBER GUESTS	LUNCH		NUMBER EMP.	NUMBER GUESTS	DINNER		TOTALS	
	SUNDAY														
2/12	MONDAY	1		4	44	1		5	53	1	1	16	78	26	75
2/13	TUESDAY	1		3	45	1	1	13	48	1		7	50	24	43
2/14	WEDNESDAY	1		2	94	1		5	70	1	1	16	00	24	64
2/15	THURSDAY	1		3	95	1	1	12	45	1		7	95	24	35
	FRIDAY														
	SATURDAY														
TOTALS				14	78			37	16			48	23	100	17

2. EMPLOYEE PAID TRANSPORTATION

DATE	TRAVEL MODE	FROM	TO	MILES	RATE	SUBTOTAL		TOLLS	AMOUNTS	
2/12	Car	Home office	Ames	233	.21	48	93		48	93
2/13	Car	Ames	Delta	156	.21	32	76		32	76
2/14	Car	Delta	Carson	109	.21	22	89		22	89
2/15	Car	Carson	Home office	210	.21	44	10		44	10
MILES THIS REPORT		708	CUMULATIVE MILES THIS YEAR		4,564		TOTAL		148	68

3. HOTEL

DATE	DAY	LOCATION	COST OF ROOM	OTHER	AMOUNTS	
	SUNDAY					
2/12	MONDAY	Ames	35.87		35	87
2/13	TUESDAY	Delta	38.94		38	94
2/14	WEDNESDAY	Carson	41.55		41	55
	THURSDAY					
	FRIDAY					
	SATURDAY					
				TOTAL	116	36

4. ALL OTHER EXPENSES

DATE			AMOUNTS	
2/12	Printer charge - business cards (500)		38	47
2/14	Repair of company laptop computer		69	45
		TOTAL	107	92

5. EMPLOYEE CASH RECORD

TOTAL EMPLOYEE EXPENSES THIS REPORT		473	13
LESS CASH ADVANCE		-	-
AMOUNT DUE	EMPLOYEE	473	13
	COMPANY		

UNIT III - FINANCIAL MANAGEMENT Name _____

Lesson 1: Managing Financial Resources Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. A(n) _____ is a statement of what an individual wants to accomplish personally and/or financially that gives direction to the use of financial resources.

   a. Objective
   b. Want
   c. Need
   d. Goal

2. In the financial planning process, which step follows implementing the financial plan?

   a. Establishing short-, intermediate-, and long-range goals.
   b. Monitoring the plan and making adjustments if necessary.
   c. Determining how much money is received.
   d. Indicating how much money is to be spent.

3. What is the first step in the financial planning process?

   a. Compare the amount of money received to wants and needs.
   b. List wants and needs and establish goals and objectives.
   c. Make a list of the source and amount of the money received.
   d. Monitor the plan and make adjustments when necessary.

Complete the following short answer questions.

4. What effect do education and experience have on a financial plan?

5. How does the proper management of company resources by individual employees affect a company?

6. What are three reasons that financial planning is important?

   a.

   b.

   c.

Lesson 1: Managing Financial Resources Name _____

Recording Money Received

Objective: Record money received as part of the process of financial planning.

Fill out the table below, recording the amount and source of money that you receive weekly, monthly, and yearly.

Source	Amount Received		
	Weekly	Monthly	Yearly
Ex. tax refund allowance	$15.00		$70.00

Lesson 1: Managing Financial Resources Name _____

Monitoring Spending

Objective: Monitor spending as a part of the financial planning process.

Monitor your spending for one week by writing down your expenses. Make sure to include all expenses to gain an accurate picture of how much is spent.

Date	Clothing	Food	Enter-tainment	School Activities	Car	Insurance (per day)	Other
Totals							

Lesson 1: Managing Financial Resources Name _____

Setting Goals

Objective: Define short-, intermediate-, and long-term goals as part of the financial planning process.

Record your goals in the table below. You must differentiate between short-, intermediate- and long-term goals. Then estimate the cost of achieving each goal.

Short	Cost	Intermediate	Cost	Long	Cost
Total		**Total**		**Total**	

Lesson 1: Managing Financial Resources Name _____

Business Expense Report

Objective: Complete an expense report.

Read the information below and fill out the expense report on the back of this sheet.

John Sayles is a sales representative for the ABC Agricultural Supply Company. He has customers all over the state and travels four to five days per week; he has already traveled 3,856 miles this year. His company reimburses him for job-related expenses, including meals, mileage for his car (John gets paid .21 per mile for business use of his own vehicle), lodging, and entertainment for clients. John must fill out an expense report each week and turn it in for reimbursement. He likes to keep good records, so he notes his expenses in a log during the week and then fills the report out each Friday. John's expenses for this week are as follows:

Monday 2/12 - From home office to Ames
Breakfast: $3.84, $ .60 tip
Lunch: $4.78, $ .75 tip
Dinner: $6.94, $7.84 for business guest, $2.00 tip
Hotel expense: 35.87
Car odometer reading: Monday morning - 56,287 miles, Monday evening - 56,520 miles (all for business purposes)
Miscellaneous: Printer charge for 500 business cards - $38.47

Tuesday 2/13 - From Ames to Delta
Breakfast: $2.95, $ .50 tip
Lunch: $5.25, $6.48 for business guest, $1.75 tip
Dinner: $6.50, $1.00 tip
Hotel expense: $38.94
Car odometer reading: Tuesday morning - 56,520 miles, Tuesday evening - 56,701 miles (25 miles for personal use)

Wednesday 2/14 - From Delta to Carson
Breakfast: $2.44, $ .50 tip
Lunch: $4.95, $ .75 tip
Dinner: $6.75, $7.25 for business guest, $2.00 tip
Hotel expense: $41.55
Car odometer reading: Wednesday morning - 56,701 miles, Wednesday evening - 56,810 miles (all for business purposes)
Miscellaneous: Repair of company-owned laptop computer - $69.45

Thursday 2/15 - From Carson to home office
Breakfast: $3.45, $ .50 tip
Lunch: $4.50, $5.95 for business guest, $2.00 tip
Dinner: $6.95, $1.00 tip
Car odometer reading: Thursday morning - 56,810 miles, Thursday evening - 57,055 miles (35 miles for personal use)

Friday 2/16
Worked in office

Employee Expense Report

Name	Division	Period Ending

Purpose of Trip	Approved By	Departure Date	Return Date

1. MEALS AND ENTERTAINMENT

DATE	DAY	NUMBER EMP.	NUMBER GUESTS	BREAKFAST	NUMBER EMP.	NUMBER GUESTS	LUNCH	NUMBER EMP.	NUMBER GUESTS	DINNER	TOTALS
	SUNDAY										
	MONDAY										
	TUESDAY										
	WEDNESDAY										
	THURSDAY										
	FRIDAY										
	SATURDAY										
TOTALS											

2. EMPLOYEE PAID TRANSPORTATION

DATE	TRAVEL MODE	FROM	TO	MILES	RATE	SUBTOTAL	TOLLS	AMOUNTS
MILES THIS REPORT			CUMULATIVE MILES THIS YEAR			TOTAL		

3. HOTEL

DATE	DAY	LOCATION	COST OF ROOM	OTHER	AMOUNTS
	SUNDAY				
	MONDAY				
	TUESDAY				
	WEDNESDAY				
	THURSDAY				
	FRIDAY				
	SATURDAY				
				TOTAL	

4. ALL OTHER EXPENSES

DATE			AMOUNTS
		TOTAL	

5. EMPLOYEE CASH RECORD

TOTAL EMPLOYEE EXPENSES THIS REPORT		
LESS CASH ADVANCE		
AMOUNT DUE	EMPLOYEE	
	COMPANY	

UNIT III - FINANCIAL MANAGEMENT

Lesson 2: Developing a Budget

Competency/Objective: Develop a budget.

Study Questions:

1. **Why is it important to have a personal budget?**

2. **How does the use of credit affect personal finances?**

3. **What are the financial implications of debt?**

4. **What are some general budgeting guidelines?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit III.

2. Activity Sheets

   a) AS 2.1: Preparing a Personal Budget
   b) AS 2.2: Making Budget Revisions
   c) AS 2.3: Your First-Job Budget
   d) AS 2.4: Checkbook Balancing

UNIT III - FINANCIAL MANAGEMENT

Lesson 2: Developing a Budget

TEACHING PROCEDURES

A. Review

Lesson 1 discussed the financial planning process, as well as the ways in which education and experience can improve an individual's ability to earn income and the importance of managing company resources efficiently. In this lesson, we will discuss how to prepare a budget. A budget is an important part of a financial plan because it helps monitor progress toward an individual's goals. In this lesson we will also begin discussing how the use of credit must be managed in financial planning.

B. Motivation

Ask the students if any of them have ever been on a budget. What would they do if they had $150 and knew that they would receive no more money for a month? Discuss how they would spend the $150. Explain to them that what they are doing is budgeting--planning the management of money during a specific period of time.

C. Assignment

D. Supervised Study

E. Discussion

1. Have students discuss why it is important to have a budget. Explain to them that a budget is simply a planning tool that enables them to monitor progress toward a financial goal. Using AS 2.1, have students prepare a budget using the personal information gathered in the previous lesson on money received, spending, and goals. Have the students complete AS 2.2, 2.3, and 2.4.

   Why is it important to have a personal budget?

   a) A budget provides a forecast of expenditures and income for a specific period of time.
   b) A budget can be used to monitor spending.
   c) A budget enables individuals, households, businesses, and governments to set priorities and monitor progress toward certain goals.
   d) A budget can help an individual meet unexpected expenses.

2. Ask students how buying on credit affects finances. Emphasize that credit must be used with caution.

   How does the use of credit affect personal finances?

   a) Credit is the transfer of money on promise of repayment at some future date.
   b) It must be taken into account in short-, intermediate-, and long-term financial management, because money must be paid back out of future income.
   c) Interest, which is the money paid on money that is invested or borrowed and usually consists of a percentage of the amount of money borrowed when using credit, must be included in the total cost of an item. Money may be saved by paying cash.
   d) If used wisely, credit can be used to purchase items needed immediately, which can then be paid for over a period of time.
   e) Credit also makes it possible to buy very expensive items for which it would be difficult to save enough money.

3. Ask students to list the financial implications of debt. Explain that credit is sometimes convenient to use but can also be expensive.

What are the financial implications of debt?

a) Debt may hamper future credit purchases.
b) It may create difficulty in paying for those things needed for survival.
c) An individual's wages may be garnisheed to pay for debts.
d) A debtor who cannot repay money borrowed may be forced to declare bankruptcy.
e) Going into debt to obtain an education creates the potential for a larger income in the future.
f) Being in debt and showing that they can make the necessary payments can make it easier for individuals to obtain credit later.

4. Ask students how much of their income should be spent on different expenses, such as housing, food, clothing, and savings. Discuss general budgetary guidelines.

What are some general budgeting guidelines?

Different standards may be applied when determining what percentage of monthly income should be spent on a particular expense, but some possibilities are listed below.

a) Housing - 20 to 30 percent
b) Utilities - 5 percent
c) Transportation - 5 to 15 percent
d) Food - 10 to 20 percent
e) Savings - 10 percent
f) Clothing - 5 to 10 percent
g) Entertainment - 5 percent
h) Installment debt - 5 percent and up

F. Other Activities

Invite a credit manager from a credit company to talk to the class.

G. Conclusion

Budgeting is an important part of financial planning. It helps individuals and families, businesses, and the government set spending priorities and then monitor progress. Credit, which is an obligation against future income, should be taken into account when formulating a budget. It is an important part of a financial plan; if managed properly, it allows an individual to purchase an item even if he or she does not have the money to pay for it immediately. However, credit should be used with caution because of the potential difficulties associated with going into debt.

H. Answers to Activity Sheets

AS 2.1

Answers will vary.

AS 2.2

Answers will vary. Jesse could use all but $5.00 of his savings and pay for the car, but this would almost wipe out his savings and leave nothing for future emergencies, as well as very little flexibility in his budget for the next period. He could also cut back on his entertainment budget and get the rest from savings.

The best plan (illustrated on the next page) would be to put off the purchase of the CD player until more money is available. If no unexpected expenses come up until after March and he works normal hours, he

should have no problem buying the CD player. Using the revised budget, Jesse will have spent less than he earns, leaving $15.00 to be put into savings or to be used to purchase a CD player when the remaining amount is available.

PERSONAL BUDGET

BUDGET PERIOD: January 1 to January 31

INCOME:	
Wages (after taxes)	350.00
Allowance	40.00
Other Income	15.00
Total Income	$405.00
SAVINGS:	
Savings Account	$165.00
EXPENSES:	
Food	45.00
Clothing	20.00
Entertainment	25.00
Transportation	90.00
Insurance (per month)	45.00
Other expenses:	20.00 (miscellaneous)
	145.00 (car repair)
Total Expenses	$390.00

AS 2.3

1. - 3. Answers to these questions will vary depending on the student's assigned income and personal preferences for spending.

4. Answers may include such things as household supplies, toiletries, items to decorate the home, etc.

AS 2.4

Item No.	Date	Transaction Description	Amount of Payment or Withdrawal	✓ T	Amount of Deposit or Interest	Balance 2466 85
1113	4/30	*Angela's Cards and Gifts*	24 65			24 65
		Birthday Gift				2442 20
1114	5/1	*Mehta Properties*	350 00			350 00
		Rent				2092 20
1115	5/5	*City of Anywhere*	43 25			43 25
		Utilities				2048 95
1116	5/5	*Any Telephone Company*	15 82			15 82
		Telephone Service				2033 13
1117	5/6	*Goode's Market*	65 13			65 13
		Groceries				1968 00
1118	5/8	*United Financial Services*	218 15			218 15
		Car Payment				1749 85
1119	5/9	*Mutual Shield Insurance*	315 00			315 00
		Car Insurance				1434 85
1120	5/12	*Smart Shoppe*	35 28			35 28
		Clothing				1399 57
1121	5/16	*Crown Pharmacy*	18 89			18 89
		Prescription				1380 68
1122	5/18	*Dollar Discount Store*	22 18			22 18
		Home Supplies				1358 50
1123	5/20	*Dillon's Shoes Store*	38 77			38 77
		Shoes				1319 73

I. Answers to Evaluation

1. c
2. b
3. c

4. Credit is the transfer of money on promise of repayment at some future date.

5. Interest is the money paid on money that is invested or borrowed and usually consists of a percentage of the amount of money borrowed when using credit.

6. Answers may include any two of the following: debt may hamper future credit purchases; it may create difficulty in paying for those things needed for survival; an individual's wages may be garnisheed to pay debts; and an individual who cannot pay off debts may be forced to declare bankruptcy.

 Name _____

Lesson 2: Developing a Budget Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which of the following is <u>not</u> a characteristic of credit?

   a. Credit must be taken into account in short-, intermediate-, and long-term financial management, because money must be paid back out of future income.
   b. Interest on credit increases the total cost of an item, so money may be saved by paying cash instead of using credit.
   c. Credit provides a statement of expenditures over a specific period of time that helps control how money is spent.
   d. If used wisely, credit can be used to purchase items needed immediately, which can then be paid for over a period of time.

2. What is one reason it is important to have a personal budget?

   a. A budget helps plan how money is to be earned.
   b. A budget is a planning tool that enables individuals to set priorities and monitor progress toward goals.
   c. A budget ensures that the planned expenditure of money will never have to be postponed until a later time.
   d. A budget allows an individual to spend more money than is received.

3. Approximately what percentage of monthly income should be spent on housing, according to general budgetary guidelines?

   a. 5 to 10 percent
   b. 10 to 20 percent
   c. 20 to 30 percent
   d. 30 to 35 percent

Complete the following short answer questions.

4. What is credit?

5. What is interest?

6. What are two negative financial consequences of debt?

Lesson 2: Developing a Budget Name _____

Preparing a Personal Budget

Objective: Prepare a personal budget.

Prepare a budget for the next month showing your income and expenditures.

BUDGET PERIOD: _____ to _____

INCOME:

Wages (after taxes)	$_____
Allowance	_____
Other Income:	
_____	_____
_____	_____
Total Income	$_____

SAVINGS:

Savings Account	$_____
Other Savings:	
_____	_____
_____	_____
Total Savings	$_____

EXPENSES:

Food	$_____
Clothing	_____
Entertainment	_____
Transportation	_____
Insurance	_____
Other Expenses:	
_____	_____
_____	_____
_____	_____
Total Expenses	$_____

Lesson 2: Developing a Budget Name _____

Making Budget Revisions

Objective: Revise a budget to take into account unexpected expenses.

Read the information given below. Then revise the budget. Fill out the new budget on the back of this sheet.

Jesse is a junior in high school. For the past year, he has been using a budget to plan how to spend his income. His expenses are very similar each month, and through planning he has been able to save to purchase a car and has managed to put $150.00 away in a savings account. He has a part-time job after school. He works on the family farm as well, for which he gets paid an allowance. He also earns $15.00 one Saturday afternoon each month for helping a neighbor. After budgeting for his usual expenses for January, Jesse plans to use the extra money to buy a CD player he wants. He has already checked the price, and the player will cost him $160.00. With the purchase of the CD player, the planned budget works out with income equal to expenses, so Jesse decides to use the budget for his spending plan for January. A copy of his budget is shown below.

BUDGET PERIOD: January 1 to January 31

INCOME:	
Wages (after taxes)	350.00
Allowance	40.00
Other Income	15.00
Total Income	$405.00
SAVINGS:	
Savings Account	$150.00
EXPENSES:	
Food	45.00
Clothing	20.00
Entertainment	25.00
Transportation	90.00
Insurance (per month)	45.00
Other expenses:	
Miscellaneous	20.00
CD player	160.00
Total Expenses	$405.00

On the first day of his new budget, before Jesse spent any money, his car broke down. He found out that it was going to cost him $145.00 to have it repaired, and he needs the car to get back and forth to work. Jesse decides he must make some adjustments in his budget. He knows that he needs to keep in mind that February is a slow month for his employer and so he will make about $125.00 less next month than normal because he will be working fewer hours. How should Jesse adjust his budget? _____

_____

_____

_____

BUDGET PERIOD: _____ to _____

INCOME:

Wages (after taxes)	$_____
Allowance	_____
Other Income:	
_____	_____
_____	_____
Total Income	$_____

SAVINGS:

Savings Account	$_____
Total Savings	$_____

EXPENSES:

Food	$_____
Clothing	_____
Entertainment	_____
Transportation	_____
Insurance (per month)	_____
Other Expenses:	_____
_____	_____
_____	_____
_____	_____
Total Expenses	$_____

Lesson 2: Developing a Budget Name _____

Your First-Job Budget

Objective: Project a personal budget to use after obtaining your first job.

Using the figures given below, prepare a budget on the form provided. Your instructor will assign you an hourly income for a 40-hour work week. Then answer the questions below.

Taxes: 20 percent of income

Savings: $500

Expenses:

Rent - 30 percent of net income
Utilities - 6 percent of net income
Food - 18 percent of net income
Clothing - 6 percent of net income
Transportation - 22 percent of net income
Insurance - 4 percent of net income
Entertainment - 4 percent of net income
Other expenses - 6 percent of net income

Questions

1. How much would you save each month?

2. How much would you pay for credit each month to buy the major items (such as furniture) needed to set up a household?

3. How much money would you make available for unexpected expenses such as car repairs?

4. What are some other expenses involved in setting up a household?

BUDGET PERIOD: _____ to _____

INCOME:

Wages (after taxes)	$_____
Other Income:	
_____	_____
_____	_____
Total Income	$_____

SAVINGS:

Savings Account	$_____
Total Savings	$_____

EXPENSES:

Rent	$_____
Utilities	_____
Food	_____
Clothing	_____
Entertainment	_____
Insurance	_____
Transportation	_____
Other Expenses:	
_____	_____
_____	_____
_____	_____
Total Expenses	$_____

Lesson 2: Developing a Budget Name _____

Checkbook Balancing

Objective: Balance a checkbook.

Below is a list of checks written by Jill Jackson. Record each check correctly in the check register provided. Compute the balance after each check is recorded.

1. May 1, 19-- Check No. 1114 for $350.00 to Mehta Properties for rent
2. May 5, 19-- Check No. 1115 for $43.25 to the City of Anywhere for utilities
3. May 5, 19-- Check No. 1116 for $15.82 to Any Telephone Company for telephone service
4. May 6, 19-- Check No. 1117 for $65.13 to Goode's Market for groceries
5. May 8, 19-- Check No. 1118 for $218.15 to United Financial Services for car payment
6. May 9, 19-- Check No. 1119 for $315.00 to Mutual Shield Insurance for car insurance
7. May 12, 19-- Check No. 1120 for $35.28 to Smart Shoppe for clothing
8. May 16, 19-- Check No. 1121 for $18.89 to Crown Pharmacy for prescription
9. May 18, 19-- Check No. 1122 for $22.18 to Dollar Discount Store for home supplies
10. May 20, 19-- Check No. 1123 for $38.77 to Dillon's Shoes Store for shoes

Item No.	Date	Transaction Description	Amount of Payment or Withdrawal		✓ T	Amount of Deposit or Interest		Balance	
								2466	85
1113	4/30	*Angela's Cards and Gifts*	24	65				24	65
		Birthday Gift						2442	20

UNIT III - FINANCIAL MANAGEMENT

Lesson 3: Credit

Competency/Objective: Describe the sources of credit and credit guidelines.

Study Questions

1. **What is an individual's credit history?**
2. **How does an individual establish a good credit history?**
3. **What are the kinds and sources of credit?**
4. **How is simple interest computed?**
5. **How is compound interest computed?**
6. **How are payments on amortized loans figured?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit III.
2. Transparency Master
   a) TM 3.1: Questions to Ask Before Using Credit
3. Activity Sheet
   a) AS 3.1: Planning Credit for Goals

UNIT III - FINANCIAL MANAGEMENT

Lesson 3: Credit

TEACHING PROCEDURES

A. Review

The last lesson discussed the role of the budget as a tool for financial management that helps plan expenditures of income and the use of credit. In this lesson, the sources of credit will be discussed in greater detail. Guidelines for establishing a good credit history will be discussed as well.

B. Motivation

Ask the students how many of them would like to buy a new car and how they would pay for it if they did. Explain to them that credit allows individuals to borrow money for their personal benefit. In order to get a loan, however, the borrower must show the lender evidence of ability to pay the money back. Ask the students how many of them have established some type of credit history that would show a lender that they are responsible enough to pay back a loan.

C. Assignment

D. Supervised Study

E. Discussion

1. Ask students to describe what a credit history is. Discuss how the proper management of finances can establish credit.

   What is an individual's credit history?

   a) A credit history is a record of how finances have been managed in the past.
   b) The ability of an individual to obtain credit is influenced by his or her credit history.

2. Ask students to describe how to establish a good credit history.

   How does an individual establish a good credit history?

   a) Managing checking and savings accounts responsibly
   b) Paying bills on time
   c) Using credit cards wisely
   d) Borrowing money and repaying the loan on schedule

3. Have students list the different kinds and sources of credit. Discuss why it is important to evaluate the different sources of credit to determine which source meets an individual's needs. On AS 3.1, have students record the type and source of credit that they might use to meet the goals that they established in Lesson 1 of this unit (refer back to AS 1.3). Remind students that credit should only be used when necessary, using TM 3.1 to illustrate guidelines for using credit.

   What are the kinds and sources of credit?

   a) Credit can be divided into two basic types based on the length of time the money is needed. The intended use of loans will help determine which type is chosen.
      1) Current credit - money borrowed for less than one year
         (a) Includes items purchased on credit cards

(b) May include loans for medical bills or emergency loans for auto or home repairs
(c) Usually paid back in monthly installments

2) Noncurrent credit - money borrowed for more than one year
(a) Includes credit used to buy a car or furniture or to pay for educational expenses
(b) Used for buying a home or land or for purchasing or starting a business
(c) Usually paid back in monthly installments

b) Credit terms
1) Secured loan - a loan in which the asset being purchased, or some other asset owned by the borrower, is put up as collateral to secure repayment of the money borrowed
2) Unsecured loan, signature loan - a loan that does not require collateral and is based on a good credit history
3) Repayment - Lump sum or periodic payments of principal and interest

c) Credit may be received from several different sources; the amount, length, purpose, repayment schedule, and type of security needed will vary with the source of the credit.
1) Commercial banks - offer short- and long-term credit for individuals and businesses that may be repaid in a single payment or in periodic payments of principal and interest. The loan can be for almost any use.
2) Credit unions - cooperative associations that accept savings deposits and make small short- and long-term loans to members
3) Savings and loans - originally set up for long-term credit used to buy homes. They provide credit for real estate
4) The Small Business Administration - primarily guarantees short- and long-term credit for small businesses
5) Manufacturers and dealers - primarily offer short- and long-term credit to customers for buying cars, furniture, or other products that the dealer or manufacturer sells
6) Bank credit cards - plastic cards issued by a bank that offer short-term credit to buy goods and services, with billing taking place on a monthly basis

4. Ask students if they understand how interest is computed. Write sample problems on the board or overhead.

How is simple interest computed?

Simple interest (i) is calculated by multiplying the principal borrowed (p) by the rate of interest charged (r) and the amount of time (t), using the formula $i = prt$.

5. Ask students what compound interest is. Discuss how it is computed.

How is compound interest computed?

a) The formula for figuring compound interest is as follows:

$$A = p(1 + \frac{r}{x})^{yx}$$

b) A is the amount of principal and interest, p is the principal, r is the yearly rate of interest, y is the number of years, and x is the number of times the interest is compounded yearly.

6. Discuss how payments on amortized loans are calculated.

How are payments on amortized loans figured?

a) Amortized loans are payed off in installments over time, with each payment covering the current interest and part of the principal.

b) Each payment is the same amount of money. Early payments include more interest and less capital. Interest payments decrease in later years as the outstanding principal decreases. More of the payment then goes to pay off the principal.

c) Lending institutions usually calculate payments on amortized loans using software designed for financial management.

d) Amortization tables can also be used as a quick reference for figuring payments. The principal is multiplied by the value from the table to calculate the annual payments.

F. Other Activities

Invite a representative from a local bank, credit union, or savings and loan to talk to the students. Have the representative discuss what a lender looks for before approving credit and the best way to build a good credit history.

G. Conclusion

Building a good credit history is an important part of financial planning. Establishing a good credit history by using credit wisely can help an individual reach his or her goals and objectives by helping to ensure that credit will be available when necessary. Since many kinds of credit are available from many sources, a person should evaluate them carefully to determine which best meets his or her needs.

H. Answers to Activity Sheets

AS 3.1

Answers will vary.

I. Answers to Evaluation

1. d
2. a
3. c
4. b
5. d

6. A credit history is a record of how finances have been managed in the past.

7. Current credit is money borrowed for less than one year, while noncurrent credit is money borrowed for more than one year. Answers may vary for examples of each type of credit. Examples of things for which current credit is used include items purchased on credit cards and loans for medical bills and auto and home repairs. Noncurrent credit could be money borrowed to buy a car, furniture, or appliances; to pay for educational expenses; to buy a home or land; or to purchase or start a business.

8. $A = p(1 + \frac{r}{x})^{yx}$

9. An individual can establish a good credit history by managing checking and savings accounts responsibly, paying bills on time, using credit cards wisely, and borrowing money and repaying the loan on schedule.

10. $112.50

 Name _____

Lesson 3: Credit Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which of the following sources of credit are cooperative associations that accept savings deposits and make small short- and long-term loans to members?

   a. Savings and loans
   b. Commercial banks
   c. Small Business Administration
   d. Credit unions

2. Which of the following sources of credit provides short- and long-term credit for individuals and businesses?

   a. Commercial banks
   b. Bank credit cards
   c. Savings and loans
   d. Small Business Administration

3. What type of credit do savings and loans provide?

   a. They make short- or long-term loans to members.
   b. They guarantee short- and long-term credit for small businesses.
   c. They provide long-term credit used to buy real estate.
   d. They offer short-term credit to buy goods and services.

4. Which of the following requires collateral to obtain money?

   a. Signature loan
   b. Secured loan
   c. Unsecured loan
   d. Credit cards

5. Which of the following statements about amortized loans is correct?

   a. Amortized loans are payed off in a lump sum.
   b. Each payment is a different amount of money.
   c. Early payments include more capital and less interest.
   d. Amortization tables can be used to figure payments.

Complete the following short answer questions.

6. What is a credit history?

7. How long is the period for repayment of current and noncurrent credit? Give an example of each type of credit.

8. What is the formula for figuring compound interest?

9. What are four things an individual can do to establish a good credit history?

   a.

   b.

   c.

   d.

10. What is the simple interest on $5,000 at 9 percent interest for three months?

Questions to Ask Before Using Credit

When considering whether or not to make a purchase using credit, ask yourself these questions:

* How much credit do I need?

* What is the interest rate that I will be paying?

* What will be the total amount of interest I will have to pay back?

* For how many months will I have to make payments, and how much will I have to pay?

* Do I have any other financial obligations during this time period, and will this loan affect my ability to repay them?

* Is collateral needed to secure credit?

* What will be the value of the item that I am buying when it is paid off?

* Will this purchase improve or damage my credit history?

* **CAN I AFFORD THIS WITHOUT DAMAGING MY BUDGET AND WIPING OUT MY SAVINGS?**

Lesson 3: Credit Name _____

Planning Credit for Goals

Objective: Choose the appropriate type and source of credit to fulfill goals.

Fill out the table below, recording the type and source of credit that you use or will use to fulfill your goals as outlined in AS 1.3 in Lesson 1 of this unit.

GOALS	COST	METHOD OF PAYMENT (CASH OR CREDIT)	TYPE OF CREDIT (CURRENT OR NONCURRENT)	SOURCE OF CREDIT

UNIT III - FINANCIAL MANAGEMENT

Lesson 4: Developing a Savings and Investment Plan

Competency/Objective: Develop a savings and investment plan as part of a complete financial plan.

Study Questions

1. **What is the time value of money?**
2. **What is the Rule of 72?**
3. **Why is it important to save money?**
4. **What are the different ways of saving and investing money?**
5. **How does an individual develop a savings and investment plan?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit III.
2. Transparency Masters
   a) TM 4.1: A Penny Doubled
   b) TM 4.2: Future Value of an IRA
   c) TM 4.3: Risk Pyramid
3. Activity Sheet
   a) AS 4.1: Future Value of Money

UNIT III - FINANCIAL MANAGEMENT

Lesson 4: Developing a Savings and Investment Plan

TEACHING PROCEDURES

A. Review

The last lesson discussed the types and sources of credit and the need to build a good credit history to obtain credit. This lesson will cover the importance of developing a savings and investment plan. Investment is another way of earning money for future income in order to meet financial goals and objectives.

B. Motivation

Ask students to imagine that all of them have rich aunts who plan to give them some money. They are offered two choices. They may receive one million dollars immediately and one million more each month for eleven months, for a total of twelve million dollars. They may also receive one penny now, and the total amount accumulated will be doubled at the end of each month for thirty-six months. With the second option, at the end of one month they will each have two pennies, at the end of two months they will each have four pennies, at the end of three months they will each have eight pennies, etc. They have five seconds to make up their minds. Ask the students which offer they would choose. Use TM 4.1 to illustrate the situation. Discuss how a small amount of money can grow over time if a person develops a consistent habit of saving.

C. Assignment

D. Supervised Study

E. Discussion

1. Ask students to explain the time value of money. Discuss how interest increases the value of the money originally invested. Complete AS 4.1.

   What is the time value of money?

   a) The time value of money is the relationship of money, interest, and time.
   b) The value of the money originally put in a savings account or invested may be increased through interest. Interest is the payment received by an individual for letting someone else use his or her money. The longer money is invested or the higher the interest rate earned, the greater the return.
      1) Simple interest - interest that is paid only on the sum of money loaned or invested
      2) Compound interest - interest paid not only on the amount loaned or invested but also on the accrued interest
   c) The formula for calculating the future value of money enables an individual to determine the value of savings or investments in interest-bearing accounts after they have been compounded with interest for a specific period of time. In the formula, FV is the future value, *p* is the principal, *i* is the rate of interest, and *n* is the number of years of interest.

$$FV = p(1+i)^n$$

2. Ask students to explain the Rule of 72.

What is the Rule of 72?

The Rule of 72 is a formula that provides an estimate of the number of years it would take for an investment to double in value. In the formula, *i* is the rate of interest and *y* is the number of years to double the investment.

$$\frac{72}{i} = y$$

3. Ask students why saving money is a vital part of financial planning. Discuss the importance of consistency in following a savings program. Point out that 10 percent of net income should be saved.

Why is it important to save money?

a) To reach goals and objectives by allocating money for the future
b) To meet emergencies, such as unexpected expenses or expenses for periods when no income is earned
c) To earn additional money through interest

4. Have students list the different ways of saving and investing money. Discuss how the amount of interest or return is related to risk.

What are the different ways of saving and investing money?

a) Saving
   1) Insured savings account - Insured savings accounts are available through banks, savings and loans, credit unions, and other financial institutions. An insured savings account can be started with a small amount of money, where it can earn interest and be readily available if needed for an emergency or other investments. Interest rates are lower than with other methods of saving, but deposits under $100,000 are insured by the government.
   2) Certificates of deposit - Certificates of deposit are also available through banks and some other financial institutions. They are issued for different amounts and for different lengths of time. Money invested in certificates of deposit is not as readily available as money invested in savings accounts, but it earns higher interest rates: the longer the period of time, the higher the interest rate. Certificates of deposit are insured by the government.
   3) Annuities - An annuity is very similar to a certificate of deposit but is issued by an insurance company rather than a bank. They almost always pay higher interest than CDs. A penalty is assessed for early withdrawl of the money invested.
   4) U.S. savings bonds - Savings bonds are available through most financial institutions. Many companies also offer payroll deductible plans. The bond is purchased at an amount less than face value and grows to the face value at the maturity date specified on the bond. Interest rates are lower than those of other bonds, but money is guaranteed by the government.
b) Investing
   1) Treasury bonds - Treasury bonds are issued by the U.S. Treasury Department. They are available in amounts from $1,000 to $1 million and mature after periods of 30 days up to 5 years. Treasury bonds fluctuate in value but generally have better interest rates than savings accounts or savings bonds: the longer the time to maturity, the greater the interest rate.
   2) Bonds - Bonds are issued through corporations and local governments. A bond is a certificate of debt that promises payment of interest on a specified date and payment of the original investment upon maturity. The interest earned is higher than that of

savings accounts or savings bonds, but bonds are more risky, because they are dependent on the financial well-being of the issuer.

3) Mutual funds - Mutual funds are professionally managed diversified investments in several different companies. They allow individual investors to pool their money to meet various investment objectives. Mutual funds are listed in many newspapers. The price listed is the cost of one share of the fund. The amount that the share increases or decreases from the original purchase price is the amount gained or lost on the investment. Earnings are not guaranteed.
4) Futures - Futures contracts are contracts for the purchase and sale of commodities for future delivery that are traded on the commodities exchanges. Speculators may not make a profit and may even lose their original investment.
5) Stock - Stocks represent shares of ownership in a company. The price of the share may increase or decrease, depending on the success of the company. Stocks are traded on the New York Stock Exchange and the American Stock Exchange.

5. Ask students how they would develop a savings and investment plan as a part of their financial plan.

How does an individual develop a savings and investment plan?

a) Open an insured savings account.
b) As the amount of money saved increases, diversify.
   1) Diversification is the reduction of risk through the spreading of money among several different types of savings and investments.
   2) Some money remains in savings and is available for emergencies.
c) Money can also be diversified by investing in mutual funds.
   1) Dividends are usually automatically reinvested in the fund.
   2) A ready market for selling mutual funds exists if the money is needed for an emergency.

F. Other Activities

1. Invite a representative from the local bank to talk about insured savings accounts, certificates of deposit, bonds, and mutual funds. Discuss the different interest rates earned by each type of investment. Discuss earnings on mutual funds.

2. Invite a financial planner to talk to the class about investment plans. Have him or her discuss how to get started investing and the risk factors of investments.

3. Have students look up current values for stocks and commodities on the Internet.

G. Conclusion

The time value of money is an important concept in developing a savings and investment plan. A dollar received today is not equal to a dollar received in the future, because today's dollar can be invested to produce interest or a positive return in excess of the original dollar. Consistent saving is essential to a successful financial plan, because it allocates money to achieve future goals, provides a fund for emergencies, and increases income through interest. An investment plan can start with a savings account and build gradually into a diversified investment program that takes advantage of the many alternatives for saving and investing.

H. Answers to Activity Sheet

1. $1,102.50, $1,276.28
2. $7,346.64, $10,794.62

I. Answers to Evaluation

1. d
2. c
3. a
4. d
5. b
6. a

7. Diversification is the reduction of risk through the spreading of money among several different types of savings and investments.

8. The three reasons for saving money are to reach goals and objectives by allocating money for the future, to meet emergencies, such as unexpected expenses or expenses for periods when no income is earned, and to earn additional money through interest.

9. FV = $220.50
10. FV = $3,276.99
11. y = 9.6 years

 Name _____

Lesson 4: Developing a Savings and Investment Plan Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. What is the second step in developing a savings and investment plan?

   a. Selling mutual funds
   b. Opening an insured savings account
   c. Cashing in certificates of deposit
   d. Diversifying investments

2. What are mutual funds?

   a. Certificates issued by the U.S. Treasury Department
   b. Shares of ownership in a company
   c. Shares in diversified investments
   d. Certificates issued by banks

3. Which of the following involves the least risk of loss?

   a. U.S. savings bonds
   b. Mutual funds
   c. U.S. treasury bonds
   d. Stock

4. The relationship of money, interest, and time is referred to as the _____.

   a. Savings and investment plan
   b. Dividend
   c. Principal
   d. Time value of money

5. What is interest?

   a. The amount paid by an individual for letting someone use his or her money
   b. The amount received by an individual for letting someone use his or her money
   c. The sum of money placed in a savings account
   d. The sum of money received after selling a share of stock

6. What is stock?

   a. Shares of ownership in a company
   b. Certificates insured by the government
   c. Certificates issued by the government
   d. Shares in diversified investments

Complete the following short answer questions.

7. What is diversification?

8. What are three reasons for saving money?

   a.

   b.

   c.

Calculate the future value of money for the following problems. Remember to convert percentages to decimals.

9. What will the future value of $200 be in two years with an interest rate of five percent?

10. What will the future value of $2,500 be in four years with an interest rate of seven percent?

Use the Rule of 72 to answer the question below.

11. How long would it take an investment to double if the interest rate was 7.5 percent?

A Penny Doubled

MONTH	BEGINNING VALUE	TOTAL ACCRUAL
1	.01	.02
2	.02	.04
3	.04	.08
4	.08	.16
5	.16	.32
6	.32	.64
7	.64	$1.28
8	$1.28	$2.56
9	$2.56	$5.12
10	$5.12	$10.24
11	$10.24	$20.48
12	$20.48	$41.00*
13	$41.00	$82.00
14	$82.00	$164.00
15	$164.00	$328.00
16	$328.00	$656.00
17	$656.00	$1,312.00
18	$1,312.00	$2,624.00
19	$2,624.00	$5,248.00
20	$5,248.00	$10,496.00
21	$10,496.00	$20,992.00
22	$20,992.00	$41,984.00
23	$41,984.00	$83,968.00
24	$83,968.00	$167,936.00
25	$167,936.00	$335,872.00

26	$335,872.00	$671,744.00
27	$671,744.00	$1,343,488.00
28	$1,343,488.00	$2,686,976.00
29	$2,686,976.00	$5,373,952.00
30	$5,373,952.00	$10,747,904.00
31	$10,747,904.00	$21,495,808.00
32	$21,495,808.00	$42,991,616.00
33	$42,991,616.00	$85,983,232.00
34	$85,983,232.00	$171,966,464.00
35	$171,966,464.00	$343,932,928.00
36	$343,932,928.00	$687,865,856.00

Total after 36 months =

$687,865,856

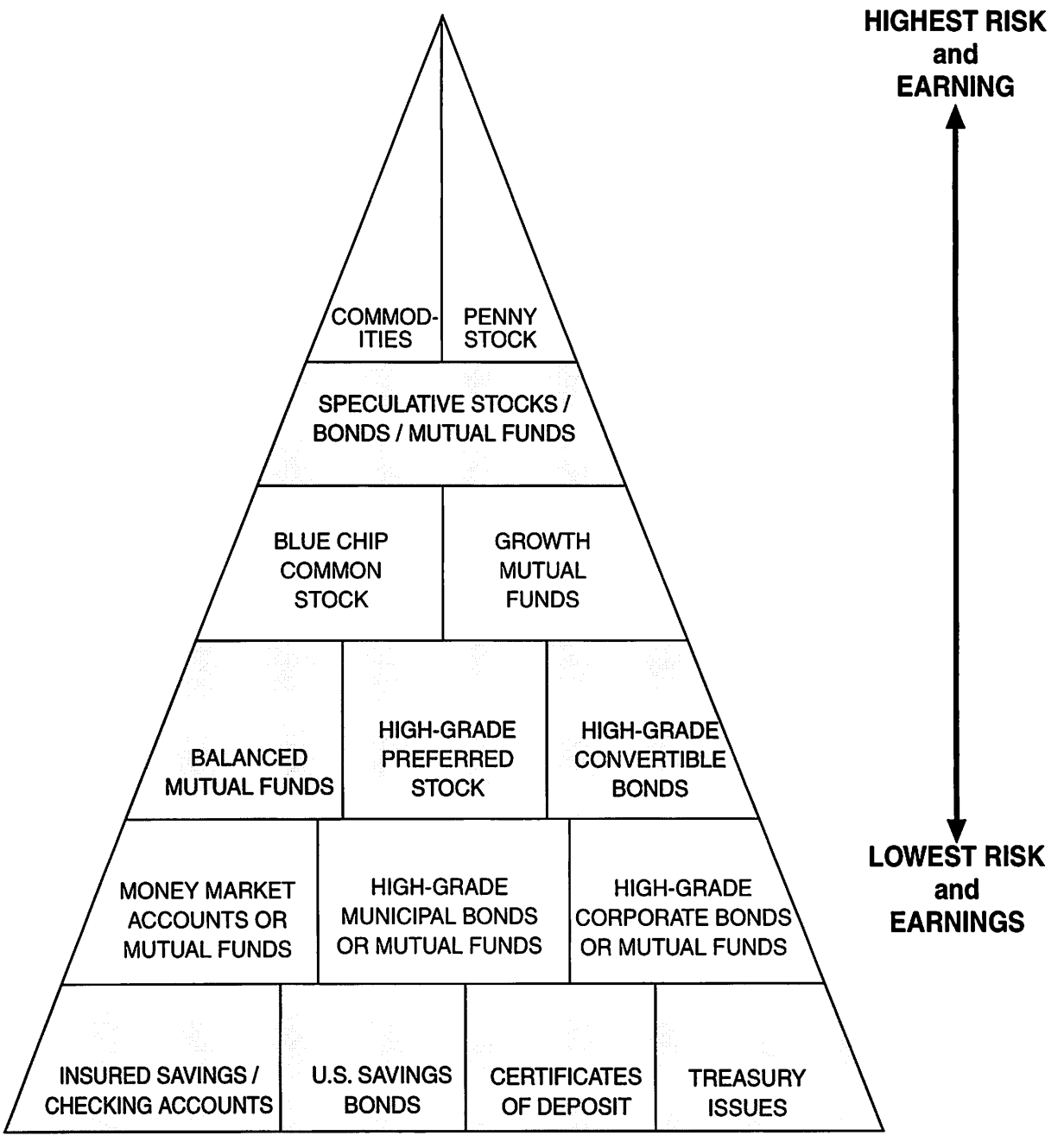
* Numbers have been rounded to the nearest dollar.

Future Value of an IRA

This table shows earnings on an IRA with an annual contribution of $500.00 and 6% interest compounded daily.

	Age When Initial Investment Is Made						
	25	30	35	40	45	50	55
Age 60	$61,520.25	$43,351.25	$29,890.75	$19,919.00	$12,531.25	$7,058.25	$3,003.75
Age 65	$86,045.50	$61,520.25	$43,351.25	$29,890.75	$19,919.00	$12,531.25	$7,058.25
Age 70	$119,150.25	$86,045.50	$61,520.25	$43,351.25	$29,890.75	$19,919.00	$12,531.25

Risk Pyramid



Lesson 4: Developing a Savings and Investment Plan Name _____

Future Value of Money

Objective: Calculate the value of money over time.

Using the formula for the future value of money, calculate the value of money over time for the problems below. Remember to convert percentages to decimals.

1. If $1,000 was deposited in a savings account that earned five percent interest, what would the future value be in two years?

   What would the future value be in five years?

2. In five years, what would the future value be of a $5,000 certificate of deposit earning eight percent interest?

   What would the future value be in ten years?

Divider should read:

Unit III. Financial Management

Agribusiness Sales, Marketing, and Management

Curriculum Guide: *Agribusiness Sales, Marketing, and Management*

Unit: III. Financial Management

Unit Objective:

Students will demonstrate an understanding of financial management principles by establishing a budget for their supervised agricultural experience (SAE).

Show-Me Standards: 1.2, CA4

References:

Agribusiness Sales, Marketing, and Management. University of Missouri-Columbia, Instructional Materials Laboratory, 1997.

Missouri Agricultural Record Book for Secondary Students. University of Missouri-Columbia, Instructional Materials Laboratory, 1997.

Instructional Strategies/Activities:

- Students will engage in study questions in lessons 1 through 4.
- Students will complete AS 1.4, Business Expense Report; and AS 2.1, Preparing a Personal Budget.
- Additional activities that relate to the unit objective can be found under the heading "Other Activities" in the following locations: p. III-37 and p. III-49 (1).

Performance-Based Assessment:

Using principles of financial management, each student will develop and establish a budget for his or her SAE. The budget should take into consideration elements related to start-up capital and projected income and expenses.

Assessment will be based on the completeness and accuracy of the budget, as well as the organization and details of the items included in the budget. Spelling and arithmetic calculations also will be factors in the assessment.

Unit III—Financial Management
Instructor Guide

The instructor should assign the performance-based assessment activity at the beginning of the unit. Students will work toward completing the activity as they progress through the unit lessons. The assessment activity will be due at the completion of the unit.

1. Each student will develop and establish a budget for his or her SAE, using principles of financial management, and listing the items in an orderly and clear manner on a budget (income/expense) sheet, such as Form 5, Cash Flow from the *Missouri Agricultural Record Book for Secondary Students.*

2. The budget should account for projections of start-up capital (for ownership SAEs) or earnings (for placement SAEs), all items of expense, and all sources of income. Examples of each follow:
   - ❑ Start-up capital might be derived from loans or personal resources.
   - ❑ Earnings might come from payment from an employer for labor.
   - ❑ Expense items include such things as tools, equipment, and supplies.
   - ❑ Income items are revenue generated from the sale of products (e.g., livestock, produce), services (e.g., work for hire, specialized business), or capital appreciation (e.g., interest from a savings account).

3. Assessment will be based on the completeness and accuracy of the budget.
   a. Other assessment factors are the organization and details of the items included in the budget.
   b. Spelling and arithmetic calculations also will be factors in the assessment.

Unit III—Financial Management
Student Handout

1. Develop and establish a budget for your SAE, using principles of financial management, and listing the items in an orderly and clear manner on a budget (income/expense) sheet, such as Form 5, Cash Flow from the *Missouri Agricultural Record Book for Secondary Students.*

2. Your budget should account for start-up capital (for ownership SAEs) or earnings (for placement SAEs), all items of expense, and all sources of income. Examples of each follow:
   - ❑ Start-up capital might be derived from loans or personal resources.
   - ❑ Earnings might come from payment from an employer for labor.
   - ❑ Expense items include such things as tools, equipment, and supplies.
   - ❑ Income items are revenue generated from the sale of products (e.g., livestock, produce), services (e.g., work for hire, specialized business), or capital appreciation (e.g., interest from a savings account).

3. Assessment will be based on the completeness and accuracy of your budget.
   a. Other assessment factors are the organization and details of the items included in the budget.
   b. Spelling and arithmetic calculations also will be factors in the assessment.

Agribusiness Sales, Marketing, and Management

Unit III—Financial Management
Scoring Guide

Name _____

Assessment Area	Criteria	0 Points	1 Point	2 Points	3 Points	4 Points	Weight	Total
Start-Up Capital or Earnings	❑ Complete ❑ Accurate ❑ Organized ❑ Detailed	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 7.5	
Expenses	❑ Complete ❑ Accurate ❑ Organized ❑ Detailed	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 7.5	
Income	❑ Complete ❑ Accurate ❑ Organized ❑ Detailed	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 7.5	
Technical Considerations	❑ Spelling ❑ Arithmetic ❑ Orderly ❑ Clear	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 2.5	
TOTAL								

Final Assessment Total _____**/100 pts.**

Comments:

UNIT IV - PERSONAL DEVELOPMENT

Lesson 1: Developing a Positive Work Attitude

Competency/Objective: Describe how to develop a positive work attitude.

Study Questions

1. **What is a positive work attitude?**

2. **Why is a positive work attitude necessary?**

3. **How can a positive work attitude be achieved?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IV.

2. Transparency Master

   a) TM 1.1: "Be" Attitudes

3. Activity Sheet

   b) AS 1.1: Identifying Positive Work Attitudes

UNIT IV - PERSONAL DEVELOPMENT

Lesson 1: Developing a Positive Work Attitude

TEACHING PROCEDURES

A. Introduction

In order to succeed in a career, an individual must develop his or her personal capabilities. Personal development includes developing a positive work attitude, developing interpersonal relationships in the workplace, taking criticism, and behaving ethically. This lesson will discuss how an employee can develop a positive work attitude.

B. Motivation

Ask students if any of them are having, or have recently had, a "bad" day. Have an open discussion about ways that they could have made the day better. Talk about how one person's bad mood or attitude affects other people. Discuss the effect of a bad attitude on the workplace.

C. Assignment

D. Supervised Study

E. Discussion

1. Discuss the qualities that form a positive work attitude. Refer to TM 1.1. Have students complete AS 1.1.

What is a positive work attitude?

A positive work attitude is revealed through a combination of traits that are displayed in the workplace.

a) Confidence - Believing in self and others
b) Self-starter - Working with minimum supervision, using all opportunities to learn more about job responsibilities, and taking on more responsibility
c) Cooperation - Following job rules and regulations, considering the ideas of others, and helping others
d) Courtesy - Being polite to other people in the workplace, showing respect to others, speaking with a pleasant voice, and expressing appreciation for their time and effort
e) Dependability - Following instructions, being punctual and consistent in attendance, and completing tasks on time
f) Honesty - Being truthful when giving information, keeping promises, handling company money wisely, and not wasting time on the job
g) Flexibility - Learning new procedures and information and cheerfully accepting change
h) Enthusiasm - Spreading fellowship and pride throughout an organization through enthusiastic behavior

2. Ask students to explain the importance of having a positive work attitude. Discuss situations where having a positive attitude can change the way problems are handled.

Why is a positive work attitude necessary?

A positive work attitude creates an opportunity for advancement and success in a career, because it helps an employee appreciate his or her job and want to add to his or her knowledge and skills.

He or she is thus a valuable asset in terms of both performance and attitude, which is likely to spread to others.

3. Discuss with students how a person can develop a positive attitude.

How can a positive work attitude be achieved?

a) Find people in the workplace who have a positive attitude, and observe and imitate that attitude.
b) Try to build self-confidence.
c) Work on improving the traits and behaviors associated with a positive work attitude, especially enthusiasm.

