ENTREPRENEURIAL FINANCE

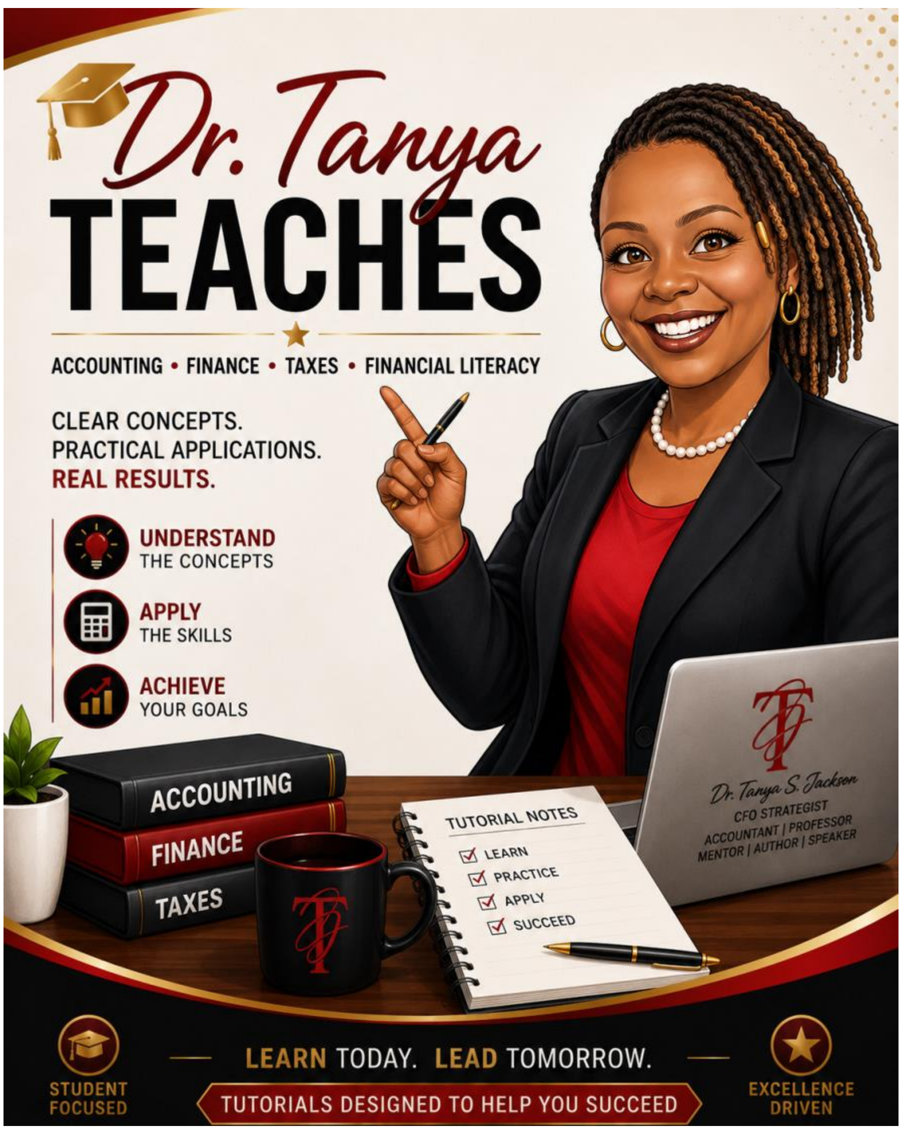
WEEK 3 | RETURN ON INVESTMENT

Guided Instruction Packet

Learn how to evaluate whether a business investment is worth the cost.

GUIDED INSTRUCTION PURPOSE
This packet supplements the Intuit for Education Entrepreneurial Finance course. Use it to connect Week 3 return on investment concepts to practical business decisions, strengthen your ability to interpret ROI, CAC, and CLTV, and prepare for live guided instruction.

Name: ____ Date: ____________________



How to Use This Packet

Complete the assigned Intuit classroom activities first or alongside this packet. Then use the explanations, examples, checkpoints, and business-owner applications here to deepen your understanding. Bring your questions and completed notes to the live guided instruction session.

Week 3 Learning Objectives

- Define Return on Investment (ROI).
- Explain the purpose of calculating Return on Investment (ROI) for a business.
- Design marketing content that supports the financial goal of a business.

Week 3 Roadmap

STEP	WEEK 3 ROADMAP
1	Understand Return on Investment
2	Connect CAC and CLTV to ROI
3	Calculate and Interpret ROI
4	Compare Investment Alternatives
5	Evaluate Risk, Timing, and Affordability
6	Apply ROI to an Owner Decision

Think Like an Entrepreneur

ROI is not just a percentage. An entrepreneur must decide whether the expected return is realistic, how long it will take, whether the business can afford the investment, and what could cause the expected return to change.

1. Understand Return on Investment

Return on Investment (ROI) helps a business owner evaluate the financial return associated with spending money on an activity, asset, project, or opportunity. It is useful when resources are limited and the owner must decide where money is most likely to create value.

ROI HELPS AN OWNER	OWNER QUESTION
Evaluate profitability	Is the expected financial benefit worth the cost?
Compare alternatives	Which use of funds appears to create the stronger return?
Review performance	Did the investment produce the result we expected?

Checkpoint 1

Why is ROI more useful to a business owner than looking only at sales, likes, views, or other activity measures?

