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BUSINESS SKILLS TRAINING GUIDE

FOR PROMOTING INCOME GENERATING ACTIVITIES (IGAs) IN THE COMMUNITY

AVSI PSYCHOSOCIAL SUPPORT PROGRAM, KITGUM

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(August 2000)*

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HOW TO USE THIS MANUAL

This manual contains both questions and answers but the answers are just to guide the facilitator. The facilitator should avoid as much as possible to ask questions come up with the answers at the same time because if he | she does so, the participants will not get the opportunity to generate their own ideas. It is very important for the participants to reason and come up with their own ideas.

Unless the participants fail to or generate very few ideas then the facilitator can refer to the answers in the manual. But in most cases they never fail to come up with constructive ideas. The essence is to build on the existing knowledge and skills of the participants

This manual is direct and simple to use but the questions demands a lot of discussions to enable the participants get a broader understanding of business skills. So the facilitator has to be keen enough to lead the participants to the discussions.

Role-plays, business experience sharing and energizers must be done in the course of the training. After each topic, there must be experience sharing by the participants to enable them learn from one another's experience.

At the end of each day's training, there must be an evaluation exercise (refer to page 29 for the questions

GOOD LUCK.

COURSE ORGANISATION

1. INTRODUCTIONS AND MICRO LAB.

- a) Complete registration forms
- b) Preparation of name tags
- c) Introduction of participants and trainers:

Tell us:

- Your name
- Where you come from
- What you are doing (activity)
- Your expectation of the training
- Your fears, likes and dislikes

Note: One-minute talk.

2. After the introduction, the facilitator should tell the participants the immediate objectives of the workshop as shown below:

OVERALL AIMS AND OBJECTIVES OF THE WORKSHOP

- To train and develop capacities of vulnerable members of the community in Kitgum and Pader District especially women and youth who are affected by armed conflicts to establish their own micro and small business to help them cope with life.

Immediate objectives

- To uplift managerial and entrepreneurial skills of those already in business to help improve their enterprises performance for expansion and growth.
- Develop confidence in enterprise initiation and enterprise management for improving their performance
- Assess one's own capabilities and motivation in entrepreneurial career and strengthen and develop business skills.
- Reduce poverty by enabling you to go back and create your own jobs by starting and managing your own business.
- Increase the number of sustainable micro and small businesses

Learning goals

- Develop confidence in enterprise initiation and management for improving their performance.
- Assess one's own capabilities and motivation in entrepreneurial career and strengthen and develop business skills.

Expected result of the workshop

- ⇒ Improved knowledge and skills in business management
- ⇒ Participants ability to identify viable business opportunities enhanced/increased
- ⇒ Participant's ability to assess their own weakness, strength, opportunities, fears and motivations in business initiation and management developed/promoted

3. TRAINING ORIENTATION EXERCISE.

Participants form small groups and discuss the following questions:

Question 1: What do we have in common in our groups

- Need for training in business skills
- Have the ability to learn

Question 2: How will this training be helpful to us?

- Have business skills
- Generate business ideas
- Self improvement and poverty eradication

Question 3: how should we behave in this training to maximise its usefulness?

- Participate actively
- Obedience
- Orderly
- Tolerance and sacrifice

BUSINESS SESSION.

TOPIC ONE – BUSINESS IDENTIFICATION STRATEGY AND START UP PROCESS

A) BUSINESS IDENTIFICATION

Out door games

Business orientation exercise.

The purpose of this exercise

Is to let the participants know that, apart from the natural resources they have, they can also use their personal resources e.g. personal skills, time, children, personal belongings to start a business.

In this exercise, the participants are asked to go out in an open place and should be lead to do the following:

1st assignment: touch as many things as possible, which you think can generate for you income.

2nd assignment: pick as many resources as you have identified and tell us how it can help you to generate income.

3rd assignment- Form in pairs and let each one identifies any resources from his or her body which he or she thinks can generate for him or her income.

4th assignment- now come back in a circle and in your pairs; transact the business with your partner using the resources you have identified from your body and vice- versa.

Discussion Questions

Approach Brainstorm

Question 1: What did you learn from this exercise?

Question 2: What resources were you able to identify which you think can generate for you income?

B) BUSINESS START UP PROCESS

Question 1: Who is an entrepreneur or a businessperson?

Is a person who:

- Analyses how best his goods / services can could best meet the uncertified needs
- Calculates risks and probability of starting the new venture
- Mobilises the necessary resources

Qn. 2 what do you think are the characteristics of a good businessperson?

Expected answers

- Goal setting
- Scans environment
- Controls internal locus
- Seeks feed back
- Long term involvement
- Self confident
- Tolerant

Qn. 3 What steps and decisions does one have to take to become a businessperson?

