



# FreshBooks Classroom Material

Includes everything you need to  
get a class up and running in no time



FreshBooks for Education

## Introduction

Today's students are tomorrow's business leaders. The FreshBooks for Education initiative enables educators to better prepare their students with the real-world business skills and basic accounting knowledge needed to thrive in an entrepreneurial economy.

The Classroom Material is broken up into four learning modules: Starting A Business, Project Management, Invoicing and Getting Paid, Cash Flow and Expenses. Each learning module includes in-class activities, plus assignments that are paired with the FreshBooks software. The Classroom Material is completely free to use.

Whether you're already using FreshBooks, or still evaluating whether it's a good fit, this document is full of real-world business insights. In addition to this material all educators and students qualify for a Free FreshBooks account. The FreshBooks software provides a hands-on approach to learning and students love it.

Questions? Need a hand in getting up and running with FreshBooks? Reach out to our dedicated Education Team at [education@freshbooks.com](mailto:education@freshbooks.com).

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# Module One – Starting a Business



This module walks you through the first steps to consider before starting a business, steps to becoming self-employed, and how to start acquiring clients. The learning outcomes of this module are:

- What to consider before starting a business
- The basic principles of starting a business and finding clients

## Topical overview:

- 1 Introduction
- 2 Making the decision to start a business
- 3 First steps in starting a business
- 4 Finding clients
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## 1 Introduction

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Students in industries such as graphic design, photography, and trades frequently end up doing freelance work after school. In fact, self-employment is on the rise and it's expected that today's millennial generation will be the most entrepreneurial group in recent history. In the United States, it is estimated that self-employed and contract workers represent close to 15% of the workforce. It is anticipated that the number will climb to 20% by 2020.<sup>1</sup>

This module will introduce you to what you need to think about before starting a business, steps to take to being self-employed, things to consider about being an entrepreneur, and how to find clients.

## 2 Making the decision to start a business

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Let's first start with determining what being self-employed actually means. The Merriam-Webster dictionary defines self-employment as “earning income directly from one's own business, trade, or profession rather than as a specified salary or wages from an employer.” Self-employed also means that you:

- **Control how your work is done**
- **Can hire other people**
- **Freely negotiate pay**
- **Own your own tools/equipment**
- **Take full profit or loss**

Making the decision to start a business is no small feat. Before running out to start a business you should take the time to research the following:

**Exploring why you want to start a business:** Entrepreneurship is demanding but can come with high rewards. If you are looking for a challenge, have the motivation to work hard for what you want, and have determined there is a need for the service you can provide then starting a business could be for you. Before committing to starting a business, consider the reasons you are interested in entrepreneurship and measure those against your skills and abilities.

Carol Roth, writer for *Entrepreneur*, identified [five personality traits](#) suited to starting a business. Roth considers someone who is able to complete a variety of tasks, has good money sense, is okay with the potential of the unknown, is a strong executor, and has been thinking of starting a small business for awhile, to be a solid candidate for entrepreneurship.

**Determine what service you are providing:** This may seem obvious but it should be recognized as the most important element to consider before starting a business. Determining what service you are going to sell should be based on an analysis of your areas of expertise, your strengths, previous experience, necessary skills to succeed in the industry, along with researching if there is a need for this service in your geographic area.

Take a moment to consider if you have passion for the service you are selling. You will need to work extremely hard to achieve success, there really isn't such a thing as being off the clock when working for yourself. This passion goes a long way to keeping you motivated and moving forward in growing your business! Passion takes you a long way in starting a business but it doesn't guarantee success, it needs to be paired with expertise and execution to transform an idea into a viable business.

**Cash flow considerations:** One of the more challenging parts of working for yourself is the availability of required cash to start your business but also for day-to-day living expenses. Before starting a business it is prudent to determine if you can access enough money to cover your cost of living and simultaneously invest in the business venture.