F. Other Activities

Have an open class discussion about different problems in the workplace that students have experienced or that may occur. Ask specifically about situations in which a positive attitude toward the situation could have made it better.

G. Conclusion

A positive work attitude is necessary for happiness and success in the workplace. Being confident, a self-starter, cooperative, courteous, dependable, honest, flexible, and enthusiastic are all traits associated with a positive attitude.

H. Answers to Activity Sheet

AS 1.1

Answers will vary. Suggested responses are outlined below.

1. Ryan does not have to defend the changes. However, he should display a positive attitude by suggesting that everyone should do the best they can to make the changes work. Ryan should stress that each employee needs to do whatever he or she can to make sure that the business runs smoothly.

2. Jan should not bring up the problem in the meeting. Instead, she should discuss it privately with Ana. Jan should make every effort not to embarrass the new district sales manager. She should simply bring it up as a possible problem that Ana may want to take into consideration and then explain why she thinks it may be problematic based on past or present experience. The exploration of the problem should be approached as a joint venture between the two of them, with Jan as a concerned employee who is committed to preventing difficulties.

I. Answers to Evaluation

1. c
2. b
3. d
4. d

5. A positive work attitude creates an opportunity for advancement and success in a career, because it helps an employee appreciate his or her job and want to add to his or her knowledge and skills. He or she is thus a valuable asset in terms of both performance and attitude, which is likely to spread to others.

6. A positive work attitude can be developed by finding people in the workplace who have a positive attitude and observing and imitating them, trying to build self-confidence, and working on improving the traits and behaviors associated with a positive work attitude.

UNIT IV - PERSONAL DEVELOPMENT Name _____

Lesson 1: Developing a Positive Work Attitude Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which trait is the sum of all the other traits of a positive work attitude?

   a. Flexibility
   b. Courtesy
   c. Enthusiasm
   d. Cooperation

2. Being a self-starter involves all of the following except:

   a. Working with minimum supervision.
   b. Being flexible when working with others.
   c. Learning more about job responsibilities.
   d. Taking on more responsibilities.

3. Completing work assignments on time is a sign of _____ .

   a. Cooperation
   b. Confidence
   c. Honesty
   d. Dependability

4. Honesty involves:

   a. Being blunt when discussing the shortcomings of others.
   b. Following rules and regulations.
   c. Expressing anger when problems occur.
   d. Being truthful when giving information.

Complete the following short answer questions.

5. Why is it important to have a positive work attitude?

6. How can a positive work attitude be developed?

"Be" Attitudes
Be Confident
Be a Self Starter
Be Cooperative
Be Courteous
Be Dependable
Be Honest
Be Flexible
Be Enthusiastic

Lesson 1: Developing a Positive Work Attitude Name _____

Identifying Positive Work Attitudes

Objective: Identify how aspects of a positive work attitude can be applied to various work-related situations.

Read the scenario described in each problem. Identify how a person with a positive work attitude would respond in each situation.

1. XYZ Unlimited is making some major changes in production. It is the day before the changes are to take effect. Several employees are discussing them in the break room, complaining about the new production methods. They ask Ryan's opinion about the changes.

   How should Ryan respond?

2. Jan is attending a sales meeting. Ana, the new district sales manager, is explaining the modifications she has made to the sales plan for the district. Jan had been up for the promotion to district sales manager, but Ana was selected for the position instead. Listening to the plan, Jan sees a potential problem that Ana has not considered. The problem could cause Ana's plan to fail.

   How should Jan handle this situation?

UNIT IV - PERSONAL DEVELOPMENT

Lesson 2: Positive Workplace Relationships

Competency/Objective: Describe how to develop positive workplace relationships.

Study Questions

1. **How can an employee maintain a positive work relationship with his or her boss?**

2. **How can a positive relationship with coworkers be maintained?**

3. **How does an employee work as a team member?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1996, Unit IV.

2. Transparency Master

   a) TM 2.1: Possible Lines of Authority

3. Activity Sheet

   a) AS 2.1: Maintaining Postive Workplace Relationships

UNIT IV - PERSONAL DEVELOPMENT

Lesson 2: Positive Workplace Relationships

TEACHING PROCEDURES

A. Review

In Lesson 1, the importance of developing a positive work attitude was discussed. A positive work attitude is reflected in the employee's behavior in the workplace and consists of a combination of many positive traits. Ideally, a positive attitude becomes a state of mind. Lesson 2 will discuss how to develop a positive work relationship with both superiors and coworkers. Even though each person may work individually when he or she is completing one part of a task, that person must be able to work as a part of a team so that each task can be combined into a unified effort to meet the goals of the business.

B. Motivation

Ask students how many of them have been involved in a team sport. Discuss how team sports combine both individual and team efforts. For example, a quarterback on a football team relies on the receiver to catch a pass in order to move closer to the goal and complete the task of scoring a touchdown. The quarterback also relies on other teammates to defend him so that he has time to throw the ball. The coach helps each team member become better at their tasks and coordinates each individual's effort to achieve the unified goal of winning the game. Compare team sports to working as a team on the job.

C. Assignment

D. Supervised Study

E. Discussion

1. Ask students how an employee can maintain a positive work relationship with his or her boss. Discuss the importance of understanding the lines of authority and the chain of command. Use AS 2.1 to illustrate lines of authority.

   How can an employee maintain a positive work relationship with his or her boss?

   a) By remembering that the boss's job is to help others achieve the purpose of the organization
   b) By realizing that in order to combine all necessary tasks the organization must have an orderly system
      1) Respecting and following the lines of authority or chain of command
      2) Following all rules and regulations
      3) Showing up for work on time and not resisting changes
      4) Completing tasks correctly
      5) Being a problem solver
   c) By communicating properly with the boss when problems arise
      1) Communicating in terms of what can be observed or measured rather than in terms of personal attitudes or feelings
      2) Expressing desired outcomes rather than complaining
      3) Giving honest and complete information

2. Discuss the importance of developing and maintaining a positive relationship with coworkers. Ask students how a positive relationship can be maintained.

How can a positive relationship with coworkers be maintained?

a) By doing your share of the work
b) By treating others considerately
    1) Respect the fact that coworkers will have differences and tolerate those differences.
    2) Try to understand and accept other perspectives when disagreements occur.
    3) Make compromises to resolve disagreements.

3. Discuss how an employee can be a team member. Emphasize the importance of working as a member of a team. Provide an example from business, such as how workers in manufacturing rely on other people to complete different parts of a product, on sales people to sell the product, and on others to distribute the product that has been sold to the customer. TM 2.2 can be used to illustrate the concept of teamwork. Divide the class into groups and have students complete AS 2.1. Discuss the answers to the activity sheet.

How does an employee work as a team member?

a) Workers need to understand even though people have differences, they must form a team to produce a product or offer a service, since individual effort is useless without the efforts of others on the team.
b) Successful team members share several important traits.
    1) They work hard to do their part to contribute to the success of the team. They strive for excellence even when a task seems unpleasant.
    2) They share their ideas with others if they believe that they will help the team to be successful.
    3) They concentrate on finding solutions to problems facing the team rather than on the problems themselves. Focusing on the problem may simply contribute to it.
    4) They accept the decisions made by others, whether the decision is made by the team as a whole or by a manager.
    5) They take interest in what the other members of the team are doing. They provide encouragement and praise for their efforts.
    6) When the team succeeds, they take personal pride in that success. When the team is not successful, good team members are willing to take responsibility for their actions if they have contributed to the problem.

F. Other Activities

Have an open discussion in which students consider how they might handle problems that occur in the workplace. For example, present students with a situation in which they are being discriminated against and have them come up with a solution or solutions for dealing with the problem.

G. Conclusion

A team member understands that individual efforts are combined with the efforts of others to achieve a unified goal. Maintaining a positive relationship with superiors and other employees is an important part of reaching that goal.

H. Answers to Activity Sheets

AS 2.1

Answers will vary.

I. Answers to Evaluation

1. a
2. b
3. d

4. Communicating in terms of what can be observed or measured rather than in terms of personal attitudes or feelings, expressing desired outcomes rather than complaining, giving honest and complete information

5. Teamwork is important because workers must form a team to produce a product or offer a service, since individual effort is useless without the efforts of others on the team.

 Name _____

Lesson 2: Positive Workplace Relationships Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. What is one thing that should be done to maintain a positive relationship with coworkers?

   a. Treat others within the business organization considerately.
   b. Follow established lines of authority in the business organization.
   c. Communicate problems to superiors without complaining.
   d. Discriminate against other employees of the business.

2. Which of the following is <u>not</u> a part of maintaining a positive relationship with one's boss?

   a. Communicating properly with the boss when problems arise within the organization
   b. Discussing personal attitudes and feelings when bringing problems to his or her attention
   c. Remembering that the boss's job is to help others achieve the purpose of the organization
   d. Realizing that to combine all the necessary tasks the organization must have an orderly system

3. What is one trait of successful team members?

   a. They share their ideas with others only when asked to contribute.
   b. They focus their attention on the problems facing the team.
   c. They ignore decisions that they feel will hurt the team.
   d. They take interest in what other members of the team are doing.

Complete the following short answer questions.

4. What are three important aspects of communicating well with the boss when problems arise?

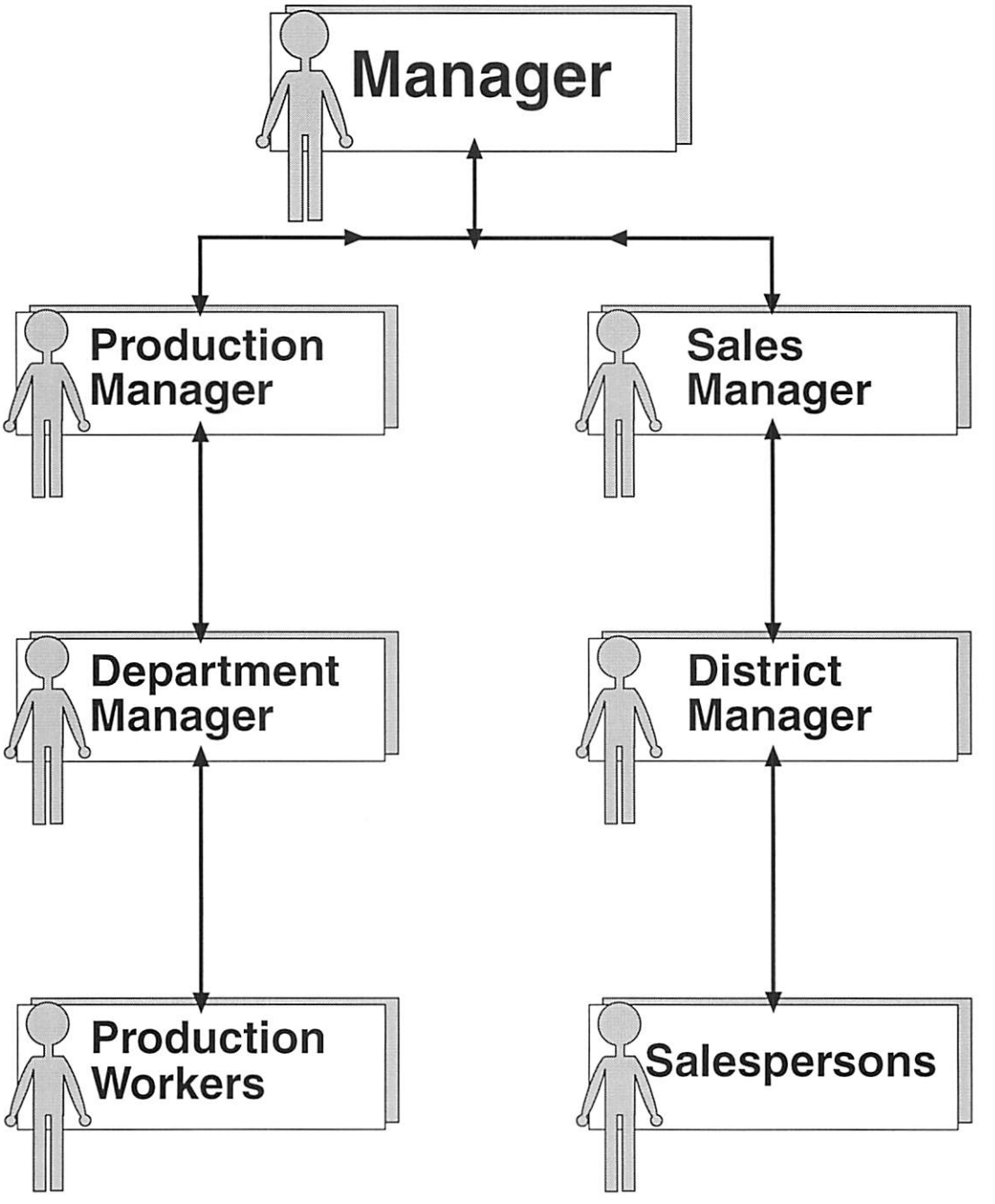
   a.

   b.

   c.

5. Why is teamwork important in producing a product or offering a service?

Possible Lines of Authority



Lesson 2: Positive Workplace Relationships Name _____

Maintaining Postive Workplace Relationships

Objective: Describe ways to maintain a positive workplace relationship with a difficult coworker.

Working in groups assigned by your teacher, describe how the situations outlined in the problems below could be handled while maintaining postive workplace relationships. Be prepared to discuss your answers.

1. A coworker does not pay attention to directions and is constantly making mistakes. These mistakes affect the entire business, decreasing productivity and efficiency.

2. A coworker is not properly handling customer complaints and is being rude to them as well. The result is a loss in future sales and poor public relations.

UNIT V - COMMUNICATION SKILLS

Lesson 2: Written Communication Skills in Agribusiness

TEACHING PROCEDURES

A. Review

As discussed in Lesson 1, verbal and nonverbal communication are vital components of the sales process. Verbal communication consists of the spoken and written word; nonverbal communication conveys meaning through facial expressions, gestures, body language, rate of speech, tone of voice, and eye contact. Both must be used effectively in order for the salesperson to be successful.

Utilizing effective written communication skills is important in the sales process because written forms of communication support and illustrate the information provided in the oral part of the sales presentation. This lesson will discuss the types of written communication most often used in sales, why effective written communication skills are important in agribusiness sales and marketing, and how to write a business letter or memo.

B. Motivation

Display TM 2.1 at the beginning of class. It provides an extreme example of the problems of spelling errors and lack of proofreading. Ask the class to identify the errors. Discuss what the class thought as they read through the paragraph. Point out that computer spell check and grammar check programs do not catch all errors. For example, using spell check would not have caught the problem with "discus" ("discuss") in the first line.

C. Assignment

Have students design a flyer for the school-based business/fund-raising activity.

D. Supervised Study

E. Discussion

1. Ask students to describe the different types of written communication they have used or seen. Discuss the types of written communication used in agribusiness sales and marketing.

What are the various forms of written communication?

a) Letters and memos
   1) Inform customers about existing or future products or changes in the company, such as payment plans, ordering policies, or special discounts
   2) Can be sent to an individual or mass mailed to all customers and potential customers
   3) Memos - used within the company to supply information to superiors and coworkers
b) Sales proposals
   1) Prepared before the sales presentation to organize the material and ensure all the information is included
   2) Contain the product description, use, price, and other positive information about the product

c) Reports
   1) Internal reports - any report sent to people within the company; usually contain information about a sales representative's activities, progress on individual projects or with customers, and future targets for sales
   2) External reports - any report sent to current or potential customers; usually contain information to update customers about activities involving the product or service that they are using, new products or services that will be on the market, or changes in the company that affect them

d) Product analysis/information sheets
   1) Provide customers with specific information about a limited number of related products, such as cost, effectiveness, useability, and popularity of a product
   2) Utilized best with one-on-one presentations

e) Manuals
   1) Provide detailed information about the sale, use, or promotion of a product
   2) Received by the salesperson from the company to aid him or her in the selling process
   3) Can be given directly to the customer or rewritten by the salesperson

f) Bulletins and flyers
   1) Usually sent by mail
   2) Inform customers about a product/service, price changes, or upcoming events

g) Demonstration materials
   1) Include charts, graphs, or other materials that a salesperson would use during presentations or demonstrations
   2) Should emphasize positive points and important facts about the product/service

2. Discuss the importance of effective written communication skills.

Why are effective written communication skills important in agribusiness?

a) To support the oral part of the sales presentation
   1) Some customers prefer to see information rather than hearing it.
   2) Written communication may enable customers to absorb and retain information better because it is stated in "black and white."
   3) Customers can review information later, thus allowing them to become more familiar with the product/service.

b) To reduce the chance of a misunderstanding between salesperson and customer

c) To allow salespeople to maintain contact with customers through the mail
   1) A salesperson with a large territory cannot make frequent visits to customers and so must mail them information.
   2) The salesperson can keep a customer from feeling ignored or neglected, which may drive him or her to deal with competitors with more readily available salespeople.

3. Ask students to describe the components of a business letter and a memo. Have students complete AS 2.1 to allow them to practice writing effective business letters.

What are the main components of business letters and memos?

a) Business letters
   1) Date
   2) Inside address
   3) Salutation
   4) Body

5) Close
6) Writer's identification
7) Reference initials (if typed by someone else)
8) Enclosure notation
9) Copy notation

b) Memorandums
1) Recipient
2) Sender
3) Date
4) Subject line
5) Message
6) Reference initials (if typed by someone else)
7) Copy notation

F. Other Activities

1. Have the students form peer review groups and critique the first draft of the business letter written for AS 2.1. The students should look for spelling and grammar errors, information that should be added or deleted, and problems with the format.

2. Have the students write one of the letters discussed in the previous unit--a letter of inquiry, cover letter, or follow-up letter.

G. Conclusion

Effective written communication can have a large impact on the sales process. Several forms of written communication are used by salespeople, and each sales arena will utilize them differently. The salesperson needs to be familiar with them all so that he or she will be comfortable using them.

H. Answers to Evaluation

1. c
2. b
3. d

4. Answers may include any four of the following: date, inside address, salutation, body, close, writer's identification, reference initials, enclosure notation, copy notation.

5. Answers may include any three of the following: recipient, sender, date, subject line, message, reference initials, copy notation.

6. Written communication skills are important in agribusiness because written communications are used to support the oral part of the sales presentation, to reduce the chance of a misunderstanding between salesperson and customer, and to allow salespeople to maintain contact with customers through the mail.

UNIT V - COMMUNICATION SKILLS Name _____

Lesson 2: Written Communication Skills in Agribusiness Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which of the following types of written communication is not seen by customers?

   a. Manuals
   b. Bulletins and flyers
   c. Internal reports
   d. Demonstration materials

2. A sales proposal should:

   a. Be very long and detailed.
   b. Be completed before a presentation.
   c. Be vague with little detail.
   d. Be put together without organization.

3. Which of the following provide customers with specific information about a limited number of related products?

   a. Manuals
   b. Demonstration materials
   c. Business letters
   d. Product analysis/information sheets

Complete the following short answer questions.

4. What are four of the components of a business letter?

   a.

   b.

   c.

   d.

5. What are three of the components of a memo?

   a.

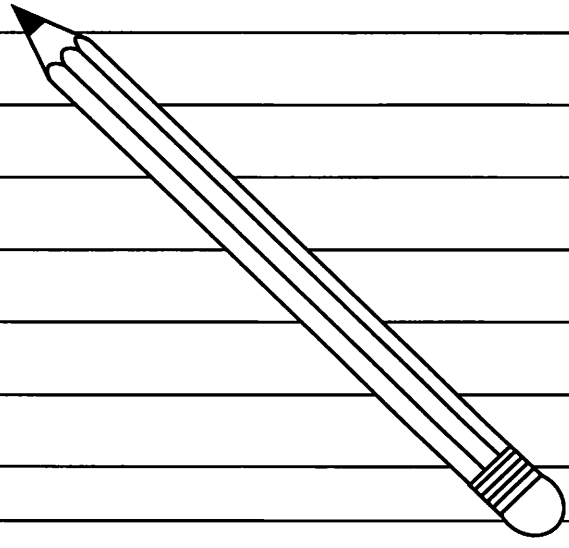
   b.

   c.

6. What are three reasons why effective written communication skills are important in agribusiness?

Today's Lesson

Today we will discus the types of written comunication that are used in agribusiness selas. Written work should be accruate and professional. different forms of written communication will be used by different companys, you should be familiat with the variuos forms that may be encountered in a sales carreer.



Lesson 2: Written Communication Skills in Agribusiness Name _____

Writing a Business Letter

Objective: Write an effective business letter.

Select a product or service (the product selected for AS 1.1 in Lesson 1 may be used). Choose a person in your community who might be a customer for this product or service. If possible, find out information about the chosen individual so you can write a letter to specifically address him or her. After these steps are completed, write a business letter to this person. Make sure that the letter states a specific purpose, gives a time for personal contact, and uses an attention-getter. Type the letter, using the format provided in the student reference.

UNIT V - COMMUNICATION SKILLS

Lesson 3: Using Communication Technology

Competency/Objective: Describe the proper use of communication technology.

Study Questions

1. **What are the various types of electronic communications systems?**

2. **How are electronic communications devices used?**

3. **What is proper telephone etiquette?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit V.

2. Activity Sheet

   a) AS 3.1: Using Telephone Skills

UNIT V - COMMUNICATION SKILLS

Lesson 3: Using Communication Technology

TEACHING PROCEDURES

A. Review

Several forms of written communication used in the sales process were discussed in the last lesson. In order to use them effectively, the salesperson must have good written communication skills. The use of modern communications technology is becoming more and more prevalent in agribusiness sales, and the sales representative should be familiar with the more commonly used types. This lesson will describe several types of electronic communications systems and the proper way to use them in the sales process.

B. Motivation

Discuss the ways in which computers are used in agribusiness sales (i.e., storing information, form letters, etc.). Demonstrate how much time can be saved by having students time how long it takes you to type a short letter on the computer. Then use a database of student names to print a copy for each student. Ask students to calculate how long it would have taken you to type each letter.

C. Assignment

D. Supervised Study

E. Discussion

1. Ask students to list and describe the different types of electronic communications systems.

What are the various types of electronic communications systems?

a) Voice mail
b) Facsimile, or fax, machine
c) Computers and/or word processors
d) E-mail
e) Internet
f) Intranet
g) Telephone/cellular phone

2. Discuss how electronic communications technology is used in agribusiness

How are electronic communications devices used?

a) Voice mail
   1) Internally for informing members of upper and lower management and field sales staff about current activities, changes, or news
   2) Externally for taking messages and orders and confirming upcoming activities
b) Facsimile/fax - Sending correspondence over the telephone line that might otherwise be mailed
c) Computers and word processors
   1) Typing reports
   2) Creating spreadsheets
   3) Storing product and customer information
   4) Developing time schedules and calendars
   5) Producing graphs, charts, and other visual aids

d) E-mail
   1) Internally for transmitting reports, messages, and other information between employees
   2) Externally for transmitting information to customers
e) Internet
   1) Obtaining current information about the industry, government, or other areas that may affect the company or its customers, the product, or future sales of the product
   2) Communicating with others around the world about sales, skills, or selling obstacles
f) Intranet - used for sharing many different types of company information (for example, presentations, policies, and employee training manuals) between all the members of the network
g) Telephone/cellular phone
   1) Setting up and changing appointments - The main use for the cellular phone is to notify customers of an appointment change.
   2) Prospecting for new business
   3) Following-up on sales
   4) Maintaining customer relations

3. Discuss the etiquette involved in using the telephone properly in agribusiness. Each student should understand the importance of acting appropriately on the telephone when conducting business. Pair up students to do AS 3.1.

What is proper telephone etiquette?

a) Attempt to identify the decision maker before calling and specifically ask to speak to that person. If unsure who the decision maker is, ask to speak with the person in charge of making purchasing decisions.
b) Do not be rude or degrading when talking to support staff.
c) Inform the decision maker about the call, explaining its purpose and the amount of time it will take; find out whether he or she has time to listen.
d) Keep telephone calls short.
e) Briefly discuss the purpose of the call.
f) Listen for feedback.
g) Close by concluding the purpose.
h) Use a pleasant voice.
i) ALWAYS BE POLITE.
   1) Do not interrupt.
   2) Do not be rude or pushy.
   3) Do not hang up on the customer/prospect.

F. Other Activities

1. Have students obtain information about a product or service from the Internet. This activity will illustrate how easy it is to market products over the Internet.

2. Have students send an e-mail message to someone or some group. Each student should send his or her own message, if possible.

G. Conclusion

The use of electronic communications systems is widespread in agribusiness sales. Because of the greater use of these technologies due to improvements and lower prices, salespeople need to be aware of the different types of systems and how to best utilize them in the sales process. These systems can help salespeople be better organized and more efficient in their use of time.

H. Answers to Evaluation

1. b
2. a
3. a

4. Setting up and changing appointments, prospecting for new business, following up on sales, and maintaining customer relations

5. Used internally to transmit reports, messages, and other information between employees; used externally to transmit information to customers

6. Obtaining current information about the industry, government, or other areas that may affect sales; communicating with others

7. Answers may include any five of the following: attempt to identify the decision maker before calling and specifically ask to speak to that person; do not be rude or degrading when talking to support staff; inform the decision maker about the call, explaining its purpose and the amount of time it will take and finding out whether he or she has time to listen; keep telephone calls short; briefly discuss the purpose of the call; listen for feedback; close by concluding the purpose; use a pleasant voice; always be polite.

UNIT V - COMMUNICATION SKILLS Name _____

Lesson 3: Using Communication Technology Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. What is the electronic communications system most frequently used by salespeople?

   a. Voice mail
   b. Telephone
   c. Internet
   d. Facsimile

2. What type of electronic communications system is used to send correspondence over the telephone line that might otherwise be mailed?

   a. Facsimile
   b. Word processor
   c. Internet
   d. Voice mail

3. What type of electronic communications system is used to record messages?

   a. Voice mail
   b. Telephone
   c. Intranet
   d. Internet

Complete the following short answer questions.

4. What are four tasks that the telephone can be used to do?

   a.

   b.

   c.

   d.

5. What are two uses of e-mail?

   a.

   b.

6. What are two uses of the Internet?

   a.

   b.

7. What are five rules of telephone etiquette?

   a.

   b.

   c.

   d.

   e.

UNIT IV - PERSONAL DEVELOPMENT

Lesson 3: Criticism

Competency/Objective: Describe how to receive and give criticism.

Study Questions

1. **What are the types of criticism?**

2. **Why is constructive criticism valuable?**

3. **How should criticism be received by an employee?**

4. **How should criticism be given?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IV.

2. Transparency Masters

   a) TM 3.1: Receiving Criticism
   b) TM 3.2: Giving Criticism

3. Activity Sheet

   a) AS 3.1: Handling Criticism

UNIT IV - PERSONAL DEVELOPMENT

Lesson 3: Criticism

TEACHING PROCEDURES

A. Review

Lesson 2 discussed positive workplace relationships. While an individual completes his or her own individual tasks, he or she must also be a team member in order to complete the work of the organization. Part of acting as a team is maintaining a positive relationship with superiors and coworkers. One way to preserve good working relationships is to learn to give and take criticism well. Lesson 3 is about criticism. If given and taken correctly, criticism can be a valuable tool for both workers and managers.

B. Motivation

Discuss the importance of being able to give and take criticism well. Demonstrate the difference between constructive and nonconstructive criticism.

Nonconstructive criticism:

Employee: "I'm sorry I didn't complete the project the right way. I though I was doing the procedure correctly, but I guess I don't understand it."

Supervisor: "Are you serious? You mean you don't understand how to do this? I just can't believe it. You better learn how to do it right the next time." (Walks off.)

Employee: "How am I supposed to learn? I don't know what I was doing wrong!"

Constructive criticism:

Employee: "I'm sorry I didn't complete the project the right way. I though I was doing the procedure correctly, but I guess I don't understand it."

Supervisor: "It will help you if you do it this way." (Supervisor gives instructions and demonstrates the correct procedure.) "Now you try it." (Employee attempts to duplicate the procedure.) "Not bad, but you did leave out one step." (Supervisor repeats the procedure, putting emphasis on the step that was left out). "Now try it again." (Employee again attempts to duplicate the procedure.) "That was a good try. The first two steps were good, but you need a little more practice on the last one."

Employee: "I think I can complete the job correctly now with some practice. Thanks for showing me what I was doing wrong."

Present other situations in which a person uses nonconstructive criticism. Ask the class how the criticism could be stated in a constructive manner.

C. Assignment

D. Supervised Study

E. Discussion

1. Have students describe criticism that they have heard. Discuss which of the two types of criticism their examples are.

What are the types of criticism?

a) Nonconstructive criticism--only identifies a problem; it does not offer a solution
b) Constructive criticism--identifies a problem and gives instructions for solving the problem

2. Discuss the value of constructive criticism with students.

Why is constructive criticism valuable?

a) Allows a business to meet its goals of operating productively and efficiently
b) Helps an employee improve his or her job performance
c) Improves employee morale

3. Ask students to explain some positive ways to respond to criticism.

How should criticism be received by an employee?

a) Control your response.
    1) Listen carefully to the message being given.
    2) Show respect for the boss.
    3) Listen closely to understand the problem and the instructions for correcting it.
    4) Do not make excuses or be offended.
    5) Make plans to correct the problem.
b) Learn how to take instructions from others.
    1) Listen closely in order to understand instructions.
    2) Ask questions when information is unclear.
    3) Use the instructions to complete the task correctly.
    4) Ask for help when needed to complete the task.
c) Turn nonconstructive criticism into constructive criticism.
    1) Meet nonconstructive criticism with a positive attitude.
    2) Assure the person giving the criticism that a commitment to doing better exists.
    3) Ask questions about how to resolve the problem.
    4) If no instructions are given, find out what has to be done to solve the problem.

4. Ask students how many of them have had other people react negatively to their own criticism. Discuss how to criticize others properly.

How should criticism be given?

a) Approach giving criticism with the proper attitude; be calm, courteous, and fair.
b) Follow guidelines for giving criticism.
    1) Mention only the things the person can correct.
    2) Be clear about what is to be corrected.
    3) Emphasize the benefits of the criticism.
    4) Pick the right setting and time.
    5) Criticize the problem and not the person.
    6) Mention things that the person does correctly.
    7) Speak in a positive tone.
    8) Demonstrate confidence in the person's ability to correct the problem.
    9) Look for signs that show that the listener is responding positively.
c) To criticize constructively, a person must know how to give instructions.
    1) Understand the problem and be able to visualize the steps needed to correct it.
    2) Summarize the steps of the corrective procedure, explaining them clearly.
    3) Repeat or demonstrate the steps when necessary.
    4) Ask the listener if he or she has any questions.
    5) Review the procedure by allowing the listener to talk through or demonstrate the task.

F. Other Activities

1. Have students role play different situations in which one student is not constructively criticizing another student. Then have a discussion with the entire class about how the situation could be handled differently.

2. Have an open discussion with the class about situations in which students believe they were not criticized constructively. Discuss how the situations may have been handled differently.

G. Conclusion

A person who cannot give constructive criticism limits his or her own ability to instruct others, and a person who cannot take constructive criticism is limited to his or her own ideas and insights. Everyone should therefore be committed to improving his or her ability to give and take criticism.

H. Answers to Activity Sheets

AS 3.1

1. After the meeting, Joe should ask his boss for some private time to discuss the situation with her. During the discussion, he needs to assure his boss that he is very sorry about the entire situation. Joe should explain to Ms. Jameson, without making any excuses, that he is committed to not letting something like this ever happen again. He then needs to ask her to explain the proper procedure for handling returns.

2. Answers may include any of the following points.

   - Ms. Jameson should have had a private conversation with Joe rather than criticizing him in front of others.
   - She should have waited until she was calm rather than irritated and should have spoken in a positive tone.
   - Ms. Jameson should not have discussed the increase in sales expenses at the same time, because Joe is not responsible for the entire problem. Rather, she should have focused on the problem of filling out the merchandise return form correctly.
   - She should have stressed the benefits of completing the procedure correctly by explaining that Joe's sales will suffer if he continues to upset customers by handling their returns incorrectly.
   - Ms. Jameson should have explained the steps of the procedure for filling out the merchandise return form, providing a demonstration or emphasizing complicated steps if necessary.
   - Joe should then have been given a chance to ask questions and either perform the procedure or repeat the steps back to Ms. Jameson.
   - Ms. Jameson should have shown Joe that she is confident in his ability to handle the problem correctly in the future.
   - She should have used the meeting to discuss things Joe has done correctly in the past.

I. Answers to Evaluation

1. d
2. a
3. c
4. d

5. Constructive criticism is valuable because it allows a business to meet its goals of operating productively and efficiently, helps an employee to improve his or her job performance, and improves employee morale.

6. To make nonconstructive criticism valuable, meet it with a positive attitude. Assure the person giving the criticism that you are committed to doing better. Ask questions about how to resolve the problem. If no instructions are given, find out what has to be done to solve the problem.

7. Answers may include any five of the following.

   a) Mention only the things the person can correct.
   b) Be clear about what is to be corrected.
   c) Emphasize the benefits of the criticism.
   d) Pick the right setting and time.
   e) Criticize the problem and not the person.
   f) Mention things that the person does correctly.
   g) Speak in a positive tone.
   h) Demonstrate confidence in the person's ability to correct the problem.
   i) Look for signs that show that the listener is responding positively.

UNIT IV - PERSONAL DEVELOPMENT Name _____

Lesson 3: Criticism Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. When giving criticism:

   a. Criticize the person and not the problem.
   b. Ask questions about how to resolve the problem.
   c. Allow the other person to figure out a solution.
   d. Mention things that the person has done correctly.

2. Which of the following is <u>not</u> important in learning to take instructions from others?

   a. Listen closely in order to understand instructions so asking for help is unnecessary.
   b. Ask questions when the information that has been given in the instructions is not clear.
   c. Use the instructions that have been given to complete the task correctly.
   d. Always ask for help if a task cannot be completed correctly for some reason.

3. What is the difference between nonconstructive and constructive criticism?

   a. Constructive criticism only identifies the problem, while nonconstructive criticism includes instructions.
   b. Constructive criticism often hurts people, while nonconstructive criticism does not.
   c. Constructive criticism includes instructions, while nonconstructive criticism only identifies the problem.
   d. Constructive criticism rarely corrects a problem, while nonconstructive criticism usually corrects it.

4. What should an employee do when receiving criticism?

   a. Choose the right setting and time to receive the criticism.
   b. Defend himself or herself to the boss to defuse the criticism.
   c. Disregard nonconstructive criticism, which is never valuable.
   d. Listen carefully to the message being given in the criticism.

Complete the following short answer questions.

5. What are three reasons why constructive criticism is valuable?

   a.

   b.

   c.

6. How can nonconstructive criticism be turned into constructive criticism?

7. What are five guidelines for giving constructive criticism?

   a.

   b.

   c.

   d.

   e.

Receiving Criticism

- Listen carefully to the message being given.
- Respect the person giving the criticism.
- Listen closely to understand the problem and the instructions for correcting it.
- Do not make excuses or be offended.
- Make plans to correct the problem.
- Learn how to take instructions from others.
- Ask for help when a task cannot be completed correctly.
- When criticism is not constructive, take steps to make it valuable.

Giving Criticism

- Give criticism calmly, courteously, and fairly.
- Be concerned only with what the listener can correct.
- Be clear about what is to be corrected.
- Emphasize the benefits of the criticism.
- Pick the right setting and time to criticize.
- Mention things that the person does correctly.
- Speak in a positive tone.
- Demonstrate confidence that the task can be completed correctly.
- Look for signs that the listener is responding positively to the criticism.

Lesson 3: Criticism Name _____

Handling Criticism

Objective: Describe how criticism may be handled effectively.

Read the scenario below and answer questions.

Joe recently became a sales representative for a large agribusiness. He is attending a district sales meeting. His boss, Ms. Jameson, begins to criticize him because one of Joe's customers had some merchandise that needed to be returned to the company for credit and Joe did not prepare the merchandise return form correctly. Ms. Jameson explains to him and the other salespeople at the meeting that the customer was angry and called her to complain because the merchandise was returned to him because of improper documentation. Ms. Jameson speaks very harshly and is obviously very irritated with Joe. She is particularly upset because the shipping charges will have to be paid again to have the merchandise returned properly. Ms. Jameson goes on to suggest that costly mistakes like Joe's are the reason why sales expenses have been so high lately.

Ms. Jameson begins to discuss some other problems with sales, but Joe is not paying attention. He is very embarrassed and says nothing for the rest of the meeting. Joe was never shown the proper method of filling out the form and is still not sure of the proper procedure.

1. How can Joe turn his boss's criticism into constructive criticism?

2. What are three things Ms. Jameson should have done to improve her criticism?

UNIT IV - PERSONAL DEVELOPMENT

Lesson 4: Ethical Behavior in the Workplace

Competency/Objective: Describe what is considered to be ethical behavior in the workplace.

Study Questions

1. **What are work ethics?**

2. **How can a person differentiate between ethical and unethical behavior?**

3. **How do work ethics affect job performance and advancement?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IV.

2. Activity Sheets

   a) AS 4.1: Identifying the Effects of Unethical Behavior
   b) AS 4.2: An Ethical Dilemma

UNIT IV - PERSONAL DEVELOPMENT

Lesson 4: Ethical Behavior in the Workplace

TEACHING PROCEDURES

A. Review

Lesson 3 discussed criticism. Constructive criticism includes instructions on how a problem can be resolved, while nonconstructive criticism only identifies the problem without explaining how to correct it. Learning to give and take criticism appropriately can help workers and managers improve their job performance. In this lesson, ethical behavior in the workplace will be addressed. Ethical behavior is shown in the way a worker follows standards of conduct. Ethical behavior shows self-respect and personal integrity and inspires confidence in oneself and others.

B. Motivation

Read the following scenario to the class. Use the questions at the end as the basis of a discussion about ethics in the workplace.

David and Joan work in the office of a large retail grocery store. Their job is to balance the cash registers and account for the money received by the store each day. Part of their job includes accounting for sales by matching cash, checks, and coupons to daily totals. David and Joan work different shifts, but on busy days their work schedules sometimes overlap.

One day when David was working with Joan, he noticed her reach into her pocket, pull out a stack of manufacturers' coupons, and add them up on the adding machine. She then put the coupons in one of the cash drawers, took out some money, and put it into her pocket. At first David said nothing, but after a while he asked Joan what she was doing. Joan explained that she cuts manufacturers' coupons out of the newspaper at home and saves them and then exchanges them for cash out of one of the register drawers. She told him that the store is not losing money because it gets its money back from the manufacturers, and she makes an extra five to ten dollars each day without purchasing the products.

David knows that the store does return the coupons to the manufacturers and is reimbursed for the coupon's value plus a small handling charge. He still thinks what Joan is doing is wrong.

Is Joan's behavior wrong? Do you think David should inform the boss? Who loses in this situation?

C. Assignment

D. Supervised Study

E. Discussion

1. Discuss with the class what work ethics are. Point out that a business cannot survive if employees do not act ethically.

What are work ethics?

Work ethics are principles of right conduct as accepted by a profession or by the business world in general. Individual businesses may have formal written codes of ethics that establish certain rules and practices to govern day-to-day operations.

2. Ask students what they consider to be ethical behavior in the workplace. Discuss ethical and unethical behavior. Divide the class into groups and have students complete AS 4.1. Discuss their answers. Have students complete AS 4.2.

   How can a person differentiate between ethical and unethical behavior?

   a) If a business has a written code of ethics or clearly follows unwritten standards of professional conduct, an employee should base his or her behavior on them.
   b) If not, an employee should try to determine what is ethical by following certain guidelines.
      1) Obey laws (the minimum standard for determining ethical behavior)
      2) Enhance self-respect
      3) Develop personal integrity
      4) Take the needs of other people into consideration
      5) Build confidence in others

3. Discuss why ethical behavior is important in the workplace.

   How do work ethics affect job performance and advancement?

   a) Being caught acting unethically can damage a person's career. Once a person gains a reputation for acting unethically, regaining the trust of others may be difficult or impossible.
   b) Ethical behavior is an essential part of good job performance and creates the potential for advancement. An organization promotes employees who are assets to the organization, because managers want their behavior to spread to others. Most businesses want managers to have especially high standards of ethics.

F. Other Activities

Have a class discussion about ethical issues that students have encountered or should be concerned with at school or in the workplace.

G. Conclusion

Ethical choices are not always simple to make. Members of business organizations must act ethically, however. Unethical behavior can ruin a career, while a reputation for ethical conduct helps create opportunities for advancement. Unethical actions can also damage a business itself it they become known or are suspected by the public. Ethical behavior is simply good for business.

H. Answers to Activity Sheets

AS 4.1

Answers will vary. Suggested answers are given below.

1. Being late or not showing up for work creates problems for a business because businesses only hire the number of employees needed to operate efficiently and be competitive. They cannot afford the expense of hiring extra employees to compensate for someone who does not show up. Kevin also makes more work for his coworkers, since they have to take on his duties. Overall, the efficiency of the business is reduced, since the product or service cannot be produced as it should be.

2. Individual pens and note pads may not be expensive, but the expense adds up if the business has to purchase more to make up for consistent losses. Depending on the amount of profit the business makes, these losses could make a difference to its overall financial well-being.

3. When customers or potential customers hear employees speak badly of the business where they work, they will often choose not to purchase products or services from that business. Robin could cause the store where she works to lose sales. If the problem becomes bad enough, Robin or her coworkers could lose their jobs.

AS 4.2

Answers will vary.

I. Answers to Evaluation

1. b
2. c
3. a

4. Organizations promote employees who are assets to the organization, because managers want their behavior to spread to others. Most businesses want managers to have especially high standards of ethics.

5. Work ethics are principles of right conduct as accepted by a profession or by the business world in general.

6. Ethical behavior obeys laws, enhances self-respect, develops personal integrity, takes the needs of other people into consideration, and builds confidence in others.

UNIT IV - PERSONAL DEVELOPMENT Name _____

Lesson 4: Ethical Behavior in the Workplace Date _____

EVALUATION

Circle the letter that corresponds to the best answer

1. Why can acting unethically damage a career?

   a. Because unethical behavior is always caught and punished
   b. Because regaining the trust of others may be difficult or impossible
   c. Because workers who act unethically are automatically fired
   d. Because all managers have high standards of ethics

2. What is the minimum standard for determining ethical behavior?

   a. If an action develops moral standards
   b. If an action is rewarded by profits
   c. If an action obeys the laws
   d. If an action is not punished by a business

3. What is the purpose of a formal written code of ethics?

   a. To establish certain rules and practices to govern the day-to-day operations of an organization
   b. To resolve all debate in society about what constitutes ethical behavior
   c. To outline punishments for all unethical behavior by employees
   d. To end ethical dilemmas by setting down ethical guidelines covering all situations

Complete the following short answer questions.

4. How does ethical behavior create the potential for advancement?

5. How are work ethics defined?

6. What are five guidelines for determining whether an action is ethical?

a.

b.

c.

d.

e.

Lesson 4: Ethical Behavior in the Workplace Name _____

Identifying the Effects of Unethical Behavior

Objective: Identify the effects of unethical behavior.

Unethical behavior by employees affects their coworkers and the business as a whole. Working in groups assigned by your teacher, read the following scenarios and determine the effect of the behavior described. Be prepared to discuss your answers.

1. Kevin often comes to work late. Sometimes he shows up an hour after his shift started. One day he did not come into work at all. He always has an excuse when he does come in.

2. Chris often takes pens and note pads home from the office where she works. She points out that these things really are not very expensive, and the business always has plenty on hand to use in the office.

3. Robin often speaks badly of the store where she works to the people she meets. She is very critical of the business and its management whenever it is mentioned.

Lesson 4: Ethical Behavior in the Workplace Name _____

An Ethical Dilemma

Objective: Distinguish between ethical and unethical behavior.

Read the paragraphs below, then answer the question. Explain the reasoning behind your answer.

One year ago, Sara was promoted to regional sales manager in a large agricultural firm. She is in charge of twenty sales representatives. All of her sales representatives except Pete have had a very good year. Sales for Pete's territory are down 25 percent from the previous year.

Pete has been with the company for 15 years. Until a year ago, Pete had the number-one territory in the entire company and the highest percentage of increases every year. He originally trained Sara. Sara credits Pete with helping her get her promotion and has always counted on him for advice.

Last year, Pete became ill, and his poor health has made it hard for him to cover his territory, which has caused a decrease in sales. Sara has tried to help him, but her other responsibilities have limited the amount of time she can spend on his problems. Pete puts as much effort into the job as he can, but his health has impaired his ability to do the job, although his health is not bad enough to force him to quit working. He hopes he will get stronger but is unsure how long it will take for his health to improve.

Sara recently received a letter from the new vice president of sales congratulating her for having the largest sales increase in the company. The vice president also asked for information on why Pete's sales were down. He wanted to know if the decrease was because of heavy competition or problems with the salesperson. In the case of strong competition, the company would spend extra money on advertising and public relations to increase sales in the area.

In the past, the company has always moved sales representatives with health problems that interfere with their work to other jobs that are not as physically demanding. However, the pay for these positions has been as much as 50 percent less than what the sales representative had been making.

Sara knows that Pete has two children in college and a large mortgage. Such a drastic pay cut would be a great financial hardship. She also knows that heavy competition is not the problem in Pete's territory.

What should Sara tell the vice president?

UNIT IV - PERSONAL DEVELOPMENT

Lesson 5: Managing Time Effectively

Competency/Objective: Use goals to plan projects and solve problems.

Study Questions

1. **What is the purpose of setting goals?**
2. **How are goals set?**
3. **How are goals prioritized?**
4. **How is a personal time management system set up?**
5. **What tools are available to help manage time?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IV.
2. Transparency Master
   a) TM 5.1: Setting Goals

UNIT IV - PERSONAL DEVELOPMENT

Lesson 5 - Managing Time Effectively

TEACHING PROCEDURES

A. Review

Lesson 4 discussed ethical behavior. Work ethics are principles of right conduct. Time management will be the focus of Lesson 5. Time is the most valuable commodity. It may be managed effectively by setting, evaluating, and adjusting goals.

B. Motivation

Ask students if they ever wanted to complete a task but did not attempt it because it seemed unattainable. When some people want to get something done, they set goals that help them direct their energy to objectives that meet the desired end. Goals help people organize their plans so that large projects do not seem unattainable. For example, if you were setting a goal to plan a career, the goal would need to be broken down into smaller pieces so that your energy could be directed to the various steps needed to achieve the goal.

C. Assignment

D. Supervised Study

E. Discussion

1. Discuss the purpose of setting goals. Goals are an important part of personal development because they help people plan their use of time.

   What is the purpose of goal setting?

   a) To allow an individual to make choices about the best use of time
   b) To give life purpose
   c) To divide a project into manageable parts in order to manage time effectively
      1) Objectives allow time and energy to be focused on a particular step toward completing the goal.
      2) Objectives can be used to evaluate the progress made toward the desired goal.

2. Ask students how they would develop goals. Point out that goals need to be planned so that the necessary steps are clear and measurable. TM 5.1 illustrates the process of goal setting.

   How are goals set?

   a) Make sure the goal is truly desired.
   b) Make a short statement describing the goal.
   c) Carefully consider the steps necessary to achieve the goal.
   d) Develop a plan of action.
   e) Put the plan into action.
   f) Reread the plan periodically to measure the progress that has been made and to determine if present performance will meet the goal.

3. Ask students how they prioritize their goals. Discuss the different ways of prioritizing goals.

How are goals prioritized?

a) To satisfy organizational goals
b) To target problem areas
c) According to the natural chain of events
d) By relative urgency and importance

4. Discuss how a time management system can be put into place.

How is a personal time management system set up?

a) List and prioritize current goals.
b) Make a list of the objectives that need to be completed to reach each goal, and prioritize them.
c) Relate the tasks for the day to the objectives, and prioritize them on the basis of goals and objectives.
d) Set up a schedule for the tasks, focusing on the tasks with the highest priority.

5. Discuss the tools that can be used to help manage time.

What tools are available to help manage time?

a) List
   1) The list should include everything that needs to be accomplished, prioritized from the most important to the least important.
   2) Each day new items will be added as others are completed and taken off the list.
b) Personal planner
   1) Personal planners contain information on daily, weekly, and monthly agendas, priorities, and finances.
   2) They also may contain important personal and business telephone numbers and addresses.
c) FFA personal planner
   1) Designed for high school students, it has a calendar for recording assignments and due dates as well as other important activities.
   2) The planner also contains information about FFA, goal-setting and time management tips, and a study guide section.

F. Other Activities

1. Have an open discussion on how goal setting can help solve problems. Discuss how goals could make someone a better athlete, student, employee, or supervisor.

2. Have students keep a schedule of how each of them spends his or her time during the week. At the end of the week, have them total up how much time is wasted.

3. Have students complete a planner to plan their use of time.

G. Conclusion

To manage time effectively, developing goals is important. Goals are simply an outcome toward which a person directs his or her efforts. They need to be planned so that objectives, which are the necessary steps to achieve a goal, are clear and measurable. Goals may be prioritized due to a natural chain of events, to satisfy organizational goals, to target problem areas first, or by relative urgency and importance. Big results may be achieved in very little time if goals and objectives are set, evaluated, and adjusted.

H. Answers to Evaluation

1. c
2. c
3. d

4. List and prioritize current goals. Make a list of the objectives that need to be completed to reach each goal, and prioritize them. Relate the tasks for the day to the objectives, and prioritize them on the basis of goals and objectives. Set up a schedule for the tasks, focusing on the tasks with the highest priority.

5. To satisfy organizational goals, to target problem areas, according to the natural chain of events, and by relative urgency and importance.

6. Make sure the goal is truly desired. Make a short statement describing the goal. Carefully consider the steps necessary to achieve the goal. Develop a plan of action. Put the plan into action. Reread the plan periodically to measure the progress that has been made and to determine if present performance will meet the goal.

7. Personal planners contain information on daily, weekly, and monthly agendas, priorities, and finances. They also may contain important personal and business telephone numbers and addresses.

UNIT IV - PERSONAL DEVELOPMENT Name _____

Lesson 5: Managing Time Effectively Date _____

EVALUATION

Circle the letter that corresponds to the best answer

1. What is the first step in setting goals?

   a. Stating the goal
   b. Developing a plan of action
   c. Making a commitment to the goal
   d. Prioritizing objectives

2. One purpose of goal setting is:

   a. To use the goals to help fulfill objectives.
   b. To stop problems from occurring when completing projects.
   c. To divide projects into manageable parts to manage time effectively.
   d. To link short-term and long-term objectives when completing a plan of action.

3. When prioritizing goals at work, an employee should consider _____ goals first.

   a. Sales
   b. Career
   c. Individual
   d. Organizational

Complete the following short answer questions.

4. What are the steps in setting up a personal time management system?

   a.

   b.

   c.

   d.

5. What are four ways in which goals can be prioritized?

   a.

   b.

   c.

   d.

6. What are the steps in setting goals?

   a.

   b.

   c.

   d.

   e.

   f.

7. What information is included in a personal planner?

Goal Setting

Goal setting involves several steps:

- Commit to the goal.
- State the goal.
- Consider the steps necessary to achieve the goal.
- Form a plan of action.
- Put the plan into action.
- Reread the goal to check progress toward achieving it and whether present performance is sufficient.

