

Part 4

**Massage Business
Administration**

Business Practices

SHORT ANSWER: In the spaces provided, write short answers to the following questions.

1. When does business planning begin?

(when a business is conceived)

2. When does business planning end?

(when the business is no longer in existence)

3. Name four important parts of business planning.

a. *(developing a mission statement)*

b. *(clarifying the purpose)*

c. *(setting goals)*

d. *(determining priorities)*

4. What are four common types of business operations?

a. *(sole proprietor)*

b. *(partnership)*

c. *(corporation)*

d. *(limited liability corporation [LLC])*

COMPLETION: In the space(s) provided, write the word(s) that correctly complete(s) each statement.

1. A short general statement of the main focus of the business is called the (mission statement).
2. Specific, attainable, measurable things or accomplishments that you set and make a commitment to achieve are termed (business goals).
3. If you are an individual owner of a business and carry all expenses, obligations, liabilities, and assets, you are considered a (sole proprietor).
4. To establish a (corporation), a charter must be obtained from the state in which the business operates.
5. Management of a corporation is carried on by a (board of directors).
6. When a business is beginning, the expenses incurred before any revenues are collected are considered (start-up costs).
7. Two primary reasons for the failure of small businesses are (poor management) and (undercapitalization).

SHORT ANSWER: In the spaces provided, write short answers to the following questions.

1. If your business is a sole proprietorship, who is responsible for any losses or debts?
(the individual owner of the business)
2. Which zoning requirements must be considered when choosing a massage business location?
(that zoning allows that particular type of business or if a special use permit can be issued)
3. List at least three important considerations when buying an established business.
 - a. (that it has a good reputation)
 - b. (that it has an established clientele)
 - c. (that it is worth the asking price)

COMPLETION: In the space(s) provided, write the word(s) that correctly complete(s) each statement.

1. If a business is operating under a name other than the owner's, a (fictitious name statement or a DBA [Doing Business As]) is required.
2. If the business sells products or if services are taxed, a (sales tax permit) must be obtained from (the state department of revenue).
3. To ensure that the business meets zoning requirements, the (county or city planning and zoning board) should be contacted.
4. An employer identification number must be obtained from the (Internal Revenue Service) if the business hires employees.
5. The identification number issued to licensed health care providers and used when submitting claims to medical insurance companies is called a (provider's number).
6. As a massage business owner, one should have adequate insurance against (fire), (theft), and (liability).

KEY CHOICES: Choose the types of insurance that best fit the description. Write the appropriate key letter next to the stated description in the space provided.

- | | |
|-----------------------------|-------------------------------------|
| A. automobile insurance | E. liability insurance |
| B. disability insurance | F. professional liability insurance |
| C. fire and theft insurance | G. workers' compensation insurance |
| D. health insurance | |

- (B) 1. protects the person from loss of income because they are unable to work because of long-term illness or injury
- (D) 2. helps to cover the cost of medical bills, especially hospitalization, serious injury, or illness
- (A) 3. provides medical and liability insurance to the driver and any passengers
- (G) 4. is required if you have employees
- (C) 5. covers the cost of fixtures, furniture, equipment, products, and supplies
- (E) 6. covers costs of injuries and litigation resulting from injuries sustained on the owner's property
- (G) 7. covers the medical costs for the employee if they are injured on the job

- (A) 8. covers the vehicle and its contents, regardless of who is at fault
- (F) 9. protects the therapist from lawsuits filed by a client because of injury or loss that results from negligence or substandard performance

COMPLETION: In the space(s) provided, write the word(s) that correctly complete(s) each statement.

1. The standards of acceptable and professional behavior by which a person or business conducts business are called (ethics).
2. When setting fees for massage, consider the (market) and the (competition).
3. A summary of all sales and cash receipts is called an (income ledger).
4. A ledger that records, separates, and classifies business expenditures is called a (disbursement record).

SHORT ANSWER: In the spaces provided, write short answers to the following questions.

1. If a massage business is operated out of a home, are all telephone expenses tax deductible?
(only if the phone is registered as a business phone)
2. For a self-employed massage practitioner, which three major records should be maintained?
 - a. (client files)
 - b. (income from products and services)
 - c. (expenses and disbursements)
3. Two important reasons for keeping accurate financial records are
 - a. (tax purposes)
 - b. (to determine the business' financial situation)
4. Why is it advisable to consult an accountant when preparing taxes?
(A good accountant knows the changing tax laws and can often find many deductions that you might otherwise miss.)
5. Which name is on the business checking account?
(the business name)

6. Which moneys are deposited in the business account?

(all incoming moneys to the business)