Sometimes you need funds to be able to purchase the equipment or space needed to provide your service. There are different ways that you can access money to start your business:

- **Savings** – These are personal funds that you have been putting aside.
- **Debt** – Debt financing is a loan of money that needs to be paid back along with interest payments. The lender (usually a bank or the government) will look at the earning potential and assets of the business in order to issue financing.
- **Equity** – Investors that provide equity funding get a share in the ownership of your business and in your profits in return for their contribution.
- **Grants** – Applying to a government or local business centers can yield additional financing that does not need to be repaid. Some states/provinces, and even cities and regions, offer grants for young entrepreneurs or for individuals to start a business that provides a service that is needed within the community.

**Analyze your small business skills:** In addition to determining if you have the necessary expertise in your profession, you need to consider your business skills and abilities. To be successful at self-employment you need to be able to:

- **Manage finances and budgeting**
- **Make and execute on business and project decisions**
- **Market and sell your services**
- **Manage yourself and others, including vendors, clients and potentially employees**

Many local colleges and business centers offer courses and resources to help you develop these skills. If you are planning to start a business on your own you need to be ready to tackle the administrative side of your business alongside providing service to your clients.

**Consider your appetite and understanding of risk:** Whether you are planning to leave your current job (and a steady salary) or start your career by working for yourself, there is risk involved in starting a new business. Some of the risks include:

- **The ability to repay debt and/or earn enough money to cover your living expenses**
- **Not being able to secure clients**
- **The business ultimately not succeeding**



**PROFESSOR NOTE:** Stay tuned for Module Three, it covers cash flow and expenses in greater detail.

The main point of consideration is understanding your personal comfort level with risk. For entrepreneurs, risk and success go hand in hand. Those who take risks have the most to gain from their work.

**Classroom activity:** Provide students with sticky notes and ask them to write down their thoughts on the key considerations before going out and starting a business. Students should post their notes at the front of the room. Once they are posted, group similar thoughts and then discuss them as a class.

### 3 First steps in starting a business

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Starting a business is no easy feat but there are several key steps that will help an entrepreneur start their business on a solid foundation.

**Define your service:** As previously discussed, you need to determine *what* service you are going to provide before starting a business. Part of that process is defining exactly what you will provide, and just as importantly, the services you won't provide. This will help you target the right clients and focus your expertise.

**Determine type of business:** There are different types of business structures to consider. You may be interested in partnering with someone or operating on your own. You may decide to work freelance or in addition to an existing job.

- **Sole proprietor** – This is the simplest way to set up a business. As a sole proprietor you are fully responsible for all debts and obligations related to your business. A sole proprietor is said to be self-employed. A sole proprietorship is not heavily regulated but there is unlimited personal risk, since all personal assets are exposed to creditors of the business.
- **Part-time freelancing** – Working off-hours in addition to your full-time position; can involve partnering with other professionals. You will still need to report this income to the government and pay appropriate taxes. Freelancers often set-up as sole proprietors to manage their business costs and revenue.
- **Partnership** – An agreement in which you and one or more people combine resources in a business with a view to making a profit. Each partner is personally liable for all debts and obligations incurred. You share in the profits according to the terms of the partnership agreement which should be drawn up before officially creating the business. Similar to sole proprietorship, there is unlimited personal risk as all personal assets of the partners are exposed to creditors of the business.
- **Silent partnership** – This is the same as the partnership definition but involves one or more partners being limited to providing capital to start the business. They are not involved in the day-to-day operations but will pull profit as outlined in your partnership agreement. These partnerships occur more frequently when there is a large start-up expense.

- **Corporation** – A corporation differs most significantly from sole proprietorship and partnership in that it is a distinct legal entity separate from the individuals who hold shares in the company. There are significant regulations to follow and is expensive to form but there is limited personal risk and additional tax benefits.

Every geographic region has specific documentation on the responsibilities, considerations, and regulations on these business structures. Do your research to ensure that you can adhere to government standards and that they align with what you plan to do and the services you plan to offer.