UNIT IV - PERSONAL DEVELOPMENT

Lesson 6: Developing Stress Management Techniques

Competency/Objective: Develop stress management techniques.

Study Questions

1. **What are some indicators of excessive stress?**
2. **What are some causes of stress in the workplace?**
3. **What are some stress management techniques?**
4. **How can a healthy lifestyle be maintained?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IV.

UNIT IV - PERSONAL DEVELOPMENT

Lesson 6: Developing Stress Management Techniques

TEACHING PROCEDURES

A. Review

Lesson 5 discussed how to manage time effectively by setting and adjusting goals. Setting goals helps people to focus on doing what must be done to achieve those goals and measure their progress. Goals help individuals to use their time so that large projects do not seem unattainable. Lesson 6 will focus on stress and stress management techniques. Unless stress is properly managed, it can cause mental or physical disorders.

B. Motivation

Ask students how they would feel if they were walking and encountered a vicious dog that looked like it was going to attack. Point out that most people would become quite tense, experiencing a "fight or flight" response, that is, to either defend themselves or run. After extreme tension, the body's natural response is to relax. However, as people's lives become more and more complex, their bodies may remain in a constant state of tension.

Prepare the class by creating a quiet environment. Make sure students are in a comfortable position before reading the following guided imagery. Read the passage before class to become familiar with it. Whenever there is a series of dots (. . .), pause for at least 5 seconds. Read the passage to the class slowly and in a pleasant voice.

Close your eyes and take three deep breaths. Breath slowly and easily, in through your nose and out through your mouth. Keep your eyes closed and your body relaxed.

Picture a happy, pleasant time in your life . . . a time when you had few or no problems. . . .

Look at the surroundings. . . . Are you indoors? . . . Are you outdoors? . . . Who is there? . . . What are you doing? . . . Listen to the sounds around you . . . even those in the background. . . . Are there any pleasant smells? . . . Feel the temperature. . . . Now just enjoy the surroundings. . . . Fix the good feelings in your mind. . . . You can now return to this scene any time by just picturing it.

When you are ready to stop, take three deeps breaths. . . . With each breath say the word "relax" to yourself. Then open your eyes and remain quiet. . . .

Explain to students that this relaxation method helps the body relax and allows a person to take on more tasks with less stress.

C. Assignment

D. Supervised Study

E. Discussion

1. Ask students to describe some signs of high stress levels.

What are some indicators of excessive stress?

a) Insomnia
b) Dysfunctional eating habits, including eating too much or a lack of appetite

c) Panic attacks
d) Hyperventilation
e) Increased smoking or alcohol consumption
f) Abuse of prescription or nonprescription drugs
g) Headaches
h) Muscle spasms and soreness
i) Jaw problems caused by clenching and grinding the teeth
j) Cold and canker sores
k) Skin disorders, including itchy or painful rashes and outbreaks of acne
l) Digestive tract problems, the most serious of which are ulcers
m) Chest pain
n) High blood pressure (hypertension), which can be worsened by stress and cause damage to the kidneys or, in serious cases, strokes
o) "Blahs" or "blues"
p) Depression
    1) Loss of interest in school, work, friends, or activities
    2) Difficulty sleeping, interrupted sleep, or sleeping more than usual
    3) Loss of interest in food, personal care, and grooming
    4) Unplanned gain or loss of weight in a short period of time
    5) A feeling of unhappiness that lasts longer than six weeks
    6) Suicidal thoughts
    7) A pattern of carelessness that may cause accidents while walking or driving
    8) Poor self image and feelings of worthlessness
    9) Blowing up frequently and easily over minor matters that never really were a bother before
    10) Loss of energy
    11) Feelings of confusion and inability to concentrate

2. Have students describe causes of stress in school. Point out that school is their workplace, and discuss sources of stress in the workplace.

What are some causes of stress in the workplace?

a) The gap between the demands of the work and what can reasonably be achieved
b) The difference between an individual's desires or expectations for advancement and recognition and what he or she achieves or receives as a reward
c) Personality conflicts with other employees or supervisors
d) Physical illness or problems outside the workplace that make it difficult to concentrate on the job

3. Ask students to describe ways in which they manage stress. Discuss different stress management techniques.

NOTE: Be tactful when discussing therapy. Students who are undergoing therapy or who have seen a therapist may be sensitive about this issue.

What are some stress management techniques?

a) Physical relaxation techniques
    1) Deep-breathing exercises - Concentrate on taking slow, deep breaths
    2) Muscle relaxation - Alternately tense and release muscle groups
b) Mental relaxation techniques
    1) Meditation - Focus on one relaxing thought or word for a significant length of time--at least twenty minutes
    2) Visualization - Imagine a pleasant scene and retain the feeling that it triggers

c) Efficient time management - Review activities and eliminate those that cost more in terms of time or stress than they are worth
d) Focusing on other areas in life - Engage in a variety of activities, especially leisure activities
e) Talking to other people - Gather support from others, especially family and friends
f) Humor - Try to find humor in everyday situations and problems and take time to seek out humorous things
g) Professional help through a therapist or support group - Get help to deal with repeated bouts of stress or depression

4. Part of managing stress is maintaining a healthy lifestyle. Ask students to describe the components of a healthy lifestyle.

How can a healthy lifestyle be maintained?

a) Diet
   1) Need a balanced diet high in complex carbohydrates (which release long-term energy) and low in fats (which increase blood cholesterol levels linked to heart disease)
   2) Should not skip meals, particularly breakfast
b) Exercise - should do thirty minutes of aerobic exercise three times a week with proper warm-up and cool-down periods
c) Sleep - require at least seven hours of sleep a night, and more for people under stress

F. Other Activities

1. Have a class discussion about how students manage stress. Ask them whether they think they are easily stressed or not. Discuss how different individuals handle stressful situations.

2. Have students listen to stress management tapes.

G. Conclusion

Excessive stress can cause or aggravate physical or mental problems, including serious problems such as high blood pressure and depression. Being able to manage stress effectively is therefore very important for personal well-being. While much can be done by an individual to manage stress, sometimes people cannot manage stress by themselves and need the help of others, such as a therapist or support group. Diet, exercise, and sleep are vital both in reducing the effects of stress and maintaining a healthy lifestyle.

H. Answers to Evaluation

1. b
2. d
3. d
4. c
5. a

6. Visualization is a method of stress management in which a person imagines a pleasant scene and retains the feeling that it triggers.

7. Answers may include any five of the following indicators.

- Insomnia
- Dysfunctional eating habits, including eating too much or a lack of appetite
- Panic attacks
- Hyperventilation
- Increased smoking or alcohol consumption

Lesson 3: Using Communication Technology Name _____

Using Telephone Skills

Objective: Use proper techniques for communicating by telephone.

Activity Length:

Part A: 20-30 minutes (preferably outside of class)
Part B: 10-15 minutes
Part C: 10-15 minutes

Materials and Equipment:

Telephone lines (in separate rooms, if possible)

Procedure:

Part A: Work with a partner. One of you will be the customer/prospect and the other will be the salesperson. Select a product or service to sell and make an outline of the information to be covered during the sales call, including an introduction of the caller, company, and the product or service, interesting points concerning the product, and any additional notes that a salesperson might find helpful. The "salesperson" will also want to write down any possible objections that he or she may run into during the sales call and the responses that may be given.

Part B: Make the sales call. If necessary, sit where you cannot see your partner to avoid face to face contact.

Student 1 (Salesperson):

Make a call to the customer/prospect trying to sell the product or service. Use the techniques discussed in the text: give an introduction, state the length and purpose of the call and get approval from the customer/prospect to continue, discuss the purpose of the call, look for feedback, and close the call.

Student 2 (Customer/prospect)

When you receive the call, note the introduction, statement of the purpose and length of call, your approval to continue the call, whether the purpose is discussed in an organized manner, whether the salesperson gives and looks for feedback, and an appropriate close to the call. Also consider the caller's use of telephone etiquette. Does the salesperson interrupt? How is his or her voice (pleasant, expressive, monotone, loud, soft, etc.)? How does he or she end the call (i.e., hang up)? Evaluate the use of telephone skills by filling out the checklist provided.

Part C: Once the checklist is completed, switch roles and perform the activity again.

FORMAT

Introduction of self, company, and product/service

____ Poor ____ Good ____ Excellent

Statement of purpose of call

____ Yes ____ No

Statement of anticipated length of call

____ Yes ____ No

If yes, was the call completed within this amount of time?

____ Yes ____ No

Customer approval of call requested?

____ Yes ____ No

Purpose of call discussed in an organized manner

____ Poor ____ Good ____ Excellent

Feedback used appropriately

____ Poor ____ Good ____ Excellent

Close of the call

____ Poor ____ Good ____ Excellent

ETIQUETTE

Interruptions by salesperson

____ Yes ____ No

Voice

____ Poor ____ Good ____ Excellent

Did the salesperson hang up on the customer?

____ Yes ____ No

Overall impression of the effectiveness of the sales call

____ Poor ____ Good ____ Excellent

Divider should read:

Unit V. Communication Skills

Agribusiness Sales, Marketing, and Management

Curriculum Guide: *Agribusiness Sales, Marketing, and Management*

Unit: V. Communication Skills

Unit Objective:

Students will recognize and identify examples of verbal and nonverbal communication by analyzing a videotape of a presentation between a sales representative and a customer.

Show-Me Standards: 3.4, CA7

Reference:

Agribusiness Sales, Marketing, and Management, University of Missouri-Columbia, Instructional Materials Laboratory, 1997.

To find videotapes on selling, check at the local city or school library. Also, check at school for videotapes of past students performing sales presentations. Videos may be available that were made for the performance-based assessment for Unit VII, Making a Sale. Another source of videotapes is Career and Technical Education Resources (CATER), 573-882-1470 or 800-392-7217 (Missouri only), http://cater.missouri.edu/. Two examples are *Successful Selling* (MCE Video 127) and *Fundamentals of Effective Selling: Building a Successful Business* (MCE Video 273).

Instructional Strategies/Activities:

- Students will engage in study questions in lessons 1 through 3.
- Students will complete AS 1.2, Using Nonverbal Skills in a Selling Situation; and AS 3.1, Using Telephone Skills.
- Additional activities that relate to the unit objective can be found under the heading "Other Activities" in the following locations: p. V-5 and p. V-23 (2).

Performance-Based Assessment:

Students will view, as a class, a videotape of a presentation between a sales representative and a customer. During the viewing, each student will analyze the presentation and note examples of verbal and nonverbal communication. Class discussion will follow.

Assessment will be based on each student's analysis of the videotape and the number and accuracy of examples cited. Extra points will be awarded to students who take part in the class discussion.

Unit V—Communication Skills
Instructor Guide

The instructor should assign the performance-based assessment activity at the beginning of the unit. Students will work toward completing the activity as they progress through the unit lessons. The assessment activity will be due at the completion of the unit.

1. Students will view, as a class, a videotape of a presentation between a sales representative and a customer.

2. While watching the videotape, each student will critique the presentation, using a preprinted form (included with this assessment).
   a. Each student will analyze the presentation from a communication perspective and write a short paragraph indicating his or her assessment of the overall effectiveness of communication by both individuals in the videotape.
   b. Each student will also note positive and negative examples of verbal and nonverbal communication (a minimum of two examples in each of the four categories). The student will indicate examples by writing a key phrase or complete sentence about the example in the appropriate section of the form.

3. After completion of the critiques, there will be a discussion during the remaining period of the class to review the findings.

4. Assessment will be based on the appropriateness of the analysis paragraph and the quantity and accuracy of the examples cited on the form. In addition, extra points (maximum of 10) will be awarded to students taking part in the class discussion.

Unit V—Communication Skills
Student Handout

1. View, along with your classmates, a videotape of a presentation between a sales representative and a customer.

2. While watching the videotape, critique the presentation, using a preprinted form.
   a. Analyze the presentation from a communication perspective and write a short paragraph indicating your assessment of the overall effectiveness of communication by both individuals in the videotape.
   b. Also note positive and negative examples of verbal and nonverbal communication (a minimum of two examples in each of the four categories). Indicate the examples by writing a key phrase or complete sentence about the example in the appropriate section of the form.

3. After completion of the critiques, there will be a discussion during the remaining period of the class to review the findings.

4. Assessment will be based on the appropriateness of your analysis paragraph and the quantity and accuracy of the examples you cite on the form. In addition, extra points (maximum of 10) will be awarded for participating in the class discussion.

Unit V—Communication Skills
Analysis Form

Name _____

Analysis of Communication	
Verbal Examples – Positive	Nonverbal Examples – Positive
Verbal Examples – Negative	Nonverbal Examples – Negative

Agribusiness Sales, Marketing, and Management

Unit V—Communication Skills
Scoring Guide

Name_____

Assessment Area	Criteria	0 Points	1 Point	2 Points	3 Points	4 Points	Weight	Total
Analysis of Communication	❑ Complete ❑ Appropriate	0 criteria met		1 criterion met		Both criteria met	X 10	
Verbal Examples–Positive and Negative	❑ Accurate and sufficient quantity	0 criteria met	1 example	2 examples	3 examples	4 examples	X 7.5	
Nonverbal Examples–Positive and Negative	❑ Accurate and sufficient quantity	0 criteria met	1 example	2 examples	3 examples	4 examples	X 7.5	
Class Discussion	❑ Participated	Not met				Met	X 2.5	Extra Points
TOTAL								

Final Assessment Total _____/100 pts.

Extra Points _____/10 pts.

Comments:

UNIT VI - PREPARING FOR A SALE

Lesson 1: Selling Environments

Competency/Objective: Differentiate between selling environments and the salesperson's role in each of these environments.

Study Questions

1. **What are the different selling environments?**
2. **What is a salesperson's role in a retail situation?**
3. **What is a salesperson's role in a wholesale situation?**
4. **What is a salesperson's role in the processing industry?**
5. **What is a salesperson's role in selling directly to the consumer?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit VI.

UNIT VI - PREPARING FOR A SALE

Lesson 1: Selling Environments

TEACHING PROCEDURE

A. Introduction

A salesperson must be able to recognize different selling environments because in each situation the salesperson has different responsibilities and must use techniques that are unique to that environment. This lesson will identify the selling environments in which agribusiness sales representatives most commonly work.

B. Motivation

Ask the students to name some places where sales occur and have them try to identify the selling environment in which they think each belongs. Discuss their examples and the different types of selling environments.

C. Assignment

D. Supervised Study

E. Discussion

1. Discuss how selling environments differ. Have students list some additional examples for each selling environment.

What are the different selling environments?

a) Retail sales - market in which a product is sold to the final consumer (e.g., feed stores, lumber yards, hardware stores, implement dealerships)
b) Wholesale sales - market in which a wholesaler purchases a product in bulk with the intention of dividing it into smaller portions to sell to retailers or final consumers (e.g., Sam's Wholesale Clubs, feed distributors)
c) Processing/industrial sales - market in which a salesperson sells either services or inputs like raw materials or processing equipment to a manufacturer to produce a saleable product (e.g., grain elevators, feed mills, implement manufacturers)
d) Direct sales - sales made directly from the salesperson to the final consumer at the consumer's home or business (e.g., door-to-door sales for insurance, direct feed or seed sales); can also take place through the Internet through a web site on which orders for products can be placed

2. Have students discuss what they think the duties of a retail salesperson are.

What is a salesperson's role in a retail situation?

a) Calls on the business frequently to maintain a good relationship with its owners, employees, and customers
b) Helps the business set up promotions and advertising
    1) A company may have standard promotions and advertisements established for a new product, an existing product, or an improved feature of an existing product.
    2) The salesperson may need to work with the retailer on an individualized promotion or advertisement.

c) Educates employees of the business - The salesperson must ensure that all people involved in the selling process fully understand the product, its features and benefits, and the best selling techniques.
d) Helps deal with customer complaints and questions
   1) This is usually the most common and difficult task for the salesperson.
   2) The salesperson may need to give a refund or a discount.
   3) Customers may feel more reassured if they hear information directly from the company representative rather than from the retailer, so the salesperson should make himself or herself readily available to the customer to answer questions.

3. Ask students to describe the tasks of a wholesale salesperson.

   What is a salesperson's role in a wholesale situation?

   a) Makes frequent visits to the wholesaler
   b) Makes contact with the customers to answer questions or provide support
   c) Attempts to make sales to the final customer or retailer
   d) Not involved in extensive advertising
   e) Responsible for getting the orders placed and deliveries made quickly and accurately so the wholesaler does not run out of a product

4. Have students discuss what a salesperson in the processing industry would do.

   What is a salesperson's role in the processing industry?

   a) Does not visit customers often because territories are large
   b) Makes large but infrequent sales
   c) Must answer very specific, detailed questions, especially when selling equipment, so the salesperson must be more highly trained in the technical aspects of the product or service
   d) Deals with fewer products because he or she must focus on acquiring specialized product and market knowledge and because the sales process is time-consuming

5. Ask students if they have ever seen a direct sales presentation. Discuss how direct sales differs from the other selling environments.

   What is a salesperson's role in selling directly to the consumer?

   a) Has duties similar to those applied in the retail sales environment--conducting sales promotions and advertising, educating others about the product, and dealing with customer complaints and questions
   b) Responsible for making sales through sales presentations

F. Other Activities

1. Have students list local businesses and then identify the type of selling environment for each one.

2. Have each student contact someone who holds a sales position and ask for permission to interview him or her. The student should explore what the person does as a sales representative. Each student should make a report to the class about what they learned in the interview. Questions asked could include the following.

   - What do you sell?
   - Who are your customers?
   - What type of hours does this job require?
   - How much traveling do you do?
   - Do you sell face-to-face, over the phone, etc.?

3. Get permission for students to shadow salespeople for at least half a day. The instructor may want to pair or group the students together. Students should make a report to the class about what they learned during the job shadowing experience.

G. Conclusion

In the field of agribusiness sales, a salesperson may be involved in retail, wholesale, processing, or direct sales environments, either individually or in combination. Therefore, people interested in sales positions should be familiar with and understand the salesperson's role in each of these selling environments. This knowledge will allow potential salespeople to select the areas in which they want to work and help them become successful.

H. Answers to Evaluation

1. d
2. b
3. d
4. c
5. d
6. a

- Abuse of prescription or nonprescription drugs
- Headaches
- Muscle spasms and soreness
- Jaw problems caused by clenching and grinding the teeth
- Cold and canker sores
- Skin disorders, including itchy or painful rashes and outbreaks of acne
- Digestive tract problems, the most serious of which are ulcers
- Chest pain
- High blood pressure (hypertension), which can be worsened by stress and cause damage to the kidneys or, in serious cases, strokes
- "Blahs" or "blues"
- Depression

8. A diet high in complex carbohydrates and low in fats is beneficial because complex carbohydrates release long-term energy and fats increase blood cholesterol levels linked to heart disease.

9. Students may list any two of the following: the gap between the demands of the work and what can reasonably be achieved, the difference between an individual's desires or expectations for advancement and recognition and what he or she achieves or receives as a reward, personality conflicts with other employees or supervisors, or physical illness or problems outside the workplace that make it difficult to concentrate on the job.

UNIT IV - PERSONAL DEVELOPMENT Name _____

Lesson 6: Developing a Positive Work Attitude Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. How many hours of sleep do most people need each night?

   a. Six
   b. Seven
   c. Eight
   d. Nine

2. Which of the following is <u>not</u> a sign of depression?

   a. Poor self image and feelings of worthlessness
   b. Difficulty sleeping, interrupted sleep, or sleeping more than usual
   c. Unplanned gain or loss of weight in a short period of time
   d. Skin disorders, including itchy or painful rashes or acne

3. One method of managing stress is:

   a. Taking on more and more activities, especially ones that require lots of time
   b. Concentrating on controlling breathing--taking fast, shallow breaths
   c. Tensing the muscle groups of the body without releasing them
   d. Engaging in a variety of activities, especially leisure activities

4. How much exercise is appropriate for a healthy lifestyle?

   a. Twenty minutes of aerobic exercise three times a week
   b. Twenty minutes of aerobic exercise four times a week
   c. Thirty minutes of aerobic exercise three times a week
   d. Thirty minutes of aerobic exercise four times a week

5. In _____, the person experiencing stress focuses on one thought or word for a significant length of time.

   a. Meditation
   b. Visualization
   c. Muscle relaxation
   d. Deep-breathing exercises

Complete the following short answer questions.

6. What is visualization?

7. What are five indicators of excessive stress?

   a.

   b.

   c.

   d.

   e.

8. Why is a diet high in complex carbohydrates and low in fats beneficial?

9. What are two causes of stress in the workplace?

   a.

   b.

UNIT IV - PERSONAL DEVELOPMENT

Lesson 7: Finding a Job

Competency/Objective: Develop a plan for finding a job.

Study Questions

1. **What steps should be taken when choosing a career?**
2. **What might be included in a plan for career preparation?**
3. **What are five possible ways to find information about available jobs?**
4. **What steps should be followed when applying for a job?**
5. **How are job inquiries made?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IV.
2. Activity Sheet
   a) AS 7.1: Career Goals

UNIT IV - PERSONAL DEVELOPMENT

Lesson 7: Finding a Job

TEACHING PROCEDURES

A. Review

Lesson 6 discussed stress management. Various stress management techniques can be used to relieve stress and its effects. A healthy lifestyle is also important in managing stress. This lesson will provide some insight into finding jobs.

B. Motivation

1. Watch the videos *Are You Ready* (JC Penney) and *Interviews, Careers, and the Jitterbug Blues* (Beachem/Silveman Productions), which are both available from the Missouri Vocational Resource Center. Discuss how the students in the videos gathered information for careers. Discuss how they made decisions about which careers to pursue.

2. Bring in the classified advertisements from a newspaper for a large city. Have students list agricultural jobs in different salary ranges. After five to ten minutes, discuss their findings.

C. Assignment

D. Supervised Study

E. Discussion

1. Ask students if they know how their parents chose their careers. What things influenced their career choices? Discuss the steps in choosing a career. Have students complete AS 7.1.

NOTE: Students can use the computer-based career exploration system "Missouri CHOICES" from the Missouri Occupational Information Coordinating Committee (MOICC) as an aid in exploring their career-related needs and careers that might satisfy those needs. Your school advisement center may have the software.

What steps should be taken when choosing a career?

a) Consider interests, abilities, and other characteristics.
   1) What are your hobbies and interests?
   2) What talents do you have?
   3) What careers appeal to you?
   4) In what courses in school did you do well?
   5) In what areas do you have experience or knowledge?
   6) Which of your physical characteristics may influence your decision?

b) Take career interest or vocational aptitude tests.

c) Narrow the field of career choices.
   1) Do you like to work with people or things?
   2) Do you like to work alone or with others?
   3) Do you want to work indoors or outdoors?
   4) Would you rather work with your hands or with ideas?
   5) What type of salary do you want?
   6) Do you want to live in a rural or urban location?

d) Study the characteristics of career choices.
   1) Compare the following information

(a) Education or training required
(b) Work environment
(c) Salary range
(d) Expectations and duties of the job
(e) Opportunities for advancement

2) Obtain information from the following sources.
(a) Library
(b) School counselor
(c) Career center
(d) People in the career

e) Choose a career that matches personal interests.
f) Plan for alternative occupations.
1) Look at careers in related areas.
2) Look at careers that require similar skills.
g) Plan for career preparation.

2. Ask students how many of them have a career goal or some idea about what they want to do. Do they have a plan for career preparation? If they do not have a goal, are they doing anything to help them prepare for a career? Discuss plans for career preparation.

What might be included in a plan for career preparation?

a) Take courses in high school.
1) Take courses that are interesting.
2) Explore a variety of subjects.
b) Get work experience during high school.
1) Use different strategies to gain experience.
(a) SAE programs
(b) Summer jobs
(c) Work-study programs
(d) Unpaid observations
2) Try to explore a variety of career possibilities.
c) Plan for additional education or training beyond high school in vocational-technical schools, two- and four-year colleges and universities, or private technical schools.

3. Bring in some samples of classified advertisements from newspapers and agricultural magazines. Have students identify job opportunities. Then discuss what they have found. Ask if they think the opportunities they discovered are the only ones available. Discuss other ways to find job openings.

What are five possible ways to find information about available jobs?

a) Classified advertisements - searching local newspapers, and/or newspapers from surrounding cities or states, and magazines covering an area of interest
b) Personal contacts with friends, family, teachers, etc.
1) Asking directly about job opportunities
2) Practicing active listening to hear about job opportunities
c) Private and public employment agencies
d) Direct contact with businesses
1) Asking about opportunities
2) Looking at the placement bulletin board
e) School placement offices
1) Telling the placement person what types of jobs are of interest
2) Looking on the placement board
3) Meeting with visiting recruiters
f) Internet--job search resources

4. How should an individual apply for a job opening? Ask students what steps should be followed in applying for a job.

   What steps should be followed when applying for a job?

   a) Prepare a resume.
   b) Contact the employer about job opportunities.
   c) Fill out a job application.
   d) Interview with the business.
   e) Follow up after the interview.

5. Ask students how they would follow up on a lead for a possible job at an area business. Select two students to role-play. One should play a person inquiring about a job; the other should portray the manager. Discuss the role-playing activity and how to make job inquiries.

   How are job inquiries made?

   a) Direct contact with the employer
   b) By telephone
   c) By letters of inquiry

F. Other Activities

1. Have students pick a career and then research related occupations.

2. Have students conduct a job search of the local area. Have them identify job openings.

3. Have students search the Internet for national job openings in a particular career.

4. Have students select a job interest area and research related careers. The student should find at least five job openings from several different sources.

5. Have students practice writing letters of inquiry.

6. Bring together a small library of career preparation references. The references could be borrowed from the school counselor, the public library, or the school library. Students could use these references to find information about different careers.

7. Have a recent graduate or panel of graduates from the program talk to the class about the process they used to locate their jobs.

8. Have a employer from the community evaluate applications and resumes submitted by students and then provide feedback to the students.

G. Conclusion

Finding the right job is not always easy. Choosing a career is a very important decision. Finding a job begins with choosing a career based on personal interests and abilities and then preparing for that career. When preparation for that career is complete, searching for job openings is necessary. Once an opening is discovered, the job seeker should contact the potential employer about the job.

H. Answers to Evaluation

1. a
2. d
3. d

4. Answers should include three of the following: classified advertisements; personal contacts with friends, family, teachers, etc.; private and public employment agencies; direct contact with businesses; school placement offices; or the Internet.

5. The seven steps in choosing a career are as follows.
   a) Consider interests, abilities, and other characteristics.
   b) Take career interest or vocational aptitude tests.
   c) Narrow the field of career choices.
   d) Study the characteristics of career choices.
   e) Choose a career that matches personal interests.
   f) Plan for alternative occupations.
   g) Plan for career preparation.

UNIT IV - PERSONAL DEVELOPMENT Name _____

Lesson 7: Finding a Job Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which is not an example of an activity that will help in career preparation?

   a. Taking electives instead of academic courses
   b. Exploring a variety of subjects in school
   c. Working to gain experience in areas of interest
   d. Taking courses you know you are interested in

2. Which of the following is a good method of making a job inquiry, as discussed in class?

   a. A proposal for employment
   b. Radio communications
   c. By telegram
   d. Direct contact with the manager

3. Which of the following is not important when considering your interests and abilities?

   a. Knowing your hobbies and interests
   b. Considering your talents
   c. Knowing what other people want you to do
   d. Recognizing courses in which you do well

Complete the following short answer questions.

4. What are three ways to find out about job openings?

   a.

   b.

   c.

5. What are the seven steps in choosing a career, as outlined in the lesson?

   a.

   b.

   c.

   d.

   e.

   f.

   g.

Lesson 7: Finding a Job Name _____

Career Goals

Objective: Use the process of goal setting to establish goals for a career.

Complete the questions below to develop a plan for reaching career goals.

1. Write a short statement that describes the field that you would like to work in and the specific type of job you would like to do.

2. What degree(s), certification, or training is needed for this career?

3. What type of work experience would you need for this career? Where could the experience be obtained?

4. What have you already done that might help you in the career?

5. What people or organizations might be of help to you in getting more information about this type of career?

6. Write down your personal plan-of-action for reaching this goal. Include such items as a list of high school courses that will be needed to enter into a chosen college, projects or work experience that are necessary for the goal, and dates for college entrance examinations or interviews. Give approximate dates for the completion of objectives.

UNIT IV - PERSONAL DEVELOPMENT

Lesson 8: Resumes and Applications

Competency/Objective: Develop a resume and complete a job application.

Study Questions

1. **What information should be included on a resume?**

2. **How should the resume be prepared?**

3. **How is a job or scholarship application completed?**

4. **What is the purpose of a cover letter?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IV.

2. Activity Sheets

   a) AS 8.1: Completing a Resume
   b) AS 8.2: Completing a Job Application

UNIT IV - PERSONAL DEVELOPMENT

Lesson 8: Resumes and Applications

TEACHING PROCEDURES

A. Review

Lesson 7 discussed selecting a career area and then finding a job in that career. This lesson will discuss resumes and applications. Preparing a resume and completing an application are very important parts of getting a job. These items get a prospective employee's "foot in the door" with an employer. Since a resume and application provide what is usually the first contact an employer will have with a job applicant, they should be impressive so he or she will take notice of the applicant's skills and talents.

B. Motivation

Ask students if they can identify the common factor in getting a $1,000 college scholarship and getting a job. Both probably require an application. Often people are judged by what they write down rather than by who they are.

C. Assignment

D. Supervised study

E. Discussion

1. Ask students if any of them have recently applied for jobs. During the application process, were they required to supply resumes or complete application forms? Discuss how resumes will help students complete job applications. Discuss why a student should give a prospective employer a copy of his or her resume. Pass around copies of resumes to illustrate the format. Have students complete AS 8.1.

   NOTE: The CD-ROM "Creating and Using Student Electronic Portfolios in the Classroom" from the Instructional Materials Laboratory can be used as an aid in completing this lesson.

   What information should be included on a resume?

   a) Personal information
      1) Name
      2) Current address
      3) Telephone number
      4) Permanent address, if different from current
   b) Employment objective
   c) Educational background
   d) Work experience
   e) Other information
      1) Activities
      2) Honors
      3) Awards
      4) Skills
   f) References - may be furnished on request or printed directly on the resume

2. Ask students to discuss how a resume should be prepared. What is the most important information? After discussing the information included on resumes, have the students complete resumes for themselves.

How should the resume be prepared?

a) List basic personal information first.
b) List an objective that is specific to each job; change the objective when applying for a different job.
c) Record educational background and work experience in separate sections. Include dates and places. The most recent information should be listed first. Any information relevant to obtaining a degree should be listed here. In work experience, include the company name and address, the job title, job duties, and starting and ending dates of employment.
d) Organize activities, awards, etc., with the most important items first. From a long list, choose only the most important. Include the items that are appropriate for the type of job sought.
e) Information for references should include names, job titles, addresses, and telephone numbers.
    1) Include at least three people (not relatives) who have knowledge about the work experience, skill, and/or character of the applicant.
    2) Ask for permission to use a person as a reference.
f) Limit the resume to one or two pages. To keep it as short as possible, only include the most important information. For entry-level jobs, one page is enough.
g) Neatly type the resume and then make sharp, clean photocopies on good quality paper.

3. Bring in several job and scholarship applications to show to the class. Have students discuss their similarities and differences. Ask students how they should complete applications. Have each student complete the sample job application in AS 8.2.

How is a job or scholarship application completed?

a) Be as neat as possible; type the application or write neatly with black ink.
b) Do not leave any blanks. Put "N/A" for questions that do not apply.
c) Spell all words correctly.
d) Follow the directions on the application.
e) If the application may be taken home, make a photocopy of the form and prepare a working copy. Then accurately transfer the information to the application that will be given to the company.
f) Carry a copy of the resume and any other information that may be needed to fill out an application when contacting a potential employer in person.

4. Ask students what they think should be included in a cover letter. Discuss its purpose.

What is the purpose of a cover letter?

a) To gain the interest of a potential employer and inform him or her of the applicant's qualifications
b) To request an interview

F. Other Activities

1. Have students bring in samples of applications for different jobs and scholarships and make a file for other students' use.

2. Have a local employer evaluate student resumes.

G. Conclusion

Resumes and applications must be of good quality to represent people at their best. Since decisions about hiring an employee or awarding a scholarship are frequently made in the applicant's absence, the resume

and application must stand out. Following the simple guidelines provided in this lesson will help produce good quality resumes and applications.

H. Answers to Evaluation

1. d
2. c
3. b
4. c
5. d

6. A reference should have knowledge about an applicant's work experience, skill, and/or character and should not be related to him or her. A list of references should include the names, job titles, addresses, and telephone numbers of at least three people.

UNIT IV - PERSONAL DEVELOPMENT Name _____

Lesson 8: Resumes and Applications Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which items should appear first on a resume?

   a. Education and work experience
   b. Employment objectives
   c. Names and addresses of references
   d. Name, address, and telephone number

2. Which work experience is listed first on the resume?

   a. The one liked best
   b. The best experience
   c. The most recent experience
   d. The first work experience

3. When should you leave blanks on applications?

   a. When you have nothing to say
   b. You should not leave blanks
   c. If you do not like the question
   d. At the end of the page

4. Which of the following does <u>not</u> belong on a resume?

   a. Work experience
   b. Educational experience
   c. Height, weight, and nationality
   d. Name and telephone number

5. When should an employment objective be changed?

   a. Each time you update the resume
   b. Every six months
   c. Every year
   d. Each time you apply for a job

Complete the following short answer question.

6. What characteristics should a person serving as a reference have? What information should be included on a list of references?

Lesson 8: Resumes and Applications Name _____

Completing a Resume

Objective: Complete a resume to be used in applying for a job.

Put together a resume that you could use when applying for a job. Be sure to include all the information shown in the sample format shown below. List your references (personal and/or professional) on a separate page.

Name
Address
Telephone Number

Objective:

Education:

Work Experience:

Honors and Activities:

References: Available upon request

References

Name
Title and/or Company
Address
Telephone Number

Lesson 8: Resumes and Applications Name _____

Completing a Job Application

Objective: Complete an application for a job.

Using the form provided, complete a job application for a position of your choosing.

APPLICATION FOR EMPLOYMENT

Name: _____ _____ _____
Last Middle First Social Security Number Date

Address: _____ Home telephone: _____

Position applying for: _____ When available: _____ Salary expected: _____

Have you previously applied for work with us? ( ) Yes ( ) No If yes, when: _____

Referred by (Name): _____

Have you been convicted of a felony? ( ) Yes ( ) No If yes, describe: _____

Are you a U.S. veteran? ( ) Yes ( ) No

Person to notify in case of emergency: _____ Relationship: _____ Phone: _____

EDUCATIONAL DATA						
School	Name	City/State	Month/Year From	To	Degree/Grade Level Completed	Area of Specialty
Grade School						
High School						
College or University						
Graduate Studies						
Trade/ Business						
Special Skills (e.g., computer)					Typing Speed (WPM)	

All qualified applicants are considered regardless of race, color, religion, national origin, sex, age, or handicap.

CONTINUED ON REVERSE SIDE

RECORD OF PREVIOUS EMPLOYMENT

List employment including military service. List most recent employment first. Supporting documents (e.g., resume, transcript) may be attached.

Past Employers Company Name, Address, Phone	Dept(s). Worked	Supervisor(s) Name	Position(s) Held	Employed From	To	Rate of Pay	Reason for Leaving

May we contact your former employers? ( ) Yes ( ) No

This application will be retained in our active files for one (1) year only. If you wish to submit another application after this period of time, please feel free to do so.

PLEASE READ CAREFULLY AND SIGN

I agree to abide by all the rules of this company and not expose myself or other workers to unnecessary dangers. In the event of my employment, I understand that a physical exam may be required. It is understood that false statements on this application may result in my dismissal.

Signature of Applicant: _____ Date: _____

FOR EMPLOYER'S USE (AFTER EMPLOYED)

Division: _____ Department: _____ Position: _____
Date Employed: _____ Wage and Hour Status: ( ) Exempt ( ) Nonexempt ( ) Other: _____
Salary: _____ Date of Birth: _____ Marital Status: _____

UNIT IV - PERSONAL DEVELOPMENT

Lesson 9: Interviewing for a Job

Competency/Objective: Explain how to interview for a job.

Study Questions

1. **How should a person dress for a job interview?**
2. **What are some good pointers to know before arriving at a job interview?**
3. **What are some good pointers to remember during a job interview?**
4. **What are some questions that might be asked during a job interview?**
5. **What are some questions that the person being interviewed should ask during a job interview?**
6. **What should a job applicant do after an interview?**
7. **What is the purpose of a follow-up letter?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IV.
2. Transparency Masters
   a) TM 9.1: Questions Asked by Employers
   b) TM 9.2: Questions To Ask Employers
3. Activity Sheets
   a) AS 9.1: Mock Interview
   b) AS 9.2: Evaluating the Job Interview (Instructor)

UNIT IV - PERSONAL DEVELOPMENT

Lesson 9: Interviewing for a Job

TEACHING PROCEDURES

A. Review

As discussed in Lesson 8, resumes and applications must be of a high quality because they are important for job interviews. Resumes that are written in an easy-to-read style can be helpful in presenting oneself to prospective employers. After developing a resume, the next step is to apply for a job. This lesson will discuss what is involved in applying and interviewing for a job.

B. Motivation

1. Show one of the following videotapes available through the Missouri Vocational Resource Center. After viewing the video, discuss the content and how it is relevant to the students.

   a) *The Successful Job Interview*, Media Consultants.
   b) *Dynamic Interviewing*, AMS.

2. Before class, ask a student to prepare for a mock interview; suggest that he or she intentionally do a poor interview by acting inappropriately (chewing gum, slouching, using poor grammar, lying, answering with only one-word answers, etc.) Then interview the student in front of the class. After the interview, have the class discuss whether they would hire the person seeking the job. How would they improve on the person's interview?

C. Assignment

D. Supervised study

E. Discussion

1. Bring in an FFA jacket and a sport coat and ask students to explain why they are worn for different occasions (to create an image, an image of being well dressed and businesslike). Discuss how a job applicant's attire can influence the interviewer's attitude toward him or her.

   How should a person dress for a job interview?

   a) Dress appropriately for the job.
   b) Dress conservatively. Wear simple jewelry, if any, and a minimum of makeup.
   c) Wear polished shoes.
   d) Be neat and clean.
   e) Keep hair neat and of an appropriate length. Men should be clean-shaven or have well-trimmed facial hair.

2. Ask students how to prepare for a job interview. Ask them to discuss some pointers.

   What are some good pointers to know before arriving at a job interview?

   a) Research the company.
   b) Know what type of job is available.
   c) Know the interviewer's name and how to pronounce it.
   d) Practice interviewing.
      1) Practice with a teacher or administrator.

2) Practice with a businessperson.
3) Use a video camera to tape a practice interview.

e) Bring a resume and references to the interview.
f) Bring a black ink pen.
g) Go to the interview alone.
h) Arrive early.
i) Clean your vehicle on the inside and outside.
j) Drive carefully and within the speed limit.
k) Be aware of major current events.

3. Interviews can be uncomfortable situations. Ask students to discuss techniques to improve job interviews.

What are some good pointers to remember during a job interview?

a) Make a good first impression.
b) Be prepared.
c) Give a firm handshake.
d) Be polite, using good manners.
e) Be a good listener.
f) Do not talk too much. Know when you have said enough.
g) Be positive. Do not talk negatively about previous jobs or school.
h) Maintain eye contact.
i) Do not smoke or chew gum or tobacco.
j) Ask questions if prompted.
k) Take cues as to when the interview is over.
l) Conclude the interview with a positive closing statement.

4. Have each student write down three good questions an interviewer might ask. Discuss the students' questions and the following questions, helping the students to come up with appropriate answers for them. TM 9.1 lists other questions that interviewers might ask.

What are some questions that might be asked during a job interview?

a) Appropriate questions
1) What qualities do you have that will help you in this job?
2) What are some of your faults?
3) What are three adjectives that describe you?
4) What do you want to be doing in five years?
5) What have you done that makes you qualified for this job?
6) Why are you interested in working for our company?
7) What have you done that shows you can work with other people?

b) Inappropriate questions - Because of anti-discrimination laws, interviewers cannot ask questions about age, ethnic background, nationality, religion, disabilities, marital status, sexual orientation, political affiliation, and arrest record.

5. Discuss what types of questions should be asked to show true interest in the company. TM 9.2 lists additional questions that could be asked in interviews.

What are some questions that the person being interviewed should ask during a job interview?

a) What types of benefits are available?
b) What types of responsibilities will I be expected to fulfill?
c) What are the opportunities for advancement or an expansion of responsibilities?
d) What type of wage or salary range can be expected?
e) When will the position be filled?

6. Ask students what needs to be done after the job interview. Discuss what students should do after the interview. After discussing job interviews, divide the class into pairs and have them complete AS 9.1. Students should be encouraged to be creative when selecting possible jobs. Encourage improvement and learning, not just going through the motions. If possible, have a local businessperson conduct formal interviews with the students. He or she can use AS 9.2 to evaluate the interviews. AS 9.2 could also be used in conjunction with AS 9.1.

   What should a job applicant do after an interview?

   a) If a job is offered after the interview, asking for time to consider the offer is generally acceptable.
   b) Write a follow-up letter soon after the interview.
   c) Call the interviewer to express further interest in the job.

7. Ask the students what benefits they might receive from sending a potential employer a follow-up letter. Discuss the purpose of a follow-up letter.

   What is the purpose of a follow-up letter?

   a) To thank the potential employer for his or her time
   b) To express interest in the job (or a future job)
   c) To maintain contact with the potential employer

F. Other Activities

1. Ask the principal or superintendent to conduct mock interviews with the students. Students should make appointments to practice interviewing. This would make an excellent example of a real-life interview, stress included. Have the administrator write down suggestions for improvement.

2. The advisory council or FFA Alumni could conduct interviews as described above.

3. Have a personnel manager from an agricultural business talk to the class about interviewing techniques.

4. The instructor could do a mock interview with a student in front of the class.

5. Take students to the library and have them find background information about two companies using agricultural newspapers and magazines.

G. Conclusion

Finding a job opportunity is only part of the job hunt. Once possible job opportunities have been identified, one must go through the process of applying for the position. A very important part of this process is the interview. Being both mentally and physically prepared for the interview is important. Preparation includes doing background research on the company, practicing interviewing, and dressing appropriately for the interview. Do not waste the opportunity to make a good impression during an interview.

H. Answers to Evaluation

1. c
2. b
3. a
4. d

5. Answers may include any three of the following.

   - What qualities do you have that will help you in this job?
   - What are some of your faults?
   - What are three adjectives that describe you?
   - What do you want to be doing in five years?
   - What have you done that makes you qualified for this job?
   - Why are you interested in working for our company?
   - What have you done that shows you can work with other people?

6. Answers may include any of the following.

   - What types of benefits are available?
   - What types of responsibilities will I be expected to fulfill?
   - What are the opportunities for advancement or an expansion of responsibilities?
   - What type of wage or salary range can be expected?
   - When will the position be filled?

7. Because of anti-discrimination laws, interviewers cannot ask questions about age, ethnic background, nationality, religion, disabilities, marital status, sexual orientation, political affiliation, and arrest record.

8. c
9. a
10. d
11. b

UNIT IV - PERSONAL DEVELOPMENT Name _____

Lesson 9: Interviewing for a Job Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which of the following should be done in a job interview?

   a. Bring a friend in case you have to wait.
   b. Be fashionably late (about 15 minutes).
   c. Wear appropriate clothing for the interview.
   d. Chew gum to keep your teeth from chattering.

2. Which of the following is <u>not</u> a step in the process of applying for a job?

   a. Contact the employer.
   b. Participate in FFA activities.
   c. Interview with the business.
   d. Follow up after the interview.

3. Which of the following should occur after the interview?

   a. Send a follow-up letter.
   b. Make the initial contact.
   c. Call the interviewer every other day until you get the job.
   d. Research the company.

4. Which of the following is <u>not</u> a point to remember when interviewing for a job?

   a. Make a good first impression.
   b. Give a firm handshake.
   c. Be polite and use good manners.
   d. Make sure you explain all of your good qualities.

Complete the following short answer questions.

5. What are three questions that might be asked during a job interview?

   a.

   b.

   c.

6. What is one question a prospective employee might ask during an interview?

7. What kinds of questions are inappropriate for prospective employers to ask during a job interview?

Match the jobs below with the most appropriate dress for an interview for that job. Use each answer only once.

8. _____ Bank teller
9. _____ Hired hand on a hog farm
10. _____ Salesperson at a hardware store
11. _____ Rarely appropriate

a. Nice jeans and shirt
b. Torn jeans and a concert T-shirt
c. Sport jacket, slacks, and white dress shirt or skirt, plain blouse, and suit jacket
d. Slacks and nice shirt or blouse

Questions Asked by Employers

- What are your long-range career objectives?
- What specific goals, other than your career goals, have you established for yourself for the next ten years?
- What do you really want to do in life?
- Why did you choose this career?
- How do you determine or evaluate success?
- What motivates you to put forth your greatest effort?
- What do you know about our company?
- What do you think it takes to be successful in a company like ours?
- In what ways do you think you can make a contribution to our company?
- How do you work under pressure?
- What is most important to you in your job?
- What is one major problem you have encountered, and how did you deal with it?
- What have you learned from your mistakes?
- Why should I hire you?

UNIT VI - PREPARING FOR A SALE Name _____

Lesson 1: Selling Environments Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. The most common and difficult task of the salesperson in a retail situation is:

   a. Calling on the retail business.
   b. Setting up promotions and advertising.
   c. Educating employees of the business.
   d. Dealing with customer complaints.

2. In the processing industry, all of the following are true of the salesperson's role except:

   a. Customers are not seen frequently.
   b. Sales tend to be very large in terms of the amount of money and occur frequently.
   c. The salesperson must know very specific, detailed information about the product.
   d. Sales territories tend to be much larger.

3. The salesperson's duties in a wholesale situation:

   a. Do not involve making frequent visits to the business.
   b. Do not involve making sales to the final customer.
   c. Do not involve answering questions from customers.
   d. Do not involve extensive promotional activities.

4. The sales environment in which raw materials are sold to be used to produce a saleable product is:

   a. Retail sales.
   b. Wholesale sales.
   c. Processing sales.
   d. Direct sales.

5. Which of the following is <u>not</u> involved in making direct sales to consumers?

   a. Makes sales presentations to the final consumer
   b. Setting up promotions and advertising
   c. Dealing with customer complaints and questions
   d. Teaching employees how to make sales

6. Which of the following businesses are examples of the wholesale selling environment?

   a. Feed distributors
   b. Feed mills
   c. Grain elevators
   d. Lumber yards

UNIT VI - PREPARING FOR A SALE

Lesson 2: Identifying Different Communication Styles

Competency/Objective: Identify different communication styles and use this information to improve the sales presentation technique.

Study Questions

1. **What are the different communication styles?**

2. **Why is it important to understand the different communication styles?**

3. **How does the customer's communication style affect the salesperson's presentation?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit VI.

2. Transparency Master

   a) TM 2.1: Communication Styles Matrix

UNIT VI - PREPARING FOR A SALE

Lesson 2: Identifying Different Communication Styles

TEACHING PROCEDURES

A. Review

Lesson 1 discussed the different selling environments, including retail, wholesale, processing/industrial, and direct sales. Each of these environments has unique factors that must be considered when making the sale. To be successful in sales, the salesperson must not only understand the selling environment but also identify both his or her own and the customer's communication style. This lesson will describe the typical characteristics of each style and suggest effective presentation techniques.

B. Motivation

1. Ask students to write down words they believe describe how they react to and communicate with others. Also have each student do a list for the person sitting to his or her right (to the best of his or her ability). Then ask the students if they have ever had problems getting along with other people (friends, coworkers, employers, etc.). Ask why they thought there were conflicts. Pick students to read their lists aloud and discuss how their descriptions of themselves contrast with other students' descriptions of them. Point out that these differences signal different communication styles.

2. Have students take a personality test. A test is available online at http://www.keirsey.com/cgi-bin/keirsey/newkts.cgi (an official site) or http://www.sunsite.unc.edu/jembin/mb.pl.

C. Assignment

D. Supervised Study

E. Discussion

1. Discuss the four types of communication styles. Emphasize that every person falls somewhere within these four categories. Have them try to identify in which of the four each of their family members belong.

What are the different communication styles?

a) Analyzer
   1) Lower in aggressiveness and higher in formality
   2) Prefers detailed data
   3) Takes more time to digest information and make a decision
   4) Shows little emotion and is calm and quiet
   5) Task-oriented

b) Controller
   1) Higher in aggressiveness and formality
   2) Prefers quick decisions and immediate action
   3) Task-oriented and motivated, efficient and thorough, and very organized
   4) Impatient and unemotional
   5) Prefers to be in control of decisions; seen as a decision maker

c) Promoter
   1) Higher in aggressiveness and lower in formality
   2) Enthusiastic, expressive, and energetic
   3) People-oriented; perceived as talkative

4) Creative
5) Usually stimulated by ego; responds to appeals to his or her reputation

d) Supporter
1) Lower in aggressiveness and formality
2) Friendly, cooperative, open-minded, and empathetic
3) People-oriented; considered to be a true team player

2. Have students identify the reasons a salesperson would want to understand the different communication styles.

Why is it important to understand the different communication styles?

a) The more knowledgeable the salesperson is about the customer's style, the more effective the sales presentation will be, because it will be customized.
b) Customizing the presentation allows the customer to retain the information and message the salesperson is conveying.

3. Ask students from each of the four categories what they think a salesperson would have to do (or should not do) to appeal to them. Discuss how a sales presentation might change depending on the customer's style.

How does the customer's communication style affect the salesperson's presentation?

a) Analyzer
1) Present very detailed information to appeal to the customer's desire for complete and accurate information, showing proof of reliable research, detailed reports, and guarantees.
2) Present information in a formal, businesslike manner.
3) In the presentation, adopt a problem-solving approach.
4) Give analyzers time to make a decision.

b) Controller
1) Use a businesslike manner.
2) Make a direct, fast-paced presentation.
3) Include information on saving time and money.
4) Discuss the purchase in terms of "winning."
5) Convince the customer that the product is a good investment without overselling it; cover its features and benefits, discuss the points thoroughly and quickly, and finish before he or she gets bored.
6) Make the focus of the presentation a choice or decision over which the customer has control.

c) Promoter
1) Attempt to build a personal relationship with the customer.
2) Make an inspirational, stimulating, dynamic, fast-paced presentation.
3) Do not include too many details or spend too much time on important points.
4) Make an imaginative presentation to appeal to the customer's creativity.
5) Appeal to the customer's ego by stressing what the customer will gain with the purchase of the product.

d) Supporter
1) Appeal to the customer's desire for a personal relationship.
2) Make the presentation casual and helpful by being specific and walk the customer through specific features and benefits, explaining the positive results of a purchase.
3) Design the presentation to make him or her feel good.
4) Avoid conflict.

F. Other Activities

1. Pair up students and have them attempt to evaluate the other's communication style, much as a salesperson would that of a new customer.

2. Have students search the Internet for more information about personality styles.

G. Conclusion

Understanding another individual's communication style is an important part of the sales process. It allows a salesperson to adjust his or her presentation so that the customer is more comfortable and receptive to new information. Understanding communication styles is also useful so that customer reactions can be predicted and prepared for before the presentation.

