

RAFR/WID/002/94

# **SIMPLE BOOKKEEPING AND BUSINESS MANAGEMENT SKILLS**

## **Facilitator's Guide**



**Ria Meijerink**

**November 1994**



**FOOD AND AGRICULTURE ORGANIZATION OF THE  
UNITED NATIONS  
REGIONAL OFFICE FOR AFRICA**



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**SIMPLE BOOKKEEPING  
AND  
BUSINESS MANAGEMENT SKILLS**  
for small scale entrepreneurs

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## FOREWORD

For many years FAO has undertaken activities which aim at assisting rural folk engaged in small scale enterprises. FAO's Regional Office for Africa aims at supporting field level actions by developing practical training materials. The Women in Development Unit of this office has started a sub-programme focusing on training in leadership and management of small scale income-generating projects.

'Simple Bookkeeping and Business Management Skills' is a training document to teach small scale entrepreneurs how to use their numeracy skills in improving their businesses. This document is one of a series and provides follow-up training for people who have completed the numeracy course for illiterates, entitled 'Figures for Bookkeeping', which was first developed by the Women in Development Unit of FAO's Regional Office for Africa.

'Figures for bookkeeping' proves to be a very successful training, in which illiterate men and women learn how to hold a pen, write the figures and do complicated calculations. Adults not only become numerate by participating in this training, but they also gain considerable self-confidence in their ability to learn. The numeracy training was developed in view of exposing economical active adults to simple accounting methods. Elementary accounting methods for numerate people were further developed in the present training document, 'Simple Bookkeeping and Business Management Skills', which is written at a level appropriate to and useful for small scale entrepreneurs.

'Simple Bookkeeping and Business Management Skills' was developed and tested in Ghana. However, experiences of people who trained small scale entrepreneurs, and especially women's groups, in various African countries were incorporated in the material. The examples and exercises in the book are applicable to the Ghanaian situation as well as the currency used, but the information can easily be adapted to suit the local situation in other countries.

Appropriate training of the facilitators is always important, but certainly when a training programme on bookkeeping and business management is prepared. The facilitator must feel confident with the material so that she can pass on knowledge in a relaxed manner. This being the case, the total training programme on Simple Bookkeeping and Business Management Skills can be completed in around five months.

Those having been involved in the development and testing of the material are convinced that the whole exercise was worthwhile and has truly strengthened the business management skills of small scale entrepreneurs.

## **ACKNOWLEDGEMENTS**

This training document 'Simple Bookkeeping and Business Management Skills' is one of a series prepared by the Women in Development Unit of FAO's Regional Office for Africa as part of its programme on training in leadership and management of small scale income-generating projects. The document teaches small scale entrepreneurs how to use their numeracy skills in improving their businesses.

'Simple Bookkeeping and Business Management Skills' was developed and tested in Ghana. However, experiences of people who trained small scale entrepreneurs, and especially women's groups, in various African countries were incorporated in the material. The examples and exercises in the book are applicable to the Ghanaian situation as well as the currency used, but the examples can easily be adapted to suit the local situation in other countries.

This document would not have been possible without the valuable contributions from various people working in the field of adult and non-formal education, community development and business management.

In the first place I would like to thank the originator of the training material, Ms. Diana Tempelman, FAO Regional Officer, Women in Development, for her enthusiastic support and constructive criticism.

The draft training material was tested with women's groups in four different villages: Chokomey, Bortianor, Yeji and Akropong. Facilitators and their supervisors from these villages were trained in the use of the material, before they embarked upon the actual training. A big thank you goes to the facilitators, for their commitment and hard work in making the course a success.

The field testing took place in collaboration with various national organisations: the Non-Formal Education Division of the Ministry of Education, the Freedom from Hunger Campaign/Action for Development, the Integrated Development of Artisanal Fisheries project and the National Board for Small Scale Industries. I would like to thank the following persons from the above-mentioned organisations for their pleasant co-operation: Mr. Rojo Mettle Nunoo, Mr. E.T.A. Abbey, Mrs. Lydia Sasu, Mr. Braimah, Mr. Sam Manu and Mr. Paul Ntaanu.

Last but not least my sincere gratitude goes to Mr. Nartey, Regional Coordinator Non-Formal Education, Greater Accra Region, for the excellent facilitation of the workshops held to train the facilitators and for his contribution to the material.

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# SIMPLE BOOKKEEPING AND BUSINESS MANAGEMENT SKILLS

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## INTRODUCTION

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### PURPOSE OF THIS TRAINING MATERIAL

The present document is a **guide for facilitators who want to train semi-literate<sup>1</sup> people in simple bookkeeping and business management skills.**

Many African women undertake income-generating activities in order to sustain their families and have some private income. Some women prefer to run their economic activities as individuals, others have formed groups.

However, many income-generating projects, especially with rural women, give only little income. Meanwhile, the need for cash income becomes more important day by day. Even in areas where schools and health services are available, people are not making use of these facilities because they lack the money to pay for the school fees or the medicines!

The FAO has realised that illiteracy and lack of basic business management skills are part of the reason why many economic activities fail. To respond to this problem the FAO has produced a training package on 'Figures for Bookkeeping'. 'Figures for Bookkeeping' is a basic training document to teach arabic figures, calculations and manipulations with money.