- Determine whether it is feasible for you to become a business person
- Identify the potential business opportunities in your area
- Identify the steps that you have to take to establish your own small business in your area
- Evaluate the advantages and disadvantages to be in business
- Prepare yourself for business challenges
- Identify and select a business suitable to your background
- Assess the selected business
- Draw your business plan
- Mobilise your resources
- Lastly, start your business

Discuss the following in your groups:

- 1) Write down your reasons for choosing business as a carrier in your life
- 2) Write down the advantages and disadvantages you think you will experience by being in business
- 3) What factors do you think will enable you to achieve your goal and what can stop you from starting your business

PRESENTATION TWO:

MOTIVATION AND BUSINESS SKILLS DEVELOPMENT FOR POTENTIAL ENTREPRENEURS (starters).

Approach: Group discussions

1. Out line both positive and negative factors that affects an entrepreneur's initiatives and motivations

a) Negative factors

- Hard work with little income
- Unrealistic returns
- Bad debtors

- Total commitment with no time for other activities
- Small capital
- Inadequate or lack of business skills
- Fear of victimization
- High tax
- Insecurity
- Competition
- Low demand for the products etc

b) Positive factors

- Self reliance
- Increased income
- Self employment
- Improved living standards
- Good family communication
- Realistic profits etc.

c) Positive factors

- Self reliance
- Increased income
- Self employment
- Improved living standards
- Good family communication

- Realistic profits etc.

2. Awareness development

As part of this session, the potential participants will visit a local market within their area and will talk to one or two sellers and their customers.

They should find out the following:

- The kind of business going on in their market area
- The profitability and future prospects of the selected business
- The consumers and why they buy from the same person

3. Self-assessment and motivation in business skills

- Identify your own strength and weakness in business
- Prepare your own profile of business qualities
- Establish knowledge and skills you require to be in business

BUSINESS EXPERIENCE SHARING

Business Orientation exercise

Purpose: Enable participants learn from one another

It is a very important learning point, as every body will learn from one another's practical experiences.

The facilitator should ask any willing participants to share their experiences in business with the rest. It may not be possible to have many people within the shortest time; the facilitator can invite only two or three per session. That means for all the days of the training, there must be a session for experience sharing.

Experience Sharing

- Business experience sharing from three or four participants
- Tell us your business start up process
- The challenges and constraints met
- How you overcome the challenges
- The benefits you have enjoyed in your business

After each testimony, the facilitator should ask the following question to the participants:

A few reactions from participants

- **What qualities did he | she possess?**
- **What tasks and challenges did he take?**
- **What benefits did he enjoy?**
- **What benefits did he perceive being in business?**
- **What potential business opportunities did they perceive?**
- **What were his weaknesses?**
- **What advice would you give to him?**

TOPIC TWO: BUSINESS MANAGEMENT

Purpose: to help the participants gain understanding on how to improve their business for growth and sustainability.

PRESENTATION 1:

PROBLEMS AND CONSTRAINTS TO BUSINESS GROWTH AND PERFORMANCE

Methodology

Group discussion, role-plays and brainstorming

Role-play

Characters: Mr Dudu, Mr. Matata and the customers

1. Mr Dudu

Is at his shop, his customer's come to buy and welcomes them well. The customers want a discount on all the items they buy, Mr. Dudu skilfully convinces them to buy at an average price. He keeps good record of all his business transactions, keeps his shop neat and communicates very well with his customers.

2. Mr Matata

He is a womaniser with very many girlfriends. He picks the shop items and gives to the girlfriends for free. He drinks a lot and has many friends who are drunkards like him so he offers them free booze out of the business account. When something is missing at home he sends his family members to collect from the shop without money. He does not keep any record of his business and he is so reckless and rude to customers. When the customers come to the shop while he is playing cards with his friends, he does not mind about them. So eventually all his customers' preferred Mr Dudu's shop, which is adjacent to his. His business had to collapse in the end.

Ask the participants what they learnt from the role-play. This role play should help them to answer the questions below well

1. a) what internal and external problems or constraints do you experience in your business which affects its performance and its prospects for growth?

Expected Answers

α Tasks and challenges

- Risks and uncertainties
- Limited capital
- High competition
- Domestic cores e.g. cultural, etc.

α Problems and constraints

- Dependency burden
- Transport
- Insecurity
- High risks involved e.g. theft
- Taxation
- Poor storage facilities
- Marketing and access to the market
- Unfaithful business partners
- Consumer's ignorance and the living standards, etc.

ii. What actions/decision have you taken to deal with the problems or constraints you experience?