H. Answers to Evaluation

1. a
2. c
3. b
4. a
5. d
6. c

7. The more knowledgeable the salesperson is about the customer's style, the more effective the sales presentation will be, because it can be customized. Customizing the presentation allows the customer to retain the information and message the salesperson is conveying.

8. Answers should include three of the following: lower in aggressiveness and higher in formality, prefers detailed data, takes more time to digest information and make a decision, shows little emotion and is calm and quiet, is task-oriented. The presentation should consist of very detailed information. It should appeal to the customer's desire for complete and accurate information by showing proof of reliable research, detailed reports, and guarantees. The information should be presented in a formal, businesslike manner. In the presentation, the salesperson should adopt a problem-solving approach. The analyzer should be given time to make a decision.

UNIT VI - PREPARING FOR A SALE Name_____

Lesson 2: Identifying Different Communication Styles Date_____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which of the following describes a controller?

   a. Higher on the aggressiveness and formality scales
   b. Higher on the aggressiveness scale and lower on the formality scale
   c. People-oriented; perceived as talkative
   d. Responds to appeals to his or her reputation

2. What should be done in a presentation designed for a promoter?

   a. Appeal to his or her concern for accuracy and complete information.
   b. Focus the presentation on him or her making a choice or decision.
   c. Appeal to the customer's ego by stressing what he or she will gain.
   d. Be specific and walk him or her through specific features and benefits.

3. The analyzer:

   a. Prefers to decide quickly.
   b. Shows little emotion and is calm and quiet.
   c. Responds to appeals to his or her reputation.
   d. Is seen as a true team player.

4. How should a sales presentation be structured to appeal to the supporter?

   a. Avoid conflict in the presentation.
   b. Discuss the product in terms of "winning."
   c. Do not spend too much time on important points.
   d. Make a fast-paced presentation.

5. When putting together a presentation for the controller, do <u>not</u>:

   a. Approach him or her in a businesslike manner.
   b. Make a direct and fast-paced presentation.
   c. Discuss the product in terms of "winning."
   d. Approach him or her more personally and informally.

6. The promoter tends to:

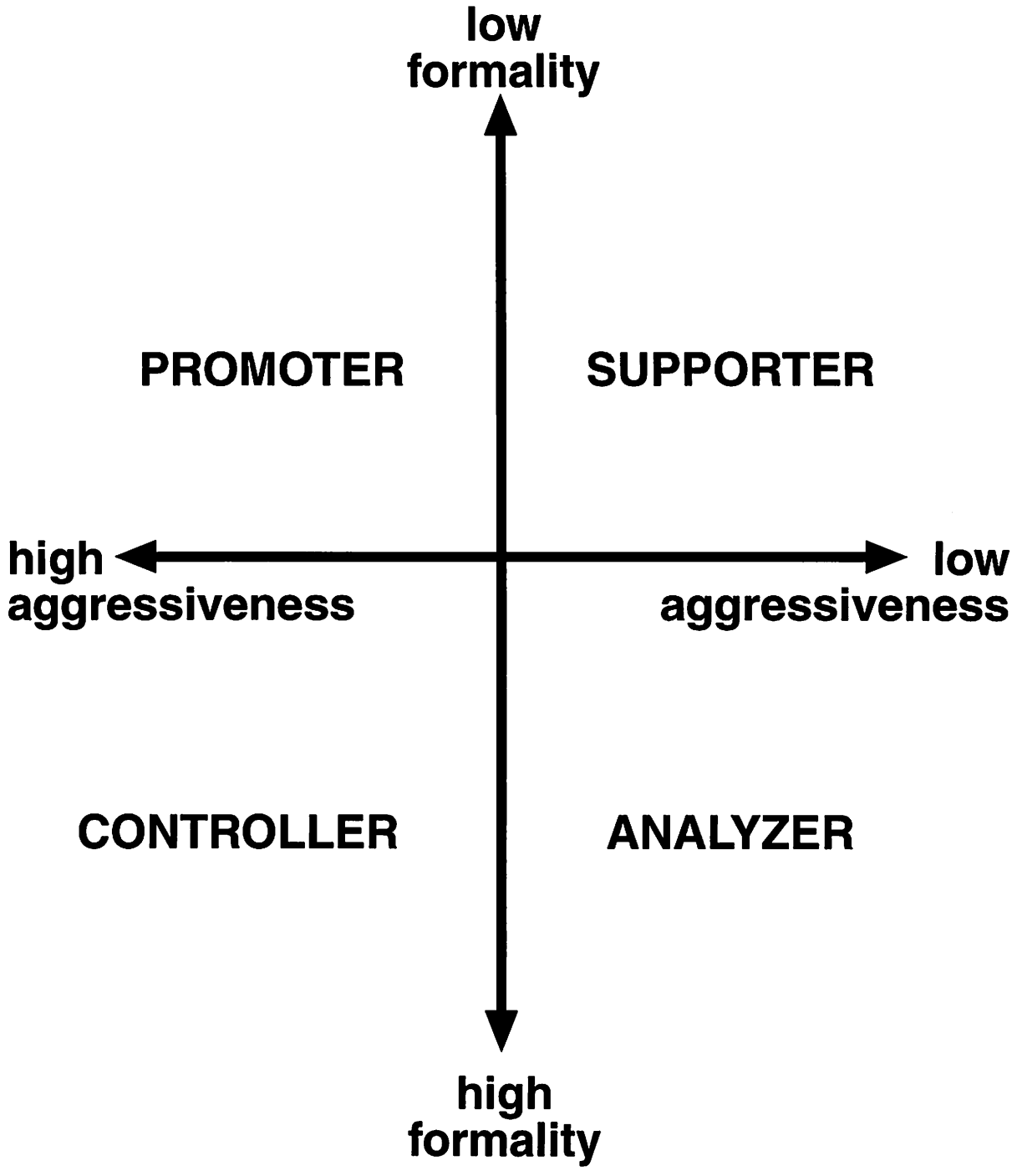
   a. Be higher on the aggressiveness scale and higher on the formality scale.
   b. Prefer a great deal of very detailed data
   c. Be higher on the aggressiveness scale and lower on the formality scale.
   d. Make decisions quickly and take immediate action.

Complete the following short answer questions.

7. Why is it important for a salesperson to understand the different communication styles?

8. What are three characteristics of the analyzer? How should the presentation be designed to appeal to this customer?

Communication Styles Matrix



UNIT VI - PREPARING FOR A SALE

Lesson 3: Motives for Making Purchases

Competency/Objective: Describe the factors that motivate a person to make purchases and how to identify these factors in an individual.

Study Questions

1. **What is Maslow's Hierarchy of Needs?**

2. **What are the steps people go through when deciding to make a purchase?**

3. **How are the needs and wants of the customer identified by the salesperson?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit VI.

2. Activity Sheet

   a) AS 3.1: Deciding to Make a Purchase

UNIT VI - PREPARING FOR A SALE

Lesson 3: Motives for Making Purchases

TEACHING PROCEDURES

A. Review

The last lesson contained information about different communication styles and how a sales presentation can be modified to match each style. This lesson will discuss the motivation that underlies a customer's decision to make a purchase. The salesperson needs this information to understand the best way to approach customers in a sales situation to motivate them to buy the product or service. If a sales representative is not able to recognize what motivates a particular customer, his or her chances of making a sale are lessened.

B. Motivation

Have each student make a list of everything that he or she has purchased in the last week. Discuss why they bought the different items on the list.

C. Assignment

D. Supervised Study

E. Discussion

1. Discuss Maslow's Hierarchy of Needs. Have students refer back to the lists of purchases they did for the motivation and write down what level of need each purchase satisfied. Discuss the different levels identified on their lists.

What is Maslow's Hierarchy of Needs?

a) Maslow's hierarchy describes people's needs and how their needs motivate them to act.
b) It has five levels.
    1) First level - basic physiological needs, including food, water, sleep, and shelter
    2) Second level - need for safety and security (to feel physically and emotionally safe)
    3) Third level - social needs, involving the need to belong to a group or society
    4) Fourth level - need for esteem, involving the need for self-respect and respect from others
    5) Fifth level - need for self-actualization, or full realization of personal potential
c) A person will not normally move to a higher level without satisfying lower-level needs first.
d) A salesperson can help customers fulfill their needs so that they are prepared to purchase the salesperson's products.
e) The hierarchy helps the salesperson understand what sales approaches might attract the customer by appealing to his or her current level of needs.

2. Ask students to think about the last significant purchases they made. How did they decide to spend money on those particular items? Discuss the steps in making a purchase.

What are the steps people go through when deciding to make a purchase?

a) Customer recognition of a need or a problem
    1) This must occur for the customer to be motivated to buy.
    2) The salesperson can aid the customer with identification, if necessary.

3) The salesperson should never create the impression that a need exists when it does not; this can severely damage the long-term relationship between the salesperson and the customer.

b) Identification of possible solutions and who can provide these solutions
   1) Customers may find the possible solutions in several ways.
      (a) Talking to others with similar needs and problems
      (b) Looking at advertisements for what is on the market
      (c) Reviewing experiences that they have had with a particular company, salesperson, or product
   2) The salesperson can help a customer and build a better relationship with him or her.
      (a) Providing information
      (b) Answering questions
      (c) Customizing the product to the customer

c) Selection of the best solution
   1) If a product fits the customer's needs and the salesperson has established a good relationship with him or her, the customer is more likely to purchase it.
   2) The salesperson should point out the product features that will benefit the customer.
   3) The customer must analyze the economics of the solution; product price can be a limiting factor for many customers.

3. Ask students again to consider the last significant purchases they made. Did they satisfy needs or wants? If salespeople assisted them in making the purchases, have them try to identify either how they tried to determine their customer's needs or wants or how they responded to them. Discuss how the perceived needs and wants of the customer are determined by a salesperson. Have students complete AS 3.1.

How are the needs and wants of the customer identified by the salesperson?

a) Ask probing questions to determine the customer's needs and wants.
   1) Get the customer involved in a conversation.
   2) Allow the customer to discuss problems and solutions so the salesperson can begin to identify possible needs, wants, and motivations.

b) Allow the customer enough time to talk to gain insight into needs, wants, and motivations.

c) Spend a significant amount of time with the customer to learn more.

F. Other Activities

1. Have the students write down five probing questions that could be used to obtain information about a customer's wants and needs. Then ask the students to read them aloud. Have the class discuss the quality of each one.

2. Contact a reputable salesperson and have him or her visit the class and discuss how to identify the wants and needs of a customer.

G. Conclusion

Salespeople must understand what factors motivate people to act so that they can better understand how to motivate customers to make a purchase. Knowing how to identify these factors and customize the presentation to the motivations of each particular customer will allow the salesperson to be more successful. Customer motivation is a key factor to consider when putting together a sales presentation.

H. Answers to Evaluation

1. b
2. c
3. d

4. a
5. c
6. e
7. d
8. b

9. The salesperson should ask probing questions to determine the customer's wants and needs. The questions get the customer involved in a conversation and allow him or her to discuss problems and solutions so the salesperson can begin to identify possible needs, wants, and motivations.

Questions To Ask Employers

- What are the opportunities for personal growth?
- What are the challenges of the job?
- What makes your firm different from its competitors?
- What are the company's strengths and weaknesses?
- What do you expect from your new employees?
- What is the work environment like?
- How can you use my skills?
- What qualities are you looking for in your employees?
- What characteristics does a successful person at your company have?

Lesson 9: Interviewing for a Job Name _____

Mock Interview

Objective: Gain practice with job interviews.

Activity Length:

10-15 minutes/student

Procedure:

1. Pair up with another student.
2. Prepare to interview your partner by making a list of standard interview questions.
3. Choose who will go first and perform the interview.
4. At the end of the interview, the interviewer should critique the performance of the applicant. Discuss areas in which he or she has done well and where improvement is needed.
5. Switch roles, with the interviewer becoming the interviewee.

Evaluating the Job Interview

Interview and evaluate the student as if he or she is actually applying for a position. Answer the following questions, using a scale on which 0 indicates unacceptable or unobserved and 5 indicates excellent.

1. Was the clothing clean, conservative, in style, and appropriate for the interview?

   0 1 2 3 4 5

2. Was the student's hair clean and neat?

   0 1 2 3 4 5

3. Was his or her voice positive, natural, and expressive?

   0 1 2 3 4 5

4. Was the student on time?

   0 1 2 3 4 5

5. Did he or she greet the interviewer with a smile and call the interviewer by name?

   0 1 2 3 4 5

6. Did the student introduce himself or herself confidently and shake hands firmly?

   0 1 2 3 4 5

7. Did the student wait to be asked to be seated?

   0 1 2 3 4 5

8. Did he or she exhibit interest in the job?

   0 1 2 3 4 5

9. Did the student listen carefully to the interviewer and maintain eye contact?

   0 1 2 3 4 5

10. Did he or she take an appropriate amount of time to think before answering questions?

    0 1 2 3 4 5

11. Did he or she answer questions briefly but thoroughly?

    0 1 2 3 4 5

12. Did the student exhibit tact and courtesy during the interview?

0 1 2 3 4 5

13. Did he or she demonstrate a sense of humor when appropriate?

0 1 2 3 4 5

14. Did the student ask questions about the job and its responsibilities and about general company policies?

0 1 2 3 4 5

15. Did the student thank the interviewer before leaving?

0 1 2 3 4 5

General comments:

*Based on a performance evaluation provided by Tammy Bartholomew.

Divider should read:

Unit IV. Personal Development

Agribusiness Sales, Marketing, and Management

Curriculum Guide: *Agribusiness Sales, Marketing, and Management*

Unit: IV. Personal Development

Unit Objective:

Students will demonstrate skills related to career development by creating a written plan for securing a position in some aspect of agricultural sales.

Show-Me Standards: 4.5, CA4

References:

Agribusiness Sales, Marketing, and Management. University of Missouri-Columbia, Instructional Materials Laboratory, 1997.

Missouri CDE Handbook. Accessed April 3, 2003, from http://www.dese.state.mo.us/divvoced/ag_cde_guidelines.htm.

Students may use additional outside sources to complete this activity.

Instructional Strategies/Activities:

- Students will engage in study questions in lessons 1 through 9.
- Students will complete AS 3.1, Handling Criticism; AS 4.2, An Ethical Dilemma; and AS 7.1 Career Goals.
- Additional activities that relate to the unit objective can be found under the heading "Other Activities" in the following locations: p. IV-54 (1) and p. IV-97 (3).

Performance-Based Assessment:

Each student will create a written career development and job search plan in paragraph form. The plan will cover such factors as identifying a job interest area, writing a specific job description, listing specific competencies needed for the job, and matching the student's competencies and strengths to the job.

Assessment will be based on the completeness and thoroughness of the plan, in addition to the organization and details of the items covered by the plan. Spelling, grammar, punctuation, and capitalization also will be factors in the assessment.

Unit IV—Personal Development
Instructor Guide

The instructor should assign the performance-based assessment activity at the beginning of the unit. Students will work toward completing the activity as they progress through the unit lessons. The assessment activity will be due at the completion of the unit.

1. Each student will create a written career development and job search plan intended for securing a position in some aspect of agricultural sales. The plan will be organized in paragraph form.

2. For a suggested writing format, refer to the "Job Description" portion of the Agricultural Sales CDE available at http://www.dese.state.mo.us/divvoced/ag_cde_guidelines.htm.

3. Students may not use source material word for word and must provide a complete bibliography of their sources along with their written report.

4. Topics to be covered by the plan include the following:
   - ❑ Identifying a job interest area
   - ❑ Writing a specific job description
   - ❑ Listing specific competencies needed for the job
   - ❑ Matching the student's competencies and strengths to the job

5. Assessment will be based on the completeness and appropriateness of the plan.
   a. This will include evaluation of the organization and details of the topics covered by the plan.
   b. Other factors to be considered are grammar, spelling, punctuation, and capitalization.

Unit IV—Personal Development
Student Handout

1. Create a written career development and job search plan intended for securing a position in some aspect of agricultural sales. Organize the plan in paragraph form.

2. Your plan could closely approximate the format covered in the "Job Description" portion of the Agricultural Sales CDE available at http://www.dese.state.mo.us/divvoced/ag_cde_guidelines.htm.

3. You may not use source material word for word and must provide a complete bibliography of sources along with your written report.

4. Topics to be covered by your plan include the following:
   - ❑ Identifying a job interest area
   - ❑ Writing a specific job description
   - ❑ Listing specific competencies needed for the job
   - ❑ Matching your competencies and strengths to the job

5. Assessment will be based on the completeness and appropriateness of your plan.
   a. This will include evaluation of the organization and details of the topics covered by your plan.
   b. Other factors to be considered are grammar, spelling, punctuation, and capitalization.

Agribusiness Sales, Marketing, and Management

Unit IV—Personal Development
Scoring Guide

Name _____

Assessment Area	Criteria	0 Points	1 Point	2 Points	3 Points	4 Points	Weight	Total
Job Interest Area	❑ Complete ❑ Appropriate ❑ Organized ❑ Detailed	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 5.625	
Specific Job Description	❑ Complete ❑ Appropriate ❑ Organized ❑ Detailed	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 5.625	
Competencies Needed for the Job	❑ Complete ❑ Appropriate ❑ Organized ❑ Detailed	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 5.625	
Matching Student Competencies and Strengths to the Job	❑ Complete ❑ Appropriate ❑ Organized ❑ Detailed	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 5.625	
Technical Considerations	❑ Spelling ❑ Grammar ❑ Punctuation ❑ Capitalization	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 2.5	
TOTAL								

Final Assessment Total _____**/100 pts.**

Comments:

UNIT V - COMMUNICATION SKILLS

Lesson 1: Verbal and Nonverbal Communication

Competency/Objective: Utilize verbal and nonverbal communication skills, as well as effective listening.

Study Questions

1. **How is verbal communication used in agribusiness sales and marketing?**

2. **Why are effective listening skills vital to agribusiness sales and marketing?**

3. **What are some of the different forms of nonverbal communication?**

4. **How can nonverbal communication skills be used effectively in agribusiness sales and marketing?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit V.

2. Transparency Masters

   a) TM 1.1: Types of Nonverbal Communication
   b) TM 1.2: Effective Speaking
   c) TM 1.3: Effective Listening

3. Activity Sheets

   a) AS 1.1: Retaining Information
   b) AS 1.2: Using Nonverbal Skills in a Selling Situation

UNIT V - COMMUNICATION SKILLS

Lesson 1: Verbal and Nonverbal Communication

TEACHING PROCEDURES

A. Introduction

The proper use of communication is an integral part of agribusiness sales and marketing. This lesson will discuss how to identify and use communication skills to be successful in agribusiness. Verbal, nonverbal, and listening skills will be reviewed.

B. Motivation

1. Pass a statement around the room by whispering it in a student's ear and having him or her pass it to the next person. See how much the message has changed by the time it gets all the way around the room. This activity will illustrate how ineffective listening can alter the message the speaker is trying to send to the listener.

2. Use AS 1.1 to reinforce the importance of understanding what information a person retains and how he or she interprets what is retained. The instructor should read the story printed below, taking a maximum of 25 seconds. The questions should be answered in one minute.

   A man was walking in the city park one evening. He heard a dog bark in the bushes and turned his head to look. As he did, he ran into a woman walking along the same trail. As this happened, she dropped her keys. He knelt down to find them. She thanked him as he handed her the keys, and they both walked on.

C. Assignment

D. Supervised Study

E. Discussion

1. Discuss what verbal communication is and the advantages in agribusiness sales of mastering it. Show the students TM 1.1 on effective speaking.

   How is verbal communication used in agribusiness sales and marketing?

   a) Verbal communication is any form of communication that consists of either spoken or written words.
   b) It forms the content of presentations, supplying the customer with technical information, facts about features/benefits, and information about problems or concerns in order to inform him or her about a product or service and persuade him or her to make a purchase.
   c) Jargon, slang, and industry terminology should be used carefully to avoid confusing the customer.
   d) The salesperson should not discuss the product too technically or too simply; both approaches may alienate, annoy, or lose the interest of the customer.

2. Discuss the importance of effective listening skills in agribusiness sales and marketing. Use TM 1.2 to help illustrate effective listening skills.

   Why are effective listening skills vital to agribusiness sales and marketing?

   a) To acquire information needed to make a sale

1) Customer needs
2) Customer concerns
3) Signals about when to close the sale

b) To be more aware of the customer's listening skills and anything that might cause a distraction that might hinder making a sale
   1) Environmental distractions (temperature, noise level, speaker's appearance)
   2) Distance between speaker and listener
   3) Lack of physical or mental preparation for listening
   4) Content distractions
      (a) Bias for/against the subject - The customer already has an opinion or feeling about the subject that colors how he or she perceives that subject and distracts him or her from the salesperson's message.
      (b) Terminology - Using new or complicated industry terminology that the customer does not understand can distract the customer as they try to understand a term.
      (c) Organization of presentation - A disorganized presentation can confuse a listener, clouding the message the salesperson is trying to convey.
      (d) Delivery of presentation - Poor delivery, which is the combination of terminology used, rate of speech, tone of voice, and nonverbal elements, can distract the customer from the content of the presentation.

c) To be able to give and receive feedback, confirming the salesperson's understanding of the customer and the customer's understanding of the message of the sales presentation
   1) Nodding
   2) Confirming statements (e.g., "I understand.")
   3) Rephrasing or asking questions about ideas

3. Ask students to demonstrate types of nonverbal communication. Use TM 1.3.

What are some of the different forms of nonverbal communication?

a) Facial expressions
   1) Smiling or frowning
   2) Raising an eyebrow
   3) Wrinkling the forehead

b) Gestures
   1) Hand on hip
   2) Clenched fist
   3) Moving the hands while speaking

c) Body language
   1) Posture
   2) Stance
   3) Body position

d) Dress - care invested in and appropriateness of dress
e) Rate of speech - speed at which the words are spoken (quickly or slowly)
f) Tone of voice - pitch of voice (shrill, monotone, loud, soft)
g) Eye contact
   1) Looking someone in the eye
   2) Looking down
   3) Looking off into the distance

4. Discuss how nonverbal communication skills can be used effectively in agribusiness sales and marketing. Emphasize that the use of nonverbal communications skills will change with each audience, depending on the subject, the size of the audience, and the personality of the customer. The salesperson must be flexible and change with each presentation.

Note: The instructor may practice both extremes while leading the discussion. First, use no hand gestures, facial expressions, or eye contact to illustrate how easy it is to lose the interest of the audience. Then exaggerate hand gestures and facial expressions as much as possible to show how these actions can be distracting.

How can nonverbal communication skills be used effectively in agribusiness sales and marketing?

To reinforce the salesperson's own message in order to influence the customer or to interpret the customer's attitude

a) Facial expressions - reveal inner feelings
b) Gestures
    1) Emphasize points of the presentation
    2) Reveal attitudes
c) Body language - can show level of interest in the subject
d) Dress - can communicate attitude
e) Rate of speech
    1) Can make presentation interesting and easy to understand if appropriate
    2) Can reveal a customer's level of interest and attention
f) Tone of voice - can greatly affect how a message being sent or received is interpreted
g) Eye contact - Reveals the level of trust, confidence, and honesty among the people involved in the communications process (should be consistent, not constant, "staring down" the customer)

F. Other Activities

Pair up the students in the class. Have the students sit back to back, with one of the students in each pair facing the front of room. Show the students facing forward a picture of a simple object such as a domino, pencil, or pair of scissors. Have that student describe the object to his or her partner, who should attempt to draw it. This exercise tests communication and listening skills.

G. Conclusion

Communications skills are a vital part of agribusiness sales. Communication cannot be used effectively unless the person understands how to utilize verbal, nonverbal, and listening skills together. They are a package that cannot be separated, since each part of the process of communication relies heavily on the others. It is important to understand the components of the communication process in order to speak well, as well as to better understand what factors might help or hinder a person in receiving the message sent. The communication process is dynamic, changing with every person, each day, at each location. A salesperson should strive to always be aware of the communication process and constantly work to improve his or her skills.

H. Answers to Activity Sheets

AS 1.1

1. ?
2. F
3. F
4. T
5. F
6. F
7. T
8. F

I. Answers to Evaluation

1. Spoken, written
2. Facial expressions
3. Feedback
4. Distractions
5. Jargon, slang, industry terminology

6. Answers should include the following.

- Bias for/against the subject - The customer already has an opinion or feeling about the subject that colors how he or she perceives that subject and distracts him or her from the salesperson's message.
- Terminology - Using new or complicated industry terminology that the customer does not understand can distract the customer as they try to understand a term.
- Organization of presentation - A disorganized presentation can confuse a listener, clouding the message the salesperson is trying to convey.
- Delivery of presentation - Poor delivery, which is the combination of terminology used, rate of speech, tone of voice, and nonverbal elements, can distract the customer from the content of the presentation.

7. Answers may include any three of the following with an example.

- Facial expressions - smiling, frowning, raising an eyebrow, wrinkling the forehead
- Gestures - hand on hip, clenched fist, moving hands while speaking
- Body language - posture, stance, body position
- Rate of speech - speaking quickly or slowly
- Tone of voice - monotone, loud, or soft voice
- Eye contact - Staring someone in the eye, looking into the distance, looking down

8. "Stare down" a customer

UNIT V - COMMUNICATION SKILLS Name _____

Lesson 1: Verbal and Nonverbal Communication Date _____

EVALUATION

Complete the following statements by filling in the blanks.

1. Verbal communication is any form of communication that consists of _____ or _____ words.

2. _____ _____ can reveal the inner feelings of people if they are interpreted appropriately.

3. A salesperson must give and look for _____ to confirm his or her understanding of the customer and the customer's understanding of the content of the sales presentation.

4. When giving a sales presentation, a salesperson must be aware of any _____ that could act as barriers to listening.

5. Salespeople should use _____, _____, and _____ _____ carefully in verbal communication to avoid confusing the customer.

Complete the following short answer questions.

6. What are the four content distractions described in the text? Briefly describe each one.

   a.

   b.

   c.

   d.

7. What are three of the six types of nonverbal communication? Give an example of each one.

   a.

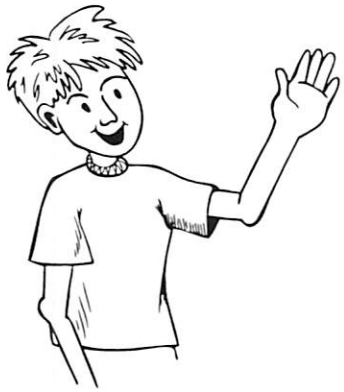
   b.

   c.

8. What is one thing a salesperson must <u>not</u> do to the customer when making eye contact?

Types of Nonverbal Communication

FACIAL EXPRESSION



GESTURES

BODY LANGUAGE

TONE OF VOICE

RATE OF SPEECH

EYE CONTACT

EFFECTIVE SPEAKING

To speak more effectively, ask yourself:

- Am I using appropriate words and terminology to express the correct message to a customer?
- Am I presenting the appropriate amount of information and documentation to close the sale?
- Am I using terminology that is understandable to my customer?
- Am I spending the correct amount of time on each feature/benefit and looking for feedback from the customer?
- Am I getting good feedback from the customer to ensure the correct message is being received?
- Am I remaining objective--not offering personal opinion, but just relaying the facts to the customer?
- Am I giving the presentation in an organized, logical way, so that it is easy for the customer to understand the points of the presentation?
- Am I speaking at a good rate and tone and using appropriate body language?

EFFECTIVE LISTENING

To listen more effectively, ask yourself:

- What distractions might affect my listening?
- What is the purpose of the statement being made?
- What information do I need to retain? Do I need to take notes?
- How accurate are the facts being presented, and are they meaningful to the presentation?
- Is there any information being left out?
- What is the trust level I have with the speaker? Does this taint my listening?
- What am I drawing from the speaker (conclusions, inferences, etc.)?
- What feedback am I giving or going to give to send a message about my interest level and inform the speaker that I understand the message (asking questions, rephrasing the information, etc.)?

Lesson 1: Verbal and Nonverbal Communication Name_____

Retaining Information

Objective: Evaluate the ability to absorb verbal communication.

Your instructor will read a short story to you. When he or she is finished, answer all statements you think are correct by marking the "True" column, all statements you think are incorrect by marking the "False" column, and all statements that you are unsure of by marking the "?" column. Be prepared to defend your answers (for example, an "?" answer may be given either because you could not remember the answer or because the story did not give enough information).

		TRUE	FALSE	?
1.	It was dark outside.	_____	_____	_____
2.	The man saw the woman coming.	_____	_____	_____
3.	The dog barked from within the trees.	_____	_____	_____
4.	The man and woman were walking on a trail.	_____	_____	_____
5.	The man dropped his keys.	_____	_____	_____
6.	The woman found the keys.	_____	_____	_____
7.	The woman thanked the man.	_____	_____	_____
8.	They walked off together.	_____	_____	_____

Lesson 1: Verbal and Nonverbal Communication Name _____

Using Nonverbal Skills in a Presentation

Objective: Utilize nonverbal communication skills in a selling situation.

Pick a subject to present to another person; you should know the subject well. Working with a partner, complete Part A, B, and C.

Part A

Student 1:

Prepare a presentation to present to your partner. Try to pick out what you think a person will find to be the most interesting aspects of this subject and emphasize them. Use a limited amount of nonverbal communication while presenting the information, speaking in a monotone voice with few or no hand gestures and little eye contact or facial expression.

Student 2:

Observe the presentation. Write down the pros and cons of the presentation. Write a description of your initial response to the presentation, including its effectiveness and how you felt about the presenter.

Part B

Student 1:

Do the same presentation as in Part A, but this time exaggerate the nonverbal elements of communication as much as possible. Try to push yourself to "go overboard" with voice fluctuations, hand gestures, facial expressions, and staring at your partner.

Student 2:

Observe and record your response as in Part A.

Part C

Student 1:

Consider what amount of nonverbal communication would be appropriate for this presentation. Then present your subject again.

Student 2:

Observe and record your response as in Part A and B.

Now reverse roles and repeat Part A, B, and C. Then complete Part D.

Part D

Discuss the impressions made by each presentation. Discuss what was and was not effective. Make any suggestions that you might have for the presenter, especially in regard to Part C. Remember, the presenter was to do his or her best in Part C, so if you found problems, tell the presenter so that he or she will be aware of them.

UNIT V - COMMUNICATION SKILLS

Lesson 2: Written Communication Skills in Agribusiness

Competency/Objective: Use written communication skills in the sales process.

Study Questions

1. **What are the various forms of written communication?**

2. **Why are effective written communication skills important in agribusiness?**

3. **What are the main components of business letters and memos?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit V.

2. Transparency Master

   a) TM 2.1: Today's Lesson

3. Activity Sheet

   a) AS 2.1: Writing a Business Letter

UNIT VI - PREPARING FOR A SALE Name _____

Lesson 3: Motives for Making Purchases Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. All of the following are steps a customer goes through when deciding to make a purchase except:

   a. Identification of who can provide a solution.
   b. Identification of future problems.
   c. Identification of possible solutions.
   d. Identification of a need or problem.

2. Which of the following is <u>not</u> a way that a customer may determine a solution to a problem when deciding whether to make a purchase?

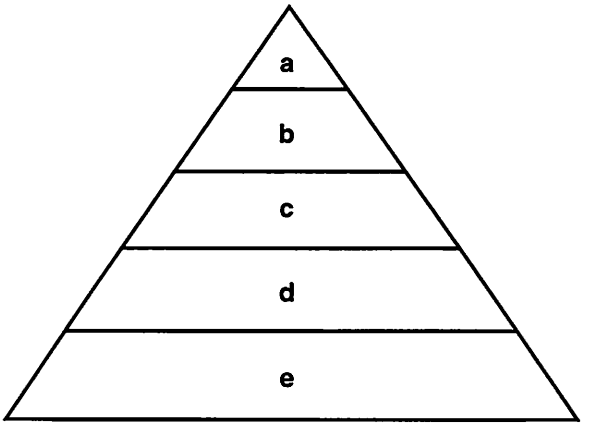
   a. Reviewing experiences with a particular company
   b. Talking to others with similar needs or problems
   c. Personalizing a particular product of a company
   d. Looking at advertisements for what is on the market

3. When will a person attempt to satisfy upper-level needs?

   a. After satisfying the need for self-actualization
   b. When he or she is motivated to change
   c. When the salesperson is very persuasive
   d. After satisfying lower-level needs

Rank the needs listed below according to Maslow's Hierarchy of Needs by filling in the blank with the appropriate letter.

4. ___ Need for self-actualization
5. ___ Social needs
6. ___ Physiological needs
7. ___ Need for safety and security
8. ___ Need for esteem



Complete the following short answer question.

9. How are questions used to identify wants and needs?

Lesson 3: Motives for Making Purchases Name _____

Deciding to Make a Purchase

Objective: Identify the steps in the process of deciding to make a purchase.

On the lines below, write down the steps you went through when you decided to make a major purchase. You should consider what role, if any, the salesperson played in your decision.

UNIT VI - PREPARING FOR A SALE

Lesson 4: Product, Company, and Industry Knowledge

Competency/Objective: Describe how to obtain product, company, and industry knowledge and use it in a sales presentation.

Study Questions

1. **What product knowledge is needed to make a sales presentation?**
2. **What company and industry knowledge is needed to make a sales presentation?**
3. **Why is it important to be familiar with the products of competitors?**
4. **Why is it necessary to have product and industry knowledge?**
5. **What resources are available to obtain product and industry knowledge?**
6. **How are product, company, and industry knowledge used in a sales presentation?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit VI.
2. Activity Sheets
   a) AS 4.1: Product and Competition Summary Sheet
   b) AS 4.2: Product and Industry Research

UNIT VI - PREPARING FOR A SALE

Lesson 4: Product, Company, and Industry Knowledge

TEACHING PROCEDURES

A. Review

As discussed in the last lesson, customers are motivated to make purchases for various reasons. The motivation for buying is based on the needs of one person at a given time. Once a salesperson has determined that a customer needs a product, his or her job is to convince the customer to buy that product rather than a competitor's. A salesperson does this by using his or her product, company, and industry knowledge. To make a successful sale, the salesperson must know not only the special features of his or her product but also the features of its competitors' products. This lesson will discuss the importance of product, company, and industry knowledge during the sales process and how to obtain this vital information.

B. Motivation

Point out to the class that they would likely be hesitant to buy a product from a sales representative who had little knowledge about the product or the industry. As customers, we depend on salespeople to be knowledgeable and explain products to us (i.e., how they work, how they can be used, how they are made, etc.)

C. Assignment

Analyze the product used for the school-based business/fund-raising activity to determine what product knowledge is needed by the salesperson.

D. Supervised Study

E. Discussion

1. Ask students if they have ever watched a sales presentation. What information about the product did the salesperson include? Discuss the product knowledge needed to make a sales presentation.

What product knowledge is needed to make a sales presentation?

a) General information
   1) Number and types of models or styles available
   2) Materials in the product and how it is made
   3) Price
   4) Discounts
   5) Size
   6) Color
   7) Packaging
   8) Product improvements
   9) Company history and reliability
   10) Identifying characteristics, such as brand names and logos

b) Application information
   1) Use and capability of the product
   2) Instructions for operation
   3) Performance standards

c) Maintenance information
   1) Care and proper maintenance of the product

2) Guarantees and warranties and their limitations
3) Maintenance and repair costs

d) Company support information
1) Credit options
2) Ordering procedures
3) Shipping procedures and reliability of delivery
4) Training provided on use of new products and systems

2. Ask students to identify the types of company and industry knowledge included in presentations they have witnessed. Discuss the information needed for sales presentations.

What company and industry knowledge is needed to make a sales presentation?

a) Industry knowledge
1) Market trends in supply of and demand for the product and the components used to manufacture it
2) Products of competitors
3) Developments made or technologies being introduced into the industry

b) Company knowledge
1) A company's history and its standing within the industry
2) Company policies (e.g., for complaints)
3) Reliability of a company
4) Warranties and product guarantees

3. Discuss why salespeople must be familiar with the products of their competitors.

Why is it important to be familiar with the products of competitors?

a) Knowledge of the competition allows the salesperson to focus the presentation on areas in which the product shows a definite advantage over the competition's.
b) The salesperson must be prepared to answer any questions concerning the advantages of buying his or her product instead of another company's.

4. Ask students why they think a salesperson finds it necessary to have knowledge about a product and industry. What does this information enable him or her to do?

Why is it necessary to have product and industry knowledge?

a) Product knowledge
1) Used to inform, provide advice and make suggestions to, and solve problems for the customer
2) Used to identify the product features that will provide the most important benefits for each customer

b) Industry knowledge
1) Allows the salesperson to understand the attitude of customers toward competitors and the industry
2) Allows salesperson to understand what kind of and how much competition must be overcome
3) Allows salesperson to understand any market developments

5. Ask students what sources they would use to obtain information about a product or an industry. Discuss these sources and others used by salespeople when preparing sales presentations.

What resources are available to obtain product and industry knowledge?

a) Product knowledge
   1) Salesperson's own company - most common resource; presented to make the product look as good as possible
   2) Unbiased sources
      (a) Research reports from independent companies or universities
      (b) Consumer reports
      (c) Customer testimonials
      (d) Newspaper or magazine articles
      (e) Salesperson's personal experience with the product
b) Industry knowledge
   1) Salesperson's own company and other sales representatives within it
   2) Unbiased sources
      (a) Research reports from independent sources
      (b) Market reports
      (c) Newspaper and magazine articles
      (d) Discussions of the market with representatives of other companies and with customers

6. Discuss how the salesperson uses product, company, and industry knowledge in a sales presentation. Have students complete AS 4.1 and 4.2.

How are product, company, and industry knowledge used in a sales presentation?

a) Product knowledge
   1) Used to provide information about the product because customers must be familiar with the product before they will decide to buy it
   2) Used to explain product features that will appeal to the customer to convince him or her of its benefits
b) Company knowledge - provides important selling points
c) Industry knowledge - used to provide the customer with information on events occurring in the industry that will affect the buying decision

F. Other Activities

Have each student pick an agricultural product and complete the "Product Summary Sheet" from the Agricultural Sales state contest for that product.

G. Conclusion

A salesperson's knowledge of his or her product, company, and industry will have a significant influence on his or her success. A salesperson must be well informed and know how to use information during a sales presentation. This information can be obtained from several sources, and the salesperson should use as many of these resources as possible. Information about the product, industry, and company should constantly be reviewed and updated so that the salesperson is prepared to answer any questions a customer may have.

H. Answers to Activity Sheets

Answers will vary.

I. Answers to Evaluation

1. d
2. a

3. b
4. c
5. a
6. b
7. c

8. A salesperson should be familiar with the products of competitors because knowledge of the competition allows the salesperson to focus the presentation on areas in which the product shows a definite advantage over the competition's. Also, the salesperson must be prepared to answer any questions concerning the advantages of buying his or her product.

9. Product information is used in a sales presentation to provide information about the product because customers must be familiar with the product before they will decide to buy it. It is also used to explain that the benefits of a product justify its cost.

10. The three areas of industry knowledge needed for a sales presentation are information on market trends in supply of and demand for the product and the components used to manufacture it, information on the products of competitors, and information on developments made or technologies being introduced into the industry.

UNIT VI - PREPARING FOR A SALE Name_____

Lesson 4: Product, Company, and Industry Knowledge Date_____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which of the following is not a source of product knowledge?

   a. Salesperson's company
   b. University research
   c. Consumer reports
   d. Salesperson's competitors

2. What information about the company is needed for a sales presentation, as listed in the text?

   a. Company policies
   b. Technological advances
   c. Market trends
   d. Consumer reports

3. Which of the following is a category of product knowledge?

   a. Customer support information
   b. Maintenance information
   c. Company information
   d. Product information

4. What is one reason that having industry information is important for a salesperson?

   a. To provide an understanding of performance standards
   b. To use when making suggestions about product features
   c. To understand market developments
   d. To provide unbiased information about a product

5. One source of industry knowledge is:

   a. Market reports.
   b. Consumer reports.
   c. Customer testimonials.
   d. Personal experience.

6. Which of the following is not part of the application information category of product knowledge?

   a. Use of the product
   b. Care for the product
   c. Instructions for operation
   d. Performance standards

7. _____ _____ is used to provide the customer with information on events occurring in the market that will affect the buying decision.

   a. Company knowledge
   b. Product knowledge
   c. Industry knowledge
   d. Competitor knowledge

Complete the following short answer questions.

8. Why would a salesperson want to be familiar with the products of his or her competitors?

9. How is product information used in a sales presentation?

10. What are the three areas of industry knowledge needed for a sales presentation?

Lesson 4: Product, Company, and Industry Knowledge Name _____

Product and Competition Summary Sheet

Objective: Complete a product and competition summary sheet.

Research a product and a competing product. Using a familiar product is easier when looking for information about the product and its main competitor. Fill out the attached summary sheets. Make sure to fill out each category in order to have complete information. On the product summary sheet, list selected features of the product and related benefits the customer would receive with the purchase of the product. On the competition summary sheet, list any features that the product has in common with its main competitor. Indicate the benefits that are the product's strengths and those that are the competitor's strengths.

PRODUCT SUMMARY SHEET	
FEATURES	**BENEFITS**

COMPETITION SUMMARY SHEET		
COMMON FEATURES	**YOUR STRENGTH**	**COMPETITOR'S STRENGTH**

Lesson 4: Product, Company, and Industry Knowledge Name _____

Product and Industry Knowledge Research

Objective: Research a product and an industry to learn information that could be used in a sales presentation.

Activity Length:

Part A: 15-20 minutes
Part B: 30 minutes-1 hour (outside class)
Part C: 30 minutes-1 hour

Procedure:

Part A: Pick a product and an industry, and obtain the teacher's approval to research them.

Part B: Research both product and industry. Begin your research by answering the questions below. Remember that other information may also be important. Prepare to explain and answer questions about them.

Part C: Choose a partner and give a presentation on your product, discussing the product and industry knowledge that you have discovered, then listen to your partner's presentation. Be sure to use the information gathered. During your partner's presentation, be sure to ask questions if you do not feel that you have received the appropriate product and industry information to make a decision about purchasing the product. The presentation should cover the questions listed below.

Questions

1. What are the technical features of the product?

2. What are some of the benefits that a customer will gain from the purchase of this product?

3. Are any special discounts or price breaks available on this product?

4. What is the description of the product?

5. What trends are occurring that will affect the market for the product (i.e., anything that will change the supply and/or the demand)?

UNIT VI - PREPARING FOR A SALE

Lesson 5: Identifying and Approaching Potential Customers

Competency/Objective: Identify potential customers and the best method for approaching them.

Study Questions

1. **What sources and methods are used to identify potential customers?**
2. **What knowledge of a customer is needed to prepare for a sale?**
3. **What factors can influence a customer's perception of a salesperson?**
4. **How does the sales environment affect the approach?**
5. **What is appropriate attire for a salesperson, and how does the his or her appearance affect the sales presentation?**
6. **How should a customer be greeted?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit VI.
2. Activity Sheets
   a) AS 5.1: Resources for Identifying New Prospects
   b) AS 5.2: Approaching Customers

UNIT VI - PREPARING FOR A SALE

Lesson 5: Identifying and Approaching Potential Customers

TEACHING PROCEDURES

A. Review

As was discussed in the last lesson, product, company, and industry knowledge is a key to making sales. Salespeople must know where to obtain this knowledge and how and when to use it. Information about the competition is very important because the salesperson must be able to point out what benefits distinguish his or her product from competitors' to convince the customer to make a purchase. The salesperson must also be able to identify potential customers and learn the best method of approaching them to ensure long-term sales for his or her company. This lesson will discuss how to identify good prospects and the different methods used to approach them.

B. Motivation

Explain that a salesperson must know where to obtain information about prospective customers. To be successful in his or her territory, the salesperson needs to constantly work on expanding the volume of sales in the territory; one of the easiest ways to do so is to find new customers. Have the students complete AS 5.1 to familiarize them with the resources available to find prospects.

C. Assignment

Have students practice identifying and approaching customers for the school-based business/fund-raising activity.

D. Supervised Study

E. Discussion

1. Ask students what methods are used to identify potential customers. Discuss these methods.

What methods are used to identify potential customers?

a) Salesperson's company
   1) Sales department
   2) Research department
   3) Group of sales representatives
   4) Other sources within the company
      (a) Credit departments
      (b) Service departments

b) Salesperson's personal experience
   1) Personal observations
      (a) Reading local newspapers
      (b) Joining clubs or groups
      (c) Attending community activities or other events that place him or her in contact with people in the sales territory
   2) Cold canvassing
      (a) Door-to-door sales
      (b) Passing out business cards or flyers
   3) Telephone calls or direct mail (information usually comes from some type of research)
      (a) Telephone - calling prospects and making sales presentations over the phone

(b) Direct mail - sending out information about sales, discounts, new products, or new features
(c) Faxes - variation on direct mail, faxing out the information

c) Current customers
1) Referrals - may make direct referrals to friends, family, or business associates or give subtle clues
(a) Endless chain - lists made by customers containing the names of people they know who may be interested in the product
(b) Center of influence - person of high standing in the community who is known to use the product and helps the salesperson obtain prospects
2) Customer testimonial - statement from a customer expressing satisfaction with a product that can be presented to prospective customers to help make a sale

d) Noncompeting salespeople
e) Public sources (e.g., government agencies)
f) Commercial sources

2. Ask students why a salesperson needs some previous knowledge about a customer before attempting to make a sale. Have students list what information they think would be important.

What knowledge of a customer is needed to prepare for a sale?

a) Who the decision maker is and his or her personality type
b) Financial standing
c) Need for the product
d) Potential volume of sales and longevity of the business relationship
e) Accessibility of the customer

3. Discuss why it is important to influence the customer's perception of the salesperson. Have students list some factors that shaped their impressions (positive and negative) of salespeople they have encountered in the past.

What factors can influence a customer's perception of a salesperson?

a) Personal appearance
b) Salesperson's attitude, expressed through the manner in which he or she speaks, language used, and tone of voice
c) Nonverbal signals
d) Salesperson's knowledge of the product, the market, and the company
e) Appearance of trustworthiness and credibility
f) Past experiences with the sales representative's company, product, or another salesperson from that company
g) Bias against the sales representative based on his or her age, gender, or race

4. Review the different sales environments discussed in Unit 3, Lesson 1. Discuss how each environment affects the approach used by the salesperson.

How does the sales environment affect the approach?

a) Retail
1) Emphasize market information about future demand
2) Take the type of customer into account when determining need
3) Determine the financial capability of the retailer
4) Approach the retailer with ideas for promotions or advertisements and make sure the retailer will participate

b) Wholesale
   1) Provide information about the number of retailers who will carry the product to indicate demand
   2) Determine the financial capability of the wholesaler
   3) Inform the wholesaler of any discounts
   4) Provide information about delivery and order procedures
c) Processing
   1) Focus on product efficiency and technical support
   2) Determine need
   3) Determine financial ability to make the purchase
d) Direct sales
   1) Focus on the benefits to customer
   2) Identify needs and features of the product that can meet them
   3) Inform the customer of the support he or she will receive from the company

5. Ask students how the salesperson making direct feed sales to a producer should dress. What about a sales representative making crop chemical sales to a dealer? A person selling machinery to a manufacturer? Discuss how the appearance of the salesperson affects the sales presentation.

   What is appropriate attire for a salesperson, and how does his or her appearance affect the sales presentation?

   a) The salesperson should dress in the same style but a bit better than the customer. Being underdressed or overdressed gives the impression that the salesperson either is not prepared to sell to customers in their environment or does not have enough knowledge of their environment to know what is appropriate.
   b) Clothing and jewelry should not be gaudy, flashy, or trendy. The salesperson does not want them to distract the customer from the presentation.
   c) The salesperson should be clean with well-kept hair and nails, and women should wear moderate makeup.

6. Ask students how they prefer to be approached by someone they do not know. Compare the preferences of the students. Discuss the steps that can be used when meeting any customer for the first time.

   How should a customer be greeted?

   a) Shake hands.
   b) Address the customer by name.
   c) Make introductions (provide both the salesperson's and company's name).
   d) Express appreciation to the customer for taking the time to meet.
   e) State the purpose of the meeting.
   f) Begin to gain information from the customer by asking probing questions.

F. Other Activities

Have the students pair up and treat each other as potential customers to become comfortable with the process of greeting new people.

G. Conclusion

Identifying prospects who may meet the qualifications to become long-term customers is an involved process. Specific knowledge about the prospect and his or her business is vital; it allows the salesperson to prepare a customized presentation. The key factors of the presentation will vary with the customer and the environment in which the salesperson is working. The salesperson must be aware of the way the

customer perceives him or her based on factors such as appearance. The initial meeting sets the stage for the entire business relationship, so the method of greeting the customer is very important.

H. Answers to Activity Sheets

AS 5.1

1. Research department

2. Salespeople may meet and brainstorm about prospective customers.

3. This department has records of the credit accounts of current and past customers who may be excellent prospects.

4. Service department

5. Personal experience

6. Reading local newspapers, joining clubs and groups, and attending community activities or other events that place him or her in contact with people in the sales territory.

7. Cold canvassing

8. They are similar to cold canvassing, except some initial research takes place in most cases. In telephone calls, the sales pitch is given over the phone. In direct mail, information about sales, discounts, new products, or new features is mailed to prospects to gain their interest.

9. Customers may make direct referrals or give subtle clues about good prospects. In an endless chain, the sales representative asks a current customer for a list of the names of people who would be interested in a sales presentation. Centers of influence have many contacts who could be prospective customers. Centers of influence may also cause other people to consider making a purchase because they look up to them.

10. Customer testimonials

11. Public sources

12. Some companies research and develop a list of prospects based on certain specified factors. They provide this information for a fee.

I. Answers to Evaluation

1. d
2. c
3. b
4. c
5. a
6. d
7. a

8. An endless chain is lists made by customers containing the names of people they know who may be interested in the product.

9. Answers may include any three of the following:

   - Who the decision maker is and his or her personality type
   - Financial standing
   - Need for the product
   - Potential volume of sales and longevity of business relationship
   - Accessibility of the customer

10. The salesperson should dress in the same style but a bit better than the customer. Clothing and jewelry should not be gaudy, flashy, or trendy. The salesperson should be clean, with well-kept hair and nails, and women should wear moderate makeup.

UNIT VI - PREPARING FOR A SALE Name _____

Lesson 5: Identifying and Approaching Potential Customers Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. In a presentation in a direct sales environment, the salesperson should focus on:

   a. Market information about future demand.
   b. Customer testimonials about the product.
   c. Cold canvassing to discover other customers.
   d. Benefits of the product for the customer.

2. What customer information is necessary to prepare for a sale?

   a. Appearance
   b. Trustworthiness
   c. Accessibility
   d. Referrals

3. When preparing for a sales presentation, the salesperson should:

   a. Wear his or her best suit.
   b. Wear the same style of clothing as the customer.
   c. Wear his or her trendiest clothing.
   d. Wear dirty clothing if the customer does.

4. Which of the following is <u>not</u> a method for finding potential customers?

   a. Personal experience
   b. Present customers
   c. Competing salespeople
   d. Commercial sources

5. What is the first step a salesperson should take in greeting a customer?

   a. Shaking hands
   b. Expressing appreciation for the meeting
   c. Introducing himself or herself
   d. Addressing the customer by name

6. Which of the following does <u>not</u> affect the customer's perception of a salesperson?

   a. Salesperson's expressed knowledge level
   b. Nonverbal signals
   c. Salesperson's appearance
   d. Financial standing

7. What is one item that should be included in a presentation in a retail sales environment?

   a. Market information about future demand
   b. Customer testimonials about the product
   c. Cold canvassing for other business
   d. Direct benefits of the product for the customer

Complete the following short answer questions.