Experience has shown that the course participants immediately start using the knowledge gained from the numeracy course to keep records of their businesses.

'**Simple Bookkeeping and Business Management Skills**' is a continuation of 'Figures for Bookkeeping'. The aim of the current training material is to assist facilitators to teach people how to use their numeracy skills in keeping books and how to improve their businesses by using simple business management techniques.

The target-group for the course on 'Simple Bookkeeping and Business Management Skills' is **small scale entrepreneurs**, both from rural and urban areas. Participants can be individual entrepreneurs or groups engaged in agricultural or other small scale economic activities. Even though the course is mostly directed towards women, its contents are also relevant for male entrepreneurs.

It is expected that the participants know how to use figures and do basic calculations, but they do not necessarily have to know how to read and write words. Where appropriate, symbols are used instead of words.

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1. **With semi-literate people we mean people who know how to read and write figures and how to do basic calculations and/or who have successfully completed the numeracy training course 'Figures for Bookkeeping'.**

Literacy courses can be held as a complement to the course on 'Simple Bookkeeping and Business Management Skills', but this is not absolutely necessary.

The course is meant to provide people with **basic** bookkeeping and business management skills, at a level appropriate and useful for their day to day businesses. The material is not aimed at training people in advanced bookkeeping systems, as it is our experience that advanced systems are too complicated for, and of little direct use to, most small scale entrepreneurs.

## APPROACH

Two basic concepts were used in producing this training material;

1. The course is meant for **adults**. Adults have their own **experience and knowledge** and they want to be treated with respect. Their time is limited, because they have many other commitments. Adults choose to follow a course if they feel that the course contents are relevant and useful to them.  
Therefore it was tried as much as possible to build step by step on the experience and knowledge of adult learners.
2. Adults learn best when they participate actively in a learning process. The **participatory approach** was therefore used as a guideline throughout the course. Each lesson exists of a number of steps to encourage participation through discussion, small group exercises, role-plays and individual exercises.



## **GUIDELINES FOR USING THIS TRAINING MATERIAL**

### **Contents of the lessons**

Each lesson begins with a revision of the previous lesson and a short introduction to the subject. Revision of the previous lesson will remind the participants of what was discussed before and will help you to introduce the following lesson.

The sequence of each new lesson is as follows:

- Step 1. Discussion
- Step 2. Explanation
- Step 3. Examples
- Step 4. Practise
- Step 5. Conclusion
- Step 6. Home-work, if any

#### **Step 1: Discussion**

The discussion with which each new lesson begins is a way to make the participants think about the problems and objectives of that particular lesson and to relate the topic to their own experience and knowledge.

Questions are provided in the book to give a guideline for these discussions; give the participants time to think about the questions, and show respect for their answers. Allow for discussion between participants. Most questions in this book are immediately followed by a possible answer. These answers are given to help you to guide the discussion, but they should not be considered as the only correct answer.

#### **Step 2: Explanation**

After the discussion you will explain the topic of the lesson. This will include issues raised during the discussion under Step 1, plus all the details not explained so far. Step 2 should give a clear explanation of what the participants will learn during this lesson.

#### **Step 3: Examples**

The examples in the book are given to illustrate the topic and to relate it to participants' daily situations. Discuss the examples with the participants.

You may also decide to alter some of the examples to suit the particular situation of your participants, or add extra examples that are more relevant to the local situation.

#### **Step 4: Practise**

The practise includes small group exercises, role plays, discussions, individual exercises and home-work to ensure that the participants will actually practise how to use their new knowledge in their own work and life.

Participants should work as much as possible in groups of two to three persons to learn from each other. Try to change the composition of the groups as frequently as possible. In this way slow learners can benefit from the help of fast learners, and fast learners avoid getting bored.

#### **Step 5: Conclusion**

Each lesson finishes with a number of questions to make sure that everybody has

understood the lesson. If you find out that the participants have problems with some of the issues, you may have to do more exercises, and try to explain it in a different way. You may also ask some of the fast learners to spend some time helping the slow learners.

### **Step 6: Home-work**

The objective of home-work is to encourage participants to practise their new knowledge at home. All home-work exercises are related to the personal situation of the participants. Be discreet when discussing the home work in the classroom. Most people do not like to discuss their private money matters in public. But do check their home-work and correct their mistakes!

### **Test:**

Some of the lessons end with a test. This is an individual exercise, to test whether the participants have actually understood the lesson and whether they are able to apply the bookkeeping techniques to their own businesses, or other businesses that they know well.

Write the test on the chalkboard, explain it to the participants, and ask them to do the test in their exercise books. If you have the opportunity to use a photo-copy machine, it is a good idea to photo copy the test for all the participants.

Correct the test, and tell the participants to use the test as an example to remind themselves.

### **Materials**

The following teaching materials are needed:

- a chalkboard, chalk and a cleaning rag,
- and/or flip charts or newsprint and felt pens,
- simple arithmetic exercise books for all participants,
- and/or slates, where commonly used,
- pencils, pens, rulers and erasers for all participants.

The manual contains pictures, drawings and charts. These can easily be drawn on the chalkboard or on large sheets of paper. Organise and prepare the training materials well ahead of your training sessions.