7. For which purposes are checks written from the business account?

(to pay all expenses and bills of the business)

8. What is the purpose of a petty cash fund?

(to pay for small incidental business expenses)

9. Where does petty cash fund money come from?

(the business account)

10. How long should canceled checks and bank statements be kept for tax purposes?

(a minimum of seven years)

11. What is included in the income records?

(daily receipts and a ledger)

12. Name ten things that should be included on an income receipt or invoice.

a. (the business name)

f. (a description of goods sold)

b. (the date of service)

g. (amount charged for the goods sold)

c. (the client's name [and address])

h. (amount of sales tax)

d. (a description of the services given)

i. (the total)

e. (amount charged for services)

j. (a space to indicate the date paid)

13. How many copies of the invoice should there be, and where do they go?

(two copies: one for the client; one for the business records)

14. Information that is included in each entry of the disbursement ledger includes

a. (check number [or cash indication])

b. (date payment was made)

c. (payee)

d. (amount of payment)

e. (category of expense)

15. Which receipts should be kept and filed?

(receipts for all business-related expenses)

16. How long should receipts be kept?

(a minimum of seven years)

17. When is it necessary to keep an accounts receivable file?

(if credit is extended or clients are billed)

18. A record of money owed to other persons or businesses is kept in an (accounts payable) file.

19. Items and equipment that are purchased to be used in the business for an extended time (more than a year) are called (business assets).

20. Are the products that are for sale in the business considered business assets?

(no)

21. Which information should be kept in a record of business assets?

(a current list of business equipment and items that includes a description of the item, the date purchased, and the purchase price)

22. What are two methods of determining business-related automobile expenses?

(the standard mileage allowance or actual automobile expense)

23. What is usually kept in a client record?

a. (intake information)

b. (session documentation)

c. (record of payment)

24. What is the importance of an appointment book?

(It is a time-management tool and can be used as a portable file to record mileage, important phone numbers, business expenses, and appointments.)

COMPLETION: In the space(s) provided, write the word(s) that correctly complete(s) each statement.

1. The business activity done to promote and increase business is called (marketing).
2. A segment of the population with similar characteristics that the practitioner might prefer to attract is her (target market).
3. Most promotional activities are (educational) in nature.
4. Any marketing activity that the practitioner must pay for directly is considered (advertising).
5. The practice of encouraging clients to come back for services repeatedly is known as (client retention).

SHORT ANSWER: In the spaces provided, write short answers to the following questions.

1. List five marketing activities.
 - a. (advertising)
 - b. (public relations)
 - c. (promotionals)
 - d. (developing referrals)
 - e. (client retention)
2. What is the advantage of selecting a target market?
(It enables the practitioner to modify advertising and promotional activities to appeal to the specific group.)
3. What are two ways of determining a target market?
 - a. (Make a conscious choice of the type of clientele desired.)
 - b. (Access client files to determine who is presently using the services and what they have in common.)
4. What are two objectives of promotional activities?
 - a. (to become known and visible to those in the community that might seek service)
 - b. (to create the desire in potential clients to use the services)

5. Give three examples of promotional activities.
- a. *(public speaking and appearances)*
 - b. *(articles in newspapers and professional magazines)*
 - c. *(booths at health fairs and other public functions)*
6. Give four examples of promotional materials.
- a. *(business cards)*
 - b. *(brochures)*
 - c. *(newsletters)*
 - d. *(stationery)*
7. What should be included on every piece of promotional material?
- (business name, location, and phone number)*
8. List four ways to promote business through public relations.
- a. *(news releases in the local paper about awards or certifications received or classes offered)*
 - b. *(giving talks or demonstrations to local clubs, organizations, or schools)*
 - c. *(being a guest on a radio or television talk show)*
 - d. *(networking at professional or business gatherings such as the local chamber of commerce)*
9. What are two main sources for obtaining referrals?
- a. *(satisfied clients)*
 - b. *(other health care professionals)*
10. When a satisfied client refers a new person, what should be done?
- (Acknowledge the client with a thank you.)*
11. When a health care professional refers a client, what should be done?
- a. *(Confer with the health care professional to find out why they referred.)*
 - b. *(Report back to the professional with any results.)*
 - c. *(Acknowledge the professional with a written thank-you note.)*

12. What are the three Rs of referrals?

- a. (Request referrals from satisfied clients and professionals.)
- b. (Reward those who send referrals with prompt thank-you cards or personal phone calls.)
- c. (Reciprocate by sending referrals or using the services of those who send them.)

SHORT ANSWER: In the spaces provided, write short answers to the following questions.

