

Expository
Text

The Bike Company

by *Yvonne Morrin*



Mc
Graw
Hill

PAIRED
READ

The Shirt of Happiness

STRATEGIES & SKILLS

Comprehension

Strategy: Ask and Answer Questions

Skill: Main Idea and Key Details

Vocabulary Strategy

Proverbs and Adages

Vocabulary

currency, economics, entrepreneur, global, invest, marketplace, merchandise, transaction

Content Standards

Social Studies

Economics

Word Count: 1,255**

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**The total word count is based on words in the running text and headings only. Numerals and words in captions, labels, diagrams, charts, and sidebars are not included.



Essential Question

What has been the role of money over time?

The Bike Company

by **Yvonne Morrin**

Chapter 1

Getting Started 2

Chapter 2

Getting It Together 6

Chapter 3

Getting into the Marketplace 10

Respond to Reading 15

PAIRED READ

The Shirt of Happiness 16

Glossary/Index 19

Focus on Social Studies 20

Getting Started



Early people didn't use money. They made the things they needed and grew their own food. If they needed something else, they traded with other people.

Over time, people began to trade shells or stones for things they wanted to buy. This was the first currency.

Today we use money to buy the things we need or want.

So how do people make money? Some people work for another person or company. They are paid **wages**. Other people work for themselves. They make and sell products or offer a **service**.

Money passes from person to person. There is a saying “Money makes the world go around.” This means that our global society uses money to keep itself running.

These people
work in an office
for wages.



Hector's Idea

One way to make money is to make goods to sell. Hector is an entrepreneur. He wants to make and sell bicycles. First he needs to find out what kinds of bikes people buy.

Hector does some research. He learns that some people want a bike that looks good. Other people want a bike that works well. Some people want a cheap bike while others will pay more money for a bike that is well made.

Hector also looks at the **competition**. He goes to bicycle stores to see what merchandise sells well in the marketplace.

People ride commuter bikes,
racing bikes, and BMX bikes.



None of the stores sell bikes that are made with environmentally friendly materials. Maybe Hector could make a bike that is made from materials that can be easily grown again.

Hector decides that a bike with a bamboo frame may be popular. A bamboo frame is strong and lasts a long time. Hector begins to design the bike.

STOP AND CHECK

How does Hector figure out what kind of bike to make?

Getting Around on a Bike

There are around a billion bikes in the world. More than 100 million new bikes are made every year. Many cities have bike sharing programs that people can use for short trips around town.



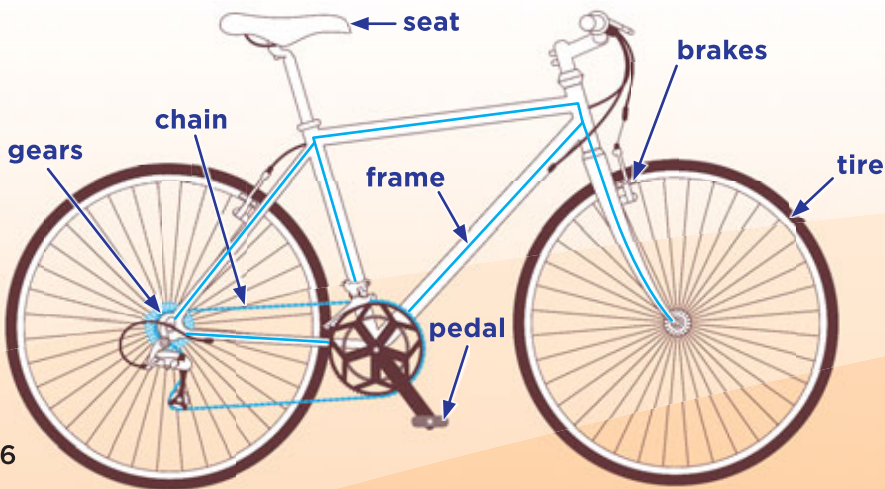
Getting It Together

Hector makes a **prototype** of his bike. This is a model of the bike he will sell. Hector can see how the bike works and how to make it. Hector can figure out how much it will cost to make the bike.

Hector decides that he will make only the bike frames and gears. It will cost too much money to make all the bike parts. He will buy parts such as the wheels, tires, chains, seats, and brakes.

Hector writes a list of the things he will need. He will have a lot of **expenses!**

The frame holds the bike together.



Hector Needs Investors

There is a saying: “It takes money to make money.” Hector doesn’t have enough money to set up a factory. He finds people who will invest, or lend money, to him. Then he will have enough money to start a factory and make the bikes. The people who invest in Hector’s bikes will get a share of the money he makes.