### **Number of participants**

A group should preferably include 10 to 15 persons but it should definitely not exceed 20 participants because larger groups will make it very difficult for the facilitator to follow the progress of the individuals.

## **Time**

The material provides guidelines for eleven lessons. If a group meets twice a week for one and a half hour, the eleven lessons can be covered in about five months.

Discuss with the participants how many times in a week they want to meet, and which time is most suitable for them. Lessons should be given at least two times per week, but preferably more often. Good progress in the lessons will stimulate the participants and limit the total duration of the course. After two or three days people usually start to forget what they learned during the previous lesson. Repetition is very important to a successful course.

The sessions should not take more than one and a half hours at a time, as the participants are not used to concentrate for a long time and they probably have already finished a days work.

It is also possible to run the course on a full-time basis. The duration will then be about three weeks.

## **Venue**

The training can be given anywhere, in the courtyard of one of the participants homes, under a tree, in a classroom, in a community centre or wherever it is convenient for the participants and not too far away from their homes. Try to avoid the lessons becoming too much of a 'public affair' with bystanders watching. The participants should be able to feel at ease and not be distracted by remarks from people not attending lessons.

## **Language**

While the manual is written in English, the training can best be given in the local language of the participants.

## **Preparation**

Prepare yourself before each meeting. Read the lesson and prepare the exercises. This will make it easier for you to lead the discussions and it will save time during the lessons.

## **FACILITATORS OUTLOOK**

This paragraph will illustrate what is expected from you and what you can expect from the participants.

### **First what you should remember about the participants:**

1. The participants are adults and not children, therefore treat them with respect, as you would do with your elders;
2. The participants have experience in life and are intelligent. There are many things they do not need to be told because they already know them. They have experience and they can reason.
3. The participants have many responsibilities and commitments outside the course. During the lessons they may be tired from having completed a days work and these commitments may still occupy their minds. Consequently they may be slower in learning and they may have a tendency to forget more easily;
4. Most of the participants have families to maintain as well as other financial commitments to meet. This makes them material minded and interested in the relevance of what they learn during the lessons for their daily life. Therefore the participants will respond more readily to practical examples relating to their daily work than to abstract examples.

### **What is expected from you as the facilitator:**

1. Treat your participants as adults, show respect, be patient, and use examples from their own experience as much as possible;
2. You are a facilitator, not a teacher. A teacher assumes that the 'children' do not know anything. A facilitator works with adults who already have a lot of knowledge. He/she attempts to get to know the situation and problems of the people and shows understanding. The facilitator tries to make the people think about their own situation and about ways to solve their problems;
3. The lessons should be given in the local language;
4. Organise your lessons and prepare your teaching materials well ahead. This will save time during the lessons and make it easier for you to discuss the topics with your participants.
5. Look out for people with poor eyesight and if necessary seat them closer to the chalkboard;

6. Not all participants will understand the lessons with the same speed. Take time to explain all topics thoroughly and repeat examples and exercises regularly. On the other hand, be aware that extreme slowness of some of the participants may create an uneasy atmosphere in the group. It may hinder the progress of the group and it can cause a certain lassitude among the others. It is important to carefully choose the pace of the lessons or you might 'lose' learners. If necessary give extra lessons to those who are much slower in understanding.
7. Be in time for the lessons and inform the participants if you are not able to come. Remember that your behaviour will set an example for your participants' behaviour!



## EVALUATION

Evaluation is used as a tool to find out how the training course is progressing. It will help you to know what your participants like and what they do not like about the course, what they have learned and understood, and what they find difficult. By doing regular evaluation you will know where you will have to improve your lessons, so that the training course will be successful.

During the evaluation you may want to ask the participants questions like:

- What did you learn so far?
- What did you find easy?
- What did you find difficult?
- How can you use what you have learned so far in your own business?

You may also want to find out how the participants feel about the group and about your way of teaching.

Evaluation can be carried out by way of a plenary discussion with the participants, home-visits or written exercises. The tests that are included in some of the lessons will also give you an idea of whether the participants have understood the lessons.

If you conclude that there is a difference in the level of understanding, team up better and slower learners. Ask those who are more advanced than the others to explain the difficult issues.

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## LESSON 1      THE IMPORTANCE OF BOOKKEEPING

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### Background information for the facilitator

Most small scale entrepreneurs do not write down how much money comes in and goes out of their business. They keep everything in their head. As a result they do not really know how much money they are earning, how much they buy and sell on credit and how they could improve their business. The aim of this lesson is to make the participants aware of the importance of bookkeeping, and to raise interest in the course.

### STEP 1:      DISCUSSION

**\* What do you think a business is?**

Let the participants discuss the answers first, before giving suggestions. Any answer resembling the following is good.

(answer) All activities whereby you try to earn an income on a regular basis are called businesses. A business can be producing and selling goods, buying and selling goods, but also giving a service to people. Examples are smoking and selling fish, selling farm produce, selling rice and sugar in the market, building houses, sewing clothes for other people or driving a taxi.

**\* What type of business do you do? (as a group, and/or as an individual).**

If your participants are working together in a co-operative business, ask individual participants what additional income-generating activities they do at home.

