

**INDUSTRY: *Entrepreneurship*****Project 1.2:** Kayaking Caleb – Going with the Flow**Topic:** Cash Flow**Introduction**

When the U.S. Small Business Administration did a study of the reasons why so many small businesses fail, the number one reason was inadequate front-end planning. The minimum front-end planning identified as necessary for business success is a business plan complete with feasibility study and cash flow projections. The lack of appropriate cash flow projections often results in the second most common reason for business failure – insufficient capital for start-up and back-up as the business moves through its first fledgling months. While you may not have much experience in projecting the cash flow of a business, you have likely dealt with the financial aspects of daily living – cash flowing in and cash flowing out. The following exercise, *Kayaking Caleb – Going with the Flow*, provides firsthand experience in projecting personal cash flow. It indicates how timing can be an essential factor in both personal and business financial success. Although the thought might sound contradictory, even profitable businesses can fail because the cash flow can leave someone like *Kayaking Caleb* up the creek without a financial paddle. See how that works:

KAYAKING CALEB – GOING WITH THE FLOW

While Caleb was going to college, he had a part-time job taking party pictures on campus whenever a fraternity, sorority or other campus organization had a social event. He got lots of valuable experience taking both indoor and outdoor pictures, working with a variety of event chairpersons, staging pictures, developing film and even marketing the “party pix” to individuals attending the social events. Caleb just recently graduated and decided to start a photography business of his own but in a different community where such a business does not presently exist. He wanted to expand the business concept to include action pictures of individuals involved in both individual and group sports activities. Caleb is an avid kayaker and has always wanted some pictures of himself involved in kayaking competitions. He is sure other avid sports enthusiasts would be another market for personal pictures.

Over the years of taking pictures for his employer, Caleb was able to invest in enough quality photographic equipment that he thinks his equipment inventory is adequate to start his one-person photography business. But before he dives headlong into setting up his own business, Caleb would like to take a month off to travel across the country. He wants to kayak some new waterways and meet with individuals who have succeeded in the photography business to get feedback on his business concept. Caleb has decided to use the money he received as gifts for college graduation plus some money from his meager savings. In total he has \$2,100 set aside to pay for his trip. His journey will take him from Portland, Oregon, to Savannah, Georgia.

(continued)

Project 1.2: *(continued)*

Preparation Prior to Leaving

Caleb is lucky because he has a brother, Michael, who is willing to rent him an almost new jeep for his cross-country trip. Michael is on active duty in the military and had to leave his jeep behind for the year. He wants \$500 rent for letting his younger brother drive his jeep across country. He is also asking that Caleb change the oil three times – once before leaving, somewhere in the middle states and at the end of the trip. The reason that Caleb chose to end his trip in Savannah is that he has an uncle who lives there and has offered to keep the jeep for a month or two until Michael returns to the U.S. Then Michael will pick up the jeep and have a nice vacation himself driving it back to Portland. An extra bonus is that Caleb’s uncle has a wedding photography business and has offered Caleb the chance to get a little experience taking wedding pictures during the time he spends in Savannah. In June, he typically books two weddings a weekend on his business calendar. He will pay Caleb \$600 for his assistance, \$300 for each wedding.

Caleb’s plan is to take the month of June for this trip. He will camp most of the way across the country. He buys \$250 worth of camping gear, some food supplies for \$100 and a rack for the jeep to hold his kayak (\$75). He spends \$30 to have the oil changed in the jeep before leaving. To get the best possible fare, Caleb purchases his return airplane ticket before he leaves Portland for \$482.

On the Road

Caleb estimates that he will spend \$40 a day for gas and \$20 a day for food. He estimates that the average cost of a campsite is \$15 a night. When he has the opportunity to kayak, he will do it. If he kayaks in a state or national park he will have to pay a park fee of \$8 a day. On open waterways, he may have to pay a retrieval fee of \$20 for someone to take him back to the launch site where he leaves the jeep. When he stops in Lincoln, Nebraska, he will stay with a friend from college, Jake. Jake has offered him \$300 to take both posed and informal family pictures to be presented to his parents for their 25th wedding anniversary in late July.

The following is Caleb’s planned travel schedule:

Kayaking Caleb's Planned Travel Schedule

Week 1

Leave Monday morning

Camp all seven nights

Kayak six of the seven days, two times in two state/national parks

No retrieval fees

Week 2

Travel three days, camp three nights

Kayak all three days, once in a state/national park; one day requires a retrieval fee

Spend four days and nights with friend Jake in Lincoln. No gas, food or lodging costs for these four days

Spend \$50 to take his friend out to dinner to say thank you for his hospitality

Earn \$300 shooting pictures in the Lincoln area for anniversary present

Change oil while in Lincoln (\$30)

Week 3

Camp five nights, three at the beginning of the week and two at the end

Stay two nights with a kayaking buddy. No lodging cost those nights but Caleb buys \$40 worth of groceries. No gas for the two days spent with friend.