(Generate ideas for solving the problems listed above)

- Reduce the number of dependants
- Good family planning
- Minimise credit sale
- Have a viable, feasible and effective business plan
- Create good relation ship with your customers and the community around you
- Hard work and commitment
- Have good business management system
- Good storage facilities
- Make the consumers know your products
- Keep good records of your business

iii. List down all the steps or elements that are required to manage a business effectively

- Sell products which meets the consumers needs and satisfaction
- Charge affordable prices
- Keep good record of your business transactions
- Minimise unnecessary expenses
- Treat your business as a separate entity

1.b) ENTREPRENEURIAL SKILLS DEVELOPMENTS

I. What skills should a businessperson possess to manage the business?

Expected answers

- Management skills
- Negotiation skills
- Communication skills
- Technical skills
- Accounting skills
- Planning skills
- Price determination

ii. What are the characteristics of successful businesspersons?

Expected answers

- | | |
|----------------------------|--------------------------|
| - Ambitious | - Resourceful |
| - Determination | - Knowledgeable |
| - Hardworking | - Perseverance |
| - Concern for quality | - Foresees |
| - Sociable | - Long term involvement |
| - Should have a goal | - Environment scanning |
| - Innovative | - Moderate risk take |
| - Patient | - Tolerant |
| - Creative | - Self confidence |
| - Endurance | - Feedback seeking |
| - Active | - Concern for excellence |
| - Reliable and trustworthy | |

iii. Outline both positive and negative factors that affect an entrepreneur's initiative and motivations

Expected answers:

Negative

Positive

Hard work with little income
Unrealistic returns
Bad debtors
Total commitment with no
Time for other activities
Financial constraint
Inadequate or no skills
Fear of victimisation, etc.

good returns
high demand of the products
sold
realistic profits
adequate capital
- adequate knowledge of the bus
business

iv. What advantages and disadvantages do you experience being in business?

Expected answers

Advantages

- Family education especially children
- Acquisition of wealth
- Improved standard of living
- Self reliance

Disadvantages

- Limited resources
- Little demand for the products
- Small capital
- Ignorance in business management
- Dependency burden
- Insecurity
- Social problems, e.g. culture, envy, etc
- Ignorance of production, manufacturing and supply sources
- High risks

v. How can you develop your business positively basing on the above?

- Proper supervision of the business
- Selling quality products
- Offering good services to customers
- Records keeping
- Application of the acquired technical skills
-

vi. What steps/decisions does one have to take to become a successful businessperson?

- Identify the business opportunity
- Select the most suitable business in your community
- Mobilise your resources
- Choose a proper location for your business
- Identify your environment (needs to meet the uncertified market)
- Have a vision

vii. What are the factors responsible for people's failure in business?

1c). DEVELOPING AN EFFECTIVE MANAGEMENT SYSTEM

ROLE PLAY

Scene 1 : a group of youth making bricks (men and women). Some members proposed that they make four fornos while others proposed only one for fear that there may not be market for their bricks if they make many. The other members objected to the last decision and they eventually make four fornos.

Part two

One contactor comes by and buys off one forno leaving three. The member who had proposed one forno loses his cool that they laboured in vain making four fornos yet there is market. When the money raised from the bricks was paid, the group members resolved that it should be divided to members so that they use it for relaxation since they had laboured a lot in making it so the money was divided to them as agreed.

After dividing the money, the chairman brings in an idea that he would talk to their area CVC to inquire whether he can help them find market for the remaining forno.

Scene 11

The group chairman and treasurer meets the CVC and explains to him (three fornos of bricks without potential buyers) The CVC advises them to talk to the headmaster of a near by primary school (Odunglee) which is still under construction. He also advises them to try many similar schools and some NGOs doing development activities i.e. health centres etc.

Scene 111

The chairman and the treasurer goes to the said school and meets the head teacher, they explain their situation and the head teacher accepts to buy the bricks since he was in need of them.

Scene IV

The following day the head teacher comes in a vehicle to buy the bricks pays all the money and leaves.

The group member gets excited, sit down to plan as group and they all agree that they divide the money but each member should use it as a start up capital.

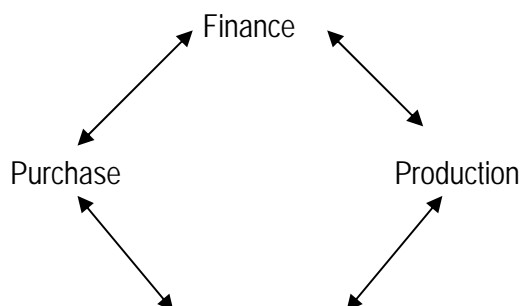
All of them started various IGAs while part of the money is kept in the group's account.

Facilitator: what did you learn from this role-play?

1. Why is it necessary to develop management system in business?

Expected answers

- Decisions are taken quickly and timely
- Avoid unnecessary delays
- Monitor and control progress
- Take corrective actions timely
- Provide feedback to your decision
- It is important because of interdependency among various functions of management e.g.