**\* What problems do you encounter within your own business?**

All answers are good. If not mentioned remind them of:

- lack of capital to buy stock;
- problems with selling (= marketing);
- money needed for emergency cases;
- people not paying their debts;
- money needed for ceremonies.

**\* How do you remember how much money comes in and goes out?**

Accept all answers. If somebody has a method on how to remember how much money comes in and goes out, let her explain how she does it.

**\* What happens if you forget something?**

**\* What do you think bookkeeping means?**

(answer) Bookkeeping means writing down all the money that comes in and goes out of your business.

**\* How do you think bookkeeping could help your business?**

(answer) It will help you to take better decisions about your business, so that you can earn more money.

**\* What do you expect to learn from this course?**

Accept all answers. Tell them that you are going to explain what they can expect from the training course.

**STEP 2: EXPLANATION**

**Why bookkeeping?**

Many people do not write down how much money comes in and how much money goes out of their business. This is because they do not know how to do it, and they do not know that it can help their business. Therefore people do not really know how much money they are earning, which customers have bought on credit and how much stock they have bought on credit.

Where groups of people work together, lack of a proper bookkeeping system often leads to mistrust and accusations between group members.

**Bookkeeping means that you write down all the money that comes into your business and all the money that goes out of your business.**

Bookkeeping is important because you cannot keep everything in your head. People are forgetful by nature.

**The advantages of regular bookkeeping are:**

- you will know how much money you have received, how much money you have spent and how you have spent it;
- you can calculate whether you are making a profit or a loss;
- you will be able to make better decisions on what to buy and sell;
- you can keep records of buying and selling on credit, so that people can not cheat you;
- you can keep records of money coming in and going out of a group-project, and therefore prevent misuse of the money and avoid mistrust amongst group members.

**All this will help you to improve your business, and to increase your profit!**



### **STEP 3: EXAMPLE: ROLE-PLAYS**

Tell the participants that you would like them to perform a role-play, as it will help them to understand what this lesson is about. Divide the class into three groups. Read the themes to each group.

#### **Theme for group 1:**

A woman has a business (choose a business that is familiar to your participants). She does not write down how much money comes in and goes out. One day her son comes home from school with a letter from the head master. The school has increased the school fees, and it has to be paid immediately.

The woman gets very worried. She knows she has no money. She desperately tries to remember how much money she received in the past week and how she spent it.

#### **Theme for group 2:**

A carpenter has sold a cupboard for ₱15,000 to a customer. When the customer collected the cupboard, he told the carpenter that he did not have money at that moment, but he promised to pay at the end of the month.

At the end of the month the carpenter tries to get his money. The customer tells him that he only owes him ₱13,000, and he will not pay him more than that! A very angry discussion between the two persons follows. But the carpenter has no proof that he has sold the cupboard on credit for ₱15,000, and he has to accept the ₱13,000.

### **Theme for group 3:**

A group of women in your village has a bakery. They have divided the tasks as following:

- one person always buys the ingredients for the bread and the firewood;
- one person is responsible for selling the bread;
- all the other members of the group assist in kneading the dough and baking the bread;
- the treasurer of the group is responsible for keeping the money safe.

The sales woman does not write down how much money comes in. Whenever there is cash money she gives it to the treasurer of the group, who keeps it in a cash box. The treasurer in turn gives money to the person who buys the ingredients and the firewood. The treasurer is a very reliable person, but she does not know how to read and write.

At the end of the month the group wants to know how much money they have made by selling bread. When they open the cash box they find out that there is less money than they expected. Nobody knows what happened to the money. After a discussion they accuse the sales woman of stealing money.

### **After performing each role-play ask the participants a question:**

- \* Play 1: What is the woman's problem? What could she have done to avoid this problem?

(answer) She had spent all her money without thinking about the school fees that she had to pay. She does not even remember what she has spent her money on. She could have kept records of her income and expenses and planned for the payment of the school fees.

- \* Play 2: Why was the carpenter cheated?

(answer) Because he had no written proof of how much money the customer owed him.

- \* Play 3: Why were the group members angry? What could they have done to avoid this problem?

(answer) The group members were angry because nobody knew what had happened with the money of the bakery. If they had kept records, they would have known how much money came in and went out of their business. It would also have helped them to know whether they were making a profit with the bakery or not.

#### **STEP 4: PRACTISE**

Ask the participants to prepare an additional role-play on a business that is common in the local situation, including the issues that were discussed in the previous role-plays.

#### **STEP 5: CONCLUSION**

At the end of this lesson, ask the following questions to find out whether the participants have understood the lesson:

- \* What is a business?
- \* What is bookkeeping?
- \* How can bookkeeping help your business?

#### **STEP 6: HOME-WORK**

Ask all learners to go home and think about at least three sources from which they receive money and three things on which they spend their money.

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## LESSON 2 THE USE OF SYMBOLS IN BOOKKEEPING

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### Revision

Ask participants the following questions:

- \* What did you learn in the previous lesson?
- \* What is bookkeeping?
- \* Why is it important?

### Background information for the facilitator

When keeping books, you have to write down all the money that comes in to your business and all the money that goes out of your business . All participants know how to write figures and do calculations but some participants may not be able to read and write (yet). Therefore we shall be making use of symbols and drawings.