8. What is an endless chain?

9. What are three items of customer knowledge necessary to prepare for a sale?

   a.

   b.

   c.

10. How should a salesperson dress for a sales presentation?

Lesson 5: Identifying and Approaching Potential Customers Name _____

Resources for Identifying New Prospects

Objective: To help students become familiar with the resources that are available to a salesperson for finding new prospects.

Fill in the blanks in the table below.

RESOURCE	HOW INFORMATION IS PROVIDED
Salesperson's Company	Sales department - This department provides a list of current customers who may be good prospects for the sale of a new product. [1] - This department compiles lists of prospective customers based on research. Group of sales representatives - [2] Credit department - [3] [4] - This department has a list of customers and a record of repairs. If the customer has an older product that requires many repairs, he or she may be ready to make a new purchase.
[5]	Personal observation - An awareness of changes within a territory is achieved by doing the following: [6] [7] - Cold sales calls are made in an area without prior research. Telephone calls and direct mail - [8]

Current customers	Customer referrals - [9] [10] - These statements are made by customers expressing their satisfaction with a product. They can be presented to prospects to help make a sale.
Non-competing salespeople	Salespeople within or outside company may provide information about people in the territory that have an interest in the product.
[11]	Government agencies can provide lists of people that may be prospects for some products. The information is free or has a minimal cost but is vague.
Commercial sources	[12]

Lesson 5: Identifying and Approaching Potential Customers Name _____

Approaching Customers

Objective: Gain experience in dealing with different customer types.

Activity Length:

Part A: 5-10 minutes
Part B: 5-10 minutes
Part C: 10-20 minutes per student

Procedure:

Part A: Work with a partner. One of you should be the salesperson and the other the customer. The customer should act as if he or she is either an automatic customer, a customer who requires additional information to make a purchase, or a customer who is almost impossible to sell to (your instructor will indicate which one). The salesperson should approach the customer and try to determine what type of customer he or she is and adjust the sales presentation accordingly.

Part B: Switch roles and repeat the activity.

Part C: In a group discussion with the rest of the class, describe how you attempted to handle the customer. Discuss what worked and what did not with the rest of the class.

Divider should read:

Unit VI. Preparing for a Sale

Agribusiness Sales, Marketing, and Management

Curriculum Guide: *Agribusiness Sales, Marketing, and Management*

Unit: VI. Preparing for a Sale

Unit Objective:

Each student will demonstrate knowledge of a product by writing a report in which the student analyzes the sale and use of a specific agriculture-related product.

Show-Me Standards: 1.2, CA4

References:

Agribusiness Sales, Marketing, and Management. University of Missouri-Columbia, Instructional Materials Laboratory, 1997.

Missouri CDE Handbook. Accessed April 3, 2003, from http://www.dese.state.mo.us/divvoced/ag_cde_guidelines.htm.

Students will use additional outside sources to complete this activity.

Instructional Strategies/Activities:

- Students will engage in study questions in lessons 1 through 5.
- Students will complete AS 4.1, Product and Competition Summary Sheet; and AS 4.2, Product and Industry Research.
- Additional activities that relate to the unit objective can be found under the heading "Other Activities" in the following locations: p. VI-22 (1, 2) and VI-47.

Performance-Based Assessment:

Each student will research the sale and use of an agriculture-related product and submit a report covering his or her findings. The report will focus on the factors listed in the "Product Summary Sheet" (Item A) of the Agricultural Sales Contest CDE in the *Missouri CDE Handbook.*

Assessment will be based on the quality of the report. Significant weight will be given to the content, details, and thoroughness of the coverage of each factor in the report. Spelling, grammar, punctuation, and capitalization will be factors in the assessment.

Unit VI—Preparing for a Sale
Instructor Guide

The instructor should assign the performance-based assessment activity at the beginning of the unit. Students will work toward completing the activity as they progress through the unit lessons. The assessment activity will be due at the completion of the unit.

1. Each student will select for study an agriculture-related product used in the household, in industry, or on the farm.

2. The student will research the product based on factors listed in the "Product Summary Sheet" (Item A) of the Agricultural Sales Contest CDE available at http://www.dese.state.mo.us/divvoced/ag_cde_guidelines.htm.

3. Following the research, the student will submit a written report that covers the factors in the "Product Summary Sheet." The factors are the following:
   - ❑ Statement of situation, circumstances, location, etc.
   - ❑ Features of the product
   - ❑ Service availability
   - ❑ Warranty
   - ❑ Demonstration of function
   - ❑ Competitors and pertinent information
   - ❑ Closing statement or method

4. Students may not use source material word for word and must provide a complete bibliography of their sources along with their report.

5. Assessment will focus on the quality of the report, including how well each of the seven specific points is covered.
   a. Criteria to be considered include content, accuracy of details, and thoroughness.
   b. Spelling, grammar, punctuation, and capitalization will also be factors in the assessment.

Unit VI—Preparing for a Sale
Student Handout

1. Select for study an agriculture-related product used in the household, in industry, or on the farm.

2. Research the product based on factors listed in the "Product Summary Sheet" (Item A) of the Agricultural Sales Contest CDE available at http://www.dese.state.mo.us/divvoced/ag_cde_guidelines.htm.

3. Following the research, submit a written report that covers the following factors in the "Product Summary Sheet."
   - ❑ Statement of situation, circumstances, location, etc.
   - ❑ Features of the product
   - ❑ Service availability
   - ❑ Warranty
   - ❑ Demonstration of function
   - ❑ Competitors and pertinent information
   - ❑ Closing statement or method

4. You may not use source material word for word and must provide a complete bibliography of the sources along with your report.

5. Assessment will focus on the quality of the report, including how well each of the seven specific points is covered.
   a. Criteria to be considered include content, accuracy of details, and thoroughness.
   b. Spelling, grammar, punctuation, and capitalization will also be factors in the assessment.

Agribusiness Sales, Marketing, and Management

Unit VI—Preparing for a Sale
Scoring Guide

Name_____

Assessment Area	Criteria	0 Points	1 Point	2 Points	3 Points	4 Points	Weight	Total
Statement of Situation, Circumstances, etc.	❑ Content ❑ Details ❑ Thoroughness	Failed	Poor	Fair	Good	Excellent	X 3.25	
Features of Product	❑ Content ❑ Details ❑ Thoroughness	Failed	Poor	Fair	Good	Excellent	X 3.25	
Service Availability	❑ Content ❑ Details ❑ Thoroughness	Failed	Poor	Fair	Good	Excellent	X 3.25	
Warranty	❑ Content ❑ Details ❑ Thoroughness	Failed	Poor	Fair	Good	Excellent	X 3.25	
Demonstration of Function	❑ Content ❑ Details ❑ Thoroughness	Failed	Poor	Fair	Good	Excellent	X 3.25	
Competitors and Pertinent Information	❑ Content ❑ Details ❑ Thoroughness	Failed	Poor	Fair	Good	Excellent	X 3.25	
Closing Statement or Method	❑ Content ❑ Details ❑ Thoroughness	Failed	Poor	Fair	Good	Excellent	X 3.25	

Technical Considerations	❑ Spelling ❑ Grammar ❑ Punctuation ❑ Capitalization	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 2.25	
TOTAL								

Final Assessment Total _____/100 pts.

Comments:

UNIT VII - MAKING A SALE

Lesson 1: Building Rapport with Customers

Competency/Objective: Demonstrate techniques for building rapport with customers.

Study Questions

1. **Why is it important to develop a good relationship with a customer?**

2. **What factors are involved in developing rapport with a customer?**

3. **Why is it important to establish credibility with a customer?**

4. **Why is it important for the salesperson to identify his or her reasons for doing business with a customer?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit VII.

2. Activity Sheet

   a) AS 1.1: Developing Rapport

UNIT VII - MAKING A SALE

Lesson 1: Building Rapport with Customers

TEACHING PROCEDURES

A. Introduction

This unit will discuss the heart of the sales process--the steps involved in making a sale. The first step is establishing good rapport with the customer. Building rapport is essential to forming a successful long-term sales relationship.

B. Motivation

Without making any introductory comments, read the following passage adapted from Lesson 4 of this unit: "Customers in the first category are not good long-term customers. Another department of the company should take over when dealing with this type of customer." Ask the students to explain the passage. (It is discussing customers who do not want to pay or who are waiting as long as possible to pay; the credit department should handle them.) This exercise will illustrate how important it is to prepare a customer for the information that he or she will receive during a presentation by stating the purpose of the meeting at the outset, which is part of developing common goals for the meeting and their relationship.

C. Assignment

D. Supervised Study

E. Discussion

1. Ask students what the benefits would be of developing a good relationship with a customer. Discuss why building a relationship is important.

   Why is it important to develop a good relationship with a customer?

   a) To gain customer loyalty
   b) To obtain referrals and customer testimonials more easily
   c) To increase the potential for long-term purchases

2. Discuss how a salesperson can go about building rapport with a customer. Have students complete AS 1.1.

   What factors are involved in developing rapport with a customer?

   a) Honesty - The salesperson must never deceive the customer, either by lying or by failing to reveal negative information about the product, company, or salesperson.
   b) Trust
      1) The salesperson must be professional and businesslike.
      2) The salesperson should be friendly and polite, which shows eagerness to work with and respect for the customer.
      3) The salesperson should invite the customer to call for help at any time.
      4) The salesperson needs to confirm his or her competence and knowledge about the product and its use.
      5) The salesperson should explain the steps in discovering and meeting the customer's needs.

c) Comfort - Establishing trust builds a certain comfort level. Being comfortable means that both the customer and salesperson feel that discussing almost anything about the product and company is acceptable.

d) Support
   1) The salesperson should be available to answer any questions or give advice.
   2) The sales representative is the link between the customer and the company for technical support.
   3) If requested by the customer, the salesperson may provide support by advising the customer on specific business matters, such as financial planning.

e) Common goal
   1) The salesperson and the customer should agree on the purpose of each meeting. (The salesperson may announce the purpose and then seek confirmation from the customer.)
   2) The customer and salesperson should develop expectations for a long-term business relationship.

3. Ask students why a salesperson must be credible to the customer.

   Why is it important to establish credibility with a customer?

   A customer must be able to believe in the salesperson if they are to build a long-term business relationship. The customer must feel that the salesperson is a good source of information and can be counted on to take care of any concerns or problems that may arise during the business relationship.

4. Discuss why the salesperson should inform the customer of his or her reasons for doing business.

   Why is it important for the salesperson to identify his or her reasons for doing business with a customer?

   a) Identifying reasons for doing business is necessary to ensure that the customer and salesperson have the same expectations.
   b) The customer can decide whether he or she wants to proceed with the business relationship.
   c) If the customer is not comfortable with some part of the purpose, he or she can bring up areas of concern or possible changes; the conversation can reveal important information about the customer and his or her business and priorities.

F. Other Activities

Have students select someone that they have a rapport with and write a description of how their relationship was established. They should then examine how this description relates to the factors discussed in the student reference.

G. Conclusion

The salesperson must begin to work immediately to establish rapport with the customer to build a sound long-term business relationship. The salesperson should work on developing an atmosphere of honesty, trust, comfort, and support and a common goal to build rapport. The credibility of both the salesperson and the company are also an important part of building rapport. The salesperson must remember to gain agreement from the customer on the reasons and purpose of the sales meeting.

H. Answers to Activity Sheet

AS 1.1

1. Answers may vary, but some suggested answers are given below.

Problems:

- Marcus has not turned in the assignment.
- Ms. Galati is skeptical of Marcus's honesty.
- Marcus has used the same explanation before.
- Ms. Galati does not know Marcus well.

Solutions:

- Ms. Galati could talk to other teachers who know Marcus better to verify the story.
- Ms. Galati could be more trusting of the Marcus and offer to try to help him.
- Marcus could make sure to turn in future assignments on time.
- Marcus could offer to bring in proof of his work schedule.
- Ms. Galati and Marcus could sit down and discuss the situation.

I. Answers to Evaluation

1. a
2. a
3. d
4. b

5. Honesty, trust, comfort, support, and a common goal

6. A customer must be able to believe in the salesperson for them to build a long-term business relationship.

UNIT VII - MAKING A SALE Name_____

Lesson 1: Building Rapport with Customers Date_____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Why should the salesperson inform the customer about his or her reasons for doing business?

   a. To ensure that they have the same expectations for the relationship
   b. To ask for a referral or customer testimonial for prospective customers
   c. To set up a contract to ensure that long-term purchases are made
   d. To provide technical support for the customer if problems arise

2. Why should the salesperson establish a high comfort level in a relationship?

   a. It will allow them to discuss almost anything about the product or company.
   b. It will help the salesperson identify his or her reasons for doing business.
   c. It will allow the salesperson to ensure that the customer is always loyal.
   d. It will teach the customer to believe in the salesperson's honesty.

3. Which of the following is <u>not</u> a reason a salesperson should develop a relationship with a customer?

   a. To win customer loyalty so he or she does not switch to another product
   b. To build the potential for long-term purchases from the customer
   c. To obtain referrals and customer testimonials more easily
   d. To make sure that the salesperson does not deceive the customer

4. To demonstrate honesty, the salesperson should:

   a. Establish a high comfort level with the customer.
   b. Never deceive the customer about anything.
   c. Provide support with specific business matters.
   d. Never worry about establishing credibility.

Complete the following short answer questions.

5. What are the five factors involved in developing rapport with a customer?

   a.

   b.

   c.

   d.

   e.

6. Why should the salesperson establish his or her credibility with the customer?

Lesson 1: Building Rapport with Customers Name_____

Developing Rapport

Objective: Determine how to develop rapport.

Read the scenario outlined below. Write down the problems with the relationship. Describe what both people could do to improve their rapport.

Ms. Galati was upset with one of her students, Marcus, who had once again not turned in an assignment. Marcus said that he had been working late and had not completed the assignment. He has given the same explanation before, and Ms. Galati is skeptical. She does not know him well.

UNIT VII - MAKING A SALE

Lesson 2: Identifying Customer Needs

Competency/Objective: Identify customer needs.

Study Questions

1. **Why is it important to identify customer needs during a sales presentation?**

2. **What are the three types of sales personalities, and how does the salesperson uncover the customer's sales personality?**

3. **What is the difference between open-ended and close-ended questions?**

4. **How are open-ended and close-ended questions used in the sales process?**

5. **What types of questions can be asked to determine a customer's needs?**

6. **How is reflective questioning used to check listening skills?**

7. **How are summarizing techniques used to obtain agreement on customer needs?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit VII.

2. Activity Sheet

   a) AS 2.1: Open-Ended and Close-Ended Questions

UNIT VII - MAKING A SALE

Lesson 2: Identifying Customer Needs

TEACHING PROCEDURES

A. Review

An important factor in establishing a stable long-term business relationship is building rapport with the customer. A salesperson must understand that rapport is based on honesty, trust, comfort, support, and a common goal. The salesperson must also establish his or her credibility and inform the customer of his or her intentions before proceeding with any meeting. This lesson will discuss the next step in the sales process, which is identifying customer needs. Salespeople must find out whether the customer needs the product and which of its benefits will encourage him or her to buy it.

B. Motivation

Before class begins, develop several statements (at least five) about any subject. After making the first statement to the class, ask a student to restate what has been said in his or her own words. Tell the student whether he or she has correctly interpreted the message. Repeat this process with each statement, calling on a different student each time. After completing this activity, discuss listening and reflective questioning and their importance in determining customer needs.

C. Assignment

D. Supervised Study

E. Discussion

1. Ask students if they have ever bought something expensive that they did not need. Discuss why discovering customer needs when making a sales presentation is important to a salesperson.

   Why is it important to identify customer needs during a sales presentation?

   a) Since needs motivate the customer's buying decision, the salesperson must know what the customer's true needs are to be able to make a sale.
   b) Identifying the customer's needs will also reveal valuable information about the customer and his or her personality and business.
   c) Identifying customer needs consists of two steps.
      1) Discovering a need
         (a) Ask probing questions and listen carefully to the responses.
         (b) Observe and research the customer's business.
      2) Making the customer aware of his or her needs
         (a) Question the customer about his or her needs to obtain agreement on the nature of the needs.
         (b) Inform the customer of the research conducted or about ways to meet seemingly unfulfillable needs.

2. Discuss the different types of sales personalities. Ask students whether they think they are extroverts or introverts.

What are the three types of sales personalities, and how does the salesperson uncover the customer's sales personality?

a) Extrovert
   1) Outgoing, friendly, and talkative
   2) People-oriented and less opinionated
   3) Easier initial sale because of open-mindedness
   4) Approach
      (a) Approach him or her with a friendly and open manner to establish a personal relationship.
      (b) Praise his or her accomplishments.
      (c) Supply an abundance of assistance and technical support.

b) Introvert
   1) Subdued, private, and less emotional
   2) Task-oriented
   3) Extremely analytical when making decisions
   4) Likes to have extensive information on which to base a decision
   5) Harder to sell to initially, but very loyal
   6) Approach
      (a) Approach an introvert with a detailed, specific, and fact-filled presentation.
      (b) Do not rush introverts; they like to digest all the facts before making a decision.

c) Ambivert
   1) Combination of the first two categories
   2) Includes most people
   3) Approach - Observe the ambivert's behavior and mold the presentation to fit it.

3. Ask students two questions--one that is open-ended and one that is close-ended (i.e., "What are you going to do this weekend?", "Are you going to _____ this weekend?"). Discuss the differences in the way students respond to the two questions.

What is the difference between open-ended and close-ended questions?

a) Open-ended questions - Questions that require extensive answers
b) Close-ended questions - Questions that provide specific information through very short answers (i.e., yes/no questions)

4. Discuss when a salesperson should use open-ended questions and when to use close-ended questions. Have students complete AS 2.1.

How are open-ended and close-ended questions used in the sales process?

a) Open-ended questions
   1) Used to help the salesperson understand the customer and his or her point of view
   2) Allow the customer to take some control over the conversation, which generates feelings of friendliness and trust for the salesperson

b) Close-ended questions
   1) Used to learn specific information
   2) Give the salesperson almost total control over the conversation
   3) Should not be overused, since the customer may feel as if he or she is being interrogated and become defensive

5. Conduct a class discussion about the different types of questions that can be asked during a sales presentation.

What types of questions can be asked to determine a customer's needs?

a) Questions to focus attention
   1) Used at the beginning of the meeting to focus the conversation on the subject
   2) Used in the middle of a presentation if the conversation has strayed from the subject
   3) Allow the salesperson to gain control of the presentation
   4) Usually consist of close-ended questions
b) Questions to gain information
   1) Can be used at any time
   2) Allow the salesperson to identify needs and obtain information about the customer's business
   3) Can be either close- or open-ended, but tend to be close-ended
c) Questions to confirm information
   1) Confirm information the salesperson has already gathered
   2) Let the customer know that the salesperson is interested in the customer's business
   3) Can indicate that the salesperson is paying attention to the customer's comments
d) Questions to give information
   1) Inform the customer about the salesperson, his or her company, and the product
   2) Draw the customer into the conversation
e) Questions to qualify a customer
   1) Help the salesperson to decide if the prospect is potentially a good customer
   2) Provide the salesperson with information about the customer's buying ability and interest in the product
f) Thought-provoking questions
   1) Get the customer involved in the presentation and thinking about the product
   2) Usually are open-ended so that the customer has to think about the product and verbalize these thoughts, which may help him or her see the benefits of doing business
g) Defining questions
   1) Used to confirm a statement that the customer has made
   2) Usually restate the customer's comment in different words to gain confirmation from the customer that the salesperson's understanding is correct
h) Closing questions - Used in an attempt to close the sale or get a decision from the customer

6. Discuss how salespeople use reflective questioning to evaluate their listening skills.

How is reflective questioning used to check listening skills?

a) After the customer makes a statement, the sales representative should rephrase it in his or her own words and get confirmation from the customer that he or she is correct.
b) If correct, the salesperson knows that he or she has done well in listening to the customer.
c) If the salesperson has difficulty recognizing the customer's meaning, however, he or she knows that practice in listening is required.

7. Emphasize that obtaining the customer's agreement that a need exists is vital to making a sale. Discuss how summarizing techniques are used for this purpose.

How are summarizing techniques used to obtain agreement on customer needs?

a) The salesperson must put together a list of needs and get confirmation from the customer that they agree on the needs by summarizing the list for the customer.
b) If the list is short, the salesperson should discuss the specific features of the product at the end of the summary and ask the customer for agreement.
c) If the list of needs is long, the salesperson should match the features and needs one at a time while going through the list and then ask the customer for agreement.

F. Other Activities

Divide the class into groups of four or five students. Tell only one student in each group the following information: he or she is a producer who has had trouble controlling cockleburs in his soybeans. Have the rest of the group write down questions that could be used to discover this information. Half of the student groups should write down a list of open-ended questions, and the others should make a list of close-ended questions. The members of the group should take turns asking the person who knows the information these questions. The groups should time how long it takes them to define the problem. When completed, the entire class should talk about the questions used and how effective they were in eliciting different types of information.

G. Conclusion

Identifying customer needs is a necessary part of the sales process. The salesperson must be able to match the customer's needs with specific product features and benefits to convince the customer to make a purchase. Different sales personalities must be approached in different ways to gather this information. Determining needs can be accomplished by questioning the customer using different types of questions, which may be either open-ended or close-ended. The salesperson must listen carefully to the responses of the customer. Once needs have been determined, the salesperson should summarize the needs and obtain the customer's agreement that they are valid.

H. Answers to Evaluation

1. d
2. c
3. a
4. d
5. b
6. c
7. a

8. Since needs motivate the customer's buying decision, the salesperson must know what the customer's true needs are to be able to make a sale. Identifying the customer's needs will also reveal valuable information about the customer and his or her personality and business.

9. The salesperson must put together a list of needs and obtain confirmation from the customer that they agree on the needs by summarizing the list for the customer. If the list is short, the salesperson should discuss the specific features of the product at the end of the summary and ask the customer for agreement. If the list of needs is long, the salesperson should match the features and needs one at a time while going through the list and then ask the customer for agreement.

10. After the customer makes a statement, the sales representative should rephrase it in his or her own words and get confirmation from the customer that he or she is correct. If correct, the salesperson knows that he or she has done well in listening to the customer. If the salesperson has difficulty recognizing the customer's meaning, however, then he or she knows that practice in listening is required.

UNIT VII - MAKING A SALE Name_____

Lesson 2: Identifying Customer Needs Date_____

EVALUATION

Circle the letter that corresponds to the best answer.

1. What type of question is used in the middle of a presentation if the conversation has strayed from the subject?

   a. Thought-provoking questions
   b. Informative questions
   c. Questions to trigger conversation
   d. Questions to focus attention

2. Which of the following is not a sales personality listed in this lesson?

   a. Extrovert
   b. Ambivert
   c. Omnivert
   d. Introvert

3. Open-ended questions:

   a. Require more extensive answers.
   b. Can be answered with "yes" or "no."
   c. Are usually used to focus attention.
   d. Require very brief answers

4. Questions that help a salesperson decide if a prospect is potentially a good customer are referred to as:

   a. Questions to gain information.
   b. Defining questions.
   c. Closing questions.
   d. Questions to qualify a customer.

5. _____ should not be overused, since the customer may feel as if he or she is being interrogated.

   a. Open-ended questions
   b. Close-ended questions
   c. Defining questions
   d. Closing questions

6. Which of the following describes an introvert?

   a. People-oriented
   b. Easy to sell to initially
   c. Very loyal customer
   d. Talkative

7. Thought-provoking questions:

   a. Usually are open-ended to encourage the customer to think about a product.
   b. Usually are close-ended to give the salesperson control over the conversation.
   c. Usually restate something the customer has said to encourage conversation.
   d. Usually used at the beginning of a meeting to focus the customer's attention.

Complete the following short answer questions.

8. What are two reasons that identifying customer needs during a sales presentation is important?

9. How are summarizing techniques used by a salesperson to obtain agreement on customer needs?

10. How does a salesperson use reflective questioning to check his or her listening skills?

Lesson 2: Identifying Customer Needs Name_____

Open-Ended and Close-Ended Questions

Objective: Practice composing open-ended and close-ended questions to elicit information from customers.

Write down five examples of close-ended questions that might be used in a sales presentation and explain what information could be learned from the answer to each of these questions.

CLOSE-ENDED QUESTIONS	INFORMATION

Write down five examples of open-ended questions for sales presentations and explain what information could be learned from the answer to each of these questions.

OPEN-ENDED QUESTIONS	INFORMATION

UNIT VII - MAKING A SALE

Lesson 3: Effective Sales Presentations

Objective/Competency: Recognize the steps and tools involved in constructing an effective sales presentation.

Study Questions

1. **How does a salesperson decide when to make a sales presentation?**

2. **What are the key components of an effective presentation?**

3. **What is the importance of each key component?**

4. **What resources are available to aid in constructing a presentation?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit VII.

2. Transparency Master

   a) TM 3.1: Components of an Effective Presentation

UNIT VII - MAKING A SALE

Lesson 3: Effective Sales Presentations

TEACHING PROCEDURES

A. Review

Customer needs must be identified before the sales process can begin. The salesperson must know how to distinguish between different sales personalities to decide how to probe for information from each customer. Different types of questions may be used to learn this information. Reflective listening skills are also important in probing for information because the salesperson has to check to see if he or she is listening effectively. After the initial research and contact, the salesperson actually presents the product or service to the customer, which is the heart of the sale. It is essential that a salesperson know what to include in a presentation and how to present information to each customer or prospect. This lesson will describe the components of a presentation and the different resources that can aid in preparing a presentation.

B. Motivation

1. Before beginning the discussion section of this lesson, have the students write down the items that they think are the important components of an effective presentation. After discussing their lists, use TM 3.1 to compare the student's lists with the actual elements of a presentation.

2. Explain to the class that no matter how well-composed a presentation is, the salesperson is not likely to make a sale if he or she is not comfortable with the material and the presentation itself. Planning, organizing, and practicing the presentation are all important in making a sale. Give a student an already prepared script for a short sales presentation for an unfamiliar product. After allowing the student to study it for a few minutes, have him or her make the presentation. Ask the other students to critique the student's performance when he or she is finished.

C. Assignment

Have students begin to prepare a presentation for the product used in the school-based business/fund-raising activity.

D. Supervised Study

E. Discussion

1. Ask the students what signals the salesperson to begin the sales presentation.

How does a salesperson decide when to make a sales presentation?

Establishing a rapport with the customer and discovering and confirming his or her needs should provide the salesperson with feedback that allows him or her to determine whether the customer is receptive to the salesperson and product. If the feedback is generally positive, the sales representative may begin the sales presentation.

2. Ask the students to name the key components of an effective presentation.

What are the key components of an effective presentation?

a) Pre-presentation planning
b) Opening

c) Body
d) Summary
e) Close

3. Have students explain the importance of each component of an effective presentation. Discuss each component.

What is the importance of each key component?

a) Pre-presentation planning - planning that prepares the salesperson to present the product to a specific customer or prospect
   1) Develop an opening that will attract the customer.
   2) Identify features of the product or service that the customer might appreciate and the benefits of the features for the customer.
   3) Organize a list of possible objections and the most appropriate response to each objection.
   4) Practice the presentation in front of others.

b) Opening - component that sets the stage for the entire presentation by attracting the customer's attention and mentally preparing him or her for the content so he or she finds it easier to absorb key points
   1) Appeal to a combination of the customer's senses.
   2) Outline, or summarize, the content of the presentation.

c) Body - main part of the sales presentation, describing the product's key features and the benefits the customer will experience with its use
   1) Discuss each of the features and benefits thoroughly in a logical order.
   2) Be alert for feedback from the customer to determine what impression he or she has of the product.

d) Summary - component that allows the salesperson to make sure the selling points of the product are fresh in the customer's mind before attempting to make the sale
   1) Summarize the key elements of the presentation.
   2) Obtain feedback from the customer or prospect to ensure that he or she has remembered and understood the important points.

e) Close - actual confirmation of the sale

4. Ask students what types of resources may be used in putting together a sales presentation. Discuss each type of resource.

What resources are available to aid in constructing a presentation?

a) Customer/prospect profile - Contains information about a customer/prospect and his or her company (identification of decision makers, personality type, financial power, problem areas, etc.) that can help in personalizing a presentation
b) Product and company data - Enables the salesperson to reply to questions
c) List of standard objections and responses - Prepares the salesperson for objections before they arise
d) List of product features and related benefits - Lists product features and the benefits related to each of them from which the salesperson can pick the features and benefits that will be most appealing to a customer
e) List of approaches or sales strategies - Lists approaches to be used with different personality types
f) List of closes - Helps the salesperson memorize the techniques for confirming a sale
g) List of attention getters - Includes such items as stories, anecdotes, and special offers that are designed to attract and hold the interest of the customer
h) Visual aids and demonstration materials - Includes materials such as charts, graphs, models, and displays that stress the positive points of the product

F. Other Activities

Allow students to practice using the three approaches for an opening for a sales presentation. Have the students pair up and begin the same presentation with each of the different approaches. They should evaluate which approach worked the best.

G. Conclusion

A sales presentation must be well prepared and properly organized to be effective in making the sale. The salesperson must be confident that his or her sales presentation is the very best that it can be. Proper structure, content, information, and demonstration materials must be included for an effective presentation.

H. Answers to Activity Sheets

AS 3.1

Answers will vary.

I. Answers to Evaluation

1. b
2. d
3. a
4. d

5. Establishing a rapport with the customer and discovering and confirming his or her needs should provide the salesperson with feedback that allows the salesperson to determine whether the customer is ready for the sales presentation. If the feedback is generally positive, the sales representative may begin the sales presentation.

6. The body is the main part of the sales presentation, describing the product's key features and the benefits the customer will experience with its use. The salesperson should discuss each of the features and benefits thoroughly in a logical order and be alert for feedback from the customer to determine what impression he or she has of the product.

7. Visual aids are used during the presentation to emphasize the positive points of the product. Examples of visual aids include charts, graphs, models, and displays.

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which of the following is <u>not</u> a key component of an effective presentation?

   a) Pre-presentation planning
   b) Customer/product profile
   c) Summary
   d) Close

2. The opening is important because:

   a) It prepares the salesperson to present the product to the customer.
   b) It confirms the sale.
   c) It is the main part of the sales presentation.
   d) It sets the stage for the rest of the presentation.

3. Which of the following takes place during the summary?

   a) Repetition of key elements of the presentation
   b) Detailed discussion of each of the features and benefits of the product
   c) Outlining the content of the presentation to prepare a customer to receive information
   d) Development of the opening

4. Which of the following is <u>not</u> a resource that could be used in constructing a presentation?

   a) List of standard objections and responses
   b) List of approaches or sales strategies
   c) List of product features and related benefits
   d) List of possible presentation summaries

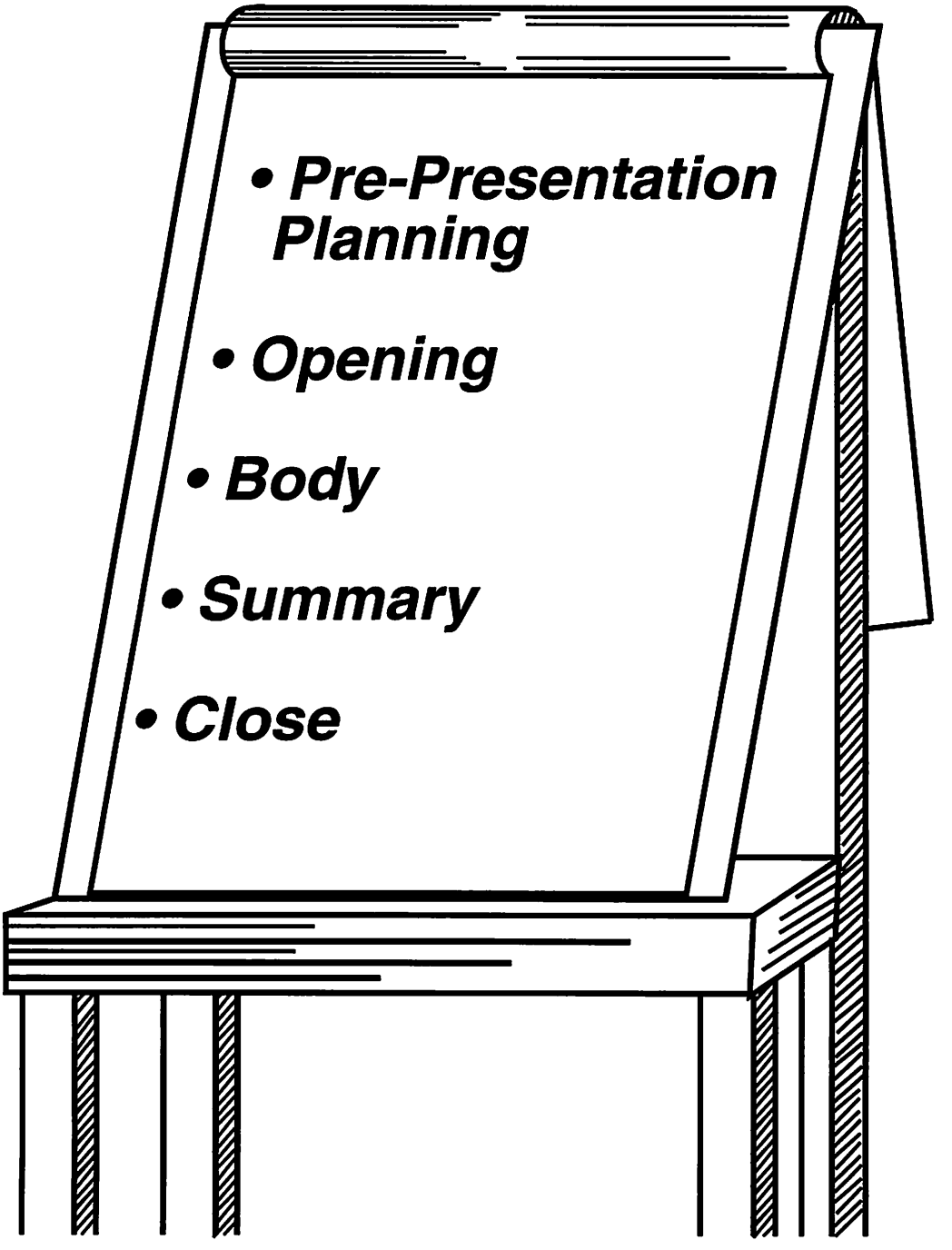
Complete the following short answer questions.

5. How does the salesperson decide when to make a sales presentation?

6. What is the body of the presentation? What are two things the salesperson should do while delivering the body?

7. What is the purpose of visual aids? List two examples of visual aids.

Components of an Effective Presentation



UNIT VII - MAKING A SALE

Lesson 4: Closing a Sale

Competency/Objective: Demonstrate techniques for closing a sale.

Study Questions

1. **How should opposition be handled?**

2. **How does a salesperson know when to close a sale?**

3. **What are six ways to close a sale?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit VII.

2. Transparency Master

   a) TM 4.1: Dos and Don'ts of Closing a Sale

3. Activity Sheets

   a) AS 4.1: Identifying and Handling Objections
   b) AS 4.2: Preparing a Sales Presentation
   c) AS 4.3: Making a Sales Presentation

UNIT VII - MAKING A SALE

Lesson 4: Closing a Sale

TEACHING PROCEDURES

A. Review

As discussed in Lesson 3, the salesperson conveys information about a product or service to the customer through the sales presentation. If the salesperson makes an effective presentation, the customer will be more likely to purchase the product. However, overcoming opposition may be necessary before making the sale. This lesson will discuss how to address objections and then close the sale.

B. Motivation

Ask students to think about how much time it would take to prepare a good sales presentation. Have them imagine completing the whole process and then not making a sale because the close was handled improperly.

C. Assignment

Have students complete the sales presentation for the school-based business/fund-raising activity.

D. Supervised Study

E. Discussion

1. Ask students how a salesperson might respond to opposition from the customer. Give the class some examples of objections and act out proper responses. Have students complete AS 3.1 to review identifying and handling different types of objections.

How should opposition be handled?

a) Objections should be viewed positively.
   1) They indicate that the customer has an interest in the product.
   2) They give the salesperson insight into the customer's thought processes, which allows him or her to determine whether the customer comprehends the important points of the presentation.
   3) Openness to objections can aid customer relations.

b) Dealing with objections immediately benefits the salesperson because the customer is then more knowledgeable about the product. If the sales representative is not going to handle the objection at once, then he or she must acknowledge the objection and explain why it will be discussed later, verifying that the customer does not have a problem with the delay.

c) Valid objections are statements that are true or true based on the customer's knowledge.
   1) Address the objection immediately.
   2) Restate the objection and look for agreement from the customer.
   3) Discuss the objection, downplaying its importance by stressing the positive features of the product.
   4) Ask the customer if the positive features and benefits outweigh the objection in importance while reviewing the benefits of the product.

d) Hidden objections, or smokescreens, are objections made by the customer to disguise true objections.
   1) Ask the customer direct, specific questions to learn the true objection. An indirect question can be used if the salesperson feels that the customer is willing to talk openly.

2) When the true objection is identified and confirmed, take the same steps as with a valid objection.

e) Misunderstandings are different from objections, because the customer objects based on misinformation or his or her misinterpretation of information.
   1) Restate the misunderstanding.
   2) Refute the misunderstanding by providing proof of the facts.
   3) Gain agreement from the customer that he or she has misunderstood.
   4) Reemphasize the product features and benefits and obtain verification that the customer understands them.

2. Ask the class how the salesperson knows when to attempt to close a sale.

How does a salesperson know when to close a sale?

a) The salesperson should be ready to close the sale from the beginning of the meeting because closing can happen at any time.
b) He or she should consider the type of feedback received from the customer.
   1) Extensive and positive feedback - The salesperson can attempt to close the sale.
   2) Limited or negative feedback - The salesperson needs to consider his or her information about the customer and business and review the presentation to see if any important selling points have been omitted. This material should be covered before attempting a close.

3. Have students list the different ways to close a sale. Act out the six closes for the students. Show the class TM 4.1. Have students complete AS 4.2 and 4.3. Arrange to film the presentations done for AS 4.3.

What are six ways to close a sale?

a) Direct close
   1) The salesperson asks the customer to commit to the purchase.
   2) The salesperson should be confident that all objections have been covered and the customer is ready to buy, or the customer may feel forced into making a decision and be offended.
b) Assumptive close
   1) The salesperson assumes that the customer is committed to buying the product based on feedback and begins working out the details of the purchase.
   2) If the salesperson is incorrect, the customer will inform him or her, and the salesperson must discover what objections the customer still has and address them.
c) Summary close
   1) The salesperson summarizes the points of the presentation and emphasizes the features and benefits of the product on which both parties have agreed.
   2) As each point is raised, the salesperson should obtain agreement from the customer.
   3) If they agree on all key points and no new objections are raised, the sales representative asks the customer for the order, usually with a direct question.
d) Choice close
   1) The salesperson gives the customer a choice between one buying option and another, but not the option of not purchasing the product.
   2) This close is used if the sales representative is confident that the customer will buy something and just needs to decide what to purchase.
e) Conditional close
   1) This close is used if the customer is expressing some hesitation.
   2) The salesperson presents a condition for purchasing the product.
   3) The sales representative should only ask for a commitment if he or she can deliver what is promised to the customer.

f) Loss-in-waiting close
   1) The sales representative may inform the customer of the positive aspects of buying immediately, such as avoiding future price increases.
   2) The salesperson also uses this close when telling the customer that a product may not be available later.
   3) The salesperson must always be truthful when using this close.

F. Other Activities

Pair up students and have them practice different types of closes so that they can become more familiar with them.

G. Conclusion

When making a presentation, the salesperson will usually encounter some type of opposition from the customer, so he or she must understand how to recognize objections and how to handle them positively and effectively. When all of the steps of the presentation have been completed and the opposition has been countered, the salesperson needs to determine the correct moment and way to close the sale. Several different methods may be used to close a sale, and the salesperson must determine which close is best for each customer and selling situation.

H. Answers to Activity Sheets

AS 4.1

TYPE OF OBJECTION	DESCRIPTION	RESPONSE
Misunderstanding	**Not a true objection; the customer's opposition is based on his or her misunderstanding of the salesperson or on misinformation**	Refute with proof of the facts
Hidden objection/ smokescreen	Used to obscure the true objection	**Discover the true objection using direct questions and then handle like a valid objection**
Valid objection	**Statements made by the customer that are true or true based on the customer's knowledge**	**Immediately address this type of objection; restate it and confirm it with the customer, then downplay its importance by stressing positive features and benefits, and finally get agreement from the customer that they outweigh the objection**

I. Answers to Evaluation

1. a
2. d
3. b
4. d
5. c
6. b
7. a
8. d

9. Address a valid objection immediately. Restate it and look for agreement from the customer. Discuss the objection, downplaying its importance by stressing the positive features of the product. Ask the customer if the positive features and benefits outweigh the objection in importance, while reviewing the benefits of the product.

10. The salesperson should be ready to close the sale from the beginning of the meeting because closing can happen at any time. He or she should consider the feedback received from the customer. If it is extensive and mostly positive, the sales representative can attempt to close the sale. If it is limited or mostly negative, the salesperson needs to consider his or her information about the customer and business and review the presentation to see if any important selling points have been omitted. This material should be covered before attempting a close.

UNIT VII - MAKING A SALE Name_____

Lesson 4: Closing a Sale Date_____

EVALUATION

Circle the letter that corresponds to the best answer.

1. "Would you like me to fill out an order form?" is an example of a(n) _____ close.

   a. Direct
   b. Choice
   c. Assumptive
   d. Conditional

2. In a(n) _____ close, the salesperson thinks that the customer is ready to make a purchase based on feedback.

   a. Choice
   b. Conditional
   c. Summary
   d. Assumptive

3. Which of the following is <u>not</u> a type of opposition described in the lesson?

   a. Hidden objections
   b. Invalid objections
   c. Valid objections
   d. Misunderstandings

4. In a(n) _____, the customer objects based on his or her misinterpretation of information.

   a. Hidden objection
   b. Invalid objection
   c. Valid objection
   d. Misunderstanding

5. The salesperson goes through the points of the presentation and gets consensus on each point in a(n) _____ close.

   a. Assumptive
   b. Direct
   c. Summary
   d. Choice

6. In a(n) _____ close, the salesperson asks the customer to decide between two options for buying.

   a. Direct
   b. Choice
   c. Summary
   d. Assumptive

7. _____ are objections made by the customer to disguise true objections.

   a. Hidden objections
   b. Invalid objections
   c. Valid objections
   d. Misunderstandings

8. "Will you purchase the product if I can get you a discount?" is an example of a(n) _____ close.

   a. Choice
   b. Summary
   c. Assumptive
   d. Conditional

Complete the following short answer questions.

9. How should a valid objection be handled?

10. How does the salesperson decide when to close the sale?

Dos and Don'ts of Closing a Sale

- Do display a friendly manner at the close, even if a disagreement exists between the prospective customer and the salesperson.
- Do be sure to have all materials and equipment that will be needed.
- Do realize that begging for a sale makes the salesperson and the offer look bad. It also disgusts the prospective customer.
- Do make buying as easy and painless as possible.
- Do study the prospective customer as a pitcher studies a batter. Then pitch to his or her weakness.
- Don't let the prospective customer know how much the sale means.
- Don't be apologetic, particularly in quoting prices.
- Don't make a ceremony out of closing. This may frighten the prospective customer.
- Don't give the prospective customer an excuse or opportunity to back away from the purchase.
- Don't ever ask the prospective customer for the buying decision in such a way that he or she can give a "Yes" or "No" answer, since the latter closes the door.

Lesson 4: Closing a Sale Name_____

Identifying and Handling Objections

Objective: Recognize and address the various types of objections.

Fill out the table below using the information provided in the lesson.

TYPE OF OBJECTION	DESCRIPTION	RESPONSE
		Refute with proof of the truth
	Used to obscure the true objection	
Valid objection		

Lesson 4: Closing a Sale Name_____

Preparing a Sales Presentation

Objective: Prepare a script for a sales presentation.

Write a script for a sales presentation for an agricultural product. Make sure that your product knowledge is sufficient before you begin to prepare the script. The script will not be used word-for-word in an actual sales presentation but will instead provide a guideline for the presentation. The script should include each of the elements listed below.

Opening - generate customer attention, determine customer wants, and establish rapport

Body - describe features and customer benefits, allow the customer to participate, include trial closes

Handling possible objections - identify and address possible objections

Close - ask for the order

Lesson 4: Closing a Sale Name_____

Making a Sales Presentation

Objective: To put together an effective sales presentation.

Materials and Equipment:

Video camera
TV and VCR

Activity Length:

Part A: 1+ hours
Part B: 10-15 minutes/student
Part C: 20-30 minutes/student

Part A: Prepare a ten- to fifteen-minute sales presentation that will appeal to the other students in your class. You will be making the presentation to one of your classmates selected by your instructor. Make sure to cover the various aspects of a sales presentation, including identifying the customer's personality, identifying needs, making the approach, performing the presentation, handling objections, and closing the sale. Have questions prepared to obtain information and plan for possible objections with responses for these objections. Use visual aids if possible.

Part B: Make the presentations, trying to obtain a commitment from the customer to make a purchase. If you are the "customer" for someone else's presentation, decide ahead of time whether you are going to give information easily or if you are going to be a tough sale. Pay close attention to the presentation to come up with possible objections and participate in the sales presentation. Evaluate the presentation using the form provided. Your instructor will arrange to videotape the presentations.

Part C: After all the sales presentations have been filmed, the entire class should view and critique them. Write down any comments you have so that you can discuss them after each presentation is shown.

Evaluate the presentation by circling the appropriate score on a scale with 0 indicating unacceptable or unobserved and 5 indicating excellent.

1. Was well prepared

   0 1 2 3 4 5

2. Approach (appropriate for the product)

   0 1 2 3 4 5

3. Created interest

   0 1 2 3 4 5

4. Established a favorable impression

   0 1 2 3 4 5

5. Determined a need or problem

   0 1 2 3 4 5

6. Well-organized information

   0 1 2 3 4 5

7. Matched customer needs to product benefits

   0 1 2 3 4 5

8. Pointed out the most obvious benefits first

   0 1 2 3 4 5

9. Got the customer involved and motivated

   0 1 2 3 4 5

10. Tried to close the sale during the presentation

    0 1 2 3 4 5

11. Established the difference between valid and hidden objections

    0 1 2 3 4 5

12. Used objections to pinpoint the needs of the customer

    0 1 2 3 4 5

13. Handled objections with a method appropriate to the situation

    0 1 2 3 4 5

14. Tried to close the sale while handling objections

0 1 2 3 4 5

15. Maintained an optimistic attitude

0 1 2 3 4 5

16. Explained all the product features completely

0 1 2 3 4 5

17. Stressed the major benefits of the product

0 1 2 3 4 5

18. Used appropriate techniques to close the sale

0 1 2 3 4 5

Based on a performance evaluation submitted by Tammy Bartholomew.

UNIT VII - MAKING A SALE

Lesson 5: Customer Service

Competency/Objective: Identify the activities the salesperson must do after the sales presentation to maintain a long-term relationship with the customer.

Study Questions

1. **How is a customer's decision to purchase supported by the salesperson?**

2. **What steps have to be completed when processing an order?**

3. **What strategies are involved in maintaining positive long-term customer relationships?**

4. **What are strategies for collecting past due accounts?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit VII.

2. Activity Sheet

   a) AS 5.1: Providing Customer Service

UNIT VII - MAKING A SALE

Lesson 5: Customer Service

TEACHING PROCEDURES

A. Review

As discussed in the last lesson, the salesperson must know when and how to close the sale. Before a salesperson can successfully close the sale, he or she must handle any objections that the customer might have. This lesson will cover the activities of the salesperson after the sale. Providing good customer service is very important to ensure a long-term sales relationship.

B. Motivation

Review the topics in this unit on making a sale, including establishing a rapport, identifying customer needs, making the sales presentation, and closing the sale. Once these steps have been completed, the long-term job of the salesperson has begun--customer service. Ask the class to brainstorm about what might be involved in customer service.

C. Assignment

Have students consider what customer service will be provided for the school-based business/fund-raising activity.

D. Supervised Study

E. Discussion

1. Discuss the different ways a salesperson supports the customer's decision to make a purchase.

How is a customer's decision to purchase supported by the salesperson?

a) The salesperson should compliment the customer on his or her decision.
b) He or she should restate the benefits that the customer will gain from the purchase.
c) The salesperson should inform the customer of the delivery time of the product and assure the customer that he or she will personally check to make sure that all orders are delivered.
d) After the shipment is delivered, the sales representative should immediately contact the customer to confirm that the order was correct and that he or she is satisfied.
e) He or she should handle any problems with the delivery honestly and as quickly as possible.
f) The salesperson should be readily available to answer questions or deal with problems.

2. Ask students what the procedure is for processing an order. Discuss the steps of the procedure.

What steps have to be completed when processing an order?

a) Get the order from the customer and fill out the paperwork required to place the order. Review the order with the customer to ensure that the information is correct.
b) Discuss the method of payment for the product.
    1) For cash payment, agree on the time of payment, either immediately, at delivery, or within a certain time after delivery.
    2) For credit, explain the details of the account and call the company's credit department and get approval.
c) Place the order with the company.
d) Process all the paperwork involved in placing the order.

1) Type up the order or enter it into a computer system.
2) Give the customer a receipt for his or her records and deliver other copies to the supervisor, credit department, shipping department, and accounting department.

3. Have students consider any long-term customer relationships of which they are aware. Ask them what the salesperson does to maintain a positive relationship. Discuss the different strategies that may be used. Have students complete AS 5.1.

What strategies are involved in maintaining positive long-term customer relationships?

a) Stay in contact with the customer, which indicates interest in the account and gives the customer an opportunity to discuss any progress or problems.
b) Handle complaints well.
   1) Find out if the customer, product, or company is at fault.
      (a) Obtain information about the customer.
      (b) Know company policy for handling complaints.
      (c) Obtain any necessary information concerning the complaint.
   2) Compensate the customer in some way if the company or product is at fault; follow company guidelines for compensation.
   3) If the problem is due to the customer's error, be very diplomatic to avoid angering or offending the customer
c) Be reliable and honest.
   1) The salesperson should be available to help with problems.
   2) Honesty will strengthen the long-term relationship, even if the truth is uncomfortable or might cost some short-term business.

4. Discuss the different strategies used for collecting past due accounts.

What are strategies for collecting past due accounts?

a) Find out why the account is overdue by talking to the customer.
   1) The customer may not intend to pay or is waiting to pay at the last possible moment.
   2) The customer may be having financial problems.
   3) The customer may not realize the payment is due.
   4) The customer may have misunderstood the terms of the credit agreement.
b) Follow company policy.
   1) If the customer does not intend to pay or is waiting to pay at the last possible moment, the credit department should take over the collection process.
   2) If the customer is having financial problems, he or she could use the salesperson's assistance, either to help him or her through the financial problems or to work out an extended payment plan.
   3) If the customer does not realize that payment is due because he or she is a poor financial manager, the salesperson should call the customer for the payment and then remind the customer in the future when payments are due.
   4) If the customer misunderstood the terms of the credit agreement, the salesperson should meet with the customer and review the terms so no future misunderstandings will occur.