1. Which federal regulations must be observed when operating a massage business with employees?

- a. (Social Security)
- b. (unemployment compensation insurance)
- c. (federal income tax)

2. Which state regulations must be observed when operating a massage business?

- a. (sales tax)
- b. (state income tax)
- c. (state massage licenses or regulations)
- d. (workers' compensation)
- e. (employment regulations)

MULTIPLE CHOICE: Carefully read each statement. Choose the word or phrase that correctly completes the meaning and write the corresponding letter in the blank provided.

1. A positive self-image means that you _____. (a)
 - a) like yourself and what you do
 - b) look beautiful
 - c) wear expensive clothes
 - d) are vain

2. Your public image includes all of the following EXCEPT _____. (c)
 - a) appearance
 - b) business conduct
 - c) expense reports
 - d) customer relations

3. Clarifying your business's purpose, stating a mission, setting goals, and determining priorities is called _____. (b)
 - a) accounting
 - b) business planning
 - c) tax preparation
 - d) job training

4. A short, general statement of the business's main focus is called a/an _____.
- | | | |
|------------------|----------------------|-----|
| a) goal | c) advertisement | (d) |
| b) business plan | d) mission statement | |
5. A business that has one owner is called a _____.
- | | | |
|------------------------|------------------------------|-----|
| a) sole proprietorship | c) corporation | (a) |
| b) partnership | d) limited liability company | |
6. A business that has stockholders is called a _____.
- | | | |
|------------------------|----------------|-----|
| a) sole proprietorship | c) corporation | (c) |
| b) partnership | d) subsidiary | |
7. Undercapitalization and poor management are the two main reasons for small business _____.
- | | | |
|--------------|----------------|-----|
| a) expansion | c) failure | (c) |
| b) insurance | d) advertising | |
8. When buying an existing business, make sure it is _____.
- | | | |
|---------------------|-----------------------|-----|
| a) well established | c) in a good location | (d) |
| b) reputable | d) all of the above | |
9. The insurance that covers costs of injuries occurring on your property and any resulting litigation is called _____ insurance.
- | | | |
|---------------|--------------------------|-----|
| a) disability | c) homeowners' | (b) |
| b) liability | d) workers' compensation | |
10. Insurance that protects the therapist from lawsuits filed by a client because of injury or loss from negligence or poor execution of a professional skill is called _____.
- | | | |
|---------------|-----------------|-----|
| a) liability | c) compensation | (d) |
| b) disability | d) malpractice | |
11. Insurance that covers the medical costs for employees injured on the job is called _____ insurance.
- | | | |
|--------------------------|---------------|-----|
| a) workers' compensation | c) liability | (a) |
| b) malpractice | d) disability | |
12. A ledger that separates and classifies every business expenditure is called a/an _____.
- | | | |
|------------------------|--------------------------|-----|
| a) inventory | c) profit/loss statement | (b) |
| b) disbursement record | d) balance sheet | |

13. All of the following are business expenses EXCEPT _____. (d)
 a) rent c) advertising
 b) supplies d) owner's salary
14. The marketing activity done in return for direct payment is called _____. (b)
 a) publicity c) bartering
 b) advertising d) referral
15. Developing personal and professional contacts for the purpose of giving and receiving support and sharing information is called _____. (b)
 a) hobnobbing c) advertising
 b) networking d) promotions
16. The best and least expensive way to create new business is through _____. (a)
 a) referrals c) public speaking
 b) advertising d) client retention
17. Social Security and unemployment compensation are two regulations of the _____. (b)
 a) state government c) county government
 b) federal government d) city government
18. Sales taxes, licenses, and workers' compensation are required by _____. (a)
 a) state government c) county government
 b) federal government d) city government
19. A person hired on as her own boss is called a/an _____. (c)
 a) employee c) independent contractor
 b) bookkeeper d) receptionist

WORD REVIEW: The student is encouraged to write down the meaning of each of the following words. The list can be used as a study guide for this unit.

accounts payable

(Accounts payable is a record of the moneys that you owe to other persons or businesses.)

accounts receivable

(Accounts receivable is a record of moneys owed to you by other persons or businesses.)

advertising

(Advertising is any marketing activity that is done in return for direct payment.)

bank account reconciliation

(Bank account reconciliation is the act of verifying personal banking records with a bank statement.)

bank statement

(A bank statement is a document issued periodically [usually monthly] by a financial institution that lists transactions during that period.)

bookkeeping

(Bookkeeping is the activity of maintaining financial records of the inflow and outflow of revenue or capital.)

business assets

(Business assets are items and equipment purchased and to be used in the business for an extended period [more than a year].)

business checking account

(A business checking account is an account maintained specifically for business transactions.)