Marketing

Methodology:

- Group discussion and brain storming

PRESENTATION 2- SALES AND SALES PROMOTION

The purpose of this topic is to:

- α Enable the participants know the four 'Ps' which are very important elements of marketing in business.
They are: 1 Product

2. Price

3. Place

4. Promotion

- α To enable the participants know how to satisfy the needs/ wants of their customers in order to make good profits/ returns.

Methodology- Group exercise and presentation

1. What are sales?

It is the flow of goods/services from the producer to the consumer to satisfy their needs in exchange of a value.

2. What factors do you have to put into consideration when marketing?

Expected answers

- Find out what people want and need
- Develop the product to meet this need
- Price the product (costing)
- Make the product available at places where people can buy them
- Promoting the product to inform people about it and retain the interest of buyers.

NB: You need to take each stage effectively. It is important to remember that customers usually have a choice of whether to buy your product or not.

3-What can attract customers to buy your products or goods?

Expected answers

- Setting affordable prices
- Introducing products people want
- Bringing the product near to the people
- Your characters as the seller (polite)
- Advertisements in newspapers, radio, door to door, sign post, jingles, music, video, etc.
- Communicating with customers and understanding their problems
- Showing knowledge of your product
- Giving samples
- Display the products.

4-What information do you require to make rightful marketing decisions?

Buying habits?

- What products do they buy?
- How much do they buy?
- At what rate do they buy? Quantity?

- How do they buy?
- Why do they buy?
- Where do they buy?
- At what price do they buy?

Selling habit

- How do I attract buyers?
- Who are the competitors and where are they located?
- How do they operate and what is their strength?
- At how much do I sell?
- Where do I sell?
- When should I sell?

5- How do you get this information?

Expected answers

- Talk to sellers of similar products
- Other producers
- Buyers or people in the community
- You can also visit a shop or market where similar products and watch how people are buying

6. How would this information help you to start your business?

Expected answers

- You should be able to decide the product to sell, where, and how to attract customers and how to compete effectively
- It also helps you to know whether the decision you have taken is right.

7. How do you set prices for your products?

Expected answers

- Consider the cost at which you bought the product
- Transport costs
- And any other expenses incurred
- How much people buy and how much they are willing to buy your product
- The price of other sellers
- The profit margin you want
- Whether the product is seasonal

8. What factors do you consider when choosing a place for selling your product?

Expected answers

- Consider the delivery of the product (e.g. middleman)
- Transport cost
- Place where there is demand for the product
- Storage facilities and costs

TOPIC THREE-CREDIT SALE

Purpose- to enable participants know what it means to sell on credit and its consequences.

Methodology- role-play and brainstorming

What is credit sale?

-Offering your services or giving your products to a customer without cash on delivery in agreement to get payment at a later date.

Role-play

Characters: Mr Dombolo, Mr Sigiri, and their customers

1. Mr Dombolo:

Is a generous and carefree man who gives credit to any customer interested in it yet does not keep the debtor's records. This led to bad relationship with his customers because he would forget and attack the customers in demand for his debts, eventually the business collapsed. In the end he started to lament that he is unfortunate and a cursed man. Mean while on the other hand he started to suspect his competitors of witchcraft that they bewitched him and that is why his business collapsed.

2. Mr Sigiri:

Is a very careful man who sells on credit as well but sets a limit on his credit sale and keeps good records of all his debtors? This helped him to recover his money and items sold on credit, maintained good relations with his customers and progressed in his business.

After this role-play, ask the participants to tell what they learnt from it making reference to all the remaining questions below.

i) When should you sell on credit and why?

Expected answers

- When you know the customer because you expect him to pay
- If you yourself can buy on credit because it will not tie your business
- If you have sufficient working capital to finance the credit sale.
- If you are faced with deflatory economic situation
- If you are faced with crisis e.g. expression, looting, etc.
- If you are backed by strong and effective laws.

ii) What are the advantages and disadvantages of selling on credit?

Advantages

- Helps capture the market
- Helps keep the customers
- You can sell at higher prices and get more profits
- Saves products which could have got spoilt
- It is another form of saving

Disadvantages

- Risk of bad debtors
- Ties down your working capital
- Creates bad relationship if payment is not done
- Chases away customers

iii) When should you not sell on credit?

Expected answers

- If your capital is small
- If you do not trust / know the customer
- If the demand for your products is high
- If your stock is small
- If you have just started the business

TOPIC FOUR: FINANCIAL MANAGEMENT

Purpose: - In this session participants should know simple entry book keeping to control their finances in business transaction.

Methodology

- Role play
- Lecture and discussion

a) How do you manage your finances in business?

- The business account must always be separated from owners account
- A business is an entity of its own.
- Any money you spend out of business and does not account for results to collapse of the business
- Set salaries for yourself to meet the household demand

The facilitator should introduce record keeping giving basic terms used and after a play has to be conducted to bring out the importance of financial record.