F. Other Activities

Have a local sales representative or dealer visit the class and discuss how the business handles customer service.

G. Conclusion

Customer service is an essential part of the sales process because it strengthens the long-term business relationship. The customer needs to feel secure in his or her buying decision, and providing this reassurance is the salesperson's first job after closing the sale. The salesperson must then process the order. After making a sale, the salesperson must constantly work on maintaining the long-term relationship with the customer. The salesperson should be aware of the company's policy on past due accounts so that he or she can handle them successfully.

H. Answers to Activity Sheet

AS 5.1

Answers may vary, but some suggested answers are given below.

- Ask questions about how the drill was used (settings, speed, etc.).
- Ask about the soybeans planted and any chemicals used to help eliminate any other possible problems.
- If the drill is the problem, either work to fix the problem with that drill or work with the customer to find a better drill for his needs.
- If you do not know the answers, do not be afraid to call in experts who can answer questions and help the customer.
- Never accuse or blame the customer even if he has made a mistake; work with him to educate him about the drill.

I. Answers to Evaluation

1. b
2. a
3. b
4. a
5. d
6. c

7. Stay in contact with the customer, handle complaints well, and be reliable and honest.

8. For cash payments, the salesperson and customer should agree on the time of payment, either immediately, at delivery, or within a certain time after delivery. For credit payments, the salesperson should explain the details of the account and call company's credit department and get approval to set up the account.

UNIT VII - MAKING A SALE

Name _____

Lesson 5: Customer Service

Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. If the customer does not intend to pay for a product, the salesperson should:

   a. Work out an extended payment plan to allow him or her to pay later.
   b. Turn the account over to the credit department to collect payment.
   c. First call the customer and remind him or her to pay the bill immediately.
   d. Meet with the customer and review the terms of the credit agreement.

2. What is the second step in processing an order?

   a. Discuss the method of payment for the product.
   b. Process all the paperwork for the order.
   c. Compliment the customer on his or her decision.
   d. Place the order with the company.

3. What is one way a salesperson can support the customer's decision to make a purchase?

   a. Tell him or her to discuss any problems with the appropriate department in the company.
   b. Contact the customer after the delivery to make sure the order was correct.
   c. Refer any problems with the delivery to the shipping department.
   d. Emphasize the importance of paying for the product as soon as it reaches the customer.

4. What should the salesperson do if the customer has an overdue account because of financial problems?

   a. Work out an extended payment plan to allow him or her to pay later.
   b. Turn the account over to the credit department to collect payment.
   c. Call the customer and remind him or her to pay the bill immediately.
   d. Meet with the customer and review the terms of the credit agreement.

5. What is the final step in processing an order?

   a. Place the order with the company.
   b. Compliment the customer on the purchase.
   c. Restate the benefits the customer will receive.
   d. Process all the paperwork for the order.

6. The salesperson should remind the customer when payments are due if:

   a. The customer is waiting to pay at the last possible moment.
   b. The customer is having financial problems.
   c. The customer is a poor financial manager.
   d. The customer misunderstands the credit agreement.

Complete the following short answer questions.

7. What are three strategies for maintaining positive long-term relationships?

   a.

   b.

   c.

8. What should the salesperson do when discussing different methods of payment while processing an order?

Lesson 5: Customer Service Name _____

Providing Customer Service

Objective: Provide appropriate customer service.

Read the scenario below. Describe how a salesperson should respond to the customer to provide good customer service.

You are a salesperson for the local implement dealer. One of your customers purchased a new no-till drill and used it to plant soybeans. Now that the soybeans have started to grow, he does not feel that the drill did a good job, because he does not have as good a stand as he expected.

Divider should read:

Unit VII. Making a Sale

Agribusiness Sales, Marketing, and Management

Curriculum Guide: *Agribusiness Sales, Marketing, and Management*

Unit: VII. Making a Sale

Unit Objective:
Students will demonstrate appropriate techniques of salesmanship by performing a sales presentation.

Show-Me Standards: 2.6, CA6

References:
Agribusiness Sales, Marketing, and Management. University of Missouri-Columbia, Instructional Materials Laboratory, 1997.

Videos on salesmanship are available from Career and Technical Education Resources (CATER), 573-882-1470 or 800-392-7217 (Missouri only), http://cater.missouri.edu/. Two examples are *Successful Selling* (MCE Video 127) and *Fundamentals of Effective Selling: Building a Successful Business* (MCE Video 273).

Students will use research done for the performance-based assessment in the previous unit, Preparing for a Sale.

Instructional Strategies/Activities:
- Students will engage in study questions in lessons 1 through 5.
- Students will complete AS 2.1, Open-Ended and Close-Ended Questions; and AS 4.2, Preparing a Sales Presentation.
- Additional activities that relate to the unit objective can be found under the heading "Other Activities" in the following locations: p. VII-4 and VII-25.

Performance-Based Assessment:
Using the research and knowledge gained in the previous unit about a specific product, each student will perform a sales presentation for that product. The presentation will be made to a hypothetical customer portrayed by a fellow student.

Assessment will be based on the quality of the sales presentation, the sales representative's familiarity with the customer and the product, the sales

representative's appearance, and the quality of verbal and nonverbal communication with the customer.

Unit VII—Making a Sale
Instructor Guide

The instructor should assign the performance-based assessment activity at the beginning of the unit. Students will work toward completing the activity as they progress through the unit lessons. The assessment activity will be due at the completion of the unit.

1. Using the research and knowledge gained in carrying out his or her performance-based assessment in Unit VI, each student will plan and execute a 5- to 10-minute sales presentation for a hypothetical customer.
   a. The subject of the presentation will be the same product that the student wrote a report on for the previous unit.
   b. The student will team up with a fellow student, and each will play the role of the customer in the other's presentation.

2. As a sales representative, the student will demonstrate proper sales techniques, including the following:
   - ❑ Establishing rapport with the customer
   - ❑ Demonstrating an understanding of customer needs
   - ❑ Noting and/or demonstrating the benefits of the product
   - ❑ Handling customer objections
   - ❑ Closing the sale
   - ❑ Paving the way to continued customer contact by establishing a schedule for customer service

3. If possible, have the students videotape their sales presentations. A videotape can serve immediately as a mechanism for self-critique and serve later as an example for analysis by future students in Unit V, Communication Skills.

4. Assessment will focus on the quality of the coverage of the previous six points of effective sales presentations. Also to be evaluated are the following:
   - ❑ Appropriate appearance, compatible with the environment of the presentation (A business office setting would demand business attire, whereas a farm setting would permit more informal working attire. Know the setting and the customer.)
   - ❑ Connecting product capabilities and customer needs
   - ❑ Quality and effectiveness of verbal and nonverbal communication

Unit VII—Making a Sale
Student Handout

1. Using research and knowledge gained in carrying out your performance-based assessment in Unit VI, plan and execute a 5- to 10-minute sales presentation for a hypothetical customer.
   a. The subject of the presentation will be the same product that you wrote a report on for the previous unit.
   b. Team up with a fellow student, and you will each play the role of the customer in the other's sales presentation.

2. As a sales representative, you will demonstrate proper sales techniques, including the following:
   - ❑ Establishing rapport with the customer
   - ❑ Demonstrating an understanding of customer needs
   - ❑ Noting and/or demonstrating the benefits of the product
   - ❑ Handling customer objections
   - ❑ Closing the sale
   - ❑ Paving the way to continued customer contact by establishing a schedule for customer service

3. Assessment will focus on the quality of your coverage of the previous six points of effective sales presentations. Also to be evaluated are the following:
   - ❑ Appropriate appearance, compatible with the environment of the presentation (A business office setting would demand business attire, whereas a farm setting would permit more informal working attire. Know the setting and the customer.)
   - ❑ Connecting product capabilities and customer needs
   - ❑ Quality and effectiveness of verbal and nonverbal communication

Agribusiness Sales, Marketing, and Management

Unit VII—Making a Sale
Scoring Guide

Name _____

Assessment Area	Criteria	0 Points	1 Point	2 Points	3 Points	4 Points	Weight	Total
Establishing Customer Rapport	❑ How well is this point addressed?	Failed	Poor	Fair	Good	Excellent	X 3.5	
Understanding Customer Needs	❑ How well is this point addressed?	Failed	Poor	Fair	Good	Excellent	X 3.5	
Product Benefits	❑ How well is this point addressed?	Failed	Poor	Fair	Good	Excellent	X 3.5	
Handling Customer Objections	❑ How well is this point addressed?	Failed	Poor	Fair	Good	Excellent	X 3.5	
Closing the Sale	❑ How well is this point addressed?	Failed	Poor	Fair	Good	Excellent	X 3.5	
Customer Service Schedule	❑ How well is this point addressed?	Failed	Poor	Fair	Good	Excellent	X 3.5	
Technical Considerations	❑ Appropriate appearance ❑ Connecting product and customer ❑ Verbal communication ❑ Nonverbal communication	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 4	
TOTAL								

Final Assessment Total _____**/100 pts.**

Comments:

UNIT VIII - PROMOTIONAL TOOLS

Lesson 1: Developing a Promotional Campaign

Competency/Objective: Describe the components and purpose of a promotional campaign.

Study Questions

1. **What are the components of a promotional campaign?**

2. **What is the purpose of each of the components of a promotional campaign?**

3. **How are promotional strategies chosen?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit VIII.

2. Activity Sheet

   a) AS 1.1: Promotional Campaigns

UNIT VIII - PROMOTIONAL TOOLS

Lesson 1: Developing a Promotional Campaign

TEACHING PROCEDURES

A. Introduction

For a business to operate, sales must take place. Promotional campaigns are important to continued sales because they can attract new customers and encourage previous customers to return. Promotional campaigns may include advertising, public relations, sales promotions, and personal selling. They are an essential part of today's business world.

B. Motivation

Ask students the following questions:

1. What do you call the item that you pull out of a cardboard box to wipe your nose when you have a cold?

2. What is the name of the item worn by babies that is disposable and is changed when dirty?

3. What is the food that comes in many different flavors and goes from being a liquid to a solid when placed in the refrigerator?

Write the students' answers on the blackboard. Then ask how many students believe that advertisements influence their behavior. How many believe that advertising has little or no influence on them? Write down how many students respond to each question.

Discuss the answers to the questions with students.

1. The correct answer to the first question is facial tissue, but most or all of the students will answer Kleenex. Kleenex is a widely promoted product name used by only one manufacturer of facial tissue.

2. The correct answer to the second question is disposable diapers. Those students who are greatly influenced by advertising will probably respond with Pampers.

3. The correct answer for the third question is gelatin. Again, students will probably answer with the product name JELL-O.

   Explain to students that advertising influences everyone, though they may not recognize its effects. The businesses that sell these products have conducted such intense promotional campaigns that the product name has become associated with the product itself.

C. Assignment

Have students start to develop any promotional materials they might need for the school-based business/fund-raising activity.

D. Supervised Study

E. Discussion

1. Ask students to list and describe the components that make up a promotional campaign.

What are the components of a promotional campaign?

a) Advertising - promotional message that a sponsor pays to have placed in different media such as newspapers and radio
b) Public relations - activities designed to create a positive image for the business in the community
c) Sales promotion - coupons, contests, visual displays, etc. designed to attract customers
d) Personal selling - sales presentations made to convince the potential customer to make a purchase

2. Have students describe the purpose of each component of a promotional campaign. Emphasize that a knowledge of these elements is important because promotional campaigns can be expensive and a business needs to use its money wisely to create sales.

What is the purpose of each of the components of a promotional campaign?

a) Advertising
   1) To inform consumers what product or service is being offered, where or when it can be purchased, and how much it costs
   2) To influence consumers' perceptions of their wants and needs
   3) To make it possible to use other components of a promotional campaign
b) Public relations
   1) To promote goodwill toward a business by creating a positive image
   2) To increase sales
c) Sales promotion - to increase the sales of a business by encouraging customers to make purchases
d) Personal selling - to use personal persuasion to convince the potential customer to make a purchase

3. Ask students how businesses determine what promotional strategy should be used. Divide the class into groups of two or three students each. Have each group select an agribusiness in the community in which they are interested. Have each group fill out AS 5.1 and then discuss the type of promotional campaign carried out by that business.

How are promotional strategies chosen?

a) The type of business and the product or service it provides will determine which promotional strategies are most effective, although the right combination of advertising, public relations, product display, and personal selling forms a promotional mix that is the formula for success for most businesses.
b) To create a successful promotional campaign, the business should know the market for its product or service.
   1) Place of residence
   2) Age
   3) Sex
   4) Income
   5) Preferred media source of information
   6) Facts about competitors from whom potential customers make purchases
   7) What motivates the targeted customers to buy
c) To help determine what promotional method is most effective, information should be gathered on the cost of the promotion, the number of people reached, the number of times potential customers come in contact with the promotional message, and the level of sales generated.
d) It is important to know how and where competitors promote their product or service in order to improve on their strategies.

F. Other Activities

1. Invite a local businessperson to discuss how he or she uses the different components of promotional campaigns in his or her business. Discuss advertising, public relations, sales promotion, and personal selling.

2. Have students prepare a sales plan for a product related to the pork industry, as outlined in the Pork Industry Sales and Marketing Contest sponsored by the Missouri Pork Producers Association.

G. Conclusion

The components of a promotional campaign include advertising, public relations, sales promotion, and personal selling. The right combination of components for a promotional campaign depends on the type of business, the market for the product, the effectiveness of various promotional strategies, and the type of competition the business faces. Promotional campaigns are an investment in sales and have become an essential part of today's business world.

H. Answers to Evaluation

1. d
2. b
3. c
4. b

5. Four elements to consider when choosing a promotional strategy are the type of business and the product or service it provides; the market for its product or service; information on the cost of the promotion, the number of people reached, the number of times potential customers come in contact with the promotional message and the level of sales generated; and how and where competitors promote their product or service.

6. Answers may include any four of the following:

   a) Place of residence
   b) Age
   c) Sex
   d) Income
   e) Preferred media source of information
   f) Facts about competitors from whom potential customers make purchases
   g) What motivates the targeted customers to buy

UNIT VIII - PROMOTIONAL TOOLS Name _____

Lesson 1: Developing a Promotional Campaign Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which of the following is not a component of a promotional campaign?

   a. Advertising
   b. Personal selling
   c. Public relations
   d. Promotional mix

2. One purpose of a public relations program is:

   a. To use personal persuasion to convince the potential customer to make a purchase.
   b. To increase sales by gaining acceptance in the community for a business.
   c. To convince consumers that the business's product satisfies their needs.
   d. To promote one of the products provided by the business.

3. _____ consists of promotional messages placed in different media to encourage sales.

   a. Sales promotion
   b. Personal selling
   c. Advertising
   d. Public relations

4. Promotional mix refers to:

   a. The different types of advertising used to promote a business.
   b. The combination of all the components of a promotional campaign.
   c. The combination of advertising and public relations.
   d. The various activities that form a part of personal selling.

Complete the following short answer questions.

5. What are four elements to consider when choosing a promotional strategy?

   a.

   b.

   c.

   d.

6. What are four market characteristics a business should examine when trying to evaluate the market for a product or service for promotional purposes?

   a.

   b.

   c.

   d.

Lesson 1: Developing a Promotional Campaign Name _____

Promotional Campaigns

Objective: Analyze a promotional campaign carried out by a business.

Select an agribusiness in your community. Answer the questions below to analyze its promotional campaign.

Name of the business: _____

Products or services offered: _____

1. Where does the business advertise? What is included in its ads? How do they seek to influence customers?

2. What activities does it carry out to promote public relations?

3. How are sales promotion devices used to promote products or services and the business?

4. How is personal selling used by the business?

5. How effective is each of these components in presenting the merits of products or services or of the business as a whole? How might they be improved?

UNIT VIII - PROMOTIONAL TOOLS

Lesson 2: Advertising

Competency/Objective: Develop a print advertisement.

Study Questions

1. **What are the different advertising media?**

2. **What are the advantages and disadvantages of each medium?**

3. **What are the necessary components of an advertisement?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit VIII.

2. Activity Sheet

   a) AS 2.1: Preparing a Newspaper Ad

UNIT VIII - PROMOTIONAL TOOLS

Lesson 2: Advertising

TEACHING PROCEDURES

A. Review

In Lesson 1, the different components of a promotional campaign were discussed. The components of a promotional campaign are advertising, public relations, sales promotion, and personal selling. The objective of a promotional campaign is to inform, create interest, and persuade a customer to make a purchase. This lesson will cover the different media that can be used in an advertising campaign, including newspapers, radio, television, magazines, billboards, and direct mail.

B. Motivation

1. Ask students to bring in advertisements from local newspapers, magazines, or direct mail. These advertisements can be used to discuss the different advertising media and how they can be used by businesses.

2. Ask students if they have ever seen a billboard that said, "ADVERTISING DOES NOT COST, IT PAYS" with a telephone number listed below the phrase to call for information on renting the space. Ask them what this statement means. Explain to students that billboards can be very useful in creating demand for a product or service for some businesses. Ask students if they think a lawnmower repair service, a local garden center, or a dry cleaning business would benefit from advertising on a billboard that was located on a major highway passing by a town. What businesses would benefit from a billboard in this location? Emphasize that not all types of advertising work for all businesses.

3. Have students cut out advertisements from magazines or newspapers that they think are effective and bring them to class. Discuss how the headlines or illustrations help to attract attention. Ask students what the main message of each advertisment is and what type of reader the advertiser is trying to interest.

C. Assignment

Have students develop any advertising needed for the school-based business/fund-raising activity.

D. Supervised Study

E. Discussion

1. Have students list the various types of advertising media used in their community. Discuss the most commonly used advertising media.

What are the different advertising media?

a) Print
   1) Newspaper
   2) Magazine
   3) Billboard
   4) Direct mail
b) Broadcast
   1) Radio
   2) Television
c) Internet

2. Discuss the advantages and disadvantages of the different types of advertising.

What are the advantages and disadvantages of each medium?

a) Newspaper
   1) Advantages
      (a) Generally available in most communities, which allows local businesses to reach their customers
      (b) Large readership
      (c) Allows coupons to be included
      (d) Known circulation, which allows advertisers to reach targeted customers
      (e) Useful for promoting specific items
      (f) Can create sales quickly
      (g) Can purchase space and print ads in a very short period, which makes changes easier
      (h) Relatively inexpensive because of the quality of printing and paper and because some publishing costs are paid for by subscribers
   2) Disadvantages
      (a) Wider circulation than the targeted customers, wasting advertising dollars
      (b) May not be noticeable because of the large number of ads
      (c) Limited usefulness because most subscribers dispose of newspapers after they are read
      (d) May not be attractive because of its quality

b) Magazine
   1) Advantages
      (a) Known reader characteristics, allowing advertisers to select a magazine that targets their customers
      (b) Read more slowly and thoroughly and kept for a longer period, increasing the chance of being read
      (c) Higher quality ads
   2) Disadvantages
      (a) Less useful for small businesses because they have a wider readership than necessary
      (b) More expensive than newspaper ads
      (c) Not very flexible because of deadlines for submission

c) Billboards
   1) Advantages
      (a) Can be read by many people due to location
      (b) Relatively inexpensive
   2) Disadvantages
      (a) Must have a simple message
      (b) May be ignored by some people

d) Direct mail
   1) Advantages
      (a) Highly selective way to reach a target audience
      (b) Can be a timely way to inform customers
      (c) Wider choice of formats for advertising
      (d) Can keep competitors from seeing the advertisement
   2) Disadvantages
      (a) Outdated mailing lists
      (b) Viewed as junk mail and discarded

e) Radio
   1) Advantages
      (a) Fairly inexpensive
      (b) Available in most communities, providing wide coverage of the market that is useful for local businesses

(c) Can target specific types of customers by advertising on stations to which they listen
(d) Can reach customers anywhere a radio is present
(e) Flexible, since ads can be adjusted by changing the script

2) Disadvantages
(a) Lasts only a brief time
(b) No visual component, which allows listeners to be distracted more easily

f) Television
1) Advantages
(a) Can use both visual and audio elements to attract attention
(b) People more likely to accept what they can see
(c) Can reach a mass or regional audience

2) Disadvantages
(a) Most expensive type of advertising, which prevents or limits its use by small business
(b) Size of the audience fluctuates according to viewer interests

g) Internet
1) Advantages
(a) Can potentially reach millions of customers
(b) Relatively low costs compared to other forms of advertising
(c) Creative advertising because of the technology for sound and animation

2) Disadvantages
(a) Difficulty in finding the advertisement of a particular business among the huge number of web pages available on the Internet
(b) Difficulty in determining how effective the page may be in attracting customers, leading to wasted advertising dollars

3. Ask students what components should be included in an effective print or broadcast advertisement. Contact the local community paper and get information on the size and cost of local newspaper advertisements. Have students complete AS 2.1.

What are the necessary components of an advertisement?

a) Print advertisement
1) Headline - line of print designed to catch the reader's attention; should be short with a single, simple main idea
2) Copy - the main message of the advertisement
(a) Gives more information related to the headline
(b) Makes contact with the audience
(c) Includes a call to take action and make a purchase
3) Illustration - Picture or drawing; encourages the potential customer to read the advertisement and make a purchase
4) Signature or logo - the symbol of the business; generally includes the name of the business and a trademark
(a) Should be instantly recognizable
(b) May include a slogan
(c) May include address, telephone number, and hours of operation for a local business

b) Radio - Script

c) Television
1) Script
2) Visual component

F. Other Activities

1. Invite a representative from the local newspaper to the class, or visit a local newspaper. Discuss how advertisements are created. Show students advertising layouts and how different businesses use different layouts to create demand for their particular product or service.

2. Visit a local radio station and discuss how radio advertisements are developed. Discuss advertising scripts and songs or jingles.

3. Have students put together a television commercial. Film the commercial.

G. Conclusion

A business has many alternatives when creating an advertisement. The type of business and the targeted customer are major factors in determining the advertising needs of a business. It is always important to remember that advertising is an expense and must be accounted for in the business budget. The best advertisements create the most demand for the least amount of money.

H. Answers to Evaluation

1. b
2. b
3. d
4. d
5. c
6. a

7. Answers may include any three of the following:

   - Generally available in most communities, which allows local businesses to reach their customers
   - Large readership
   - Allows coupons to be included
   - Known circulation, which allows advertisers to reach targeted customers
   - Useful for promoting specific items
   - Can create sales quickly
   - Can purchase space and print ads in a very short period, which makes changes easier
   - Relatively inexpensive because of the quality of printing and paper and because some publishing costs are paid for by subscribers

8. Print - Newspaper, magazine, billboard, direct mail; broadcast - radio, television; Internet

9. Television advertising is the most expensive type of advertising, which keeps many small businesses from using television for advertising or limits them to using it only during less desirable time slots when rates are cheaper.

10. The signature is the symbol of the business. It generally includes the name of the business and a trademark. It may also include a slogan. The signature of a local business may include its address, telephone number, and hours of operation.

UNIT VIII - PROMOTIONAL TOOLS Name _____

Lesson 2: Developing an Advertisement Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Why is magazine advertising in general not an effective method for small or local businesses?

   a. Low cost
   b. Wide circulation
   c. Specific audiences
   d. Higher quality ads

2. What is the main advantage television advertising has over radio advertising?

   a. Television advertising is usually cheaper than radio advertising.
   b. The potential customer can hear and see the advertisement.
   c. Television is readily available in almost any community.
   d. Audience size is always assured when using television.

3. What is one purpose of the copy of an advertisement?

   a. To catch the reader's attention
   b. To symbolize the business
   c. To illustrate the product or service
   d. To give the reader more information

4. One of the disadvantages of billboard advertising is that:

   a. It is relatively expensive to use.
   b. The size of the audience fluctuates.
   c. Many people can read it.
   d. The message must be simple.

5. The headline is:

   a. The main message of the advertisement.
   b. The symbol, logo, or trademark of the business.
   c. The line of print designed to attract attention.
   d. The name and phone number of the business.

6. Which of the following is an advantage of direct mail advertising?

   a. It provides a wider choice of formats.
   b. Advertisements are read very carefully.
   c. Mailing lists are usually updated frequently.
   d. Direct mail advertising is very expensive.

Complete the following short answer questions.

7. What are three advantages of advertising in newspapers?

   a.

   b.

   c.

8. What are the three categories of advertising media? List the media that belong in each category.

   a.

   b.

   c.

9. What is the main disadvantage of television advertising for small businesses?

10. In a print advertisement, what is the signature or logo? What might be included in the signature for a business?

Lesson 2: Advertising Name _____

Preparing a Newspaper Ad

Objective: Prepare a print advertisement for a newspaper.

Develop a newspaper advertisement, including both art and text, for an agribusiness. Then draw a rough sketch of the layout of the ad on the back of this sheet.

1. What are the products or services being advertised?

2. What is the headline for the ad?

3. What is the copy?

4. What type of illustration will be included? How will it represent the features of the product or service?

5. What is the signature of the product or service being advertised?

6. How many column inches will the newspaper advertisement be?

7. What is the cost per column inch to place an ad in the local newspaper?

8. What is the estimated cost of the advertisement?

UNIT VIII - PROMOTIONAL TOOLS

Lesson 3: Public Relations

Competency/Objective: Develop a public relations campaign.

Study Questions

1. **What is the function of a public relations campaign?**
2. **What are the components of a public relations campaign?**
3. **What are the reasons for using each of the components?**
4. **How is a public relations campaign developed?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit VIII.
2. Activity Sheet
   a) AS 3.1: Public Relations

UNIT VIII - PROMOTIONAL TOOLS

Lesson 3: Public Relations

TEACHING PROCEDURES

A. Review

In Lesson 2, the different types of advertising media used by businesses were discussed, including newspapers, radio, television, magazines, billboards, and direct mail. Many businesses use a combination of different media to form a complete advertising program for promotions. This lesson will cover the ways public relations can be used as a tool to promote a business. The main function of a public relations campaign is to build goodwill in the community. A public relations campaign can become very important to the success of a business.

B. Motivation

Ask students to describe some public relations strategies used by businesses that they have recognized. Discuss how businesses might use television commercials to build goodwill toward the business more than to advertise a particular product or service. For example, commercials for insurance companies like State Farm ("Like a good neighbor") and Allstate ("You're in good hands") are designed to build trust in the company that sells the product. Discuss other commercials that promote good public relations. Discuss how companies such as McDonald's sponsor charities to create goodwill.

C. Assignment

Discuss the types of public relations necessary for the school-based business/fund-raising activity.

D. Supervised Study

E. Discussion

1. Ask students to describe the purpose of a public relations campaign.

   What is the function of a public relations campaign?

   a) The main function of a public relations campaign is to build goodwill in a community toward a business.
   b) It should also contribute to an increase in sales.

2. Have students list various public relations activities. Discuss the different ways businesses promote goodwill in the local community.

   What are the components of a public relations campaign?

   a) Community participation
   b) Educational tours
   c) Support for youth (sponsorships of awards and activities)
   d) Press releases to local media
   e) Advertisements
   f) Speakers for community groups
   g) Company periodicals
   h) Provide facilities for community purposes

3. Discuss the importance of putting together the public relations campaign that best fits a particular business. Ask students what the purposes of each of the components of a public relations program are.

What are the reasons for using each of the components?

a) Community participation
   1) To show that the business recognizes that it is a part of the community and must contribute to it
   2) To identify problem areas and work to correct them to foster a better attitude toward the business
b) Educational tours
   1) To help the youth and other members of a community obtain a better understanding of the business and its product
   2) To show real-life examples, which add interest to education
c) Support for youth
   1) To encourage parents to support the business in return
   2) To retain the loyalty of young people
d) Press releases
   1) To get publicity
   2) To create a stable image of a business
   3) As a very cost-effective method of public relations
e) Advertisements - to create positive feelings toward the business
f) Speakers
   1) To provide general information that is useful to the audience
   2) To publicize a product or service
g) Company periodicals - to make employees aware of company news and activities in order to enable and encourage them to promote the business
h) Use of facilities - to encourage public to support the business in return

4. Discuss with students how a public relations program should be developed to meet a business's needs. Divide the class into groups of three or four. Have each group select a business that uses public relations as a tool. Ask them to discuss the components of its public relations program, the way they create goodwill, and how the program might be improved on a limited budget. Have the students complete AS 3.1.

How is a public relations campaign developed?

a) Consider the business's targeted customers. Public relations should be appropriate for the audience.
b) Consider budgetary constraints. Businesses with little or no budget can take advantage of inexpensive public relations activities.
c) Determine who will be responsible for the campaign. In larger businesses, the work and decisions should be made by more than one person; a public relations advisory committee often works well.
d) Monitor the public relations campaign once it is started to see if goals are being reached, and make decisions about changes when necessary.
e) Designate someone to be responsible for reporting public relations activities to local news media.
f) The business and its management should recognize employees who donate their time creating goodwill in the community.
g) The best form of public relations is making sure customers are satisfied.

F. Other Activities

Have students plan a public relations campaign to be carried out during FFA Week to promote FFA and the agricultural program at the school.

G. Conclusion

The function of a public relations program is to build goodwill in the community. Community participation, educational tours, sponsorship of youth awards and activities, media coverage, informational speakers, and the use of business facilities are some of the activities businesses use to form a public relations campaign. The best public relations comes from a history of satisfied customers and employees.

H. Answers To Evaluation

1. c
2. c
3. a
4. d
5. b

6. Answers may include any three of the following.

   - Consider the business's targeted customers. Public relations should be appropriate for the audience.
   - Consider budgetary constraints. Businesses with little or no budget can take advantage of inexpensive public relations activities.
   - Determine who will be responsible for the campaign. In larger businesses, the work and decisions should be made by more than one person; a public relations advisory committee often works well.
   - Monitor the public relations campaign once it is started to see if goals are being reached, and make decisions about changes when necessary.
   - Designate someone to be responsible for reporting public relations activities to local news media.
   - The business and its management should recognize employees who donate their time creating goodwill in the community.
   - The best form of public relations is making sure customers are satisfied.

7. The eight components of a public relations campaign are as follows: community participation, educational tours, monetary support for community or national organizations, press releases to local media, advertisements, speakers for community groups, company periodicals, and provide facilities for community purposes.

UNIT VIII - PROMOTIONAL TOOLS Name _____

Lesson 3: Public Relations Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. What is the main function of a public relations program?

   a. To promote a particular product of a business
   b. To promote a particular service of a business
   c. To create goodwill in a community toward a business
   d. To offset the production of an unsatisfactory product or service

2. What is important when developing a public relations campaign?

   a. To have one person organizing and operating the campaign, if possible
   b. To spend a lot of money developing and implementing the campaign
   c. To have more than one person planning the campaign, if possible
   d. To be consistent and avoid making any changes in the campaign

3. What is the secondary function of a public relations campaign?

   a. To contribute to an increase in sales
   b. To gloss over problems in the business
   c. To make the owner of the business popular
   d. To make the business look good

4. Which of the following is a very cost-effective method of public relations?

   a. Contributions to charities
   b. Advertising campaigns
   c. Scholarships
   d. Press releases

5. What is one reason that a business might provide speakers for community groups?

   a. To create a stable image for the business
   b. To provide general information that is useful to the audience
   c. To help the community obtain a better understanding of the business structure
   d. To keep the community informed about the public relations campaign

Complete the following short answer questions.

6. What are three steps in developing a public relations campaign?

   a.

   b.

   c.

7. What are eight components of a public relations campaign?

a.

b.

c.

d.

e.

f.

g.

h.

Lesson 3: Public Relations Name _____

Public Relations

Objective: Evaluate the use of public relations by a business.

Select a business in the community that has a public relations campaign. Evaluate the campaign by answering the following questions.

Name of the business: _____

1. What types of public relations activities are used by the business?

2. Are they effective? If so, how do they create goodwill in the community? If not, why not?

3. What might be done to improve the business's public relations campaign? Assume that the budget for changes is limited.

Divider should read:

Unit VIII. Promotional Tools

Agribusiness Sales, Marketing, and Management

Curriculum Guide: *Agribusiness Sales, Marketing, and Management*

Unit: VIII. Promotional Tools

Unit Objective:

Students will demonstrate an understanding of promotional techniques by creating a radio or television commercial as part of an advertising campaign for an agriculture-related product.

Show-Me Standards: 4.1, CA1

References:

Agribusiness Sales, Marketing, and Management. University of Missouri-Columbia, Instructional Materials Laboratory, 1997.

Baldwin, H. *How to Create Effective TV Commercials,* 2nd ed. Lincolnwood, IL: NTC Business Books, 1989.

Book, A. C. *The Radio and Television Commercial,* 2nd ed. Chicago, IL: Crain Books, 1984.

Redmond, M. *60 Second Sells: 99 Hot Radio Spots for Retail Businesses.* Jefferson, NC: McFarland & Co., 1993.

Schulberg, B. *Radio Advertising: The Authoritative Handbook.* Lincolnwood, IL: NTC Business Books, 1989.

Stewart, D. W. *Effective Television Advertising: A Study of 1000 Commercials.* Lexington, MA: Lexington Books, 1986.

Students will use the product research they did in the previous two performance-based assessments.

Instructional Strategies/Activities:

- Students will engage in study questions in lessons 1 through 3.
- Students will complete AS 1.1, Promotional Campaigns; and AS 4.2, Preparing a Newspaper Ad.

- Additional activities that relate to the unit objective can be found under the heading "Other Activities" in the following locations: p. VIII-5 (1) and p. VIII-16 (2).

Performance-Based Assessment:

Using research and knowledge gained in the two previous units about a specific product, company, and industry, students will form teams to create a 30-second or 60-second commercial promoting an agriculture-related product.

Assessment will be based on the quality of the overall production and will take into consideration the appropriateness of the message for the target audience, the appropriateness of the message for the intended medium, the quality of the written script, and the technical quality of the production (i.e., production values).

Unit VIII—Promotional Tools
Instructor Guide

The instructor should assign the performance-based assessment activity at the beginning of the unit. Students will work toward completing the activity as they progress through the unit lessons. The assessment activity will be due at the completion of the unit.

1. Students will form groups of two to five people to discuss ideas for promoting an agriculture-related product and to produce a 30-second or 60-second radio or TV commercial.

2. Each group should compile a list of agriculture-related products researched by its members in Units VI and VII, and then select one product from that list to serve as the subject of the commercial.

3. Each group should conduct one or more brainstorming sessions to identify or select the following:
   - ❑ The product's target audience for which the advertising message will be designed
   - ❑ The medium (Is the target audience better reached via radio or TV?)
   - ❑ The theme or message of the commercial (What are the basic idea, the product benefit, and the desired audience action to be conveyed in the commercial?)

4. After agreeing on the three elements in step 3 above, students should write a short paragraph citing their selections. This paragraph will be submitted to the teacher along with the final script and audio or videotape of the finished commercial.

5. Group members should meet to write a script for the commercial, which would include dialogue and descriptions of any sound (e.g., music, sound effects, etc.) or visual elements (e.g., the setting, props, etc.) that will appear in the commercial.

6. Group members should meet to produce the commercial as it is scripted.
   a. For a radio commercial, use an audiotape recorder or other audio recording device.
   b. For a TV commercial, use a videotape recorder or other video recording device.

7. Assessment will be based on the quality of the three elements submitted by each group: the short paragraph from the brainstorming session, the script, and the final taped commercial.
   a. The assessment will focus on the appropriateness of target audience identification, medium selection, message (script) quality, and production values.
   b. Technical aspects of the written portion of the assignment, such as grammar, spelling, punctuation, and capitalization will be factors in the assessment.

Unit VIII—Promotional Tools
Student Handout

1. Form groups of two to five people to discuss ideas for promoting an agriculture-related product and to produce a 30-second or 60-second radio or TV commercial.

2. Compile a list of agriculture-related products researched by your group's members in Units VI and VII, and then select one product from that list to serve as the subject of your commercial.

3. Conduct one or more brainstorming sessions to identify or select the following:
   - ❑ The product's target audience for which the advertising message will be designed
   - ❑ The medium (Is the target audience better reached via radio or TV?)
   - ❑ The theme or message of the commercial (What are the basic idea, the product benefit, and the desired audience action to be conveyed in the commercial?)

4. After agreeing on the three elements in step 3 above, write a short paragraph citing your selections. This paragraph will be submitted to the teacher along with your final script and audio or videotape of the finished commercial.

5. Write a script for the commercial, which should include dialogue and descriptions of any sound (e.g., music, sound effects, etc.) or visual elements (e.g., the setting, props, etc.) that will appear in the commercial.

6. Produce the commercial.
   a. For a radio commercial, use an audiotape recorder or other audio recording device.
   b. For a TV commercial, use a videotape recorder or other video recording device.

7. Assessment will be based on the quality of the three elements submitted by your group: the short paragraph from the brainstorming session, the script, and the final taped commercial.
   a. The assessment will focus on the appropriateness of target audience identification, medium selection, message (script) quality, and production values.
   b. Technical aspects of the written portion of the assignment, such as grammar, spelling, punctuation, and capitalization will be factors in the assessment.

Agribusiness Sales, Marketing, and Management

Unit VIII—Promotional Tools
Scoring Guide

Name _____

Assessment Area	Criteria	0 Points	1 Point	2 Points	3 Points	4 Points	Weight	Total
Target Audience	❑ Is the message appropriate for the audience?	Failed	Poor	Fair	Good	Excellent	X 4	
Advertising Medium	❑ Is the message appropriate for the medium?	Failed	Poor	Fair	Good	Excellent	X 4	
Message (i.e., Script)	❑ What is the quality of the writing?	Failed	Poor	Fair	Good	Excellent	X 7.25	
Production Values (e.g., sound and sound effects/ music in radio; picture image and special visual effects in TV)	❑ How good is the production from a technical standpoint?	Failed	Poor	Fair	Good	Excellent	X 7.25	
Technical Considerations	❑ Spelling ❑ Grammar ❑ Punctuation ❑ Capitalization	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 2.5	
TOTAL								

Final Assessment Total _____**/100 pts.**

Comments:

UNIT IX - ENTREPRENEURSHIP

Lesson 1: The Free Market System

Competency/Objective: Describe the basic concepts of a free market system.

Study Questions:

1. **What are the characteristics of American free enterprise?**

2. **What is the definition of an entrepreneur?**

3. **What are the advantages and disadvantages of being an entrepreneur?**

4. **What factors affect the success or failure of small businesses?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IX.

2. Transparency Masters

   a) TM 1.1: Characteristics of a Free Enterprise System
   b) TM 1.2: Characteristics of Successful Entrepreneurs

3. Activity Sheet

   a) AS 1.1: Entrepreneurship

UNIT IX - ENTREPRENEURSHIP

Lesson 1: The Free Market System

TEACHING PROCEDURES

A. Introduction

The U.S. economy is based on a free enterprise system. This system allows and encourages private individuals and businesses to carry on the production of goods and services. Any individual with an idea and the available capital can take a risk and start a business. Many opportunities exist today to take an idea and, with an entrepreneurial approach, develop it into a successful business. Starting a business takes planning, both before the business begins and every day after it is started. Successful entrepreneurs are able to meet the needs of consumers by supplying products and services that consumers want.

B. Motivation

Have the students complete AS 1.1. Discuss their responses. Ask students what types of businesses they would be interested in starting and what products or services they would offer. Discuss similar businesses in the community and have the students describe what they would do differently from their competitors. Do they believe they might be more successful than other businesses that offer the same products or services?

C. Assignment

D. Supervised Study

E. Discussion

1. Have students list and describe the characteristics of a free enterprise system. Discuss the operation of the free enterprise system in the United States. Use TM 1.1 to emphasize the characteristics of free enterprise.

What are the characteristics of American free enterprise?

a) Free enterprise system - An economic system in which goods and services are produced and traded through a complicated system of prices and markets by private individuals and businesses

b) Four characteristics of American free enterprise
   1) Land and capital (buildings, machinery, and other equipment used to produce goods and services) for production are privately owned.
   2) Economic activity is organized and coordinated through the interaction of buyers and sellers or buyers and producers in the different markets.
      (a) Consumer sovereignty refers to the freedom of consumers to spend income in ways that will create the most satisfaction for them.
      (b) Due to consumer sovereignty, producers in a free enterprise system will be forced by competition to produce what best satisfies the needs of consumers.
   3) The owners of land and capital and the workers that they employ are free to pursue their interests in seeking the maximum gain from the use of their resources and labor in production.
   4) A minimum of government supervision is required.
      (a) Economic activity is self-regulated through competition in the marketplace for the consumer, which renders government involvement less necessary.

(b) Freedom of choice introduces this competition. Anyone has the right to invest his or her money in any type of business and compete with others in the marketplace.

2. Ask students to define what an entrepreneur is. Discuss how individuals become entrepreneurs by setting up businesses to produce products or offer services that are wanted by the consumer. TM 1.2 outlines the characteristics of a successful entrepreneur.

What is the definition of an entrepreneur?

a) Entrepreneur - A person who organizes and manages a business, assuming the risk for the reward of profit
b) Characteristics of successful entrepreneurs
   1) Display creativity in problem solving
   2) Take responsibility for their own actions and accept the blame for failures or problems
   3) Develop plans and work to achieve goals
   4) Ask others for advice and are open-minded leaders
   5) Have good interpersonal skills and can get others to follow directions

3. Ask the students to discuss some of the advantages and disadvantages of becoming an entrepreneurship.

What are the advantages and disadvantages of being an entrepreneur?

a) Advantages
   1) Allows a person to be his or her own boss and control his or her own destiny
   2) Offers the chance to make a profit
   3) Offers a chance to capitalize on creativity by starting a business based on an idea
   4) Offers a chance to feel pride and self-satisfaction
   5) Allows the individual to be involved in all parts of a business and to perform a variety of tasks
b) Disadvantages
   1) Involves taking financial risks with no guarantee of returns
   2) Sometimes requires more time and energy than a regular job, especially when first starting the business

4. Ask the students what factors affect the success and failure of small businesses. Discuss with students the importance of advance planning for a business.

What factors affect the success or failure of small businesses?

a) A major reason businesses fail is lack of advance planning.
b) Consumers may not demonstrate enough demand for certain products or services.
c) Competitors may be more efficient, be able to sell a product or service for less, or have better qualified employees.

F. Other Activities

Invite a local entrepreneur to talk to students about starting a business. Discuss the planning needed to start and run a business. Have him or her address how competition affects a business.

G. Conclusion

An entrepreneur has to look for a good business opportunity, based on what consumers want, and then develop a plan to start a business that satisfies the demand for that product or service. By identifying demand and then meeting it, entrepreneurs have become an important part of the United States economy.

H. Answers to Activity Sheet

AS 1.1

Answers will vary.

I. Answers to Evaluation

1. b
2. d

3. An entrepreneur is a person who organizes and manages a business, assuming the risk for the reward of profit.

4. One of the most important factors in the failure of a small business is a lack of advance planning. Also, consumers may not demonstrate enough demand for certain products or services, or the competition may be more efficient, be able to sell the product or service for less, or have better qualified employees.

5. Answers may include any of the following advantages and disadvantages.
   Advantages
   - Allows a person to be his or her own boss and control his or her own destiny
   - Offers the chance to make a profit
   - Offers a chance to capitalize on creativity by starting a business based on an idea
   - Offers a chance to feel pride and self-satisfaction
   - Allows the individual to be involved in all parts of a business and to perform a variety of tasks

   Disadvantages
   - Involves taking financial risks and with no guarantee of returns
   - Sometimes requires more time and energy than a regular job, especially when first starting the business

UNIT IX - ENTREPRENEURSHIP Name _____

Lesson 1: The Free Market System Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which of the following is <u>not</u> a characteristic of American free enterprise?

   a. Economic activity is organized and coordinated through the interaction of buyers and sellers or buyers and producers in the different markets.
   b. Government supervision is extensive.
   c. Land and capital are privately owned.
   d. The owners of land and capital and the workers that they employ are free to pursue their interests in seeking maximum gain from the use of their resources and labor in production.

2. What is consumer sovereignty?

   a. The freedom to consume huge quantities of goods and services
   b. The freedom to seek to profit from consumers
   c. The freedom to compete for consumers
   d. The freedom to spend income in ways that will create the most satisfaction

Complete the following short answer questions.

3. What is an entrepreneur?

4. List three factors that may cause the failure of a small business.

   a.

   b.

   c.

5. List one advantage and one disadvantage of being an entrepreneur.

Characteristics of a Free Enterprise System

A free enterprise system is an economic system in which goods and services are produced and traded through a complex system of prices and markets by private individuals and businesses.

* Land and capital for production are privately owned.

* Economic activity is organized and coordinated through the interaction of buyers and sellers or buyers and producers in the different markets.

* The owners of land and capital and the workers they employ are free to pursue their interests in seeking the maximum gain from the use of their resources and labor in production.

* A minimum of government supervision is required.

Characteristics of Successful Entrepreneurs

An entrepreneur is a person who organizes and manages a business, assuming the risk for the reward of profit.

* Successful entrepreneurs are creative thinkers and good problem-solvers.

* Successful entrepreneurs take responsibility for their own actions and accept blame for failure or problems.

* Successful entrepreneurs develop plans and work to achieve goals.

* Successful entrepreneurs are open-minded leaders who are not afraid to ask for advice.

* Successful entrepreneurs have good interpersonal skills and can get others to follow directions.

Lesson 1: The Free Market System Name _____

Entrepreneurship

Objective: Evaluate opportunities for entrepreneurship within a community.

Answer the questions below to evaluate opportunities for entrepreneurship in your community.

1. What types of businesses would you like to see in your community?

2. If you were going to start a business, what type of product or service would you produce or offer?

3. What other businesses in your community produce or sell the same product or offer the same service?

4. What would you do differently from those businesses already existing in the community?

5. What other opportunities exist in the community for starting a business?

UNIT IX - ENTREPRENEURSHIP

Lesson 2: Business Ownership

Competency/Objective: Identify the forms and characteristics of business ownership.

Study Questions:

1. **What are the types of businesses?**

2. **What are the types of business ownership?**

3. **What are the advantages and disadvantages of different forms of ownership?**

4. **What regulations may affect the start-up of a business?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IX.

2. Transparency Master

   a) TM 2.1: Forms of Business Ownership

3. Activity Sheets

   a) AS 2.1: Forms of Business Ownership
   b) AS 2.2: Business Ownership

UNIT IX - ENTREPRENEURSHIP

Lesson 2: Business Ownership

TEACHING PROCEDURES

A. Review

Lesson 1 examined the concept of the free enterprise system, an economic system in which production and trade of goods and services are carried out by private individuals and business firms through a system of prices and markets. In this lesson, the forms and characteristics of business ownership and the laws and regulations that must be understood to start a business will be discussed.

B. Motivation

Ask students how they would start a business. Discuss how they would raise the capital to start a business. Would they start a business by raising all of the money by themselves? Would they go into business with someone else and share the start-up costs with a partner? Would they ask others to invest, and if so, how would they pay the investors back? If they went into a business with a partner or had other investors in their business, who would receive the profits from the business?

C. Assignment

D. Supervised Study

E. Discussion

1. Inform students that different types of businesses may be formed. Ask students to name some types of businesses.

   What are the types of businesses?

   a) Manufacturers, processors, and producers - Businesses involved in taking raw materials and making them into a marketable product
   b) Middlemen - Individuals or businesses that specialize in performing the various market functions involved in the purchase and sale of goods as the goods move from the manufacturer, processor, or producer to the consumer
      1) Retailers are middlemen who buy products to sell them directly to the ultimate consumer.
      2) Wholesalers sell to retailers, other wholesalers, and industrial users, but they do not sell significant amounts of merchandise to consumers. Wholesalers may handle many products or specialize in one product.
   c) Service businesses - Businesses that do not provide a tangible product but instead offer a service to consumers or other businesses

2. Ask students to describe the different ways that business ownership is organized. Discuss with students the importance of knowing what type of ownership would benefit the business being started. Discuss how the amount of capital needed to start a business can be a deciding factor in choosing a form. TM 2.1 may be used to illustrate the different forms of ownership; AS 2.1 can be used in conjunction with the TM, or it may be used separately. Have students research the types of ownership for businesses in their community and then complete AS 2.2.

What are the types of business ownership?

a) Sole proprietorship - The business is owned by one person who is in sole charge of the business and is responsible for its success or failure.
b) Partnership - A partnership is a business association of two or more persons who have agreed to combine their financial assets, labor, property, and skills.
c) Corporation - The corporation is a separate legal entity owned by other people. Corporations are established by raising capital from the sale of certificates of stock to shareholders. They receive a share of the profits through dividends based on the number of shares they own.
d) Cooperative - Cooperatives are a system of economic action and business enterprise characterized by the absence of the profit motive. Their primary function is the distribution of goods and services. A cooperative is made up of individuals or individual businesses that join together to market their goods or services, which helps them to reduce costs.

3. Have students list some advantages and disadvantages of each form of ownership. Discuss the advantages and disadvantages of the different types of ownership.

What are the advantages and disadvantages of different forms of ownership?

a) Sole proprietorship
    1) Advantages
        (a) The owner of the business is his or her own boss.
        (b) Consensus on decisions does not have to be obtained from partners or other owners.
        (c) A sole proprietorship is easier to get started than other forms of ownership.
        (d) The sole proprietor receives all profit from the business.
        (e) Profits are taxed only once.
    2) Disadvantages
        (a) A sole proprietor is seldom able to invest a large amount of capital in a business.
        (b) Liability is unlimited. A sole proprietor is personally responsible for all the debts and taxes of the business.
        (c) In a sole proprietorship everything is done by the owner. If a sole proprietor becomes sick or has personal problems, no one else may be able to operate the business.
b) Partnership
    1) Advantages
        (a) A partner shares business management responsibilities and problems.
        (b) Financial institutions are more likely to lend money to partners because more than one person is responsible for debts of the business.
        (c) Profits are shared only by the partners.
        (d) Profits are taxed only once.
    2) Disadvantages
        (a) Due to unlimited liability, if one partner goes bankrupt, the other partners are still responsible for the debt.
        (b) Each partner in a partnership can enter into an agreement without the permission of the other partners, yet all the partners are responsible for fulfilling the contract.
c) Corporation
    1) Advantages
        (a) Liability is limited. The debts of the corporation are the responsibility of the corporation and not of the individual stockholders.
        (b) If the corporation is doing well, getting a loan is easier than for a partnership or a sole proprietorship.
        (c) Corporations can sell additional shares of stock to raise capital.

2) Disadvantages
   (a) A corporate certificate may be expensive.
   (b) Decision making may be difficult because all corporate decisions must be approved by the shareholders or directors.
   (c) Profits on corporations are taxed twice.

d) Cooperative - The advantage of this form of ownership is that the individuals or businesses involved cooperate with each other and are able to reduce costs. The disadvantage is that the cooperative is not established to create a profit as a business.