business expenditures

(Business expenditures consist of all money spent on business-related items or services.)

business goals

(Business goals are specific, attainable, measurable things or accomplishments that you decide on and make a commitment to achieve to support your mission, reinforce your purpose, clarify your intentions, and direct your creative energy toward realizing your dreams and success.)

business license

(A business license may be required to do a business in a city.)

client file

(Client file is the mechanism practitioners use to record pertinent client information and document the work that they have done with clients.)

client retention

(Client retention is the practice of keeping clients so that they return repeatedly.)

corporation

(Corporation is a business setup subject to state regulation and taxation. A charter must be obtained from the state in which the corporation operates.)

cost-of-goods

(Cost-of-goods is the expenditure made for items that will be resold for profit.)

DBA

(DBA is acronym for “doing business as,” also known as a “fictitious name statement”; it is required if the business name is different than the owner’s name filed with the county or state, to ensure that no one else is doing business under the same name.)

direct mail

(Direct mail is a marketing practice of sending promotional material to target markets through the mail.)

disbursement ledger

(A disbursement ledger is a document that lists all business expenditures.)

EIN

(EIN is acronym for employer identification number, a number issued by the Internal Revenue Service for an employer or business owner to use for tax purposes.)

entrepreneur

(An entrepreneur is a person who takes on a business endeavor with the expectation of being profitable.)

fictitious name statement

(A fictitious name statement, also called a DBA, is required if the business name differs from the owner's name filed with the county or state, to ensure that no one else is doing business under the same name.)

income ledger

(An income ledger is a document that lists all business-related income, a summary of all cash receipts and invoices.)

independent contractor

(An independent contractor determines own work schedule, provides own supplies, gets paid a flat fee, and is responsible for own taxes.)

inventory

(Inventory is the supply of products or goods on hand.)

invoice

(An invoice is an itemized list of goods and services either given or received.)

LLC

(LLC is an acronym for limited liability company, a legal entity somewhere between a partnership and a corporation that must have at least two members and file with the IRS.

Owners or members are a separate entity from the business and somewhat shielded from the business's liabilities.)

limited liability company

(Limited liability companies are a form of legal entity, something between a partnership and a corporation.)

marketing

(Marketing consists of all activities carried on to promote or increase business, including advertising, promotions, public relations, referrals, and client retention.)

massage license

(A massage license can be a city, county, or state requirement to perform massage services for a fee.)

mileage log

(A mileage log is a document in which business-related auto travel is recorded for tax purposes.)

mission statement

(A mission statement is a short, general statement of the main focus of the business.)

outcalls

(Outcalls are massage or business sessions that are performed away from the practitioner's office.)

partnership

(A partnership is a business setup in which two or more partners share the responsibilities and benefits of running the business.)

personal draw

(Personal draw is money that the owner takes from the business account for personal use.)

petty cash fund

(A petty cash fund is maintained to pay small disbursements for incidentals.)

professional liability insurance

(Professional liability insurance protects the therapist from lawsuits filed by a client because of injury or loss that results from alleged negligence or substandard performance of professional skills.)

provider's number

(A provider's number is a numeric identification issued to licensed health care providers that is used when submitting claims to receive payment from insurance companies.)

record keeping

(Record keeping is the act of maintaining documentation of business activities.)

referral

(Referrals work two ways: 1) if a client shows conditions that would benefit from the services of another health care professional, the practitioner can suggest that the client seek him; 2) as a marketing strategy, new business can be generated by soliciting referrals from satisfied clients or health professionals familiar with your work.)

Schedule C

(Schedule C is a federal tax document (Sole Proprietorship Business or Profession Profit or Loss Form) in which income from self-employment is recorded.)

Schedule SE

(Schedule SE is a federal tax document (Social Security Self-Employment Tax Form) in which self-employment Social Security payment responsibility is calculated and documented.)

self-employed

(Self-employed means working for one's self rather than being employed by someone else.)

sole proprietor

(A sole proprietor is an individual business owner responsible for all expenses, obligations, liabilities, and assets.)

start-up costs

(Start-up costs are the funding necessary to begin a business, including all expenditures made before any revenue is collected.)

target market

(A target market is a segment of the population with specific characteristics that a business owner would prefer to attract to her services.)

tax deductible

(Tax deductibles are expenses and costs that can be subtracted from gross income to determine a person's taxable income.)

word-of-mouth advertising

(Word-of-mouth advertising is the least expensive form of advertising, in which the practitioner or satisfied clients tell others and encourage them to use his services.)

zoning regulations

(Zoning regulations are local laws that control where certain types of structures or businesses are located within their jurisdiction. These can affect massage businesses operated out of a home in a residential district.)
