



Capitalization, Sales Options, and E-Commerce



Capitalization Maximum The maximum amount of capitalization allowed for a JA company is \$1,000. JA Companies are subsidiaries of the local JA Area and are financially responsible for any debt or obligations incurred and for fulfilling obligations to their investors, customers, suppliers, and employees.

Possible Capitalization Methods

The following are capitalization options for a JA company. The students will decide, with guidance from the JA volunteer and teacher, which method is best suited for their company. JA Companies may use a combination of these methods if needed.

No matter which method is used, students should honor their commitments and aim to provide a return to their investors when the company is liquidated. With any investment, however, there is a possibility that investors will lose money. There are no guarantees.

Bootstrapping Students will operate their venture with their own initial startup funds and business cash flow, which gives them 100 percent control and ownership of their company. This method also may include gifts from the students’ families and friends. Students should consider how this will affect their relationships and be clear on expectations if the venture succeeds or fails. Be sure to capture investor information in the Investor Record, so that it is clear how much equity each cofounder has.

Bootstrapping	
Pros	Cons
<ul style="list-style-type: none"> Students have 100 percent control of the company and are not accountable to outside investors. Upon liquidation, students retain all profits. 	<ul style="list-style-type: none"> If business is unsuccessful, students will lose their investment.
<ul style="list-style-type: none"> If funds are available, students have quick access to start-up capital. 	

Online Crowdfunding Students may use the site Indiegogo to raise the capital needed to fund their startup. By using Indiegogo, students still retain control of the venture and have broader access to capital. Backers may potentially serve as investors and customers, depending on what perks the company offers. It will take time to create and manage the site, which should be taken into consideration. There are costs for this option. The site charges 4 percent of total funds raised if the goal is met. In addition, each credit card transaction will cost 3 to 5 percent of the amount paid. The JA Area must open and maintain primary responsibility for all accounts. Students are encouraged to contribute to the campaign. A dedicated student team should be responsible for managing the campaign.

If you select this option, please contact your JA Area representative, who will set up your account and provide access. The JA Area will establish an Indiegogo account with a corresponding point-of-contact email and password

Outside Investment Students may seek outside investments from friends, family, and community members. This may include several small amounts or a handful of larger amounts. Students should be up front with investors about the



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potential risk or reward of their investment, and they should keep records of investors and investment amounts. Students may invest their own money as well. Be sure to capture investor information in the Investor Record.



JA Area Funding JA Investment Pitch Day (See Sheet for further details) Contact JA Team Member Alyssa West to set up your class Pitch Day.

Sales Options and E-Commerce JA Company Program has new options for sales and payment processing. Some options have associated costs, which students should take into consideration when selecting the best method for their business. Online services will need to be linked to the student bank account. Opening and maintaining the accounts is the responsibility of the JA Area. If a JA company decides to use one of these online services, a JA Area representative will set up the account and provide access.

Direct Sales: Only cash and checks will be accepted.

E-Commerce Options: More options available to your customers.

Etsy is an online marketplace that connects people from around the world who buy and sell unique goods. This platform is only for companies selling handmade goods, vintage items, or craft supplies. Joining and setting up a shop on Etsy is free. Each item listed on Etsy costs 20 cents when the listing is published. Once a sale occurs, a 3.5 percent transaction fee is assessed. The local JA Area opens and maintains this account along with the student company members.

Mobile Payment JA student companies may use mobile credit card processing by using Square. This card reader can be attached to iPhone, iPad, or Android devices and will connect to the JA student company bank account. The device is free, but each transaction under the free pay-as-you-go plan is 2.75 percent per swipe. If card information is entered manually, each transaction is 3.5 percent plus 15¢ per transaction (per Square website 6/28/17). The local JA Area opens and maintains this account along with student company members.