ENTREPRENEURIAL FINANCE

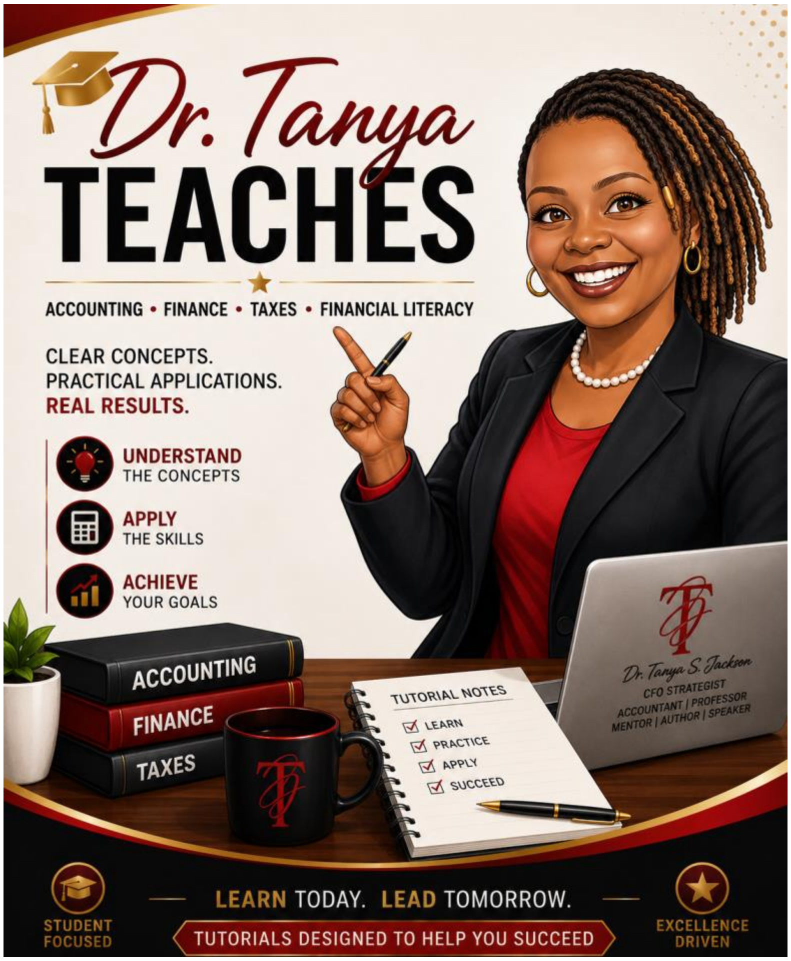
WEEK 2 | FINANCIAL PLANNING AND ANALYSIS

Guided Instruction Packet

Turn financial information into a practical plan for your business.

GUIDED INSTRUCTION PURPOSE
This packet supplements the Intuit for Education Entrepreneurial Finance course. Use it to connect Week 2 financial planning and analysis concepts to practical business decisions, strengthen your ability to interpret key metrics, 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 2 Learning Objectives

- Calculate the break-even point for a business using fixed costs, variable costs, and selling price.
- Describe how a business can use customer acquisition cost (CAC) to measure the cost of expenditures on acquiring new customers.
- List the factors used to calculate customer lifetime value (CLTV) and identify strategies businesses can use to increase it.

Week 2 Roadmap

STEP	WEEK 2 ROADMAP
1	Understand the Cost Structure
2	Calculate and Interpret Break-Even
3	Measure Customer Acquisition Cost
4	Calculate Customer Lifetime Value
5	Connect CAC and CLTV
6	Apply the Metrics to Owner Decisions

Think Like an Entrepreneur

Financial analysis is not just about calculating a number. The owner must decide what the number means, whether the assumptions are realistic, and what action the business should take next.

1. Calculate the Break-Even Point

Break-even is the point at which business earnings cover business costs. It helps an owner determine the minimum sales volume needed to avoid an operating loss.

Start With the Cost Structure

Cost Type	Meaning	Examples
Fixed costs	Costs that generally do not change with each unit sold.	Rent, certain salaries, insurance
Variable costs	Costs that change as production or sales volume changes.	Ingredients, packaging, per-unit supplies
Selling price per unit	Amount charged to the customer for one unit.	Price of one product or service unit

Break-Even Formula

Break-Even Point in Units = Fixed Costs ÷ (Selling Price per Unit - Variable Cost per Unit)

The difference between selling price and variable cost is the amount each unit contributes toward fixed costs and, after break-even, toward profit.

Checkpoint 1

What three pieces of information are needed to calculate the break-even point in units?

Answer:

Guided Example: The Break-Even Pizza Truck

A pizza truck has $10,000 in monthly fixed costs, sells each pizza for $20, and incurs $10 of variable cost per pizza.

Input	Amount
Monthly fixed costs	$10,000
Selling price per pizza	$20
Variable cost per pizza	$10

Step 1: Calculate Contribution per Pizza

$$\$20 - \$10 = \$10 \text{ per pizza}$$

Step 2: Calculate Monthly Break-Even Units

$$\$10{,}000 \div \$10 = 1{,}000 \text{ pizzas}$$

The truck must sell 1,000 pizzas during the month to reach break-even. Over a 30-day month, that is approximately 33 pizzas per day.