(Note: if all your participants are literate, you can simply replace the symbols by words. Where the course is being used together with literacy classes (reading and writing) the symbols can also be used to illustrate the words.)

### STEP 1: DISCUSSION

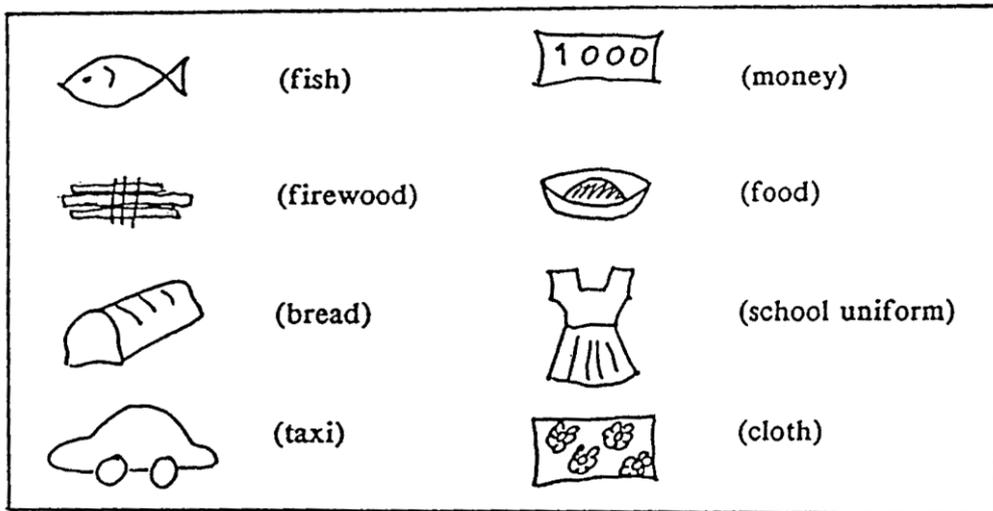
- \* **Can you mention three sources from which you receive money? And three things on which you spend money?**
- \* **If bookkeeping means that you write down all the money that comes in and goes out, how would you do it?**

All answers are good. Explain the following.  
You all know how to write figures. So that will be no problem. Because some of the participants are not able to read and write yet we shall be making use of very simple symbols and drawings.
- \* **Invite some of the participants to come to the chalkboard and make a very simple drawing of the following:**
  - money
  - fish
  - food
  - transport
  - firewood

## STEP 2 EXPLANATION

### Drawing of symbols

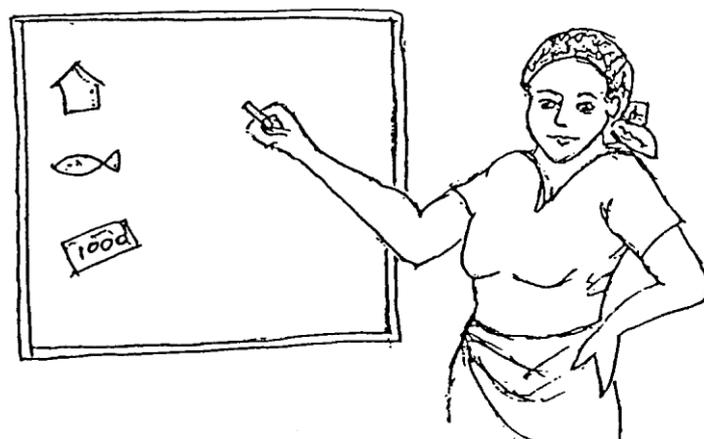
Draw examples of symbols on the chalkboard as shown below. Ask the participants what they see in the pictures.



Explain that they can use any symbol that they find easy to draw as long as they know that they will remember it ('this resembles a fish for me'). It should be a very simple drawing, so that it is easy for them to 'write' it in the exercise books. They should keep the same symbol for the same thing throughout.

Spend sufficient time with the participants drawing different symbols on the chalkboard. They should also try to draw things that they see in their surroundings (matches, cup, chair) in their exercise books.

(Note: in Appendix 1 you will find a list and explanation of all the symbols that are being used in this book. However, if your participants find it easier to use another symbol, please adopt that symbol.)



## Symbols for 'money in' and 'money out'

Bookkeeping means that you write down all the money that comes in and the money that goes out. The following symbols will be used:

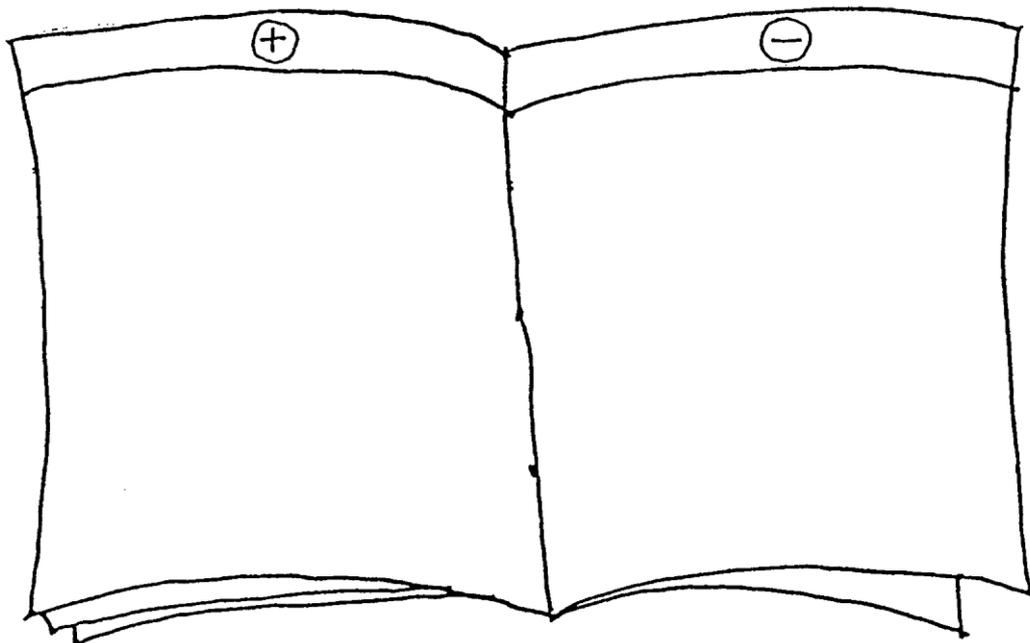
- \* **Money in** = money becomes more  
so we use the addition sign 
- \* **Money out** = money becomes less  
so we use the subtraction sign 

## The cash book

The book in which we write all the money that comes in and goes out is called a '**cash book**'.

You can use an ordinary arithmetic exercise book as a 'cash book'.

- \* All **money that comes in** is written on the **left page**
- \* All **money that goes out** is written on the **right page**



### STEP 3: EXAMPLE

Draw a 'cash book' on the chalkboard. Ask the following questions and invite participants to illustrate the answers by drawing a symbol on the correct side of the 'cash book'.

(Note: the symbols in this example are meant to give you an idea. Do not just copy them, but use the symbols that your participants indicate.)

#### \* From which sources do you receive money?

(money becomes more;  $\oplus$  )

Accept all answers. If not mentioned remind them of:

- income from sales
- gifts from husband, relatives or friends
- loans from banks, money lenders or others
- collections from savings group (susu)

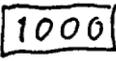
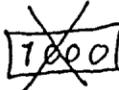
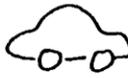
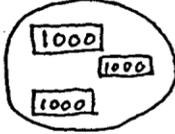
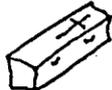
#### \* What do you spend your money on?

(money becomes less ;  $\ominus$  )

Accept all answers. If not mentioned, remind them of:

- buying of materials (fish, rice, seed)
- firewood
- transport (taxi, bus)
- school fees, school uniforms
- medicines, hospital bills
- food
- cloth
- beauty-products (nail polish, pomade)
- hairdresser
- ceremonies (funerals, weddings, outdoorings)
- sweets, snacks, ice cream
- church, fetish

At the end of this example your chalkboard may look like this:

+	-
 <p>(money from sales)</p>	 <p>(fish)</p>
 <p>(gift from husband)</p>	 <p>(firewood)</p>
 <p>(loan)</p>	 <p>(taxi)</p>
 <p>(collection from savings group)</p>	 <p>(schoolfees)</p>
	 <p>(medicine)</p>
	 <p>(food)</p>
	 <p>(cloth)</p>
	 <p>(hairdresser)</p>
	 <p>(funeral)</p>
	 <p>(sweets)</p>
	 <p>(church)</p>

#### **STEP 4: PRACTISE: INDIVIDUAL EXERCISE**

This is an individual exercise for all participants. All participants are to take their exercise books and do the following exercises:

- \* Draw the symbol for 'money in' on the left side, and the symbol for 'money out' on the right side.
- \* Think about the sources from which you receive money and draw a symbol under 'money in'.
- \* Think about the money that you spend and draw a symbol under 'money out'.

Help the participants where they have difficulties.

#### **STEP 5: CONCLUSION**

At the end of this lesson the participants should be able to draw symbols in their exercise books to indicate the money that comes in and the money goes out.

Ask the following questions to find out whether they understood the lesson:

- \* What is a cash book?
- \* Where in the cash book do you write the money that comes in, and where the money that goes out?

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## LESSON 3            INCOME AND EXPENDITURE

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### Revision

Draw a cash book on the chalkboard and ask the participants to come and draw symbols of 'money in' and 'money out' in the correct column.

### Background information for the facilitator

Most small scale entrepreneurs do not keep their business and private money separate, but this is necessary to know whether you are making a profit or a loss. In this lesson we will be looking at the money that comes in and goes out of your business. This is called income and expenditure.

### STEP 1:        DISCUSSION

In the previous lesson we talked about all the money received, and all the money spent. From now on a difference will be made between:

- money that comes in and goes out of your business;
- money that goes out of your business for your household and yourself.

Show the picture of the cash book with 'money in' and 'money out' from lesson 2 again and ask the following questions:

\* **Which money from the picture belongs to your business and which money belongs to your household or yourself?**

\* **Why do you think it is important to separate the two?**  
(answer) It is important to keep the two separate, otherwise you will not be able to calculate whether your business gives profit or not.