Expenses

Rent

Electricity

Tools and machines to make
the frames and gears

Raw materials

(bamboo for frames, steel for gears)

Components (tires, seats, etc.)

Employee wages

Insurance

Shipping

Advertising

How Many Bikes?

Finally, Hector's factory is ready to begin making bikes. How many bikes should Hector make? Hector knows about the law of supply and demand. He must make enough bikes for his customers. If the bikes are too expensive, people won't buy them. Hector won't sell enough bikes to make a profit.

A profit is money that is left over after expenses are paid. Hector needs to make a profit. Then he can give money back to his investors.

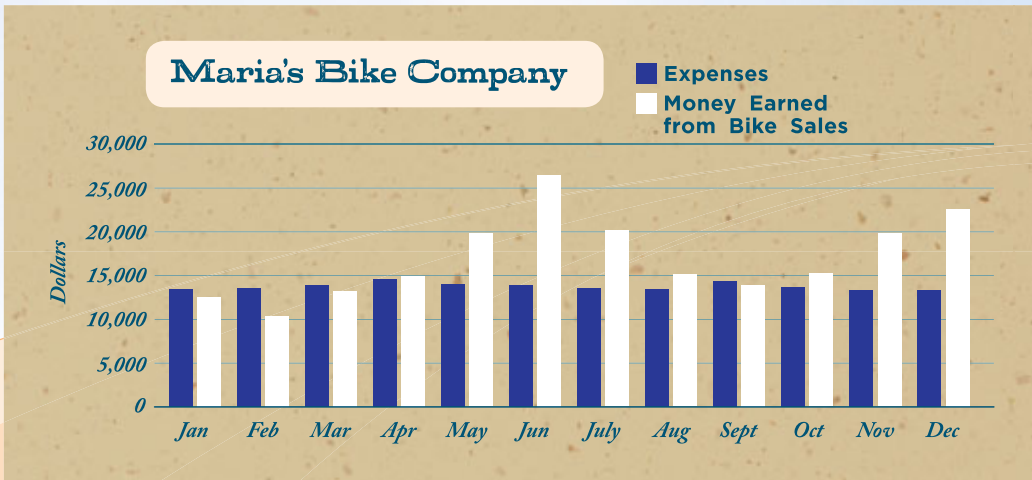
Supply and Demand

Supply and demand is about buying and selling. Let's use headphones as an example.

The law of demand says that more people will want to buy the headphones when they are cheap. If the price goes up, fewer people will want to buy them.

The law of supply says that the more expensive the headphones are, the more headphones suppliers will make. If the price goes down, supplies will go down too.

Hector must figure out how many bikes he needs to sell to make a profit. Hector finds some sales information from another bike company. He puts the information into a graph.



Maria's company sold lots of bikes in the summer and during the winter holiday season (November and December). In January, February, March, and September, the company spent more money than it earned.

The graph shows Hector that more people buy bikes in the summer and during holidays. The company may make a profit during those times.

During other times, he will sell fewer bikes. He won't make a profit, but he will still have expenses. Hector must save money during the good times. Then he can pay his expenses during the bad times. Hector remembers a saying: "Money doesn't grow on trees."

STOP AND CHECK

How does Hector know he will have a lot of expenses?

Getting into the Marketplace

Hector's company makes the bike frames. Then the workers put the parts onto the frame. Next, the bikes are tested to make sure they work well.

Hector thinks about how to sell his bikes. He could open his own store. But it would cost money to run a store.

Hector could sell his bikes online. But if people buy online, they can't try out the bike.

It's a good idea to ride a new bike before buying it.



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Stores have sales so people will buy more bikes.

Terry Farmer/Age Fotostock

Hector decided to sell his bikes to other stores. He will get a lower price for them. The stores will sell the bikes at a higher price. This means the stores will cover their costs and make a profit. Hector will make less money on each transaction, but he will sell more bikes.

The stores might have sales to get people to buy Hector’s bikes. Some shoppers always look for sales. They believe in the saying: “A penny saved is a penny earned.”

Advertising

The stores sell many different bikes. Hector has to persuade people to buy his bikes. He decides to spend money on advertisements. Posters

advertising his bikes are displayed in stores.

Some advertisements suggest that buying a product will make you more popular. This usually isn't true. There is a saying about that too: "All that glitters isn't gold."



Advertisements for bikes have been around for a long time.

Hector thinks about paying a celebrity to say that he or she likes Hector's bikes. This might persuade people to buy a bike. Hector thinks about the economics, or how much this will cost. He decides that it is too expensive.