Kayak three times this week and pay two retrieval fees

Week 4

Drive one day and camp that night

Kayak at state/national park one time

Arrive at Uncle's home mid-morning of day two. Stay with uncle for the rest of the vacation

Relax at uncle's home until time to begin job helping uncle take pictures for two weddings including the rehearsals

No gas, food or lodging expenses once Caleb arrives at uncle's home. Take his aunt and uncle out for Sunday brunch to say thank you (\$60)

Get oil changed for last time (\$30)

Monday morning fly back to Portland

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Project 1.2: *(continued)*

Kayaking Caleb – Cash Flow Projection					
	Preparations	Week 1	Week 2	Week 3	Week 4
Starting Cash					
Cash In					
Savings					
Other					
Total Cash In					
Total Cash Available (starting cash and cash in)					
Cash Spent					
Preparation Expenses					
Trip Expenses					
Total Cash Spent					
Ending Cash (total cash available minus total cash spent)					



CASE STUDY 1: Entrepreneur Takes Creativity to New Heights



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Project 1.1: Sell Your Principal
Topic: Exploring Business Potential
Integrated Pathway: Management

As your students work with the business plan process, consider and encourage them to consider whether or not they'd like to create the business. If so, make arrangements with your principal. In this *American Careers* program, you'll find a project on pages 121-122 in the Student Projects Book that introduces students to the SWOT analysis process, often used in marketing. If you think that process would be useful for them as they proceed with their business plans, encourage them to use the information as a tool for developing this business plan. Use this process as a way to let students know that entrepreneurs need an organized plan to give their business the best chance for success and also to use with investors or other funding sources.



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Project 1.2: Kayaking Caleb – Going with the Flow
Topic: Cash Flow
Integrated Pathway: Business, Financial Management and Accounting

Steps in facilitating the activity:

1. Have students read through the Kayaking Caleb introduction.
2. Arrange to project a copy of Kayaking Caleb's Income and Expenses (see page 12 in the Student Projects Book) on a large screen to emphasize with students that there is adequate income to cover Caleb's planned expenses. This understanding is essential for students to recognize the fact that sometimes a business can make a profit – have adequate income – but still have to shut down because the timing of available cash leaves the business stranded.
3. Next, project a blank copy of Caleb's projected cash flow (see page 10 in the Student Projects Book) in order to walk students through the Preparations column and Week 1 of the trip. Completing one column at a time, guide students to identify what to list first in the Preparations column and then in the Week 1 column. When those two columns have been completed correctly by the whole class, have each student transfer the information to his or her individual record for Kayaking Caleb – Cash Flow Projection.
4. Divide students into small groups of 3-5 students. Have each group work together to complete the Weeks 2, 3 and 4 columns on one worksheet in pencil. Ask them to list each of their names at the top of the worksheet.
5. Show the following Kayaking Caleb – Answer Sheet. Ask each group to identify and correct errors and then transfer the corrected information to their individual record sheets.

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Project 1.2 Answers (See Student Projects Book, page 10.):

Kayaking Caleb – Cash Flow Projection Answer Sheet					
	Preparations	Week 1	Week 2	Week 3	Week 4
Starting Cash	0	\$ 663	\$ 122	\$ 89	(\$ 366)
Cash In					
Savings	\$2,100				
Other					
Job			\$ 300		\$ 600
Total Cash In	\$2,100	0	\$ 300	0	\$ 600
Total Cash Available (starting cash and cash in)	\$2,100	\$ 663	\$ 422	\$ 89	\$ 234
Cash Spent					
Preparation Expenses					
Jeep rental	\$ 500				
Camping gear	\$ 250				
Food supplies	\$ 100				
Kayak rack	\$ 75				
Oil change	\$ 30				
Airplane ticket	\$ 482				
Trip Expenses					
Camping fee		\$ 105	\$ 45	\$ 75	\$ 15
Gasoline		\$ 280	\$ 120	\$ 200	\$ 40
Food		\$ 140	\$ 60	\$ 140	\$ 20
Kayaking		\$ 16	\$ 28	\$ 40	\$ 8
Restaurant/thank you			\$ 50		\$ 60
Oil change			\$ 30		\$ 30
Total Cash Spent	\$1,437	\$ 541	\$ 333	\$ 455	\$ 173
Ending Cash (total cash available minus total cash spent)	\$ 663	\$ 122	\$ 89	(\$ 366)	\$ 61