\* **How could you keep the business and household money separate?**  
All answers are good. Give the following **tip**:  
You could use a box (tin, purse, or piece of cloth) to keep your business money and household money separate.

\* **What is income?**  
(answer) Money that comes in to your business.

\* **What is expenditure?**  
(answer) Money that goes out of your business.

## STEP 2: EXPLANATION

### Money in to your business = income

#### \* How does money come in to your business?

- by producing and selling goods;
- by buying and selling goods;
- by giving a service (like a taxi driver who provides transport);
- by receiving gifts from friends or family members;
- by getting a loan;
- by inheritance.

### Money out of your business = expenditure

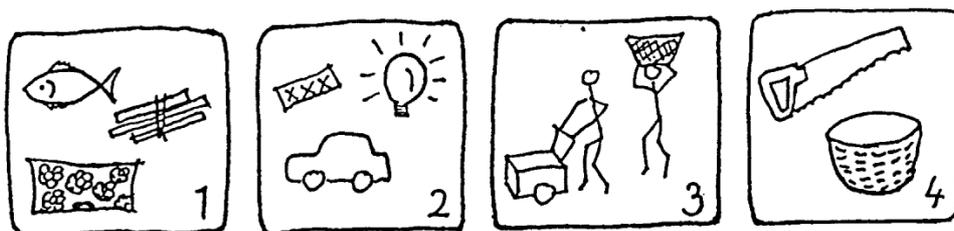
#### \* How does money go out of your business?

1. Materials or ingredients (like fish and firewood for fish smoking, cloth for dressmaking, flour for bread baking);
2. Services like:
  - transport (taxi, bus);
  - market toll;
  - electricity;
  - rent.
3. Wages:

If people are helping you in your business they will have to be paid a salary. If household members are assisting you, you may decide not to pay them, but you will have to pay for their food and clothing. You also have to think about the amount of money you will be able to take from your business money as your own 'salary' (or pay), so that you do not mix up your private and business expenses.

In a group business, you will have to decide how you will share the benefits between the group-members.
4. Replacement and repair of equipment and utensils:

You will have to keep money separate so that you will be able to pay for things like repair of a machine, replacement of utensils when they are worn out, or unexpected costs.



### STEP 3: EXAMPLES

#### Example 1

Read the following example to the group.

A women's group is running a poultry project. They buy chicks and feed them until they are mature. The chicken food can easily be bought in the village. Sometimes chickens get sick and they have to buy medicines.

The chickens are sold on market days in town, about 15 kilometres from their village. They always take the bus to get there. In town they pay a porter for carrying the chickens from the bus station to the market.

At the end of the day all the chickens are sold.

Draw a cash book on the chalkboard. Tell the story again, item by item. Let the participants tell you which actions bring in money and which actions need money. Ask individual participants to draw the appropriate symbols in the correct columns on the chalkboard.

⊕	⊖
<div style="border: 1px solid black; display: inline-block; padding: 2px;">1000</div> (sale of chickens)	 (chicks)
	 (chicken food)
	 (medicines)
	 (transport)
	 (porter)

Have a discussion on the following question to make your participants aware of the importance of **wages**:

- \* Which of the following group-members in the poultry project should be paid for their work?
  - the members who feed the chickens and clean the chicken house?
  - the members who sell the chickens in town?
  - the members who are part of the group but do not do any work in the project?

(answer) All members that do **work** in the project should be paid for their work.

## Example 2

Brainstorm with the participants on the following questions, or choose other examples of businesses that are more familiar to your participants:

- \* What is the income and the expenditure concerned with operating a bakery?
- \* What is the income and the expenditure involved in buying and selling soft drinks?

Go through the following process:

- What materials do you buy?
- What services do you pay for?
- To whom do you pay wages?
- Do you need money for replacements and repair?

For both examples draw a cash book on the chalkboard and draw the symbols in the correct columns.

## STEP 4: DISCUSSION

After explaining income and expenditure and going through the examples, have a discussion with the participants on **'unnecessary' expenses**.

### \* **What are unnecessary expenses?**

Unnecessary expenses are expenses that people make out of temptation, but they are not really necessary.

People often forget about these expenses when they calculate their business expenditure, and therefore their income is less than they expected.

### \* **You are now aware from which sources you receive money and what you spend your money on. Can you mention some expenses that are unnecessary, or which you could reduce?**

Accept all answers. Suggest the following:

- Are you tempted to buy snacks, drinks or ice-cream when you go to the market?
- Do people expect you to wear a new cloth at every ceremony?
- Do you regularly buy nailpolish and other beauty products?



## **STEP 5: PRACTISE; EXERCISE IN PAIRS**

The participants should sit together in pairs of two and do an exercise. They should take their exercise books and write the symbol for 'money in' on the left page and the symbol for 'money out' on the right page.

Each pair should choose a business that is familiar to them. They should discuss the expenditure involved in making and selling their product (or giving their service). They should draw symbols of the items that bring in money on the left page, and symbols of the items on which they spend money on the right page.

When everybody has finished ask some of the participants to draw a cash book on the chalkboard, explain the outcome of their discussion, and write the symbols in the cash book on the chalkboard.