Definition: in simple term, record keeping means to write down how much money your business gets\ receives and how much it pays out.

Money comes in and goes out of the business through transaction (for instance when a seller sells, money comes into the business and when he buys, money goes out of the business). The transaction is therefore, any exchange of money for something. For good record keeping, you have to write down all your business transaction in an organized way.

Role-play

Characters: Mr Mayo (owner), Mr Acam kwene (debtor), Mr Imara and Ms Lakica (employees at ma icamo...), Robin (the bank manager)
Ma Icamo is owned by Mr moyo and deals in furniture product.

Day 1

Mr Moyo (at his shop) I always remember how much money I pay out and how much money I receive. I do not need written record.

(Shortly a customer comes in) Mr Acam kwene, you owe me 20,000= for five chairs you took last month.

Mr Acam Kwene: Oh no Mr moyo, I only took four and you promised me a discount.

Day 2

Mr Moyo: (talks to his employees) we had very money customers today but there is very little money in the cash box.

Mr imara :

Mr Moyo you paid Mr langol his salary for the extra work he did.

Mr Lakica:

You gave me money for bus fare to look for materials, remember.

Day 3

Mr moyo (applied for a loan at the bank) I need to buy a new machine. I am sure I will be able to repay the loan in six months.

Robin:

Fine Mr Moyo but first, the bank needs to see your records of sales and profits and your plan for the future.

Mr Moyo could not produce any record of his business transaction and so he missed the loan.

Ask the participants to tell what they learnt from this role-play.

1. Record Keeping

a) What is the importance of keeping financial records?

- To cost
- To plan
- Controls business operations
- Evaluation of business activities (...)
- Measure profitability of products
- For strategic and actual decision making
- External reporting through financial statements

b) Name the types of books of accounting you know of.

- Receipt books
- Cash books
- Payment vouchers
- Invoice
- Ledger, etc

Demonstrate all the above-mentioned books for the participants to know. Make the entries in the various books together with them and pick the example from their businesses. To do this, ask any one to volunteer using her business to record the transactions.

Below are some examples

LEDGER BOOK
AYOMO CAN
INCOME AND EXPENDITURE FOR THE MONTH ENDING MARCH 2001

| (Dr) | | | (Cr) | | |
|----------|---------------------------|-----------------|----------|---------------------|-----------------|
| Date | Particulars | Amount | Date | Particulars | Amount |
| 3/3/2001 | Sold chapatti and Mandazi | 16,000/= | 2/3/2001 | Bought wheat flour | 18,000/= |
| 4/3/2001 | Sold Mandazi | 8,000/= | 3/3/2001 | Bought baking flour | 3,500/= |
| 5/3/2001 | Chapatti | 10,000/= | 3/3/2001 | Cooking oil | 8,000/= |
| 6/3/2001 | Mandaazi | 6,000/= | 3/3/2001 | Bought sugar | 3,500/= |
| | | | | Kavera | 500/= |
| | | | | Market dues | 1,000/= |
| | | | | Profit | 5,500/= |
| | | 40,000/= | | | 40,000/= |

To determine profit and loss subtract total expenses from sales.

| Date | Particulars | Qty | Debt | Amount paid | Balance | Signature |
|----------|-------------|-------|---------|-------------|---------|-----------|
| 1/4/2001 | Meat | 2 kgs | 4,000/= | | 4,000/= | |
| 2/4/2001 | Paid part | | | 3,700/= | 300/= | |
| 4/4/2001 | Meat | 3 kgs | 6,000/= | | 6,300/= | |
| 6/4/2001 | Paid off | | | 6,300/= | nil | |

1 b) Name: Amina
Location Quotas

| Date | Particulars | Qty | Debt | Amount paid | Balance | Signature |
|----------|-------------|-----------|---------|-------------|---------|-----------|
| 1/4/2001 | Ate food | 2 plates | 1,400/= | | 1,400/= | |
| 2/4/2001 | Paid part | | | 1,000/= | 300/= | |
| 4/4/2001 | Took tea | 1 tea pot | 500/= | | 6,300/= | |
| 6/4/2001 | Paid off | | | 900/= | Nil | |

The facilitators showed the participants samples of original books of accounts like cash book, receipts books, invoice, etc and encouraged those who can afford to buy and use them

c) **What are the two major skills a sales man should posses?**

- Accounting skills
- Customer relation

2.COSTING

Lecture and discussion

There are a number of things to put into considerations when determining costs and pricing of the products. But one weakness/problem our clients face is that they do not put into consideration such costs like:

Direct and indirect costs which are incurred in production, administration, and distribution and selling the products.