Think Like an Accountant

A mathematically correct break-even point can still be operationally unrealistic. Connect the calculation to operating hours, customer traffic, seasonality, and production capacity.

2. Measure Customer Acquisition Cost

Customer Acquisition Cost (CAC) measures how much a business spends to acquire a paying customer. Marketing, advertising, discounts, and similar acquisition expenditures may be included in this analysis.

CAC Formula

CAC = Total Marketing Cost ÷ Number of New Customers Acquired

CAC helps an owner evaluate acquisition efficiency and compare marketing spending with the value customers generate.

Owner Question	What CAC Helps Reveal
How much are we spending to gain each new customer?	Acquisition efficiency
Did a campaign produce enough customers for its cost?	Marketing performance
Can we afford to scale this strategy?	Growth sustainability

Checkpoint 2

A business spends $6,000 on a campaign and acquires 240 new customers. What is CAC?

Answer:

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Guided Example: Using CAC

Assume a business spends $10,000 on marketing and acquires 500 new customers.

Step 1: Identify the Inputs

Input	Amount
Total marketing cost	$10,000
New customers acquired	500

Step 2: Calculate CAC

$10,000 ÷ 500 = $20 CAC

Step 3: Interpret the Result

The business spent $20 to acquire each new customer. Whether that amount is financially attractive depends on the value those customers are expected to generate over the relationship.

Owner Application

Do not judge CAC as good or bad in isolation. Compare acquisition cost with customer lifetime value and the costs required to serve the customer.

3. Calculate and Increase Customer Lifetime Value

Customer Lifetime Value (CLTV or CLV) estimates how much revenue a paying customer can generate over the life of the customer relationship. It is an estimate based on business data and assumptions, not a guaranteed amount.

Simple CLTV Formula

CLTV = Average Purchase Value × Purchase Frequency × Average Customer Lifespan

Factor	Meaning
Average Purchase Value	Average amount spent per purchase
Purchase Frequency	How often the customer purchases during the period
Average Customer Lifespan	How long the customer relationship is expected to continue

Strategies That Can Increase CLTV

• Increase the value of the average purchase.

• Encourage customers to purchase more frequently.

• Strengthen retention so customer relationships last longer.

Checkpoint 3

Which CLTV factor would be affected if customers begin purchasing twice as often?

Answer:

Guided Example: Connecting CLTV and CAC

Assume an average purchase value of $25, three purchases per year, and an average customer lifespan of four years.

Step 1: Calculate CLTV

$$\$25 \times 3 \times 4 = \$300 \text{ CLTV}$$

Step 2: Compare CLTV With CAC

Metric	Amount	Interpretation
CAC	$20	Cost to acquire one customer
CLTV	$300	Estimated revenue generated over the relationship

Spending $20 to acquire a customer associated with $300 of lifetime revenue appears favorable based on the information provided. The comparison gives the owner more context than either metric provides by itself.

Think Like an Accountant

A revenue-based CLTV estimate does not automatically equal profit. Consider the costs of serving the customer and the assumptions used in the estimate.

Week 2 Knowledge Check

Use the space provided to show your reasoning. Bring any questions to the live guided instruction session.

1. Break-Even

A business has $12,000 in fixed costs, a selling price of $50 per unit, and variable cost of $30 per unit. Calculate the break-even point in units.

2. Customer Acquisition Cost

A company spends $8,400 on marketing and acquires 280 new customers. Calculate CAC.

3. Customer Lifetime Value

Average purchase value is $40, purchase frequency is 5 times per year, and average customer lifespan is 3 years. Calculate simple CLTV.

Prepare for Live Guided Instruction

□ Complete the assigned Week 2 Intuit activities.

□ Bring your break-even, CAC, and CLTV calculations and identify any step that remains unclear.

□ Be prepared to explain what each metric tells a business owner, not just how to calculate it.

□ Identify one assumption that could materially change a financial planning decision.

Professional Takeaway

Financial planning and analysis turns business activity into decision-useful information. Break-even identifies the sales volume needed to cover costs. CAC measures the cost of acquiring customers. CLTV estimates the revenue associated with the customer relationship. Used together, these tools help entrepreneurs evaluate pricing, growth, marketing, and sustainability.

Dr. Tanya Challenge

- If your break-even point is too high to be realistic, which variables could management evaluate?
- Why is comparing CAC with CLTV more useful than reviewing CAC alone?
- What could cause an apparently attractive CLTV calculation to mislead an entrepreneur?

Week 2 | One-Page Memory Guide

Use this page for a quick review before the live session or before moving into Week 3.

Remember	Meaning	Owner Question
Fixed Costs	Costs that generally do not change with each unit sold	What must the business cover regardless of volume?
Variable Costs	Costs that change with activity or units sold	How much additional cost comes with each unit?
Break-Even	Fixed Costs ÷ (Selling Price - Variable Cost)	How many units must we sell to cover costs?
CAC	Marketing Cost ÷ New Customers	What does it cost to acquire one customer?
CLTV	Average Purchase Value × Frequency × Lifespan	How much revenue might the relationship generate?
CAC + CLTV	Acquisition cost viewed against customer value	Does customer value support our acquisition spending?

My Week 2 Notes