Hector decides to **sponsor** a sports event. He gives the organizers of the event some money. They put the logo of Hector's bike company on all the event information. This advertises his bikes to the people at the event.

Innovative Bicycles



Most bikes have the same basic design. Some entrepreneurs have made different kinds of bicycles. Some bikes fold up so that they are easy to carry. Others are made of materials such as plywood.

Hector's bikes are selling well. He is able to pay his expenses. He can give some money to his investors and keep some for himself.

Hector's daughter, Eva, has learned about economics. She wants to buy a soccer ball. Hector agrees to pay her to do some extra chores. She earns enough to buy the ball.

Hector and Eva play soccer together. Hector thinks of his favorite saying: "The best things in life are free." It costs nothing to spend time with friends and family!

STOP AND CHECK

In what ways does Hector decide to sell his bikes?

**Before you spend money,
you need to make money.**



Respond to Reading

Respond to Reading

Summarize the role of money in *The Bike Company*. Details from your graphic organizer may help.

Main Idea
Detail
Detail
Detail

Text Evidence

1. How do you know that *The Bike Company* is an expository text? **GENRE**
2. What is the main idea of Chapter 3?
What details support the main idea?
MAIN IDEA AND KEY DETAILS
3. What does the saying “Money doesn’t grow on trees” on page 9 mean? **PROVERBS AND ADAGES**
4. Write about the steps Hector takes before he makes his first bike. Be sure to include details from the text. **WRITE ABOUT READING**

Compare Texts

Read about a king who learned that money can't buy happiness.

The Shirt of Happiness

A long time ago, there was a rich king in Mexico. The king could buy whatever he wanted. But he wasn't happy.

"I'm miserable!" the king said one night. "Can someone help?"

A servant began telling a joke. Another servant began to juggle. But nothing made the king happy.

Then a servant said, "I know how to make you happy. You must wear the shirt of a really happy man for a day."

"Excellent!" said the king. He ordered the servant to give him his shirt.

"But I am not really happy," said the servant. "My dog has run away."

The king asked his other palace servants to give him their shirts. No one was really happy. So the king told the captain of the army to have his soldiers bring him the happiest man in the kingdom.

The soldiers looked and looked. Finally they saw a poor farmer. The farmer was whistling. The captain asked the farmer if he was happy.

“I sure am!” the man said.

The captain took the farmer to meet the king.



The king was surprised when he saw the poor farmer. “Where is your shirt?” he asked.

The happy man said, “I’ve got my tools and I’ve got some well-made trousers. I don’t have a shirt!”

“How can you be happy when you have so little?” the king asked.

“I have everything I need,” the man said.

And the king learned that happiness does not come from what you have. It comes from how you look at your life!



Illustration: Caroline Hu



Make Connections

How does *The Shirt of Happiness* show the role of money in finding happiness? **ESSENTIAL QUESTION**

Compare the way Hector used money in *The Bike Company* with the way the king used his money in *The Shirt of Happiness*. **TEXT TO TEXT**

Glossary

competition (*kahm-puh-TI-shuhn*) the other businesses that offer similar goods or services for sale (**page 4**)

expenses (*ik-SPEN-siz*) costs (**page 6**)

prototype (*PROH-tuh-tighp*) a model that is made to test a new design (**page 6**)

sponsor (*SPAHN-suhr*) give money to help run an event (**page 13**)

service (*SUHR-vis*) doing work for other people (**page 3**)

wages (*WAYJ-iz*) money that is paid for work that is done (**page 3**)

Index

advertising, 7, 12, 13

investors, 7, 8, 14

market research, 4

profit, 8, 9

selling, 10, 11

supply and demand, 8

Focus on Social Studies

Purpose To explore the economics of a business

Procedure

Step 1

Work with a partner to start a pretend small business. Make a list of products you could sell. Choose one of your ideas.

.....

Step 2

Research what you will need to make your product. Find out how much it will cost.

.....

Step 3

Based on your costs, figure out a price for your product.

.....

Step 4

Design an advertisement for your product. Be sure to draw pictures and write words that would attract customers. Share your advertisement with the class.

Literature Circles

Nonfiction

Thinkmark

Text Structure

How does the author organize information in *The Bike Company*?

Vocabulary

What new sayings did you learn in the text?
What helped you understand their meaning?

Conclusions

What is the most important thing you learned in *The Bike Company*?

What conclusions can you draw about running a business?

Author's Purpose

Why do you think people tell stories like *The Shirt of Happiness*?

Make Connections

What connections can you make between *The Bike Company* and any other knowledge you have about the way a company works?