4. Discuss with students the laws and regulations that affect businesses.

What regulations may affect the start-up of a business?

a) Individuals starting a business must understand the laws regarding contracts, which are legal agreements that create an obligation binding the parties entering into them
   1) Enforceable contracts have five elements: capacity, consent, genuine assent, legality, and consideration.
   2) Written contracts - Contracts that cannot be performed within a year after they are made, contracts involving the sale or transfer of real estate, and contracts involving the sale of goods above $500 in value must be written to be enforceable.
   3) Oral contracts - In some cases, they are as legally binding as written contracts. However, oral contracts allow parties to become confused about the terms of the agreement or to forget details.
      (a) Oral contracts are the best way of doing business when small amounts of money are immediately exchanged for goods.
      (b) Due to the increased possibility of misunderstandings, oral contracts should not be used when buying or selling vehicles, real estate, supplies and equipment, or for other transactions involving large amounts of money.
      (c) It is hard to prove that an oral contract has not been fulfilled if legal action needs to be taken.

b) A new business must obtain the proper licenses and permits to operate. Some businesses need licenses or permits required by federal, state, or local governments. Special training or testing may be required to obtain a license or permit, as may periodic inspections of a business.

c) Zoning and building codes are rules and regulations passed and enforced by federal, state, or local government agencies. They are designed to protect citizens.
   1) Building codes include standards for safety, electricity, and plumbing. They also may include standards for the type and design of business structures.
   2) Zoning laws may permit only residential or business buildings in certain areas of a community.

d) Health and safety laws establish standards for working conditions to protect workers.
   1) Child labor laws set the minimum age for workers.
   2) Environmental safety standards protect the health of employees.

e) Laws and regulations have been established to prevent discrimination in hiring due to gender, age, religion, and national or ethnic origin.

f) Laws have been established by the federal government setting a minimum wage for employees.

F. Other Activities

Invite representatives of each form of business in the local community (or as many as possible) to discuss their businesses with the class.

G. Conclusion

Businesses differ according to the type of activity they carry out. For example, a business may involve manufacturing, processing, or producing an item; making wholesale or retail sales; or providing some sort of service. The four types of business ownership are sole proprietorship, partnership, corporation, and cooperative, each of which has advantages and disadvantages. The type of ownership chosen when starting a business may be determined by the amount of capital available to the entrepreneur as well as by the needs of the business. Also, the entrepreneur must consider the various laws and regulations governing the operation of businesses.

H. Answers to Evaluation

1. b
2. a
3. a
4. d

5. Answers should include one advantage and one disadvantage.
   Advantages
   - A partner shares business management responsibilities and problems.
   - Financial institutions are more likely to lend money to partners because more than one person is responsible for debts of the business.
   - Profits are shared by partners.
   - Profits are only taxed once.

   Disadvantages
   - Due to unlimited liability, if one partner goes bankrupt, the other partner is still responsible for the debt.
   - Each partner in a partnership can enter into an agreement without the permission of the other partners, yet the other partners are still responsible for fulfillment of the contract.

6. Middlemen are individuals or businesses that specialize in performing the various market functions involved in the purchase and sale of goods as the goods move from the manufacturer, processor, or producer to the consumer. Retailers and wholesalers are two types of middlemen.

UNIT IX - ENTREPRENEURSHIP Name _____

Lesson 2: Business Ownership Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. A _____ is made up individuals or individual businesses that join together to market their goods or services.

   a. Partnership
   b. Cooperative
   c. Sole proprietorship
   d. Corporation

2. Which of the following is an advantage of a sole proprietorship?

   a. All profits are taxed only once.
   b. A sole proprietor is personally responsible for all the debts of a business.
   c. Liability is limited.
   d. Getting a loan is easier for a sole proprietorship than for a corporation.

3. Which of the following is an example of the health and safety laws that may affect a new business?

   a. Child labor laws
   b. Building codes
   c. Zoning restrictions
   d. Licensing laws

4. Which of the following is <u>not</u> an advantage of a corporation?

   a. Liability is limited; stockholders are not responsible for debts.
   b. Getting a loan is easier for a corporation than for other types of businesses.
   c. Corporations can sell additional shares of stock to raise capital.
   d. The individuals involved always cooperate with each other and are able to reduce costs.

Complete the following short answer questions.

5. What are one advantage and one disadvantage of forming a partnership?

6. What are middlemen? Name two types of middlemen.

Forms of Business Ownership

Features Compared	Types of Businesses			
	Individual	Partnership	Corporate Forms	
			Regular Corporation	Cooperative Corporation
1. Who uses the services?	Non-owner customers	Generally non-owner	Generally non-owner customers	Chiefly the owner-patrons
2. Who owns the business?	The individual	The partners	The stockholders	The member-patrons
3. Who votes?	None necessary	The partners	Common stockholders	The member-patrons
4. How is voting done?	None necessary	Usually by partners' share in capital	By shares of common stock	One member, one vote or proportional to patronage
5. Who determines policies?	The individual	The partners	Common stockholders and directors	The member-patrons and directors
6. Are returns on ownership capital limited?	No	No	No	Yes - 8 percent or less
7. Who gets the operating proceeds?	The individual	The partners in proportion to interest in business	The stockholders in proportion to stock held	The patrons on a patronage basis

Lesson 2: Business Ownership Name _____

Forms of Business Ownership

Objective: Identify characteristics of different forms of business ownership.

Fill in the table below, answering the questions for each type of business ownership.

Features Compared	Types of Businesses			
	Individual	Partnership	Corporate Forms	
			Regular Corporation	Cooperative Corporation
1. Who uses the services?				
2. Who owns the business?				
3. Who votes?				
4. How is voting done?				
5. Who determines policies?				
6. Are returns on ownership capital limited?				
7. Who gets the operating proceeds?				

Lesson 2: Business Ownership Name _____

Business Ownership

Objective: Identify the types of business ownership.

Research and record the type of ownership for one business in your community in each of the following areas.

1. Grocery store

   Name of business:_____

   Type of ownership:_____

2. Law firm

   Name of business:_____

   Type of ownership:_____

3. Telephone company

   Name of business:_____

   Type of ownership:_____

4. Water utility company

   Name of business:_____

   Type of ownership:_____

5. Electric utility company

   Name of business:_____

   Type of ownership:_____

6. Farm supply or department store

   Name of business:_____

   Type of ownership:_____

7. Automobile dealer

   Name of business:_____

   Type of ownership:_____

8. Livestock auction

   Name of business:_____

   Type of ownership:_____

9. Animal feed supplier or distributor

   Name of business:_____

   Type of ownership:_____

10. Hospital or medical center

    Name of business:_____

    Type of ownership:_____

UNIT IX - ENTREPRENEURSHIP

Lesson 3: Evaluating Business Opportunities

Competency/Objective: Identify and evaluate business opportunities.

Study Questions

1. **How are business opportunities recognized?**

2. **What are the uses of a business plan?**

3. **What are the steps in developing a business plan?**

4. **Why are business goals important?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IX.

2. Transparency Master

   a) TM 3.1 : Steps in Developing a Business Plan

3. Activity Sheets

   a) AS 3.1 : Business Opportunities
   b) AS 3.2 : Business Plan

Lesson 3: Evaluating Business Opportunities

TEACHING PROCEDURES

A. Review

In the last lesson, the different types of business ownership and the advantages and disadvantages of each were discussed. The different types of ownership are sole proprietorship, partnership, corporation, and cooperative. The type of business ownership chosen may depend on the entrepreneur's ability to raise the capital to start a business. Lesson 3 will examine how to evaluate business opportunities. It will discuss how ideas for a business can be generated and how to test an idea to see if a proposed business may be successful.

B. Motivation

Ask students to define the concept of a business opportunity. Ask them if an idea and an opportunity are the same thing. Explain that an entrepreneur recognizes opportunities and develops ideas from them. Ask students why they may favor one business over another even when they offer the same product. List the reasons on the board, and then discuss how opportunity is connected to choice.

C. Assignment

1. At the end of Unit 9, students should present the business plans that they put together in this lesson. If the instructor wishes, students may also include copies of the various financial statements discussed in later lessons (balance sheet, income, and cash flow) as they would if they were presenting their business plans to obtain financing. In the presentation, students should also discuss where and how they would obtain financing for their businesses, which is covered in Lesson 7.

2. Develop a business plan that is appropriate for the school-based business/fund-raising activity.

D. Supervised Study

E. Discussion

1. Discuss how an entrepreneur takes advantage of an opportunity by developing an idea for a business. Divide the class into groups of three or four students and ask each group to think of business opportunities in the community. Have the groups fill out AS 3.1 and then discuss their ideas with the class.

How are business opportunities recognized?

Opportunities for starting a business exist whenever people want and are willing to pay for goods or services. Entrepreneurs searching for business opportunities look for certain things.

a) They notice changes or trends that will create new opportunities or change existing ones.
b) They look for good ideas that could be better executed.
c) They look for needs and wants that are not being met by existing businesses.
d) They look for new ways to meet the needs and wants of consumers.

2. Ask students what a business plan is. Discuss how a business plan is used.

What are the uses of a business plan?

a) A business plan is a detailed proposal that describes all aspects of a new business, including its operations, marketing, and finances, for the use of the entrepreneur as well as investors and financial institutions.
b) A business plan has several uses.
   1) Helps an entrepreneur evaluate ideas to determine if it takes advantage of available opportunities
   2) Helps an entrepreneur determine whether or not the market can support a particular type of business
   3) Helps a proposed business obtain financing
   4) Serves as an operating guide once a business is open

3. Explain to the students that a step-by-step procedure is followed to develop a business plan. Ask them what things must be considered, and use TM 3.1 to illustrate the process of developing a business plan. Have students complete AS 3.2.

What are the steps in developing a business plan?

a) The first step in a business plan is developing an idea for a business, which is the foundation of the plan. The business plan evaluates and expands on the idea.
b) The next step in a business plan is learning about possible competitors.
   1) List of competitors
   2) Information on pricing
   3) Information on quality
   4) Information on competitors' marketing methods
   5) Plans for adjusting the idea to be competitive in these areas
c) The business plan should include information on the market for the product or service.
   1) Ages of potential customers
   2) Sex
   3) Income levels
   4) Location of proposed customers
   5) Interests
   6) Whether price, quality, service, or selection attracts the potential customer
d) The business plan should include all resources that will be needed to start and operate the proposed business and to help the entrepreneur evaluate whether he or she has enough capital to open and operate the business.
   1) Raw materials/merchandise
   2) Technical equipment or expertise needed to make a product or offer a service
   3) Fixtures
   4) Office and bookkeeping supplies
   5) Sales and promotional supplies
   6) Capital needed to purchase resources
   7) Number of additional employees (besides the owner) needed to operate the business
e) The business plan should include information about laws and regulations that will affect the operation of a business.
   1) Zoning and building codes
   2) Health and safety standards
   3) Discrimination laws
   4) Advertising laws
   5) Employee pension regulations
   6) Contracts into which the business will need to enter
   7) Necessary licenses and permits
   8) Estimated cost of complying with laws and regulations
f) The business plan should include a marketing plan--a program for achieving the forecasted sales for the proposed business.

1) Information on whether or not it is necessary to advertise
2) Information on whether sales will be constant or seasonal
3) Estimated cost of the marketing plan

g) The proposed location of the business should be included in the business plan.
1) Location of business
2) Size of the building
3) Whether the building will be rented or purchased
4) Room for expansion
5) Location of competitors
6) Location of potential customers
7) Zoning and building codes
8) Whether the location fits type of business
9) Whether it is conveniently placed and easily accessible

h) The last component of a business plan is financial projections for the proposed business.
1) Estimated sales for the first year
2) Estimated income and expenses for the first year
3) Income statement, balance sheet, and cash flow statement

4. Discuss with students why setting short- and long-term business goals is important. Explain that the ultimate goal of all businesses is to make a profit.

Why are business goals important?

Goals are important because they can be used to set operating policies.

F. Other Activities

Divide the class into groups of three or four students each. Have the groups list opportunities for school fund-raising. Have each group describe the opportunities, and explain how the opportunities might be turned into business ideas.

G. Conclusion

Opportunities for starting a business exist when people want a good or service that is not available and are willing to pay for it. Entrepreneurs recognize business opportunities and develop ideas for businesses to take advantage of opportunities. A business plan is a valuable tool that tests business ideas to evaluate whether they are worth pursuing. In addition, the plan can be used to help a proposed business obtain financing and to guide the business once it is started. Goals and objectives are important to a business because they can guide business operations. They can be expanded as the business grows.

H. Answers to Evaluation

1. c
2. b

3. An entrepreneur should look for changes or trends that will create new opportunities or change existing ones, good ideas that could be better executed, needs and wants that are not being met by existing businesses, and new ways of meeting the needs and wants of customers.

4. Goals are important because goals can be used to set operating policies.

5. The nine elements of a business plan are as follows:
- Idea for a business
- Information on competition
- Information on the market
- Resources needed to start and operate the business

- Information on the laws and regulations that will affect the operations of a business
- Marketing plan
- Plans for the proposed location of the business
- Financial projections for the proposed business

UNIT IX - ENTREPRENEURSHIP Name _____

Lesson 3: Evaluating Business Opportunities Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. When does a business opportunity exist?

   a. When an individual comes up with an idea for any new business
   b. When another business offering the same goods or services closes
   c. When people want and are willing to pay for a good or service
   d. When only a few businesses in the community offer the same good or service

2. For what is a business plan used?

   a. To determine if a business can support a market
   b. To serve as an operating guide once a business is open
   c. To measure the past successes of a business
   d. To help competitors obtain financing for their operations

Complete the following short answer questions.

3. What should an entrepreneur look for when considering business opportunities?

4. Why is establishing goals for a business important?

5. What are the eight elements of a business plan?

a.

b.

c.

d.

e.

f.

g.

h.

5000

Steps in Developing a Business Plan

* RECOGNIZE AN OPPORTUNITY AND DEVELOP A BUSINESS IDEA.

* IDENTIFY AND EVALUATE COMPETITORS.

* IDENTIFY THE MARKET FOR THE PROPOSED PRODUCT OR SERVICE.

* IDENTIFY THE RESOURCES NECESSARY AND CALCULATE THE CAPITAL NEEDED TO OBTAIN THEM.

* COLLECT INFORMATION ON REGULATIONS, CONTRACTS, LICENSES, AND PERMITS.

* DEVELOP A MARKETING PLAN.

* SELECT A BUSINESS LOCATION.

* PREPARE AN ESTIMATED FINANCIAL PLAN FOR THE BUSINESS.

Lesson 3: Evaluating Business Opportunities Name _____

Business Opportunities

Objective: Recognize business opportunities in the community.

List some of the opportunities for new businesses in your community and the reasons why you think these businesses could be successful.

Business Opportunities	Reasons

Lesson 3: Evaluating Business Opportunities Name _____

Business Plan

Objective: Prepare a business plan for a proposed business.

Using the information on business opportunities compiled in AS 3.1, choose one opportunity and answer the following questions.

1. What is the idea for the business?

2. Who are the competitors? What will the new business do differently?

3. Who will be the customers of the proposed business? What are their interests and income levels? Will price, quality, service, or selection attract the customers? What age groups will customers fall into? Will the business attract men or women (or both)?

4. What types of resources will be needed for the proposed business?

5. What information will be needed on regulations, contracts, permits, and licenses?

6. What do you think will be a good marketing plan for the proposed business?

7. What do you believe would be a good location for the business? Why?

9. What financial information do you need to include in a business plan?

UNIT IX - ENTREPRENEURSHIP

Lesson 4: Preparing an Income Statement

Competency/Objective: Prepare an income statement.

Study Questions

1. **What is an income statement?**

2. **What are the components of an income statement?**

3. **How is an income statement prepared?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IX.

2. Activity Sheet

   AS 4.1: Income Statement

UNIT IX - ENTREPRENEURSHIP

Lesson 4: Preparing an Income Statement

TEACHING PROCEDURES

A. Review

In the last lesson, ways of identifying business opportunities and evaluating them by developing a business plan were examined. Lesson 4 will cover income statements. An income statement is a financial document that contains a summary of a business's income and expenses for a specific period of time. The income statement measures a business's profitability, as well as its ability to repay loans and other debts.

B. Motivation

Compare running a business to participating in a baseball game. If you are playing in a game and you have no idea of the score, then you have no idea if you are winning or losing. If it is your turn to bat, with a man on third and one out, do you swing away or go for the sacrifice fly?

Some of the same principles apply to running a business. If you are running a business and keep good financial records, then you know the "score." When you know the score, you know if you are winning or losing in terms of profit, and you have a better idea what to do if decisions need to be made. Good financial records help the owners of a business know their financial position, which allows them to make decisions about how to increase their "score."

C. Assignment

D. Supervised Study

E. Discussion

1. Ask students what an income statement is.

What is an income statement?

An income statement is a summary of a business's income and expenses for a specific period.
a) Determines if a business, as of a specific date, has made a profit or sustained a loss
b) Measures a business's ability to repay loans and debts
c) Helps secure loans for financing or refinancing a business

2. Have students list the different components of an income statement. Discuss the income, expense, and net income components of an income statement.

What are the components of an income statement?

a) Revenue or income - Income includes cash sales from business activities, money earned from the sale of assets, and interest income.
b) Expenses - Cash expenses include the operating expenses involved in producing a product or service as well as interest paid on loans. Noncash expenses are expenses such as depreciation in which cash is not actually spent by the business.
c) Net income/loss - Net income or net loss is the increase or decrease in capital resulting from profit-making activities.

3. Ask students to describe how an income statement is prepared. Have them complete AS 4.1.

How is an income statement prepared?

a) List cash revenues on the income statement and then total them to calculate the gross revenue. For a retail or wholesale business, calculate the cost of goods sold and subtract it from cash revenues to find gross revenue from sales.
b) List cash expenses and add them to find total cash expenses.
c) Calculate net cash income by subtracting total cash expenses from gross revenue.
d) Enter the amount of depreciation during the period under noncash expenses on the income statement. Calculate net income from operations by subtracting depreciation from net cash income.
e) Net income is equal to net income from operations plus or minus the gain or loss on the sale of capital assets. A business has a capital gain when the income from selling a capital asset is more than its original cost less depreciation, and a capital loss when the income from selling a capital asset is less than its original cost less depreciation.

F. Other Activities

Show the students Schedule F and Schedule C to show how profit and loss are figured for tax purposes for a farm or business. The schedules can be obtained from the IRS web site (http://www.irs.ustreas.gov/prod/cover.html) or from the local library or post office.

G. Conclusion

An income statement is a summary of a business's income and expenses for a specific period of time. It allows a business to figure net income or net loss by finding total revenues, subtracting total cash and noncash expenses, and then adding or subtracting capital gains or losses.

H. Answers to Activity Sheet

AS 4.1

See the facing page for answers.

INCOME STATEMENT

Name: R & S Feedlot

For the period ending: December 31, 19--

REVENUE	
Livestock Sales	$44,000.00
Cost of Goods Sold	($12,263.00)
Gross Revenue	$31,737.00
CASH EXPENSES	
Feed	16,874.00
Veterinary Expense	628.00
Rent and Utilities	774.00
Total Cash Expenses	$18,276.00
Net Cash Income	$13,461.00
NONCASH EXPENSES	
Depreciation	$6,050.00
Net Income from Operations	$7,411.00
Gain or Loss on Capital Assets	($1,200.00)
Net Income	$6,211.00

I. Answers to Evaluation

1. b
2. a
3. c

4. A capital gain is when the income from selling a capital asset is more than its original cost less depreciation.

5. An income statement can be used to determine if a business, as of a specific date, has made a profit or sustained a loss. It measures a business's ability to repay loans and debts. Finally, an income statement is needed by a business to secure loans for financing or refinancing.

6. Cash revenues are listed on the income statement and then totaled to calculate the gross revenue. For a retail or wholesale business, the cost of goods sold is calculated and subtracted from cash revenues to find gross revenue from sales. Cash expenses are listed and added to calculate the total cash expenses. The net cash income is then calculated by subtracting total cash expenses from gross revenue. The amount of depreciation during the period is entered under noncash expenses on the income statement and subtracted from the net cash income to calculate net income from operations. Net income is equal to the net income from operations plus or minus the gain or loss on the sale of capital assets.

UNIT IX - ENTREPRENEURSHIP Name _____

Lesson 4: Preparing an Income Statement Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. What is an income statement?

   a. A financial statement summarizing assets, liabilities, and net worth as of a specific date.
   b. A financial statement summarizing a business's income and expenses for a specific period.
   c. A financial statement summarizing assets, liabilities, and revenue for a specific period of time.
   d. A financial statement summarizing the way cash flows in and out of a business.

2. The components of an income statement include:

   a. Revenue, expenses, and net income/net loss.
   b. Revenue, expenses, and net worth.
   c. Assets, liabilities, and net worth.
   d. Revenue, assets, and net income.

3. Gross revenues minus total cash expenses equals _____.

   a. Depreciation
   b. Net worth
   c. Net cash income
   d. Gross income

Complete the following short answer questions.

4. What is a capital gain?

5. What are the three ways a business can use a completed financial statement?

   a.

   b.

   c.

6. What are the five steps in preparing an income statement?

a.

b.

c.

d.

e.

Lesson 4: Preparing an Income Statement Name _____

Income Statement

Objective: Prepare an income statement.

Using the information below, complete an income statement using the form provided on the back of this sheet.

R & S Feedlot needs to complete an income statement for the period ending on December 31 of this year. During the period, the feedlot sold market cattle for $44,000 and spent $12,263 to purchase livestock for resale. Feed cost the business $16,874, and veterinary expenses were $628. Rent and utility payments were $774. Depreciation was figured at $6,050. The sale of capital assets resulted in a loss of $1,200.

INCOME STATEMENT

Name: _____

Date: _____

REVENUE	
Gross Revenue	
CASH EXPENSES	
Total Cash Expenses	
Net Cash Income	
NONCASH EXPENSES	
Net Income from Operations	
Gain or Loss on Capital Assets	
Net Income	

UNIT IX - ENTREPRENEURSHIP

Lesson 5: Preparing a Balance Sheet

Competency/Objective: Prepare a balance sheet.

Study Questions:

1. **What is a balance sheet?**

2. **What are the components of a balance sheet?**

3. **How is a balance sheet prepared?**

4. **How are solvency and liquidity evaluated?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IX.

2. Transparency Masters

   a) TM 5.1: Balancing Assets, Liabilities, and Net Worth
   b) TM 5.2: Balance Sheet
   c) TM 5.3: Corporate Balance Sheet

3. Activity Sheets

   a) AS 5.1: Identifying Assets and Liabilities
   b) AS 5.2: Completing a Balance Sheet

UNIT IX - ENTREPRENEURSHIP

Lesson 5: Preparing a Balance Sheet

TEACHING PROCEDURE

A. Review

In the last lesson, income statements were discussed. An income statement is a summary of a business's income and expenses for a specific period of time. The income statement measures the profitability and financial efficiency of a business, as well as its ability to repay loans and debts. Lesson 5 will discuss balance sheets, which are a part of the financial records kept by a business. A balance sheet is a listing of a business's assets and liabilities that is used as a guide to determine the solvency and liquidity of a business.

B. Motivation

Explain to students that this type of financial statement is called a balance sheet because both sides must balance. Discuss how a balance sheet is used to help businesses secure loans to operate and expand. Explain that if a business has more expenses than assets the business may have trouble paying creditors and securing loans.

C. Assignment

D. Supervised Study

E. Discussion

1. Ask students what a balance sheet is.

What is a balance sheet?

A balance sheet is a financial statement showing a business's assets, liabilities, and net worth as of a specific date.

2. Discuss the different components of a balance sheet with the class. Use TM 5.1 and 5.2 as illustrations. Ask students to define the terms *current asset, fixed asset, current liability, long-term liability,* and *net worth.* Have the students list examples of the different types of assets and liabilities and then complete AS 5.1.

What are the components of a balance sheet?

a) The components of a balance sheet include current assets, fixed assets, current liabilities, long-term liabilities, and net worth. They are written down in a two-column format, in which the totals of the two columns must balance.
b) Assets are the tangible and intangible resources and properties owned by a business.
    1) Current assets are assets that can or will be used or sold within one year.
    2) Fixed assets, or noncurrent assets, are assets that are not to be used or sold and converted into cash within one year.
c) Liabilities are all debts owed by a business.
    1) Current liabilities are payable within one year.
    2) Long-term liabilities, or noncurrent liabilities, are not due within one year.
d) Single assets or liabilities may be partially current and partially noncurrent.
e) Net worth (or owner's equity) is the net ownership a sole proprietor, partnership, corporation, or cooperative has in a business; it is equal to the amount of investment in a business by its

owners and any profits that have remained within the business. Net worth is equal to the difference between assets and liabilities.

3. Discuss how information on assets and liabilities is used to complete a balance sheet. Have students prepare the balance sheet on AS 5.2.

How is a balance sheet prepared?

a) To prepare a balance sheet, gather information on a business's current assets, fixed assets, current liabilities, and long-term liabilities.
b) Write a list of current assets and fixed assets in the first column of the balance sheet. Calculate the total value of current assets and the total value of fixed assets. Then add the two together to determine total assets.
c) Write a list of current liabilities and long-term liabilities in the second column of the balance sheet. Figure the total value of current liabilities and the total of long-term liabilities. Add the two to calculate total liabilities.
d) Calculate net worth by subtracting total liabilities from total assets.
e) Add total liabilities and net worth. The sum should be equal to total assets.

4. Ask students to define solvency and liquidity. Discuss the role the balance sheet plays in determining the solvency and liquidity of a business.

How are solvency and liquidity evaluated?

a) Solvency refers to the capital structure of a business. A business is considered solvent if the sale of all assets would generate sufficient cash to pay off all liabilities. A simple measure of solvency is whether total assets exceed total liabilities, i.e., net worth is greater than zero.
   1) Net worth/assets ratio - measure of solvency that is a measure of net worth as a percent of the total assets.

$$\textit{Net worth/assets ratio} = \frac{\textit{Net worth}}{\textit{Assets}}$$

   2) Net worth/total debt ratio - method of determining solvency by looking at the total liabilities and net worth of the business

$$\textit{Net worth/total debt} = \frac{\textit{Net worth}}{\textit{Total debt}}$$

b) Liquidity involves a business's capacity to generate cash to meet anticipated and unanticipated cash demands as they occur, without disruption of operations or a loss of value. A simple measure of liquidity is whether current assets are greater than current liabilities.
   1) Current ratio or working capital ratio - measure of liquidity in which current assets are divided by current liabilities to give a ratio of current assets per dollar of current liabilities

$$\textit{Current ratio} = \frac{\textit{Current assets}}{\textit{Current liabilities}}$$

   2) Quick ratio or "acid test" ratio - measure of liquidity similar to the current ratio but does not include the value of inventory

$$\textit{Quick ratio} = \frac{\textit{Current monetary assets}}{\textit{Current liabilities}}$$

F. Other Activities

1. Have a representative from a local financial institution or business visit the class and discuss how a balance sheet is used in securing a loan.

2. Obtain an annual report for a company from the Internet. Discuss the information on the balance sheet.

3. Obtain balance sheets for different companies from the Internet and discuss the differences between them.

G. Conclusion

A balance sheet is a summary of assets, liabilities, and net worth of a business at a specific point in time. It is useful in making business decisions since it indicates the business's current financial position; a balance sheet can also be used to measure the solvency and liquidity of a business.

H. Answers to Activity Sheets

AS 5.1

Item	Type of Asset or Liability
Trailer	FA
Checking account	CA
60 feeder pigs (averaging 180 lbs. each)	CA
24 cows (used for breeding)	FA
Loan for truck (due in three years)	LL
Interest due this year on loan for truck	CL
Vet bill	CL
Bull (used for breeding)	FA
50 tons of hay ($90.00 per ton)	CA
Four hog feeders	FA
Loan for baler (due in three years)	LL
Interest due this year on loan for baler	CL
Accounts receivable (sold hay to H. Smith)	CA
Four heated water units	FA
Two cattle feeders	FA
Loan for bull (due in two years)	LL
Interest due this year on loan for bull	CL
80 acres of pasture	FA
Loan for hay trailer (due in two years)	LL
Interest due this year on loan for hay trailer	CL

Item	Type of Asset or Liability
Truck used for farm	FA
Accounts payable (feed bill from Farm Supply)	CL
Tractor	FA
Hay baler	FA
Land loan (balloon payment due in two years)	LL
Interest due this year on loan for land	CL
Hay trailer	FA
Feed minerals, vitamins, and supplements	CA
Tractor loan (due in five years)	LL
Interest due this year on loan for tractor	CL
Savings account	CA
Rent due on pasture	CL
Short-term bond	CA

AS 5.2

See the following page for the completed balance sheet.

1. Yes. A business is solvent if total assets exceed total liabilities. The total value of Kim's assets is $170,352, which is greater than her total liabilities of $46,480.

2. .38

3. Yes. A simple measure of liquidity is that current assets exceed current liabilities. Kim's current assets total $18,382, which is greater than the total of her current liabilities of $11,472.

4. 1.60

BALANCE SHEET

Name: Kim Dylan

Date: April 30, 19--

Current Assets		Current Liabilities	
Checking account	660.00	Accounts payable	690.00
Feeder pigs	4,410.00	Vet bill	300.00
Hay	4,500.00	Rent	1,600.00
Accounts receivable	5,000.00	Interest (truck)	860.00
Feed minerals, vitamins, and supplements	312.00	Interest (baler)	1,080.00
		Interest (bull)	162.00
Savings account	2,640.00	Interest (hay trailer)	560.00
Short-term bond	860.00	Interest (land)	5,100.00
		Interest (tractor)	1,120.00
Total Current Assets	$18,382.00	Total Current Liabilities	$11,472.00
Fixed Assets		Long-Term Liabilities	
Trailer	800.00	Truck loan	9,600.00
Cows	21,600.00	Baler loan	12,000.00
Bull	3,600.00	Bull loan	1,800.00
Hog feeders	460.00	Hay trailer loan	7,000.00
Heated water units	310.00	Land loan	68,000.00
Cattle feeders	200.00	Tractor loan	14,000.00
Pasture land	80,000.00		
Truck	9,100.00		
Tractor	16,000.00		
Hay baler	12,000.00		
Hay trailer	7,900.00		
Total Fixed Assets	$151,970.00	Total Long-Term Liabilities	$112,400.00
		Total Liabilities	$123,872.00
		Net Worth	$46,480.00
Total Assets	$170,352.00	Total Liabilities & Net Worth	$170,352.00

I. Answers to Evaluation

1. c
2. b
3. b
4. d
5. a
6. c

7. A balance sheet is a financial statement showing the assets, liabilities, and net worth of a business as of a specific date.

8. Students should list the following steps.

   - Gather information on the business's current assets, fixed assets, current liabilities, and long-term liabilities.
   - Write a list of current assets and fixed assets in the first column of the balance sheet. Calculate the total value of current assets and the total value of fixed assets. Then add the two together to determine total assets.
   - Write a list of current liabilities and long-term liabilities in the second column of the balance sheet. Figure the total current liabilities and the total long-term liabilities. Add the two figures to calculate total liabilities.
   - Calculate net worth by subtracting the total liabilities from the total assets.
   - Add the total liabilities and net worth. The totals in the two columns should balance, or equal, each other.

9. 1.32
10. .81

UNIT IX - ENTREPRENEURSHIP Name_____

Lesson 5: Preparing a Balance Sheet Date_____

EVALUATION

Circle the letter that corresponds to the best answer.

1. What are assets?

   a. The net ownership that the owner has in the business
   b. The debts owed by a business
   c. The resources and properties owned by a business
   d. The interest paid by a business

2. What are liabilities?

   a. The net ownership that the owner has in the business
   b. The debts owed by a business
   c. The resources and properties of a business
   d. The interest paid by a business

3. Assets - Liabilities = _____ ?

   a. Income
   b. Net worth
   c. Expenses
   d. Solvency

4. A business is considered solvent if:

   a. Current assets are greater than current liabilities.
   b. Current assets are less than current liabilities.
   c. Total assets are less than total liabilities.
   d. Total assets are greater than total liabilities.

5. A business is considered liquid if:

   a. Current assets are greater than current liabilities.
   b. Current assets are less than current liabilities.
   c. Total assets are less than total liabilities.
   d. Total assets are greater than total liabilities.

6. Which of the following is a measure of liquidity that involves looking at current assets and current liabilities?

   a. Net worth/assets ratio
   b. Net worth/total debt ratio
   c. Current ratio
   d. Quick ratio

Complete the following short answer questions.

7. What is a balance sheet?

8. What are the steps in completing a balance sheet?

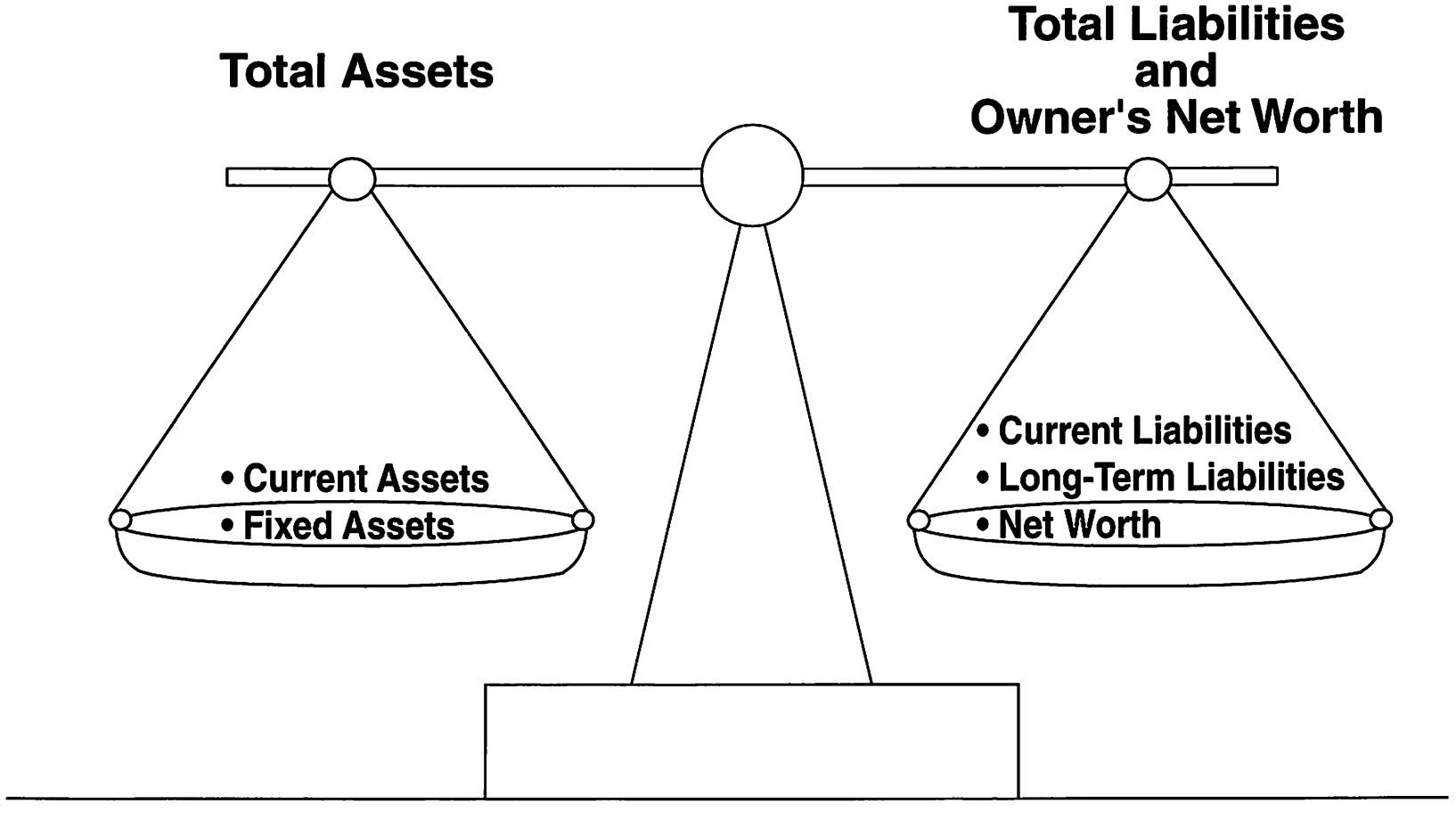
Using the information below, answer the following questions. Round your answers to the nearest hundredth.

A business has total assets worth $78,000 and current assets worth $26,000. Its inventory is worth $11,500. The total debt for the business is $37,000, and the current liabilities of the business are $18,000.

9. What is the net worth/total debt ratio for the business?

10. What is the "acid test" ratio?

Balancing Assets, Liabilities, and Net Worth



Balance Sheet

Current Assets		Current Liabilities	
Total Current Assets		Total Current Liabilities	
Fixed Assets		Long-Term Liabilities	
Total Fixed Assets		Total Long-Term Liabilities	
		Total Liabilities	
		Net Worth	
Total Assets		Total Liabilities & Net Worth	

Corporate Balance Sheet

ANYLARGE CORPORATION

CONSOLIDATED BALANCE SHEETS

DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE DATA

	May 28, 1997	May 29, 1996
Assets		
Current assets		
Cash and short-term investments	$1,321,231	$861,809
Receivables, less allowances ($74,857 1997, $82,934 1996)	470,437	391,342
Inventories	23,025	32,221
Prepaid expenses	50,576	69,324
Deferred income taxes	59,913	98,435
Total current assets	1,925,182	1,453,131
Fixed Assets		
Property, plant, and equipment, net	390,452	394,682
Other assets	101,196	115,668
Total assets	$2,416,830	$1,963,481
Current Liabilities		
Accounts payable	$116,305	$67,176
Accrued compensation	97,637	81,639
Accrued marketing liabilities	72,339	66,800
Other accrued marketing liabilities	90,623	121,165
Income taxes payable	29,942	78,139
Deferred revenue	54,099	47,801
Total current liabilities	460,945	462,720
Minority interests	17,623	13,774
Shareholders' Equity		
Common stock, par value $.10 per share		
Authorized-600,000,000 shares		
Issued-		
371,567,158 shares, 1997		
364,354,887 shares, 1996	37,157	36,436
Additional paid-in capital	737,481	645,419
Retained earnings	1,163,624	805,132
Total shareholders' equity	1,938,262	1,486,987
Total liabilities and shareholders' equity	2,416,830	$1,963,481

Lesson 5: Preparing a Balance Sheet Name_____

Identifying Assets and Liabilities

Objective: Distinguish between current and fixed assets and between current and long-term liabilities.

Kim Dylan has a livestock and crop production business. Below is a list of Kim's assets and liabilities as of April 30 of this year. Identify whether the assets and liabilities are current or noncurrent by writing CA for current assets, FA for fixed assets, CL for current liabilities, and LL for long-term liabilities.

Item	Value	Type of Asset or Liability
Trailer	$800.00	_____
Checking account	$660.00	_____
60 feeder pigs (averaging 180 lbs. each)	$4,410.00	_____
24 cows (used for breeding)	$21,600.00	_____
Loan for truck (due in three years)	$9,600.00	_____
Interest due this year on loan for truck	$860.00	_____
Vet bill	$300.00	_____
Bull (used for breeding)	$3,600.00	_____
50 tons of hay ($90.00 per ton)	$4,500.00	_____
Four hog feeders	$460.00	_____
Loan for baler (due in three years)	$12,000.00	_____
Interest due this year on loan for baler	$1,080.00	_____
Accounts receivable (sold hay to H. Smith)	$5,000.00	_____
Four heated water units	$310.00	_____
Two cattle feeders	$200.00	_____
Loan for bull (due in two years)	$1,800.00	_____
Interest due this year on loan for bull	$162.00	_____
80 acres of pasture	$80,000.00	_____
Loan on hay trailer (due in two years)	$7,000.00	_____
Interest due this year on loan for hay trailer	$560.00	_____
Truck used for farm	$9,100.00	_____
Accounts payable (feed bill from Farm Supply)	$690.00	_____

Item	Value	Type of Asset or Liability
Tractor	$16,000.00	_____
Hay baler	$12,000.00	_____
Land loan (balloon payment due in two years)	$68,000.00	_____
Interest due this year on loan for land	$5,100.00	_____
Hay trailer	$7,900.00	_____
Feed minerals, vitamins, and supplements	$312.00	_____
Tractor loan (due in five years)	$14,000.00	_____
Interest due this year on loan for tractor	$1,120.00	_____
Savings account	$2,640.00	_____
Rent due on pasture	$1,600.00	_____
Short-term bond	$860.00	_____

Lesson 5: Preparing a Balance Sheet Name_____

Completing a Balance Sheet

Objective: Prepare a balance sheet for a business.

Using the list of assets and liabilities from AS 5.1, complete the balance sheet for Kim Dylan's livestock and crop production business. Then answer the questions below.

1. Would Kim's business be considered solvent? Why or why not?

2. What is the net worth/total debt ratio?

3. Would the business be considered liquid? Why or why not?

4. What is the current ratio?

BALANCE SHEET

Name: _____

Date: _____

Current Assets		Current Liabilities	
Total Current Assets		Total Current Liabilities	
Fixed Assets		Long-Term Liabilities	
Total Fixed Assets		Total Long-Term Liabilities	
		Total Liabilities	
		Net Worth	
Total Assets		Total Liabilities & Net Worth	

UNIT IX - ENTREPRENEURSHIP

Lesson 6: Summarizing Business Cash Flow

Competency/Objective: Summarize cash flow and project a statement of cash flows.

Study Questions

1. **Why is cash flow projected?**

2. **How is cash flow projected and summarized?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IX.

2. Activity Sheets

   a) AS 6.1: Identifying Income and Expenses
   b) AS 6.2: Preparing a Cash Flow Statement
   c) AS 6.3: Identifying Cash Flow Activities
   d) AS 6.4: Preparing Statement of Cash Flows

UNIT IX - ENTREPRENEURSHIP

Lesson 6: Summarizing Business Cash Flow

TEACHING PROCEDURES

A. Review

In Lesson 5, balance sheets were discussed. A balance sheet is a statement of a business's assets, liabilities, and net worth as of a specific date. It can be used to determine the solvency or liquidity of a business. This lesson discusses the importance of monitoring cash flow. The cash flow statement and statement of cash flows are two of the records that allow the entrepreneur to analyze the performance of a business, make decisions affecting it, and assess the effectiveness of those decisions.

B. Motivation

Ask students how many of them have ever experienced a cash flow problem, with more money being paid out than was coming in. If money was not available, some of them may have had to ask for advances on their allowances or borrow the money from other sources. Draw a parallel to operating a business by telling them that businesses may have similar problems, so it is important for owners to know when money will be received and bills paid. If the timing of these two activities matches, a business will not have to borrow money and, thus, will not have to pay interest.

C. Assignment

D. Supervised Study

E. Discussion

1. Ask students to define cash flow. Discuss with the students why it is important to project cash flow.

Why is cash flow projected?

a) Cash flow statements show the liquidity of a business.
b) Statements help a business establish and maintain a line of credit.
c) Statements can be used to evaluate past financial practices and inform current decisions.

2. Discuss preparing cash flow statements, using AS 6.1, 6.2, 6.3, and 6.4.

How is cash flow projected and summarized?

a) Cash flow statement - summarizes either projected business payments and receipts or past cash flows for a business
    1) Break down transactions into income or expenses.
    2) Break down transactions into quarterly values.
    3) Enter the amounts of the transactions on the cash flow statement.
    4) Add receipts to the beginning cash balance to find the total cash available.
    5) Subtract expenses to find the cash position before savings and borrowing.
    6) Add any money borrowed to find the ending cash balance.
    7) Repeat this process for each quarter and for the "Total" column.
b) Statement of cash flows - shows in what areas cash inflows and outflows occur in a business
    1) Arrange information on total income and expenses for the year into operating, investing, and financing activities.
        (a) Operating activities - cash flow from the production and sale of goods and services and the use of consumable supplies and labor in production

(b) Investing activities - cash flow from the purchase or sale of capital assets
(c) Financing activities - cash flow from financial activities such as taking out or paying loans and payments on stock dividends

2) Enter the total amounts for these activities for the period on the statement.
3) Total the cash inflows and outflows for the activities to find the net increase or decrease in cash for the period
4) Add the beginning cash balance for the year to find the cash available at the end of the year.

F. Other Activities

Ask a representative from a local bank or financial institution to visit the class and talk about cash flow statements. Have the representative discuss how cash flow statements are used to determine eligibility for short- and long-term loans. Discuss what information financial institutions consider in a business's cash flow.

G. Conclusion

Cash flow is the way money flows into and out of a business. A cash flow statement summarizes the projected payments by and receipts for a business. Information from the cash flow statement is transferred to the statement of cash flows and summarized by activity to show exactly where cash inflows and outflows occur. Cash flow statements can be used to help a business determine its liquidity, gain and maintain a line of credit, and evaluate past financial practices to inform current decisions.

H. Answers to Activity Sheets

AS 6.1

MONTH	TRANSACTION	VALUE	INCOME (I) OR EXPENSE (E)
Jan	Principal payment (bull)	$900	E
Jan	Interest payment (bull)	$81	E
Jan	Utility payment (4th quarter)	$141	E
Jan	Purchased feed (hogs)	$250	E
Feb	Purchased feed (hogs)	$350	E
Feb	Purchased feed (cattle)	$320	E
Mar	Sold market hogs	$3,240	I
Mar	Principal payment (land)	$1,700	E
Mar	Interest payment (land)	$2,550	E
Mar	Rent payment (pasture)	$800	E
Mar	Property tax payment	$950	E
Apr	Sold market hogs	$216	I
Apr	Utility payment (1st quarter)	$125	E
Apr	Purchased supplies for production	$525	E
May	Purchased hay baler	$6,000	E
May	New loan for baler	$6,000	I
May	Purchased fuel for tractor	$450	E
June	Breeding service	$125	E
June	Insurance payment	$340	E
July	Sold hay	$3,920	I
July	Pregnancy test (cows)	$250	E
July	Utility payment (2nd quarter)	$80	E
July	Purchased feeder hogs	$1,260	E
July	Purchased feed (calves)	$450	E
July	Repairs on tractor	$425	E

Aug	Sold hay	$5,220	I
Aug	Principal payment (hay trailer)	$1,250	E
Aug	Interest payment (hay trailer)	$280	E
Aug	Principal payment (tractor)	$1,750	E
Aug	Interest payment (tractor)	$560	E
Aug	Purchased feed (hogs)	$400	E
Sept	Purchased feed (hogs)	$550	E
Sept	Purchased feed (cows)	$300	E
Sept	Purchased feed (calves)	$600	E
Sept	Purchased fuel for tractor	$300	E
Oct	Principal payment (truck)	$1,600	E
Oct	Interest payment (truck)	$430	E
Oct	Utility payment (3rd quarter)	$80	E
Oct	Veterinary bill (calves)	$70	E
Oct	Purchased feed (hogs)	$600	E
Nov	Sold breeding stock	$5,600	I
Nov	Principal payment (hay baler)	$2,000	E
Nov	Interest payment (hay baler)	$540	E
Nov	Purchased feed (hogs)	$750	E
Dec	Sold hay	$2,800	I
Dec	Purchased feed (hogs)	$825	E

AS 6.2

CASH FLOW STATEMENT

Name Smith Production For the period Dec. - Jan. 19--

	TOTAL	QUARTER 1 (JAN-MAR)	QUARTER 2 (APR-JUNE)	QUARTER 3 (JULY-SEPT)	QUARTER 4 (OCT-DEC)
BEGINNING CASH BALANCE	$300	$300	($4,472)	($5,821)	($5,136)
Receipts					
Hay crop	$11,940			$9,140	$2,800
Market livestock	$456	$3,240	$216		
Breeding stock	$5,600				$5,600
TOTAL CASH AVAILABLE	$21,326	$3,570	($4,256)	$3,319	$3,264
Expenses					
Feed	$5,395	$920		$2,300	$2,175
Market Livestock	1,260			1,260	
Rent	800	800			
Utilities	486	141	125	80	140
Supplies	525		525		
Taxes	950	950			
Machinery	6,000		6,000		
Insurance	340		340		
Veterinary bill	70				70
Pregnancy test	250			250	
Breeding service	125		125		
Fuel	750		450	300	
Tractor repair	425			425	
Principal payments	9,200	2,600		3,000	3,600
Interest expense	4,441	2,631		840	970
TOTAL CASH REQUIRED	$31,467	$8,042	$7,565	$8,455	$6,955
CASH POSITION BEFORE SAVINGS & BORROWING		($4,472)	($11,821)	($5,136)	($3,691)
Money borrowed	$6,000		$6,000		
ENDING CASH BALANCE	($3,691)	($4,472)	($5,821)	($5,136)	($3,691)

AS 6.3

MONTH	TRANSACTION	VALUE	OPERATING (O) INVESTING (I) FINANCING (F)
Jan	Principal payment (bull)	$900	F
Jan	Interest payment (bull)	$81	O
Jan	Utility payment (4th quarter)	$141	O
Jan	Purchased feed (hogs)	$250	O
Feb	Purchased feed (hogs)	$350	O
Feb	Purchased feed (cattle)	$320	O
March	Sold market hogs	$3,240	O
March	Principal payment (land)	$1,700	F
March	Interest payment (land)	$2,550	O
March	Rent payment (pasture)	$800	O
March	Property tax payment	$950	O
April	Sold hogs	$216	O
April	Utility payment (1st quarter)	$125	O
April	Purchased supplies for production	$525	O
May	Purchased hay baler	$6,000	I
May	New loan for baler	$6,000	F
May	Purchased fuel for tractor	$450	O
June	Breeding service	$125	O
June	Insurance payment	$340	O
July	Sold hay	$3,920	O
July	Pregnancy test (cows)	$250	O
July	Utility payment (2nd quarter)	$80	O
July	Purchased feeder hogs	$1,260	O
July	Purchased feed (calves)	$450	O
July	Repairs on tractor	$425	O
Aug	Sold hay	$5,220	O
Aug	Principal payment (hay trailer)	$1,250	F
Aug	Interest payment (hay trailer)	$280	O
Aug	Principal payment (tractor)	$1,750	F
Aug	Interest payment (tractor)	$560	O
Aug	Purchased feed (hogs)	$400	O
Sept	Purchased feed (hogs)	$550	O
Sept	Purchased feed (cows)	$300	O
Sept	Purchased feed (calves)	$600	O
Sept	Purchased fuel for tractor	$300	O
Oct	Principal payment (truck)	$1,600	F
Oct	Interest payment (truck)	$430	O
Oct	Utility payment (3rd quarter)	$140	O
Oct	Veterinary bill (calves)	$70	O
Oct	Purchased feed (hogs)	$600	O
Nov	Sold breeding stock	$5,600	I
Nov	Principal payment (hay baler)	$2,000	F
Nov	Interest payment (hay baler)	$540	O
Nov	Purchased feed (hogs)	$750	O
Dec	Sold hay	$2,800	O
Dec	Purchased feed (hogs)	$825	O

AS 6.4

CASH FLOW FROM OPERATING ACTIVITIES:

Cash received from operations

Sold hogs		$3,240
Sold hogs		$216
Sold hay		$3,920
Sold hay		$5,220
Sold hay		$2,800
	TOTAL	$15,396

Cash paid for accounts payable (feeder livestock and feed purchased)

Purchased feed (hogs)		$250
Purchased feed (hogs)		$350
Purchased feed (cows)		$320
Purchased feeder hogs		$1,260
Purchased feed (calves)		$450
Purchased feed (hogs)		$400
Purchased feed (hogs)		$550
Purchased feed (cows)		$300
Purchased feed (calves)		$600
Purchased feed (hogs)		$600
Purchased feed (hogs)		$750
Purchased feed (hogs)		$825
	TOTAL	$6,655

Cash paid for operating expenses

Utility payment (4th quarter)	$141
Rent payment	$800
Property tax payment	$950
Utility payment (1st quarter)	$125
Purchased supplies for production	$525
Purchased fuel for tractor	$450
Breeding service	$125

Insurance payment		$340
Pregnancy test (cows)		$250
Repairs on tractor		$425
Utility payment (2nd quarter)		$80
Purchased fuel for tractor		$300
Veterinarian bill (calves)		$70
Utility payment (3rd quarter)		$140
	TOTAL	$4,721
Cash paid for interest		
Interest payment (bull)		$81
Interest payment (land)		$2,550
Interest payment (trailer)		$280
Interest payment (tractor)		$560
Interest payment (truck)		$430
Interest payment (baler)		$540
	TOTAL	$4,441
CASH FLOW FROM INVESTING ACTIVITIES		
Cash received from sale of breeding stock		
Sold breeding stock		$5,600
Cash paid to purchase machinery and equipment		
Purchased hay baler		$6,000
CASH FLOW FROM FINANCING ACTIVITIES		
Cash paid in loan principal		
Principal payment (bull)		$900
Principal payment (land)		$1,700
Principal payment (trailer)		$1,250
Principal payment (tractor)		$1,750
Principal payment (truck)		$1,600
Principal payment (baler)		$2,000
	TOTAL	$9,200
Income received from loans		
New loan for baler		$6,000

STATEMENT OF CASH FLOWS

Name Smith Production For the period ending December 31, 19--

CASH FLOWS--OPERATING ACTIVITIES	
Cash received from operations	$15,396
Cash paid for accounts payable	(6,655)
Cash paid for operating expenses	(4,721)
Cash paid for interest	(4,441)
NET CASH FLOW FROM OPERATIONS	$ (421)
CASH FLOWS--INVESTMENT ACTIVITIES	
Cash received from sale of breeding stock	$5,600
Cash paid to purchase machinery and equipment	(6,000)
NET CASH FLOW FROM INVESTMENTS	$ (400)
CASH FLOWS--FINANCING ACTIVITIES	
Cash paid in loan principal	$(9,200)
Income received from loans	6,000
NET CASH FROM FINANCING ACTIVITIES	$ (3,200)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	$ (4,021)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	$ 330
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ (3,691)

I. Answers to Evaluation

1. d
2. a
3. b
4. d
5. b

6. Cash flow statements show the liquidity of a business, help a business get and maintain a line of credit, and can be used to evaluate past financial practices and inform current decisions.