Answer:

2. Connect CAC and CLTV to ROI

Week 2 introduced Customer Acquisition Cost (CAC) and Customer Lifetime Value (CLTV). These measures can support ROI analysis because the owner can compare what it costs to acquire a customer with the value the customer is expected to generate.

MEASURE	MEANING	OWNER QUESTION
CAC	Cost to acquire one new customer	What are we spending to gain a customer?
CLTV	Estimated value generated over the customer relationship	What value might that customer generate?
CAC + CLTV	Acquisition cost viewed against expected customer value	Does expected customer value support our acquisition spending?

Checkpoint 2

A campaign lowers CAC while expected CLTV remains unchanged. What generally happens to the return relationship?

Answer:

3. Calculate and Interpret ROI

For this week's guided instruction, use the return relationship below to connect expected financial benefit with the amount invested.

Return Relationship = Expected Financial Benefit ÷ Investment Cost

Guided Example: Two Customer-Acquisition Options

A business estimates that a new customer will generate $240 of value.

OPTION	CAC	EXPECTED VALUE	RETURN RELATIONSHIP
A	$80	$240	$240 ÷ $80 = 3:1, or 300%
B	$60	$240	$240 ÷ $60 = 4:1, or 400%

Option B produces the stronger estimated return relationship because the business expects the same customer value at a lower acquisition cost.

Think Like an Accountant

A mathematically higher ROI does not automatically make an investment the best choice. Verify the assumptions behind the expected benefit and consider the timing and risk of the return.

4. Compare Investment Alternatives

Entrepreneurs often choose among several possible uses of limited cash. ROI can help organize the comparison, but the owner should also consider strategic fit and operational impact.

INVESTMENT	ESTIMATED COST	EXPECTED BENEFIT	RETURN RELATIONSHIP
Digital marketing campaign	$2,000	$5,000	2.5:1
Scheduling/payment system	$2,500	$4,000	1.6:1
Equipment upgrade	$4,000	$6,000	1.5:1

The marketing campaign has the highest estimated return relationship. However, the owner should not decide from that number alone.

Checkpoint 3

Identify two non-ROI factors that could cause the owner to choose a lower-return alternative.

Answer:

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5. Evaluate Risk, Timing, and Affordability

DECISION FACTOR	QUESTION TO ASK
Risk	What could cause the expected return not to occur?
Timing	How long will the business wait before receiving the benefit?
Affordability	Can the business make the investment without creating a cash-flow problem?
Information quality	Are the cost and benefit estimates supported by reliable information?
Strategic fit	Does the investment solve an important business problem or support a priority?

Think Like an Entrepreneur

The best investment decision balances expected return with the business's ability to absorb risk and preserve enough cash to operate.

6. Apply ROI to an Owner Decision

Use your own business, planned business, or hypothetical business. Estimates are acceptable, but identify assumptions clearly.

Proposed investment:

Why does the business need it?

Estimated investment amount:

Business problem it should solve:

Expected financial benefit:

Expected ROI or return relationship:

Confidence in the estimate: High / Moderate / Low. Explain:

Expected time to receive the return:

Can the business afford it now? Explain:

What happens if the expected return does not occur?

What information would make the decision more reliable?

My ROI Decision

□ INVEST □ RECONSIDER □ DELAY □ DO NOT INVEST

Explain your decision:

Knowledge Check

1. A business spends $1,500 and expects $3,000 of financial benefit. Calculate the return relationship.

Response:

2. Why should a business compare CAC with CLTV when evaluating customer-acquisition spending?

Response:

3. Two investments have estimated returns of 250% and 180%. Give one reason the owner might rationally choose the 180% alternative.

Response:

4. Why does the timing of an expected return matter to a small business?

Response:

5. What is one assumption you would verify before approving a major business investment?

Response:

Prepare for Live Guided Instruction

□ Complete the assigned Week 3 Intuit activities.

□ Bring your ROI calculation and identify any assumption that remains uncertain.

□ Be prepared to explain why the highest estimated ROI may not always be the best business decision.

□ Identify one realistic investment your business could evaluate using ROI.

Professional Takeaway

ROI helps entrepreneurs compare the financial potential of competing uses of money. Strong investment decisions combine the calculation with professional judgment about customer economics, risk, timing, affordability, strategic fit, and information quality.

Dr. Tanya Challenge

- If an investment has an excellent estimated ROI but would use nearly all available cash, what should the owner evaluate before proceeding?
- How could an unrealistic CLTV estimate make a marketing ROI calculation misleading?
- What information would you want before investing significant money in a new marketing campaign, system, or piece of equipment?

Week 3 | One-Page Memory Guide

Use this page for a quick review before the live session or before moving into Week 4.

REMEMBER	MEANING	OWNER QUESTION
ROI	Financial return associated with an investment	Is the expected benefit worth the cost?
Return Relationship	Expected Financial Benefit ÷ Investment Cost	How much expected value is generated for each dollar invested?
CAC	Cost to acquire a new customer	What does it cost to gain one customer?
CLTV	Estimated customer value over the relationship	How much value might the customer generate?
Risk	Possibility the expected result will differ	What could cause the return to fall short?
Timing	When the benefit is expected to occur	How long can the business wait for the return?
Affordability	Ability to fund the investment without harming operations	Can we afford this investment now?
Professional Judgment	Calculation plus business context	Should we invest, reconsider, delay, or decline?

My Week 3 Notes

Keep learning. Keep practicing. Keep growing.