When costing, one is supposed to view things both in monetary and non-monitory form i.e.: - materials used, idle time, hours worked, units made, etc. The following should also be considered: how many units should I make, should I increase or decrease the price, what is profitable sale, should advertising and promotion be increased.

Costing involves analysis of expenses incurred and the facilitators categorised types of business carried and group the types of costs (expenses) incurred in such business.

1. Manufacturers

- a) Service operator tailoring, salon, knitting,
- b) Others forms of manufacturing; poultry, bakery metal work)

Your business pays for the raw materials to make the products or services you Sell.

2. Retailer and wholesaler (produce, drugs, shops, kiosk.)

What your business pays for the products you buy to resell is the direct cots. There is no direct labour cost in this type of business.

Examples

Direct cost: direct material and labour

Indirect cost: rent (consider space, cheaper place) transport, stationery, electricity and water, indirect labour (wages paid to employees not working directly in production like typist, office clerks and messengers), licences, insurance, maintenance of equipment and depreciation.

Costing also help in calculating profit as shown below:

**FAMILY BAKERY
PROFIT AND LOSS ACCOUNT**

FOR THE MONTH ENDING 30/1/2001

| | Shs | Shs | Shs |
|---|-----------------|-----------|--------------------------------------|
| Sale | | | 11,630,000/= |
| Direct cost | | | |
| Direct materials (baking flour, cooking oil, blue band, eggs, sugar, salt, yeast) | | | |
| Direct labour (wage) | 464,830/= | | |
| Gross profit | <u>14,000/=</u> | 478,830/= | |
| Less indirect cost | | | |
| Rent | | | |
| Transport | 1,875/= | | |
| Electricity | 3,600/= | | |
| Charcoal | 2,500/= | | |
| Kavera | 2,500/= | | |
| Salary (seller) | 18,000/= | | |
| Repair kitchen ware | 10,000/= | | |
| Electric cooker | 500/= | | |
| Charcoal stove | 1,375/= | | |
| Tray | 300/= | | |
| Net profit | 125/= | 40,775/= | <u>519,605/=</u> 110,395/= |

BOAT MAKING GAME

Familiar activity in the society

To help participants understand costing well, the facilitator should lead the participants in a boat making game. Participants should be divided into three groups: -

Each group should have a name of its firm; appoint a manager and these firms should manufacture boats.

There is a company interested in buying these boats that means there is ready market for their products but the conditions are:

1. Average time for making these boats is 15 minutes
2. Cost of raw materials (timber) 1-20 pcs = 8,000= per pcs
3. If you buy materials from 20-25 pcs the price would be reduced to 7,000= per pc
4. Selling price per boat is 10,000=

Participants are expected to work out the following:

1. How many boats they would like to make within 10 minutes
2. Cost of raw materials and other expenses
3. Number of boats sold
4. Total sales
5. Profit/loss

After the game, the facilitator should ask participants the following question:

Qn. What did you learn from this game?

How to cost: determine the price and profit.

Qn. Why did all of you sell at a profit | loss?

We did not consider:

- Quality
- Transport costs
- Expenses such as nails
- Time
- Workers skills
- Negotiations skills
- How many units to make
- Advertisement and promotion, etc.

Examples

GROUP'S PRESENTATION

Group 1

| | | | | |
|---|-----|--|-----------------|----------|
| | shs | | shs | |
| 1) Cost of material 7pcs @ 8,000= x 7 = | | | 56,000= | |
| 2) Labour cost for 7 workers @ 5,000= x 7 = | | | <u>35,000/=</u> | |
| 3) Manufactured 7 boats | | | | 91,000/= |
| Less expenses | | | <u>30,000/=</u> | 61,000/= |

If remaining boats are sold, the firm may realize some profits.

Group 2

| | | | | |
|---|--|--------|---------------|--|
| 1) Bought timber 10pcs @ 8,000= x 10 = | | | 100,000= | |
| 2) Vanish and machine work = | | 2,000= | | |
| 3) Labour charges for 6 workers 1,500 x 6 = | | | <u>9,000=</u> | |

| | | |
|--------------------------|-----------------|----------------|
| 4) Manufactured 10 boats | | 11,000/= |
| Sold 7 boats | @ 10,000= x 7 = | <u>70,000=</u> |
| Expenses | | |
| Loss | | 41,000/= |

Group 3

| | | |
|------------------------------|----------------|-----------------|
| 1) Bought timber 5pcs | @ 8,000= x 5 = | 40,000= |
| 2) Vanish and machine work | = | 2,000= |
| 3) Labour cost for 5 workers | 1,000 x 5 = | 5,000= |
| 4) Manufactured 5 boats | | |
| | | 47,000/= |
| Sold 3 boats @ 10,000X3 | | <u>30,000/=</u> |
| | | 17,000/= |

Importance of costing

Highlights

- It helps in managing the costs behaviour in relation to changes of volume
- Helps to determine what products to buy and how to acquire them
- Helps to determine prices for the products
- It helps to determine the profit/loss in a business

a) What is costing?

