

Case Study1: Starting Your Own Business

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Instructions:

1. Print and read the following case study.
2. On your own, complete the **Accounting Application** questions.
3. As a class, complete the **Class Interaction and Discussion** questions.
4. Optional: Complete the **Small Group Extension Activity** and **Internet Exploration and Research Activity**.
5. Complete the **Summary Questions**.

Objectives:

After completing the following case study, you will be able to:

- Discuss the revenue and expenses of a small service business
 - Explain how investments made by a business owner affect the accounting equation
 - Locate resource materials that would be helpful in starting a new business
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Study Tips:

Complete this case study after Chapter 3, Glencoe Accounting, First-Year Course.
Approximate time to complete: 45 minutes.

Overview:

Dr. Paula Loniak of Athens, Georgia, has worked with animals for more than 25 years. She has been a racehorse groom, a boarding kennel manager, a veterinary technician, and a veterinarian.

Dr. Loniak started a sole proprietorship called Vet-to-Pet, a house call practice for dogs and cats. Dr. Loniak visits pets in their homes to provide basic veterinary services. She treats illnesses such as skin problems, allergies, ear and eye irritations, minor wounds, and abscesses. Vaccinations and lab screening tests are also administered. Dr. Loniak considers her services to be a supplement to the care given by other veterinarians, and is intended for those who have a hard time getting their pets to a clinic.

Dr. Loniak works independently and uses a van to make her house calls. She charges an initial fee, which covers her expenses traveling to the patient's home. This fee varies depending on the distance Dr. Loniak must travel. She also charges for the exam and any treatment, lab work, or medication required. She offers a sliding scale (lower, variable fees) for senior citizens on fixed incomes. She serves individuals with mobility limitations and works with seeing-eye and assistant/working dogs.

Accounting Applications:

Instructions: Now that you have reviewed the case study above, answer the following questions on your own.

1. What are some investments Dr. Loniak has probably made in her business and how would each affect the basic accounting equation?

2. What assets might this business have? Liabilities?

3. Identify and classify the accounts affected if Dr. Loniak receives a cash payment for a visit.

4. Identify and classify the accounts affected if Dr. Loniak wrote a check to pay for new veterinary equipment to be used on the van.

Class Interaction and Discussion:

Instructions: Read the following questions. As a class, discuss your responses.

1. What kinds of revenue does Vet-to-Pet receive?

2. What kinds of expenses might Vet-to-Pet incur?

3. Which form of business organization has Dr. Loniak chosen for her business?

4. Why do you think this is the form she selected?

5. What are the benefits of this form of organization?

6. What basic accounting principle would be violated if Dr. Loniak used the cash received from a house call to buy herself lunch?

Optional Small Group Extension Activity:

Instructions: Break into small groups of three or four students. Discuss your answers to the following questions.

1. Discuss ideas for a new service business in your community. Explain what service the new business will provide and why your community is in need of such a business.

2. What will the name of the business be?

3. How many employees should be on staff in order to carry on daily business? What skills should they have?

4. Decide what legal organization form the business will take. Sole proprietorship? Partnership? Corporation?

5. List the possible forms of revenue that the business will generate.

6. List the possible expenses the business will incur.

Optional Internet Exploration and Research Activity:

Instructions: The American Express Small Business Network offers tips and tools for the individual interested in opening a new business. Locate its Web site using the Internet and answer the following questions.

1. List the resources you find here that would be helpful to a person who wants to start a new business.

2. What information is available relating to accounting or bookkeeping for a small business?

3. According to this Web site, what are the seven key elements that should be listed in an effective business plan?

Summary Questions:

1. What is the basic accounting equation?

2. Are items like gasoline and rent considered revenues or expenses?

3. How are property and property rights reflected in the basic accounting equation?

4. Which form of business organization is the easiest to start? Why?

5. Is Dr. Loniak operating a service, merchandising, or manufacturing business?