**Business name:** Did you know that Google was initially called BackRub? Founders Larry Page and Sergey Brin were looking for a name that represented the function of their product, an online engine that searched through backlinks. Thankfully, they soon realized that BackRub didn't work and went with the suggestion from their friend of 'googol', the name used by mathematicians to reference 10 to the power of 100. This same friend misspelled the word when searching to see if the domain was available and Page and Brin decided they liked the invented word 'Google' even more.

When determining a name for your business consider the balance between needing a name that represents your service or product but is also memorable and unique. You want your name to stand out when potential clients are looking for a new service provider. Once you have a name you like do some research with friends and family to see if the name makes sense and is appropriate to avoid a "BackRub" situation.

The [United States Patent and Trademark Office \(USPTO\)](#) defines a trademark as “a word, phrase, symbol, and/or design that identifies and distinguishes the source of the goods of one party from those of others.” Consider registering your trademark to claim ownership. The [USPTO](#) has resources that outline the [basic facts about trademarking](#).

**Register your business:** Once you have determined the name, and type of business you would like to run, it is time to officially register your business. Research which body you need to register with in your city to become a legally recognized business. Beware of third-party organizations that suggest you can process your registration through them. It is better to work directly with official municipal and governmental bodies.

Generally, you will need the following to proceed with a business registration for a sole proprietorship or partnership:

- **Name and address of the business**
- **Description of the business activity**
- **Your name**
- **Home address**
- **Telephone number**

**Market research:** Market research is the process of collecting information on the environment your business operates within. It usually includes an analysis of competition, clients, aligned businesses, and what is happening in the industry. Through your research you can answer important questions such as:

- **Are there organizations looking for the service I provide?**
- **Who else is providing this service?**
- **How should I target potential clients?**
- **What are the problem areas in my industry?**



**RESOURCE:** Answers to the top questions on [incorporating a small or solo business](#) and choosing the [best business structure for your needs](#).

**TIP:** Run your potential business name through an internet domain search to see if you are able to purchase a domain that aligns with your business idea.

**RESOURCE:** Additional [tips and tricks for choosing a business name](#). If you are stuck on a name, try this [business name generator](#).



The answers to these questions will provide you with important information to help determine how you should develop your business. Many people jump in without doing research beforehand leading to issues with securing clients and positioning the business within an existing market.

**Classroom activity: Discuss why research is an important step in setting up a new business.**

**Administrative setup:** Most small businesses are sole proprietorships with only one person who takes care of securing new business, executing the work, and delivering the end product, as well as running the business overall. That's a lot to manage. It is important to set-up processes to help minimize the time spent on business administration and more time providing great services that keep your clients coming back for more.

Before you get too far into soliciting business, consider setting up the following administrative systems:

- **Accounting** – Setting up an accounting process from day one will help you get and stay organized. You need to keep track of who has paid you, who owes you money, and all of your business expenses. Accounting can seem like an overwhelming task at first but technology has made it easier to keep track of things. Software like FreshBooks makes accounting easy, enabling business owners to spend more time on their services and less time on accounting.
- **Client log** – Create a system for capturing information on your current and former clients along with information on potential clients. Note important facts like the key contact person, address, preferences, and history of services. It is better to write this information down than rely on memory alone.
- **File management** – Taking the time to set-up a file management system before you have a large number of files to manage will save you a lot of time down the road. Determine where you will store the files and the naming convention you want to use. This will minimize the amount of time you spend hunting down the files you need.

**PROFESSOR NOTE:** Invite your students to participate in their Free 120-day FreshBooks Trial.



**Classroom activity: Have students create an account through FreshBooks and add their first Client.**

**Promote your business:** You have a name and you are registered business, now what? The next step is to create a way for potential clients to find you. Recommended first steps for promotion are to purchase a domain and build a website. Make sure you are buying a top-level domain (that's the suffix at the end of the URL, for example, .com, .ca, .net) that is relevant and appropriate to where you live and what you do. Align your domain name with your company name. Stay away from abbreviations that don't make sense or spell something unrelated to your business.