UNIT IX - ENTREPRENEURSHIP Name _____

Lesson 6: Summarizing Business Cash Flow Date _____

Evaluation

Circle the letter that corresponds to the best answer.

1. Which of the following is a financing activity?

   a. Paying rent
   b. Purchasing machinery for production
   c. Selling goods produced
   d. Receiving dividends

2. A cash flow statement:

   a. Summarizes either past or projected cash flows by business payments by quarters.
   b. Shows transactions broken down into operating, investing, and financing activities.
   c. Summarizes the cash value of capital assets owned by a business.
   d. Shows only the payments made by a business for a specific period.

3. A statement of cash flows:

   a. Summarizes either past or projected cash flows by business payments by quarters.
   b. Shows transactions broken down into operating, investment, and financing activities.
   c. Summarizes the cash value of capital assets owned by a business.
   d. Shows only the payments made by a business for a specific period.

4. Purchasing machinery for production is a(n) _____ activity.

   a. Financing
   b. Operating
   c. Capital asset
   d. Investment

5. Which of the following is <u>not</u> a source of cash flow?

   a. Purchasing inputs for production
   b. Owning capital assets
   c. Selling stock in your business
   d. Taking out a loan

Complete the following short answer question.

6. What are three reasons cash flow might be projected?

   a.

   b.

   c.

Lesson 6: Summarizing Business Cash Flow Name _____

Identifying Income and Expenses

Objective: Categorize cash inflows and outflows.

Sandy started an agricultural feeder pig production business, Smith Production, while she was in high school and has expanded the operation since she graduated. Last year she invested money in a beef breeding herd and is renting ground and raising hay for feed and to sell to other producers. She is interested in finding out how these major investments have affected the cash flow of her business.

Categorize the following transactions as income or expenses by writing I or E in the final column.

MONTH	TRANSACTION	VALUE	INCOME (I) OR EXPENSE (E)
Jan	Principal payment (bull)	$900	_____
Jan	Interest payment (bull)	$81	_____
Jan	Utility payment (4th quarter)	$141	_____
Jan	Purchased feed (hogs)	$250	_____
Feb	Purchased feed (hogs)	$350	_____
Feb	Purchased feed (cattle)	$320	_____
Mar	Sold market hogs	$3,240	_____
Mar	Principal payment (land)	$1,700	_____
Mar	Interest payment (land)	$2,550	_____
Mar	Rent payment (pasture)	$800	_____
Mar	Property tax payment	$950	_____
Apr	Sold market hogs	$216	_____
Apr	Utility payment (1st quarter)	$125	_____
Apr	Purchased supplies for production	$525	_____
May	Purchased hay baler	$6,000	_____
May	New loan for baler	$6,000	_____
May	Purchased fuel for tractor	$450	_____
June	Breeding service	$125	_____
June	Insurance payment	$340	_____
July	Sold hay	$3,920	_____
July	Pregnancy test (cows)	$250	_____
July	Utility payment (2nd quarter)	$80	_____
July	Purchased feeder hogs	$1,260	_____
July	Purchased feed (calves)	$450	_____
July	Repairs on tractor	$425	_____
Aug	Sold hay	$5,220	_____
Aug	Principal payment (hay trailer)	$1,250	_____
Aug	Interest payment (hay trailer)	$280	_____
Aug	Principal payment (tractor)	$1,750	_____
Aug	Interest payment (tractor)	$560	_____
Aug	Purchased feed (hogs)	$400	_____
Sept	Purchased feed (hogs)	$550	_____
Sept	Purchased feed (cows)	$300	_____
Sept	Purchased feed (calves)	$600	_____
Sept	Purchased fuel for tractor	$300	_____
Oct	Principal payment (truck)	$1,600	_____
Oct	Interest payment (truck)	$430	_____

Oct	Utility payment (3rd quarter)	$140	_____
Oct	Veterinarian bill (calves)	$70	_____
Oct	Purchased feed (hogs)	$600	_____
Nov	Sold breeding stock	$5,600	_____
Nov	Principal payment (hay baler)	$2,000	_____
Nov	Interest payment (hay baler)	$540	_____
Nov	Purchased feed (hogs)	$750	_____
Dec	Sold hay	$2,800	_____
Dec	Purchased feed (hogs)	$825	_____

Lesson 6: Summarizing Business Cash Flow Name_____

Preparing a Cash Flow Statement

Objective: Prepare a cash flow statement.

With the information from AS 6.1, prepare a cash flow statement for the current year for Sandy's business, Smith Production. The beginning cash balance was $330.00.

CASH FLOW STATEMENT

Name _____ For the period _____

	TOTAL	QUARTER 1 (JAN-MAR)	QUARTER 2 (APR-JUNE)	QUARTER 3 (JULY-SEPT)	QUARTER 4 (OCT-DEC)
BEGINNING CASH BALANCE					
TOTAL CASH AVAILABLE					
TOTAL CASH REQUIRED					
CASH POSITION BEFORE SAVINGS & BORROWING					
ENDING CASH BALANCE					

Lesson 6: Summarizing Business Cash Flow Name _____

Identifying Cash Flow Activities

Objective: Differentiate between operating, investing, and financing activities of a business.

Classify each of the transactions from Sandy's business as operating, investing, or financing activities.

MONTH	TRANSACTION	VALUE	OPERATING (O), INVESTING (I), FINANCING (F)
Jan	Principal payment (bull)	$900	_____
Jan	Interest payment (bull)	$81	_____
Jan	Utility payment (4th quarter)	$141	_____
Jan	Purchased feed (hogs)	$250	_____
Feb	Purchased feed (hogs)	$350	_____
Feb	Purchased feed (cattle)	$320	_____
Mar	Sold market hogs	$3,240	_____
Mar	Principal payment (land)	$1,700	_____
Mar	Interest payment (land)	$2,550	_____
Mar	Rent payment (pasture)	$800	_____
Mar	Property tax payment	$950	_____
Apr	Sold hogs	$216	_____
Apr	Utility payment (1st quarter)	$125	_____
Apr	Purchased supplies for production	$525	_____
May	Purchased hay baler	$6,000	_____
May	New loan for baler	$6,000	_____
May	Purchased fuel for tractor	$450	_____
June	Breeding service	$125	_____
June	Insurance payment	$340	_____
July	Sold hay	$3,920	_____
July	Pregnancy test (cows)	$250	_____
July	Utility payment (2nd quarter)	$80	_____
July	Purchased feeder hogs	$1,260	_____
July	Purchased feed (calves)	$450	_____
July	Repairs on tractor	$425	_____
Aug	Sold hay	$5,220	_____
Aug	Principal payment (hay trailer)	$1,250	_____
Aug	Interest payment (hay trailer)	$280	_____
Aug	Principal payment (tractor)	$1,750	_____
Aug	Interest payment (tractor)	$560	_____
Aug	Purchased feed (hogs)	$400	_____
Sept	Purchased feed (hogs)	$550	_____
Sept	Purchased feed (cows)	$300	_____
Sept	Purchased feed (calves)	$600	_____
Sept	Purchased fuel for tractor	$300	_____
Oct	Principal payment (truck)	$1,600	_____
Oct	Interest payment (truck)	$430	_____
Oct	Utility payment (3rd quarter)	$140	_____
Oct	Veterinary bill (calves)	$70	_____
Oct	Purchased feed (hogs)	$600	_____
Nov	Sold breeding stock	$5,600	_____

Nov	Paid principal (hay baler)	$2,000	_____
Nov	Paid interest (hay baler)	$540	_____
Nov	Purchased feed (hogs)	$750	_____
Dec	Sold hay	$2,800	_____
Dec	Purchased feed (hogs)	$825	_____

Lesson 6: Summarizing Business Cash Flow Name _____

Preparing a Statement of Cash Flows

Objective: Prepare a statement of cash flows.

With the information from AS 6.3, classify the transactions by type and find the total for each type. Using the form provided, complete the statement of cash flows for Smith Production for the period ending December 31 of the current year. The beginning cash balance was $330.00.

CASH FLOW FROM OPERATING ACTIVITIES:

Cash received from operation Amount

TOTAL $_____

Cash paid for accounts payable (feeder livestock and feed purchased)

TOTAL $_____

Cash paid for operating expenses

Amount

TOTAL $_____

Cash paid for interest

TOTAL $_____

CASH FLOW FROM INVESTING ACTIVITIES: Amount

Cash received from sale of breeding stock

TOTAL $_____

Cash paid to purchase machinery and equipment

TOTAL $_____

CASH FLOW FROM FINANCING ACTIVITIES:

Cash paid on loan principal

TOTAL $_____

Income received from loans

TOTAL $_____

STATEMENT OF CASH FLOWS	
Name _____ For the period ending _____	
CASH FLOWS--OPERATING ACTIVITIES	
	$
NET CASH FLOW FROM OPERATIONS	$
CASH FLOWS--INVESTMENT ACTIVITIES	
	$
NET CASH FLOW FROM INVESTMENTS	$
CASH FLOWS--FINANCING ACTIVITIES	
	$
NET CASH FROM FINANCING ACTIVITIES	$
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	$
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	$
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$

UNIT IX - ENTREPRENEURSHIP

Lesson 7: Obtaining Business Financing

Competency/Objective: Describe how to obtain financing for a business.

Study Questions

1. **What is business financing?**
2. **What are the sources of business financing?**
3. **What type of information must a business provide to secure a business loan?**
4. **How do lenders determine credit worthiness?**
5. **What is a franchise?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1997, Unit IX.

UNIT IX - ENTREPRENEURSHIP

Lesson 7: Obtaining Business Financing

TEACHING PROCEDURES

A. Review

Lesson 6 covered cash flow statements, financial statements used to track the flow of money into and out of a business through receipts and payments. Like the balance sheet and the income statement, the cash flow statement is used to obtain money needed for business purposes. This lesson will discuss business financing, including the different sources of financing and the type of information a business must provide to obtain financing.

B. Motivation

Ask students if any of them have ever loaned money. Ask them whether they wondered how and when they would be repaid. Explain that financial institutions make loans using the money of depositors and so are accountable to them. Financial institutions want to be certain that loans will be repaid before lending money and that businesses have the assets to cover their loans.

C. Assignment

D. Supervised Study

E. Discussion

1. Ask students what it means to finance a business. Discuss how business financing can be obtained.

What is business financing?

a) Obtaining financing to start or expand a business involves getting a loan from another person or institution and paying back the money plus interest at a later date.
   1) Good financial management includes borrowing only the appropriate amount of money needed and getting the best interest rate possible.
   2) It also involves shopping around for the best rate of interest.

b) Young entrepreneurs who want to start businesses that require large inventories or large capital investments may have trouble finding institutions or individuals willing to loan them the money, and they may have to start small. However, once financial institutions can confirm a history of good business management, they are more likely to lend a business money.

c) Even if financing is not required to start a business, establishing a line of credit is important when running a business; a good credit history will make it possible to obtain financing if it is needed.

2. Have the students list the sources of business financing. Ask them to describe the activities carried out by each one.

What are the sources of business financing?

1) Commercial banks - generally offer short- and long-term loans and a payment schedule that requires a single payment or periodic payments of interest and principle; loan money for real estate, inventory, or capital assets

2) Savings and loans - primarily set up for long-term use for real estate; mostly lend money for housing, but also make loans for business real estate
3) Insurance companies - allow individuals to borrow against the cash surrender value of their life insurance policy to make purchases; make short- and long-term loans
4) Small Business Administration (SBA) - government agency that primarily guarantees a certain percentage of short- and long-term loans made by private lenders to entrepreneurs and small businesses meeting certain qualifications
5) Farm credit agencies - provide short- and long-term loans for land, assets, and operating funds for production or service agribusinesses
6) Manufacturers and retailers - provide short- and long-term credit; may offer credit terms to a business, give a discount on merchandise being purchased if the money is paid in a designated period of time, or sell merchandise on consignment, in which case it does not have to be paid for by the business until it is sold
7) Farm Services Agency/Agricultural Stabilization and Conservation Service - government agency that handles government and government-guaranteed farm loans made to persons with experience in agricultural production who will be the owners or operators of an agricultural production facility when the loan is closed; makes loans for farm ownership, soil and water conservation improvements, operating expenses, and emergency purposes
8) Venture capital - money that can be invested in the ownership of a business; may involve selling stock on the open market to investors or taking on partners
9) Personal sources of financing - capital from loans on life insurance policies, personal trusts, savings plans that were established with a present employer, or family members or friends

3. Ask the students to describe the information that a business will have to provide to financial institutions to secure a business loan. Discuss how the information is similar to the information needed to secure a personal loan. Have students orally present the business plans they devised using AS 7.1.

What type of information must a business provide to secure a business loan?

a) Individual's or business's credit history
b) Information on assets to be used for collateral
c) Information on cash flow, to determine whether the business can make interest and principal payments on the loan
d) History of established businesses, including income and expenses
e) History of the individual or individuals starting a business, including experience and training
f) Business idea/business plan (for new businesses)

4. Discuss how a lending institution would determine the credit worthiness of an individual or businesses.

How do lenders determine credit worthiness?

a) Character - refers to the credit history of the entrepreneur
b) Capacity - involves looking at whether the business will have the ability to operate effectively in the future and generate enough revenue to pay back the loan and meet other business expenses
c) Capital - involves looking at the cash flow of the entrepreneur to determine whether he or she has the capital available to meet his or her financial obligations; whether money will be available to pay off the principal and interest when payments are due
d) Collateral - assets that can be offered as security for the loan

5. Ask students to describe what a franchise is. Discuss franchising.

What is a franchise?

a) A franchise is an agreement that grants the right to operate a business, such as a fast-food restaurant, in the name of a recognized company.
b) The franchisee, or person purchasing the franchise, hopes to reduce his or her risk by purchasing a business that has been shown to be successful. The franchisor, or owner of the existing business, provides all of the business planning needed to operate the business.
c) Buying a franchise may make it easier to obtain financing. Franchisors often assist franchisees by helping to arrange loans from lenders, making it more likely that a loan will be approved. A disadvantage to starting a franchise is that the initial franchise fee and on-going royalty fees can often be expensive.

F. Other Activities

Invite a representative from a local bank, savings and loan, government credit agency, or other financial institution to talk to students about the process of obtaining financing. Have the representative discuss what a lender looks for before approving credit for a business just getting started and for an established business.

G. Conclusion

Obtaining a loan to start a business begins with building a good personal credit history. Sometimes starting small is necessary, and the business then can be built as money becomes available. An entrepreneur who thinks big but starts small can become successful.

H. Answers to Evaluation

1. b
2. a
3. d

4. A manufacturer and retailer might offer credit to a business, give a discount on merchandise being purchased if the money is paid in a designated period of time, or sell merchandise on consignment, in which case it does not have to be paid for by the business until it is sold.

5. Answers may include any three of the following: individual's credit history, information on assets to be used for collateral, information on cash flow to determine whether the business can make interest and principal payments on the loan, history of the individual or individuals starting a business, including experience and training, and the business idea.

6. A franchise is an agreement that grants the right to operate a business, such as a fast-food restaurant, in the name of a recognized company.

UNIT IX - ENTREPRENEURSHIP Name _____

Lesson 7: Obtaining Business Financing Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. Which of the following will make loans for real estate, inventory, or capital assets?

   a. Savings and loans
   b. Commercial banks
   c. Manufacturers and retailers
   d. Small Business Administration

2. What is considered good financial management in borrowing money?

   a. To borrow money at the lowest possible interest rate
   b. To borrow the maximum amount of money possible
   c. To borrow a little more money than planned in case it is needed
   d. To borrow money at the highest possible interest rate

3. Which of the following is <u>not</u> used by lenders to evaluate credit worthiness?

   a. Collateral
   b. Capacity
   c. Character
   d. Capability

Complete the following short answer questions.

4. What sort of business financing might a manufacturer or retailer provide to a business?

5. What are three things that a financial institution would look at before granting a loan to a new business?

   a.

   b.

   c.

6. What is a franchise?

UNIT IX - ENTREPRENEURSHIP

Lesson 8: Making Business Decisions

Competency/Objective: Explain the importance of making business decisions.

Study Questions

1. **Why is it important to be able to make decisions?**

2. **What are the steps in the decision-making process?**

3. **Why is a business budget important?**

References

1. *Agribusiness Sales, Marketing, and Management (Student Reference).* University of Missouri-Columbia: Instructional Materials Laboratory, 1996, Unit IX.

2. Transparency Master

   a) TM 8.1: The Decision-Making Process

3. Activity Sheets

   a) AS 8.1: Preparing a Budget
   b) AS 8.2: Comparing Budgets
   c) AS 8.3: Revising a Budget

UNIT IX - ENTREPRENEURSHIP

Lesson 8: Making Business Decisions

TEACHING PROCEDURES

A. Review

The last lesson discussed obtaining financing for a business, including which of the various sources of financing to use and what information to provide to financial institutions. One piece of information needed to obtain money for a new business is a business plan. Making plans for a business, and following them after the business is started, is important if the business's goals are to be reached. Lesson 8 will discuss making decisions about how and when to change the plan. Being able to make good decisions is an important part of operating a business. A business budget is an important planning tool that helps entrepreneurs monitor their progress toward established goals and make decisions affecting the business.

B. Motivation

1. Ask students how they might plan to expand a business with limited funds. Ask them if they would expand the location, buy more inventory, hire additional employees, or buy more equipment. Explain that if they spent all the money on expanding the location and left none for equipment or inventory, they might be left with an empty building. If they bought just equipment or inventory, they might not have enough employees to operate or sell what they purchased. Explain to students that a budget would help them make intelligent decisions about starting, operating, and expanding a business.

2. Read the following example and ask students to explain what additional information Don needs to make a decision about his business.

   Don has been operating a profitable agricultural crop and animal production business with his wife and son for 20 years. He owns several hundred acres of land and rents several hundred more. Don plants over 350 acres in corn and soybeans each year and has a large hog and cattle business. He feeds some of the crops he raises to the hogs and the cattle and sells the rest. Profits on the animal production part of the business have been good. Since Don is very busy, his wife does the record keeping. She keeps separate records on the income and expenses from crop production and animal production but in the past has not broken income and expenses down any further.

   Don now has a chance to buy another 300 acres of productive cropland at a very good price. Over the past 20 years, Don has made most of his profit from his crop operation. He has more than enough equipment to expand his operation, but if he does, he will have to hire someone to help with the hog operation. The hog production part of his business takes about 50 percent of the family's time. The facilities are getting old and need repair, and some new equipment is needed.

C. Assignment

Have students orally present their business plans. See Lesson 3 of this unit to review the specifics of the assignment.

D. Supervised Study

E. Discussion

1. Ask students to explain why it is important for entrepreneurs to be able to make business decisions.

Why is it important to be able to make decisions?

Since not everything will occur as planned when starting and operating a business, it is important to be able to make adjustments to a business plan. All available facts about a problem should be collected, and a solution should be found through a logical decision-making process. The ability to take decisive action is key to succeeding in business.

2. Have students list and describe the steps in the decision-making process. Use TM 8.1 to illustrate the steps.

What are the steps in the decision-making process?

a) Identify the problem.
b) Gather and consider all the facts surrounding the problem.
c) Determine objectives.
d) Come up with possible solutions to the problem. If a solution cannot be determined, more facts should be gathered.
e) Choose the logical solution from the alternatives and implement it.
f) Monitor the situation to see if the chosen solution has solved the problem. If not, make small adjustments and monitor them to see if the problem is corrected.
g) If the chosen solution does not correct the problem, repeat the process.
    1) Reexamine the facts.
    2) Consider any insights gained from the first attempt to solve the problem.
    3) Select and implement an alternative solution.

3. Discuss the different reasons that a budget is important for a business. Complete AS 8.1, 8.2, and 8.3.

Why is a business budget important?

a) As a planning tool, a budget helps a business set priorities and allows the owner or manager to monitor progress toward established goals.
b) A budget can indicate where changes can be made to improve a business.
c) If the business is not doing well, a budget can be adapted by turning budget figures into objectives that will guide a business to adjust spending to reach a desired goal.
d) Budgets allow businesses to judge how changes have affected a business.

F. Other Activities

Have students prepare a budget for a school-based fund-raising activity. Have them estimate income, expenses, and profit. If information on the results of this activity is available from previous years, it can be used as a guide. Monitor income and expenses during the activity. Use the budget during the activity to make any adjustments that students feel are necessary. Compare the budget to the actual results when the activity is completed.

G. Conclusion

Making decisions about changes to be made in a business is part of operating a business. Even with the best plans, circumstances may change, and then decisions must be made about alterations to be implemented. Following the basic steps of the decision-making process will help the owner discover problems and find solutions for them. A budget is a planning tool that serves as a guide to reaching the established objectives and goals of a business and indicates where changes may be made.

H. Answers to Activity Sheets

AS 8.1

Budget

Business Name K&B Farms Date _____

Gross Income		
Income from alfalfa production	$100,000.00	
	Gross Income	$100,000.00
Variable Costs		
Labor	$12,000.00	
Supplies	16,400.00	
Total Variable Costs	$28,400.00	
Fixed Costs		
Land	$14,000.00	
Equipment	6,000.00	
Total Fixed Costs	$20,000.00	
	Total Costs	$48,400.00
	Projected Returns	$51,600.00

AS 8.2

Budget

Business Name K&B Farms Date _____

Gross Income		
Income from soybean production	$83,600.00	
	Gross Income	$83,600.00
Variable Costs		
Supplies	$12,800.00	
Total Variable Costs	$12,800.00	
Fixed Costs		
Land	$14,000.00	
Supplies	22,000.00	
Total Fixed Costs	$36,000.00	
	Total Costs	$48,800.00
	Projected Returns	$34,800.00

What will the projected return be if they decide to grow soybeans? $34,800

How much more or less will they earn from soybeans than from alfalfa hay? $17,800 less

What should K&B Farms do? Why? They should continue to raise alfalfa in order to preserve their profits.

AS 8.3

Budget

Business Name K&B Farms Date _____

Gross Income		
Income from alfalfa production	$70,000.00	
	Gross Income	$70,000.00
Variable Costs		
Labor	$ 7,200.00	
Supplies	15,200.00	
Total Variable Costs	$22,400.00	
Fixed Costs		
Land	$14,000.00	
Equipment	6,000.00	
Total Fixed Costs	$20,000.00	
	Total Costs	$42,400.00
	Projected Returns	$27,600.00

I. Answers to Evaluation

1. b
2. a
3. c

4. The four reasons why a business budget is important are as follows:

   - As a planning tool, a budget helps a business set priorities and allows the owner or manager to monitor progress toward established goals.
   - A budget can indicate where changes can be made to improve a business.
   - If the business is not doing well, a budget can be adapted by turning budget figures into objectives that will guide a business to adjust spending to reach a desired goal.
   - Budgets allow businesses to judge how changes have affected a business.

5. Since not everything will occur as planned when starting and operating a business, it is important to be able to make decisions in case adjustments in a business plan need to be made.

6. 5
7. 3
8. 7
9. 4
10. 2
11. 1
12. 6

UNIT IX - ENTREPRENEURSHIP Name _____

Lesson 8: Making Business Decisions Date _____

EVALUATION

Circle the letter that corresponds to the best answer.

1. What should be done if the sales of a business are not as high as expected?

   a. Increase advertising for the business or product.
   b. Gather complete facts about the problem.
   c. Cut back on the number of employees.
   d. Extend the hours of the business.

2. What must first be done before any decision can be made about a business problem?

   a. The problem must first be recognized.
   b. Alternative solutions need to be developed.
   c. The importance of the problem should be evaluated.
   d. A new budget should be drawn up.

3. What should be done if a solution to the problem cannot be found?

   a. The problem should be ignored.
   b. A decision should be made anyway.
   c. More facts should be gathered.
   d. Several alternative solutions should be tried.

Complete the following short answer questions.

4. What are the four reasons why a business budget is important?

   a.

   b.

   c.

   d.

5. Why is it important to be able to make business decisions?

Place the seven steps of the decision-making process in order by writing "1" in the blank by the first step, "2" by the second step, etc.

6. _____ Choose the logical solution from the alternatives and implement it.

7. _____ Determine objectives.

8. _____ If the chosen solution does not correct the problem, repeat the process.

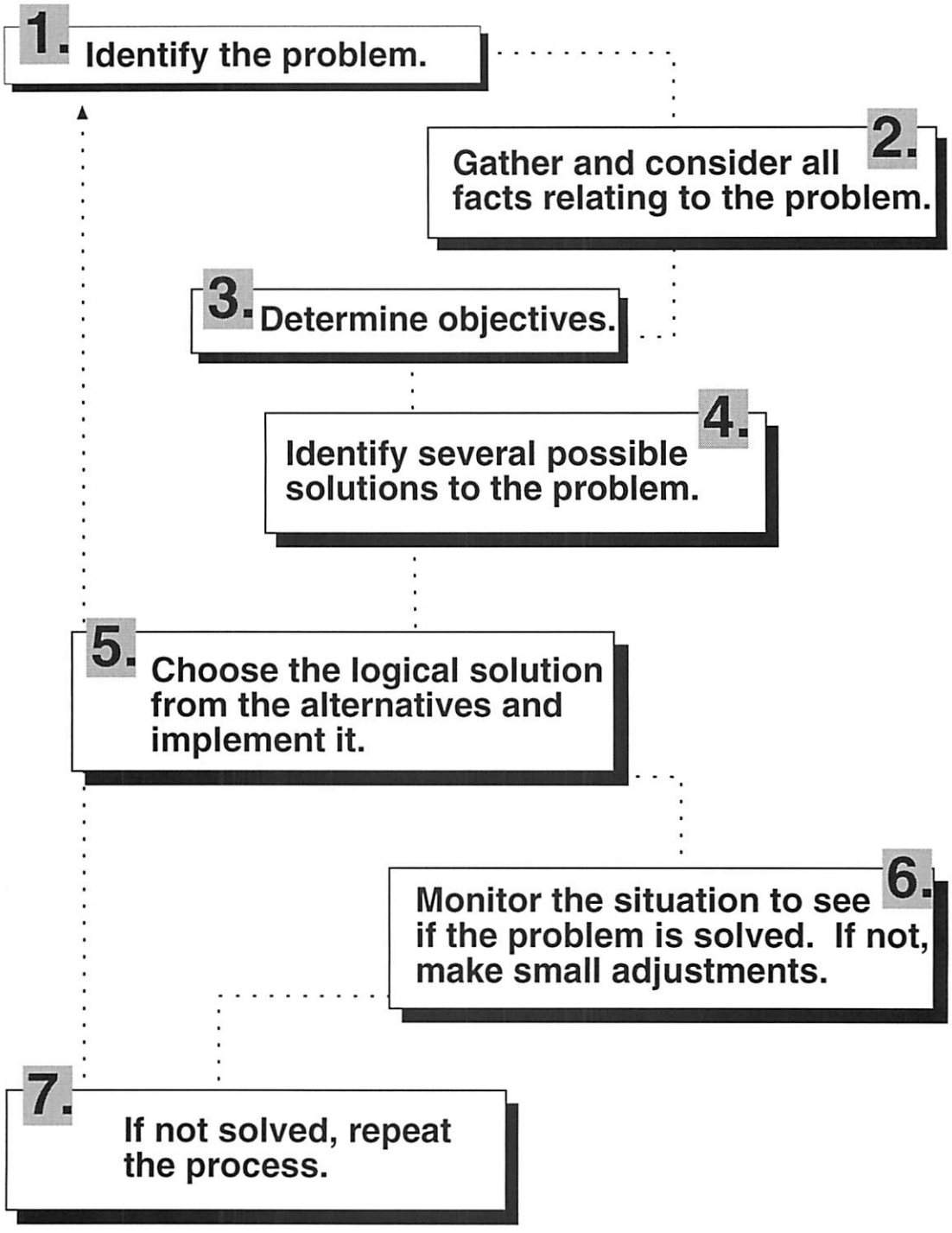
9. _____ Come up with possible solutions to the problem. If a solution cannot be determined, more facts should be gathered.

10. _____ Gather and consider all the facts surrounding the problem.

11. _____ Identify the problem.

12. _____ Monitor the situation to see if the chosen solution has solved the problem. If not, make small adjustments and monitor them to see if the problem is corrected.

The Decision-Making Process



Lesson 8: Making Business Decisions Name _____

Preparing a Budget

Objective: Prepare a budget for a business.

Karen and Bob have decided to go into partnership in the crop production business. They have just purchased 400 acres of land and have decided to grow and sell alfalfa hay. They want to prepare a budget as a guide for their business activities and to monitor the results of their business decisions. They have accumulated the following information:

* The average price of alfalfa hay is $50.00 per ton.
* Karen and Bob know they can expect an average yield of 5 tons per acre.
* They know the fixed cost for land is $35.00 per acre.
* They know the fixed cost for equipment is $15.00 per acre.
* They know the variable cost is $30.00 per acre for the additional labor needed to harvest, move, store, and sell the hay.
* They know the variable cost on the average will be $41.00 per acre for fertilizer, fuel, and supplies.
* Karen and Bob are going to plant all 400 acres with alfalfa.

Prepare a budget for K&B Farms using the information above to project the return that Karen and Bob will get from their crop production business. A budget form is provided on the back of this sheet.

Budget

Business Name _____ Date _____

Gross Income		
	Gross Income	
Variable Costs		
	Total Variable Costs	
Fixed Costs		
	Total Fixed Costs	
		Total Costs
		Projected Returns

Lesson 8: Making Business Decisions Name _____

Comparing Budgets

Objective: Make decisions for a business based on a budget.

Karen and Bob are happy with the results of the budget, but they want a larger return on their business. They would like to know whether they could get a larger return if they planted soybeans instead of alfalfa. They gather the following information:

* The average price for soybeans has been $5.50 per bushel.
* They can expect an average yield of 38 bushels per acre.
* Fixed cost on the land will still be $35.00 per acre.
* Fixed cost on equipment will be $20.00 per acre.
* Total variable cost for supplies will be $32.00 per acre.
* They plan on planting all 400 acres with soybeans.

Prepare a budget on the form on the back of this sheet using the information above. Then answer the following questions. Information from AS 8.1 will be needed to complete this activity sheet.

What will the projected return be if they decide to grow soybeans? _____

How much more or less will they earn from soybeans than from alfalfa hay? _____

What should K&B Farms do? Why? _____

Budget

Business Name _____ Date _____

Gross Income		
	Gross Income	
Variable Costs		
	Total Variable Costs	
Fixed Costs		
	Total Fixed Costs	
	Total Costs	
	Projected Returns	

Lesson 8: Making Business Decisions Name _____

Revising a Budget

Objective: Revise a budget as a part of contingency planning.

Karen and Bob decide to plant alfalfa. After they plant the alfalfa, they find out that alfalfa hay is only bringing in $35.00 per ton. They know that the average production per acre is still about 5 tons, and they cannot change their fixed cost for land and equipment. After investigating the alternatives, Karen and Bob find out they can sell the hay as they harvest it and save $12.00 per acre on labor for moving and storage labor and $3 per acre in fuel supplies by not moving the hay to storage.

Using the form on the back of this sheet, prepare a revised budget for K&B Farms showing their new projected return. The budget should reflect the new price for hay and the changes in variable costs.

Budget

Business Name _____ Date _____

Gross Income		
	Gross Income	
Variable Costs		
	Total Variable Costs	
Fixed Costs		
	Total Fixed Costs	
	Total Costs	
	Projected Returns	

Divider should read:

Unit IX. Entrepreneurship

Agribusiness Sales, Marketing, and Management

Curriculum Guide: *Agribusiness Sales, Marketing, and Management*

Unit: IX. Entrepreneurship

Unit Objective:

Students will demonstrate their understanding of standard business principles by applying those principles to the planning and operation of an actual business enterprise.

Show-Me Standards: 3.8, MA3

References:

Agribusiness Sales, Marketing, and Management. University of Missouri-Columbia, Instructional Materials Laboratory, 1997.

Brown, C. *Nobody's Business but Your Own: A Business Start-Up Guide With Advice From Today's Most Successful Young Entrepreneurs*. New York: Hyperion, 1999.

Croft, M. J. *Market Segmentation: A Step-by-Step Guide to a Profitable New Business*. New York: Routledge, 1994.

Csordos, M. D. *Business Lessons for Young Entrepreneurs: 35 Things I Learned Before the Age of 30*. Thomson Learning, 2003.

Lieber, R. *Upstart Start-Ups!: How 34 Young Entrepreneurs Overcame Youth, Inexperience, and Lack of Money to Create Thriving Businesses*. New York: Broadway Books, 1998.

Students may use additional outside sources to complete this activity.

Instructional Strategies/Activities:

- Students will engage in study questions in lessons 1 through 8.
- Students will complete AS 3.1, Business Opportunities; AS 3.2, Business Plan; AS 6.1, Identifying Income and Expenses; and AS 8.1, Preparing a Budget.
- Additional activities that relate to the unit objective can be found under the heading "Other Activities" in the following locations: p. IX-33, p. IX-101, and p. IX-108.

Performance-Based Assessment:

Each student will join a group of five to eight students to plan, organize, and execute a school-based fund-raising activity. The activity will follow the steps presented in the appendix following Unit IX in the instructor guide.

The major focus of the assessment will be on the planning, preparation, execution, and outcome of the business plan. These four factors will be reflected in a final written report covering administration, operations, finance, and sales and promotion. Extra points will be awarded for a positive outcome (i.e., the business shows a profit).

Unit IX—Entrepreneurship
Instructor Guide

The instructor should assign the performance-based assessment activity at the beginning of the unit. Students will work toward completing the activity as they progress through the unit lessons. The assessment activity will be due at the completion of the unit.

1. Have students form teams of five to eight members to organize, plan, and execute a school-based fund-raising activity. To help guide the activity, provide the appendix that follows Unit IX in the instructor guide.

2. Team members must first assess possible business opportunities and select the specific fund-raising activity to pursue from a list of possibilities appropriate for the school community. Suggestions appear on p. A-1 in the instructor guide.

3. The team will devise a method to assign jobs/tasks to its members.
   a. Jobs/tasks to be assigned might include president, vice president for operations, vice president for finance, vice president for sales and promotion, and various support staff for administrative, production, and sales tasks.
   b. Because of the limited number of personnel in the venture, officers should also cover support staff positions.
   c. The president's responsibilities will focus on administering the overall team effort, including documenting all team activities and submitting the team's final written report.
   d. Operations will be responsible for producing or procuring the goods or services to be sold for the fund-raising activity.
   e. Finance will tackle the tasks of securing financial backing, projecting expenses and income, and accounting for expenses and income.
   f. Sales and promotion will market, advertise, and sell the product or service.

4. At the conclusion of the effort, the president's written report should describe the planning, preparation, execution, and outcome of each function of the chosen fund-raising activity.

5. Students may not use the source material word for word and must provide a complete bibliography of their sources along with their report.

6. Assessment will focus primarily on the final written report, which will be evaluated for planning, preparation, execution, and outcome of each business function: administration, operations, finance, and sales and promotion.
   a. Technical factors (spelling, grammar, punctuation, and capitalization) also will be assessed.
   b. Extra points are possible if the fund-raising activity demonstrates a profit.

Unit IX—Entrepreneurship
Student Handout

1. Join a team with five to eight fellow students to organize, plan, and execute a school-based fund-raising activity. Your instructor will provide the steps to guide you.

2. Your team's members must first assess possible business opportunities and select the specific fund-raising activity to pursue from a list of possibilities appropriate for your school community.

3. Your team will devise a method to assign jobs/tasks to its members.
   a. Jobs/tasks to be assigned might include president, vice president for operations, vice president for finance, vice president for sales and promotion, and various support staff for administrative, production, and sales tasks.
   b. Because of the limited number of personnel in the venture, officers should also cover support staff positions.
   c. The president's responsibilities will focus on administering the overall team effort, including documenting all team activities and submitting the team's final written report.
   d. Operations will be responsible for producing or procuring the goods or services to be sold for the fund-raising activity.
   e. Finance will tackle the tasks of securing financial backing, projecting expenses and income, and accounting for expenses and income.
   f. Sales and promotion will market, advertise, and sell the product or service.

4. At the conclusion of your team's effort, the president's written report should describe the planning, preparation, execution, and outcome of each function of the chosen fund-raising activity.

5. You may not use the source material word for word and must provide a complete bibliography of the sources along with your report.

6. Assessment will focus primarily on the final written report, which will be evaluated for planning, preparation, execution, and outcome of each business function: administration, operations, finance, and sales and promotion.
   a. Technical factors (spelling, grammar, punctuation, and capitalization) also will be assessed.
   b. Extra points are possible if the fund-raising activity demonstrates a profit.

Agribusiness Sales, Marketing, and Management

Unit IX—Entrepreneurship
Scoring Guide

Fund Raising Activity_____

Team members_____

Assessment Area	Criteria	0 Points	1 Point	2 Points	3 Points	4 Points	Weight	Total
Administration	❑ Planning ❑ Preparation ❑ Execution ❑ Outcome	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 5.625	
Operations	❑ Planning ❑ Preparation ❑ Execution ❑ Outcome	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 5.625	
Finance	❑ Planning ❑ Preparation ❑ Execution ❑ Outcome	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 5.625	
Sales and Promotion	❑ Planning ❑ Preparation ❑ Execution ❑ Outcome	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 5.625	
Technical Considerations	❑ Spelling ❑ Grammar ❑ Punctuation ❑ Capitalization	0 criteria met	1 criterion met	2 criteria met	3 criteria met	All 4 criteria met	X 2.5	

Positive Outcomes	❑ Profit	Loss or break even		Profit	X 2.5	Extra Points
TOTAL						

Final Assessment Total _____/100 pts.

Extra Points _____/10 pts.

Comments:

SCHOOL-BASED BUSINESS/FUND-RAISING ACTIVITY

Operating a business or participating in a fund-raising activity will allow students to put into practice some of what they have learned in the agribusiness curriculum. Possible activities include the following.

- Building and selling shop projects
- Operating snack bars during school events
- Growing and selling vegetables or greenhouse plants and flowers
- Selling school supplies, cards, or calendars
- Cutting and selling firewood
- Preparing and selling fruit baskets
- Selling and planting trees or shrubs
- Hosting a dinner open to the community

Students should be allowed to carry out as many of the tasks involved in organizing and carrying out the activity as is practical. Depending on the activity, the students may produce items to be sold, evaluate costs, set prices, conduct promotions, make sales, prepare budgets and financial statements, etc. A sample inventory sheet, order form, and sales receipt are included in this appendix. The inventory sheet can be used to track the number of items that each student sells, and (for a final tally) the total number of each item sold. Also included is an exercise in making change.

It is important to point out to students that while a school-based business or fund-raising activity will give them experience with sales and business activities, it does differ from actually running a business. Businesses have to pay for the buildings, equipment, labor, and insurance needed to operate. They also have to pay taxes. The school-based business or fund-raising activity does not have these expenses, which allows them to make a profit more easily.

Business Opportunities

List some opportunities for a school-based business or fund-raising activity for your school and the reasons why you think they could be successful.

Opportunities	Reasons

Promotional Possibilities

- Display promotional materials provided by the manufacturer or supplier where appropriate.
- Make posters announcing the activity and display them in the school, community buildings, and community businesses.
- Prepare an advertisement to be placed in a local newspaper.
- Prepare a radio advertisement for a local radio station.
- Have the activity announced over the school's P.A. system.
- Prepare a direct mail advertisement. (It may be possible to mail it at the school's bulk mail rate.)

Inventory Checklist

Items to consider before purchasing a product or supplies:

- What are the projected sales?
  - Are the total sales projected by group members realistic?
  - Can arrangements be made to purchase the product after orders are taken?
- Who is in charge of purchases?
- Can any unsold inventory be returned to the supplier without charge?
- Can additional inventory be purchased within a short period?
- Does the inventory need special storage? Is it perishable?
- Was the product damaged when received?
- Who is in charge of controlling inventory?
- When and how will the inventory be paid for?
- How will a running inventory be kept and checked to see if sales are being reached or if more orders need to be placed?
- How often will counts be done to see if paperwork matches inventory?
- What type of paperwork is necessary to control what and how much of the product is issued to members for the activity?
- What is the last date that merchandise can be sold?

Checklist for School-Based Business or Fund-Raiser

- Has the school policy on school-based businesses or fund-raisers been checked?
- Are there any other groups or organizations in the school or community doing the same thing?
- Can or should other groups or organizations within the school or community be involved in the business or fund-raiser?
- If a product is to be sold, has the potential supplier been contacted to check details?

  Name of product -

  Name of company -

  Address -

  Phone number -

  Contact person -
- Does the company offer sales brochures to aid in selling?
- Does the company offer other promotional materials?
- What is the price of the product?
- Do school groups receive discounted prices?
- Must the product be paid for when ordered?
- Can the company deliver the product when needed?
- Does the product need a special type of care or storage?
- Does the company provide sales forms?
- Does the company offer prizes for top sellers?
- Have other local groups or organizations ever done business with the company before? What is its reputation?
- After all expenses are paid, can a profit be reasonably expected? What is the estimated percent or amount of profit?

INVENTORY TALLY SHEET

Company Name

Items Being Purchased:

Item number	Item description	Item number	Item description
1.		6.	
2.		7.	
3.		8.	
4.		9.	
5.		10.	

MEMBER NAME	ITEM 1	ITEM 2	ITEM 3	ITEM 4	ITEM 5	ITEM 6	ITEM 7	ITEM 8	ITEM 9	ITEM 10	TOTAL
Total											

ORDER FORM

Customer's Name _____

Address _____

Telephone No. _____

Quantity	Description	Price	Total Price
		Total	
		Amount Paid	

Salesperson's Name _____

Organization's Name _____

RECEIPT

Customer's Name _____

Amount Paid $_____

Items Purchased _____

_____

_____

_____

_____

_____

_____

_____

Salesperson's Signature _____

Organization's Name _____

Making Change

Because cash registers now calculate the amount of change that a customer receives, making change has become a lost skill. When operating a school-based business or activity, however, it may be necessary to use a money drawer or a cash register that does not calculate change.

If a customer's sale totals $5.73 and the customer gives you a ten-dollar bill, the change should be returned in the following manner:

- While change is being made, keep the ten-dollar bill separate from the money used for making change until the transaction is completed.

- Determine the amount of change using the least number of coins or bills to reach the desired amount.

  $5.73 =
  .02 = 2 pennies = $5.75
  .25 = 1 quarter = $6.00
  $4.00 = 4 singles = $10.00

- Count the change back to the customer in the following manner while handing him or her the change:

  "The sale was $5.73 out of ten dollars."

  "Two pennies makes $5.75 ."

  "One quarter makes $6.00."

  "One dollar makes $7.00, two makes $8.00, three makes $9.00, and four makes $10.00."

  "Thank you for your purchase!"

- If the customer is satisfied with the amount of change, place the ten-dollar bill in the correct place in the drawer.

- If change is being carried in a wallet or bag, keep the denominations of bills separated. Alternate new bills with old ones so the new ones do not stick together.

- Remove money that is not needed for change from the cash drawer frequently and store it in a secure location.

Practice making change by completing the following transactions.

1. The sale is $8.67, and the customer gives you a twenty-dollar bill.

   The sale was $8.67 out of twenty dollars.

   _____ penny(ies) make(s) _____,

   _____ nickel(s) make(s) _____,

   _____ quarter(s) make(s) _____,

   _____ dollar(s) make(s) _____,

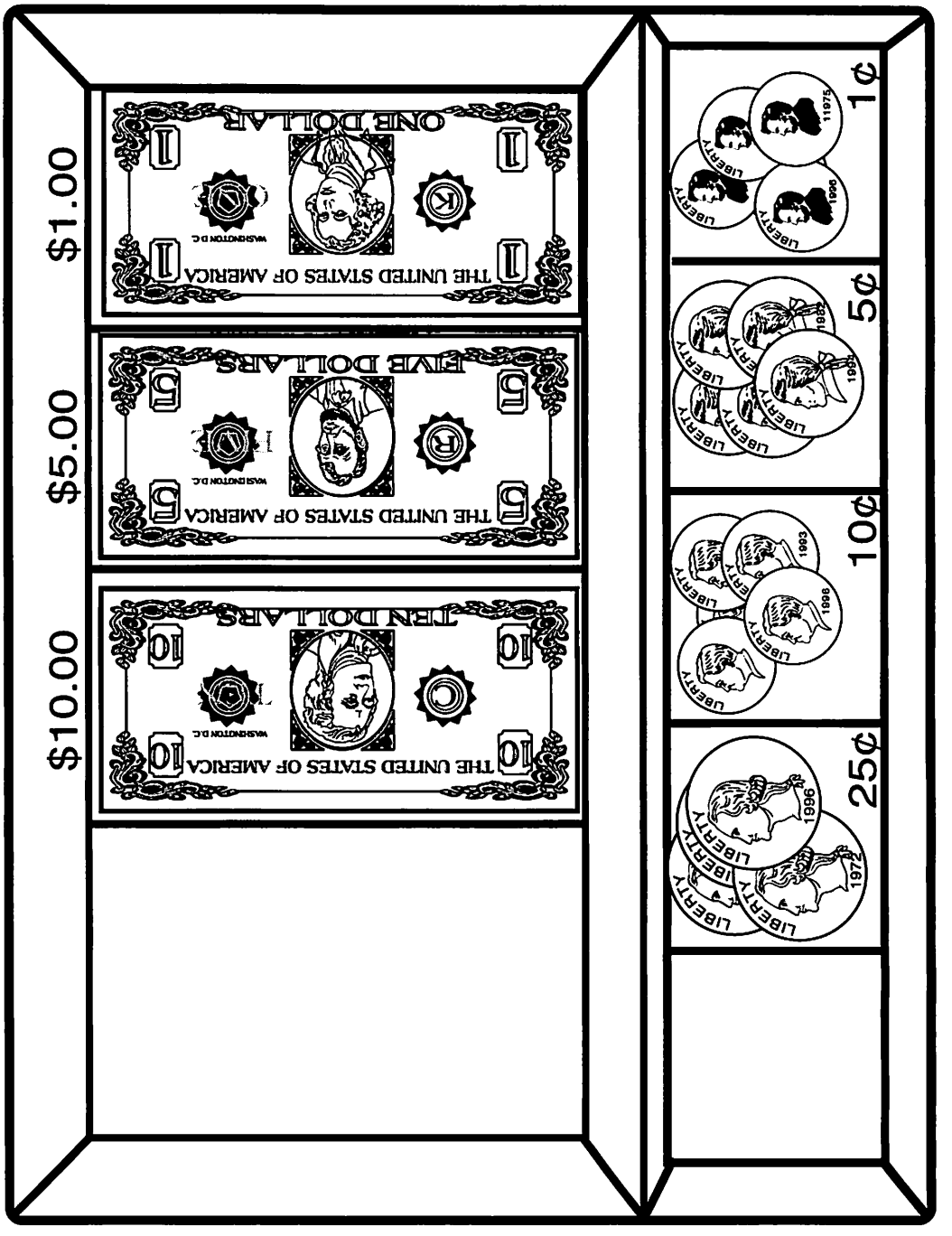
   _____ ten(s) make(s) _____.

2. Explain how to make change for a $1.87 purchase out of a ten-dollar bill.

3. Explain how to make change for an 11¢ purchase out of a one-dollar bill.

For each exercise, count the change back to another student. Make sure to state the amount of the purchase and the amount of money given and to thank the customer for the purchase.

Using a Cash Drawer



INCOME STATEMENT

Name: _____

Date: _____

REVENUE	
Gross Revenue	
CASH EXPENSES	
Total Cash Expenses	
Net Cash Income	
NONCASH EXPENSES	
Net Income from Operations	
Gain or Loss on Capital Assets	
Net Income	

BALANCE SHEET

Name: _____

Date: _____

Current Assets		Current Liabilities	
Total Current Assets		Total Current Liabilities	
Fixed Assets		Long-Term Liabilities	
Total Fixed Assets		Total Long-Term Liabilities	
		Total Liabilities	
		Net Worth	
Total Assets		Total Liabilities & Net Worth	

STATEMENT OF CASH FLOWS	
Name _____ For the period ending _____	
CASH FLOWS--OPERATING ACTIVITIES	
	$
NET CASH FLOW FROM OPERATIONS	$
CASH FLOWS--INVESTMENT ACTIVITIES	
	$
NET CASH FLOW FROM INVESTMENTS	$
CASH FLOWS--FINANCING ACTIVITIES	
	$
NET CASH FROM FINANCING ACTIVITIES	$
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	$
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	$
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$

Budget

Business Name _____ Date _____

Gross Income		
	Gross Income	
Variable Costs		
	Total Variable Costs	
Fixed Costs		
	Total Fixed Costs	
	Total Costs	
	Projected Returns	

Steps in Developing a Business Plan

* RECOGNIZE AN OPPORTUNITY AND DEVELOP A BUSINESS IDEA.

* IDENTIFY AND EVALUATE COMPETITORS.

* IDENTIFY THE MARKET FOR THE PROPOSED PRODUCT OR SERVICE.

* IDENTIFY THE RESOURCES NECESSARY AND CALCULATE THE CAPITAL NEEDED TO OBTAIN THEM.

* COLLECT INFORMATION ON REGULATIONS, CONTRACTS, LICENSES, AND PERMITS.

* DEVELOP A MARKETING PLAN.

* SELECT A BUSINESS LOCATION.

* PREPARE AN ESTIMATED FINANCIAL PLAN FOR THE BUSINESS.