- Drawing information from financial accounting and details of internal working of a business.

b) List the types of costs you encounter in your day to day business

- Direct cost
- Indirect cost

c) What should you put into consideration when costing?

- Materials (direct and indirect materials)
 - E.g. how many units should I make?
 - Should I increase or decrease the price?
 - What is profitable sale?
 - Should advertising and promotion be increased?
- Labour (direct and indirect labour)
- Overheads

α Total Expenditure may be analysed as follows: -

- Direct materials
- Direct labour
- Direct expenses
- Indirect Cost:
 - Production
 - Administration
 - Distribution
 - Selling

NB: When costing, one is supposed to use dates in monetary and non-monetary form be: materials used

- Idle time
- Hours worked
- Units made, etc.

d) What are costs?

- Expenses incurred in acquiring and selling of products/services in business

e) What is the importance of costing?

- It helps you to know how much profit and loss the business is making
- Determine prices for the product
- Analyse the cost behaviour in relation to changes of volume
- Determine what products to buy and how to acquire them
- Helps a person to plan or future activities.

f) What are the classifications of costing?

- Variable cost (costs which change in relation to fluctuation in the level of output)
- Fixed costs (cost which remain constant at all levels of output including zero output).

3. BUDGETING (method: group/ brainstorm)

a) What is a budget?

- Plan of action for an ensured period of time
- Translating the objectives of a business into a detailed plan of action.

b) Types of budget

- Balance
- Deficit
- Surplus

c) What is the importance of budgeting?

- It ensures clear plans to achieve objectives of the business
- It helps you to control your finances in business
- Helps you to communicate plans to individuals
- Helps you to co-ordinate your activities
- It limits you to delegate actions
- It helps you to evaluate performance

α Methodology

TOPIC 5 BUSINESS PLAN

Purpose: the participants should be able to have a logical development for following their IGA activities in order to achieve their goals.

Planning – is a process of setting goals and deciding how to attain them. When planning, we consider: time, availability of resources, personnel, capital.

a) What is a business plan?

- It is a written document incorporating the operations, financial stand, market feasibility, skills and background of a person going into business.

Ring toss game

The facilitator should lead the participants out for a ring toss game immediately after introduction of a business plan.

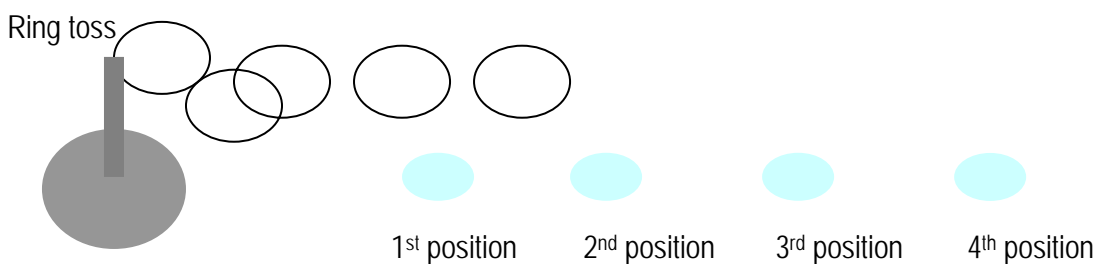
Purpose

To enable the participants know the following:

- Go into a business venture with moderate risk
- Access your skills and choose a business worth it.

How to play the game

A ring toss is put into one location and to play it, there are four marked points from which the player has to choose which point is favourable for him to win e.g.



To play this game each person interested has to pay a fee. If you win, you are given more money; if you lose your money is not refunded.

N.B. It is one's choice either to play or not.

Qn. What did you learn from this game?

- Go into a business moderate risk
- In any business you venture into, you should expect either to get loss or profit.
- If you sell at a loss at one time don't give up but try another chance you may get profit.
- Do not inject all your capital to start up the business because the returns are not predictable. Sometimes you can sell at a loss and if you had injected all the money, then you may fail to start all over again.
- Do not venture into a business with high risk i.e. most people played the game which they had not played before yet it costed them a fee and that was the only money some people had.
- Go into a business which skills you posses/sure of.

b) Why is it important to make a business plan?

- It enforces the entrepreneur to think and plan start up process.
- It helps you to determine major direction of your business which serve as road map
- It provides you with details of resources required

- It indicates feasibility and viability of the business in terms of profits and the market

c) How can you prepare a business plan?