Having a logo or wordmark that represents your business goes a long way to in establishing a professional presence. Using your logo on all materials and platforms (such as business cards, social media and website) creates a visual identity that helps make your business memorable.

Once you've got your brand sorted out you're now ready to enter the market and promote your business.

## 4 Finding clients

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The success of a business relies on the clients it secures. Securing clients, and managing those relationships, is a necessary part of doing business. Here's how to get started.

**The right kind of client:** Before you start going out to procure clients, you should take the time to determine who your ideal client is and where these people or organizations are. You can find out this information with some old fashioned internet sleuthing paired with information interviews with colleagues, peers, and even some organizations that fit in your 'ideal client' parameters.

**Promote your business wisely:** All promotion is not created equal. By researching a potential client base, you will find out information on where your clients are located, what communication channels they use, and what is important to them. Use this information to tailor and focus your business promotion. It isn't about reaching the largest number of people, but it is about reaching the right people.

**Classroom activity: Propose the following situation to the class and have them discuss solutions. "Through your research you have identified that your ideal client is male, 45-60, likes to stay healthy, and has an income of over \$100k." How could you tailor your promotion to reach these clients?**

**Refining your pitch:** Before you begin the search for clients refine the value proposition of your business. What makes your business unique? Why should someone use your services? Figure out how to communicate this to potential clients in a clear and concise way.

Work on your 'elevator pitch,' which is a short introduction to your business that can be given in the length of time it takes to ride an elevator with someone. Think of the elevator pitch like an executive summary of your business. Having a polished and cohesive pitch that's ready to go looks professional and allows you to pitch your business anywhere, anytime. Mentioning businesses that you already work with is a highly effective marketing tactic. Have some testimonial soundbites from previous clients that you can include across your business material.

**Networking:** Consider networking as the gateway to potential clients. Your networking may involve direct contact with future clients or it may aid in getting your name in front of people who can help open doors for you. Either way, networking is a key cornerstone in procuring clients, especially for a new small business.

FreshBooks has a series of blog posts about the art of networking, you can find those links in the Supporting Material on page 41.

## 5 Conclusion

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Throughout this module you have reviewed the considerations of starting a business, the necessary steps in actually starting a business, and how to find clients. This knowledge provides you with the business fundamentals needed to get an idea off the ground.

**Classroom activity:** At the end of the class, have your students fill out a quiz like the one found [here](#) to determine their aptitude for being self-employed. Compare results to further discussion on self-employment.

## Assignment One (introductory):

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**Cheryl and Steve want to start a business and they have come to you asking for advice. Answer the following:**

1. List five considerations Cheryl and Steve need to think about before starting a business. Expand on your answers to include key information on the considerations.
2. What are the steps Cheryl and Steve need to take now that they have decided to start a business? Provide context around the steps.
3. Provide a list of four ways Cheryl and Steve could find new clients. Provide an example of each.
4. Cheryl and Steve are not sure they want to start a business anymore. They are okay with risk, like big challenges, but have limited access to money to start their business, and haven't defined their service. What advice would you give them? (200-300 words).

## Assignment Two (advanced):

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**Create the framework for starting a small business. Your business must align with a skillset you and your partner currently have. Complete the following:**

1. Determine and define the service you are going to provide (100-200 words).
2. Outline what cash flow you need to start the business and how you will procure those funds.
3. List the business skills each of you have, include examples (hint – pull experiences from school and work).
4. Determine the type of business you would like to start. Provide context on why this model is best for you.

**PROFESSOR NOTE:** Have students work in partners or teams for this assignment.



5. Establish a business name. Research the business name online and identify its strengths and weaknesses compared to similar search results. Provide a summary of this research (100-200 words).
6. Complete preliminary market research, answering the following questions:
  - a. **Who are your local competitors?**
  - b. **List five organizations you think would need your service. Why?**
  - c. **What are the current trends in your industry?**
7. Set-up an account in FreshBooks and create an invoice for your first client. This invoice should include your company information.
8. Identify three ways you could promote your business to build new clientele.



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