

Lesson Plan—Forecasting Using *Virtual Business*[®]

Instructor:	Date:
Course Title:	
Unit:	Specific Topic: Forecasting
Instructional Goal: (Outcome that student should be able to demonstrate upon completion of lesson.) 1) Students will be able to define and explain identified terminology. 2) Students will predict how much cash they will need to keep their store going until it is profitable.	
Performance Objective: (Use an action verb in a description of measurable outcome.) 1) Students will be able to list ways in which businesses run until they become profitable. 2) Students will be able to define and explain identified terminology. 3) Using the Forecasting Activity of <i>Virtual Business</i> , students will run their business until it reaches profitability or goes bankrupt.	
Rationale: (Brief justification of why you feel the students need to learn this topic.) Students will realize that stores are not always profitable from day one.	
Instructional Procedures: <u>Introduction</u> (5 minutes) Ask students about some of the costs associated with starting their own business. Write their answers on the board. When you get a short list of items, ask the class how they will pay for those items when they haven't started earning any money yet. Guide the students toward answers such as: loans from family members, bank loans, venture capital, etc. Explain to the students that there has to be a foundation to support the request for money not only to get started, but also to run a business until it becomes profitable. This is where sales forecasting comes in.	

Vocabulary Sheet (10 minutes)

To be completed with the teacher using an overhead or by having students look up the words using Help in *Virtual Business*.

Words: revenue, gross margin*, fixed expenses**, profit, and cumulative profit

Introduction of *Virtual Business* Activity (5 minutes)

Handout: Forecasting

Have students break into groups of two or three. Review with students the directions on the handout.

Activity (15 minutes)

Have students begin the activity and complete the handout. Provide assistance when needed and provide the store's cash when requested by students.

Stop the activity with about 10 minutes left. Have each group report its profitability or if it went bankrupt.

Note: If any team goes bankrupt, ask students to repeat their forecast (revising their figures where necessary) to see if next time they can stay open until a profit shows.

Closure (5 minutes)

Remind students that sales forecasting is an important part of starting your own business. Include a reminder to be aware that overly optimistic sales projections or unforeseen changes in the business climate can make sales forecasting unreliable.

Evaluation Procedures:

Completed handouts will be part of a *Virtual Business* portfolio. The portfolios are graded for completeness.

* *Glencoe Accounting* uses the term "gross profit on sales" and defines it as net sales minus cost of goods sold (page 526). Ask students, "If gross margin is 33 percent of sales, then what percent of sales is cost of goods sold?" (Answer: 67 percent)

** *Glencoe Accounting* uses the term "operating expenses" (page 526).

Materials and Aids:

- Pen or pencil
- Handout and overhead for vocabulary words
- Forecasting handout
- Computer / LCD projector (if available) / *Virtual Business* for demonstration if needed