

Name:

Adjusting Budgets: Business

You started a dog-walking business in your community! For your business model, you charge \$15 per dog for a 30-minute walk. Your small business is doing well. You have clients (dogs) every weekday, Mondays through Fridays. You walk the dogs in groups of four, and you have two groups every weekday.

1. Calculate the revenue, expenses, and profit of your dog-walking business after **four** weeks. Fill in the budget table below.

Monthly Business Budget

Budget (in dollars)

Revenue	
Fixed Expenses	
Top-tier business website	60
Advertising	80
Dog-walking equipment	20
Weather appropriate clothing	33
Business insurance	17
Total Fixed Expenses	
Variable Expenses	
Dog treats	160
Poop bags	10
Total Variable Expenses	
Total Expenses	
Monthly Profit (Revenue - Total Expenses)	



Note: Your teacher will show you more information about the expenses with the PowerPoint lesson "Adjusting Budgets: Business", slides 5-7.

2. The dog-walking industry is highly competitive! A competitor of your business is charging a lower price for dog walks. As a result, four of your clients decided to switch. Below were their walking schedules:

- Chloe the Poodle: 4 days a week
- Asher the Australian Shepherd: 5 days a week
- Papi the Schnauzer: 3 days a week
- Maui the Labrador: 5 days a week

How will this affect your monthly revenue, expenses, and profit? Show your calculations.

3. With your adjusted business profit, you realized that it is not enough to finance your personal monthly living expenses. You require at least \$400 more to pay for all your bills. You decide to revamp your business to compete with your new competitor. Here is your plan:

- You will match your competitor’s pricing at \$12 per dog for a 30-minute walk, effective immediately.
- You upgrade the dog treats to higher quality and better tasting. It now costs \$1.50 per dog for one walk.
- You will spend more on advertising to promote your revamped business. It costs an additional \$40 per month.

With your efforts, Chloe the Poodle and Asher the Australian Shepherd return as your clients. You also attract two new clients who both walk with you 3 days a week.



	Adjusted Budget 1 (in dollars)	Adjusted Budget 2 (in dollars)
Revenue		
Fixed Expenses		
Top-tier business website	60	
Advertising		
Dog-walking equipment	20	
Weather appropriate clothing	33	
Business insurance	17	
Total Fixed Expenses		
Variable Expenses		
Dog treats		
Poop bags		
Total Variable Expenses		
Total Expenses		
Monthly Profit (Revenue – Total Expenses)		

a) Is your adjusted profit enough to finance your personal monthly living expenses? Show your calculations and fill in the “Adjusted Budget 1” column.

b) Your new adjusted profit is still not enough to finance your personal expenses. What additional changes would you make to your business? You may choose to fill in the “Adjusted Budget 2” column, or write out your plan below.

Adjusting Budgets: Business

Suggested Answers For Teachers

1. Calculate the revenue, expenses, and profit of your dog-walking business after **four** weeks. Fill in the budget table below.

Monthly Budget	
	Budget (in dollars)
Revenue	2,400
Fixed Expenses	
Top-tier business website	60
Advertising	80
Dog-walking equipment	20
Weather appropriate clothing	33
Business insurance	17
Total Fixed Expenses	210
Variable Expenses	
Dog treats	160
Poop bags	10
Total Variable Expenses	170
Total Expenses	380
Monthly Profit (Revenue – Total Expenses)	2,020

2. The dog-walking industry is highly competitive! A competitor to your business is charging a lower price for a dog walk. As a result, four of your clients decided to switch. Below were their walking schedules:

- Chloe the Poodle: 4 days a week
- Asher the Australian Shepherd: 5 days a week
- Papi the Schnauzer: 3 days a week
- Maui the Labrador: 5 days a week

How will this affect your monthly revenue, expenses, and profit?

Adjusted monthly revenue: \$1,380 (The business loses a total of 68 walks per month, which is \$1,020 less in monthly revenue.)

This change affects variable expenses only. The fixed expenses remain the same.

Adjusted variable expenses: Losing a total of 68 walks per month, dog treat expense adjusts to \$92, poop bags expense adjusts to \$5.75. In total, variable expenses adjust to \$97.75. (Students can round up)

Adjusted profit: \$1,072.25 ($\$1,380 - \$210 - \$97.75 = \$1,072.25$)

3. With your adjusted business profit, you realized that it is not enough to finance your personal monthly living expenses. You require at least \$400 more to pay for all your bills. You decide to revamp your business to compete with your new competitor. Here are the business changes:

- You will match your competitor's pricing at \$12 per dog for a 30-minute walk, effective immediately.
- You upgrade the dog treats to higher quality and better tasting. It now costs \$1.50 per dog for one walk.
- You will spend more on advertising to promote your revamped business. It costs an additional \$40 per month.

With your efforts, Chloe the Poodle and Asher the Australian Shepherd return as your clients. You also attract two new clients who both walk with you 3 days a week.

a) Is your adjusted profit enough to finance your personal monthly living expenses? Show your calculations.

You need at least \$1,472 to pay for your personal living expenses (\$1,072 + \$400).

	Adjusted Budget 1 (in dollars)	Adjusted Budget 2 (in dollars)
Revenue	1,824	Student answers will vary.
Fixed Expenses		
Top-tier business website	60	
Advertising	120	
Dog-walking equipment	20	
Weather appropriate clothing	33	
Business insurance	17	
Total Fixed Expenses	250	
Variable Expenses		
Dog treats	228	
Poop bags	10 (<i>adjustment is negligible</i>)	
Total Variable Expenses	238	
Total Expenses	488	
Monthly Profit (Revenue - Total Expenses)	1,336	

Adjusted revenue: The business had 160 walks per month, loses 68, regains 60 = 152 walks per month. $152 \text{ walks} \times \$12 = \$1,824$

Adjusted advertising expense: $\$80 + \$40 = \$120$

Adjusted dog treat expense: $152 \text{ walks} \times \$1.50 = \$228$

Adjusted poop bags: $152 \text{ walks} \times \$0.0625 = \$9.50$. The adjustment is negligible in the context of this budget.

Adjusted profit: $\$1,824 - \$488 = \$1,336$

Answer: Student explanation may vary.

No. \$1,336 is less than the needed amount of \$1,472 to pay for personal expenses.

b) Your new adjusted profit is still not enough to finance your personal expenses. What additional changes would you make to your business? You may choose to fill in the “Adjusted Budget 2” column, or write out your plan below.

You still require at least \$136 per month to pay for personal expenses.

Student answers will vary.

You can consider reducing the business website expense. Since there are some features you are not using, can eliminate the add-on fee of \$28/month.

There could be opportunities to examine the advertising expense, and pull back on the channel that is not effective at bringing in new or old clients.

With the new dog treat, you could search for a similar product at a lower cost.

If the profit from this business is still not enough to finance personal living expenses, you may consider searching for a secondary income opportunity such as a part-time job or freelance work.

Going beyond the budget / class discussion:

It usually takes time to see longer-term business results when we revamp a business. You may be able to attract more clients in the future with the changes you made. In the meantime, you can consider a secondary income opportunity, or borrowing debt. What are some pro's and con's to these options?