- Give the general information of what and how the project will come into existence
- Indicate the demand, market share, geographical area
- Describe what you want to produce and sell, the quantity, and packaging, system of production, capacity, etc
- Where will the money come from (source)

α In summary

- Give the general information of what and how the project will come into existence
- Indicate the demand, market and location
- Describe what you want to produce, sell, quantity, packaging system of products, capacity, etc.
- Source of funds/capital

→ Feasibility/marketing analysis

- What products do they buy
- How much do they buy
- At what rate do they buy
- How do they buy
- Why do they buy
- Where do they from
- How many are the competitors
- Where should I sell

→ Viability analysis

- At what price do they buy
- Is there demand
- Is it profitable
- For how long will I sell
- What quantity and quality do they buy

→ Financial analysis

- How much capital do I need to start this business
- How much money do I have
- If not enough | not there where can I get it from?

→ Cost analysis - Example illustrated

| Items | Qty | Units Kgs | Total Kgs | Units cost @ Bag | Other expenses | Total cost | Unit selling price x @ bag | Total sales | Net Profit |
|--------|---------|-----------|-----------|---------------------------|----------------|------------|----------------------------|-------------|------------|
| Simsim | 10 bags | 100 | 1000 | (600x100kg) = 60,000/= | 25,000/= | 625,000/= | 80,000/= | 800,000/= | 175,000/= |
| Maize | 20 | 100 | 2000 | 200x100kg | 5,000/= | 405,000/= | 30,000/= | 600,000/= | 195,000/= |

| | | | | | | | | | |
|--------|------------|-----|------|----------|----------|-----------------|----------|-----------------|---------------|
| | bags | | | 20,000/= | | | | | = |
| Millet | 10 bags | 100 | 1000 | 30,000 | 10,000/= | 310,000/= | 50,000/= | 500,000/= | 190,000/ = |
| Total | | | | | | 1,340,000/ = | | 1,900,000/ = | 560,000/ = |

This kind of cost analysis helps the participants especially the potential entrepreneurs to determine how much capital to have, what to sell, profit margin etc.

MANAGEMENT OF A GROUP SAVINGS AND CREDIT FUND

A) SAVING

a. What is saving?

- Sacrificing current consumption for increasing future consumption.

b. Why should we save?

- To provide for future needs
- To meet specific needs
- Store value for surplus
- Legal requirement

c. What are the major factors affecting/determining savings?

- Cultural thriftiness
- Confidence about the future
- General stability and security of the person doing saving
- Stability in money/savings value
- Level of income
- Future investment
- Growth in value of savings

d. When should we save?

- When we want to grow economically
- When we expect future need
- When we are forced

e. What are the various ways of saving?

- Bank deposits
- Assets
- Land (traditional)
- Buying shares in companies
- Investing in business
- Borrowing for investment
- Buying currencies

f. Who should save?

- Everyone interested in growing and expanding
- The poor (to break vicious circle of poverty)
- Rich (to expand their riches)

- Nations (to finance growth of public assets)

g. How should a group savings and credit be set?

B) CREDIT SYSTEM

Purpose:

To help the participants develop a system to help them manage effectively their internal savings and credit funds.

Approach

In small groups, participants discuss the below questions

- What questions do you think you should ask someone who intends to borrow money from your group to help you gauge that when you lend to him/her, it will effectively be used and returned to you as required?

After the presentation of the various groups, build their ideas with the following facts if gaps exist.

1. Loan size (how much?)

What is the capacity of the borrower to adequately use the funds and the cost of the said investment?

2. Purpose of the loan: what will the funds be used?

Production (farming): longer time to yield benefits and greater risks. Group funds should rarely be to support production activities like farming as they carry a lot of risks loans commercial (businesses) shorter time to yield benefits.

3. **Loan duration and repayment schedules** how long will it take to refund the loan? What are the forms of payment-installments-how much? (wholesome at the end of the loan period: advantages and disadvantages)

4. Interest: with or without interest? If with interest, what rate?

5. **Security/guarantor.** If the borrower fails to pay back, what systems do you have in place to help you recover the funds outstanding debts

Friends/family takes responsibility

Personal assets

Mutual trust based on character

6. **Payment** was to be committee-treasurer/to communicated during group meetings advantages and disadvantages. It is always best for funds to be returned during group meetings to enable members ascertain the existence of their money and also build trust and confidence in their leaders who manage the funds.

7. **Default:** Reschedule or penalty -advantages and disadvantages. Who decides who gets what loan? (Executive/group members during group meetings-advantages and disadvantages, it is always best for the whole group to decide who should receive a loan from the group fund, for what purpose and what quality

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REFLECTION SESSION

1) Evaluation of Day's work

1. What are the major conclusions that can be drawn about the topics discussed during this workshop?
2. How are these topics relevant to individual or groups' activities?
3. How can these ideas be put into practical use after training?
4. Has the facilitation of these topics been effective? Why? Why not? How can it be made more effective?
5. What recommendations do you have?