## **STEP 6: CONCLUSION**

At the end of this lesson, ask following questions to find out whether the participants have understood the lesson:

- \* Why do you have to keep your business money separate from the money for your household ?
- \* How does money come in to your business (income)?
- \* How do you spend the money that goes out of your business (expenditure)?
- \* What are unnecessary expenses?

## **TEST**

Explain the test on the next page to the participants and draw the cash book on the chalkboard. Ask all participants to do the test. This will help you to find out about their progress.

After your participants have finished with the test, correct their mistakes, and return the test to them to keep as an example.

**TEST: INCOME AND EXPENDITURE**

- \* Think of a business that you know well:
  - List all the items that bring in money (income) (draw symbols);
  - List all the items that you spend your money on (expenditure) (draw symbols).



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## LESSON 4 THE USE OF THE CASH BOOK

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### Revision

Ask the group the following questions:

- \* How does money come in to your business (your income)?
- \* How does money go out of your business (your expenditure)?

### Background information for the facilitator

Lesson 4 is a continuation of the introduction of a cash book and the recording of income and expenditure in a cash book as was discussed in the previous lessons.

### STEP 1: DISCUSSION

\* **What is a cash book?**

(answer) A cash book is a book in which you write all the cash money that comes in and goes out of your business.

\* **Why is it important to write down your income and expenditure in a cash book?**

(answer) It is easy to remember events that have just happened. But when more items are bought or sold over a period of time, it becomes difficult to remember everything. Therefore it is important to write down all the money that comes in and goes out of a business in a cash book.

### STEP 2: EXPLANATION

Draw a cash book on the chalkboard as shown below:

	$\oplus$	¢		$\ominus$	¢

Explain the following:

**Left page = 'Money in' (or income)**

1st Column = Date: the day that you receive money

2nd Column = Source of income (symbol)

3rd Column = How much money



**Right page = 'Money out' (or expenditure)**

1st Column = Date: the day that you pay money

2nd Column = What the money was spent on (symbol)

3rd Column = How much money



### STEP 3: EXAMPLES

Use the following examples to explain how to write the details of income and expenditure in the correct columns in the cash book. Read the examples item by item. Use the cash book on the chalkboard to draw the symbols. Take the following steps:

1. The first entry in the cash book is the amount of money in hand at the beginning. This is written under 'money in'.
2. Ask the participants to tell you which item should go to 'money in' and which item should go to 'money out'.  
Illustrate it on the chalkboard. Agree on which symbol is to be used for each item. Write the date, the symbol and the amount.
3. After writing all the income and expenditure in the cash book:
  - add up both columns;
  - subtract 'money out' from 'money in';
  - that will give you the money that you have left.This is called the **balance**. This should be the same as the money that you have cash in hand;
4. Add the balance to the total of 'money out';  
'Money in' and 'money out' should now be equal;
5. Write the balance on the 'money in' side at the top of the next page.  
Or if you continue on the same page, draw a line under the addition and start again with the balance under 'money in'.

**NOTE:** stress that participants should write the figures properly under each other (the units, tens, hundreds and thousands in the right column) so that they do not make mistakes in their addition of the total income and total expenditure.

### Example 1

Elizabeth sells tomatoes, onions and okra in the market.

- o On 1-9-1993 she starts with ₦ 8000 cash money.
- o In the morning she buys the following vegetables:
  - 2 baskets of tomatoes at ₦ 2000 each;  $2 \times ₦ 2000 = ₦ 4000$
  - 1 bag of onions at ₦ 2500
  - 1 basket of okra at ₦ 1200
- o During the day she sells:
  - tomatoes for ₦ 1000
  - onions for ₦ 600
  - and okra for ₦ 400.
- o She takes ₦ 600 for herself to buy food for her household.

She will sell the rest of the vegetables the next day.

Before she goes home, she writes all her income and expenditure of the day in her cash book and she calculates her total income and expenditure.

☀	⊕	₦	☀	⊖	₦
1-9-93	1000	8000	1-9-93	⊕ 2 × 2000	4000
1-9-93	☀	1000	1-9-93	⊖ 1 × 2500	2500
1-9-93	⊖	600	1-9-93	⊖ 1 × 1200	1200
1-9-93	⊖	400	1-9-93	🏠	600
		10,000			8300

\* How much money has Elizabeth left at the end of the day?

Total money in - total money out = balance (cash in hand)

$$\oplus - \ominus = \boxed{1000}$$

$$10,000 - 8300 = 1700$$

The money Elizabeth has left cash in hand should be the same as the balance in her book.

Elizabeth first writes the balance under 'money out'.

☀-	⊕	¢	☀-	⊖	¢
1-9-93	1000	8000	1-9-93	⊖ 2 x 2000	4000
1-9-93	⊕	1000	1-9-93	⊖ 1 x 2500	2500
1-9-93	⊖	600	1-9-93	⊖ 1 x 1200	1200
1-9-93	⊖	400	1-9-93	⊖	600
		10,000			8300
			1-9-93	1000 10,000 - 8300	1700
					10,000

She then writes the balance in the 'money in' column on the next page, as this is the cash money with which she will start the new page.

The next page will look like this:

☀-	⊕	¢	☀-	⊖	¢
2-9-93	1000	1700			

## Example 2

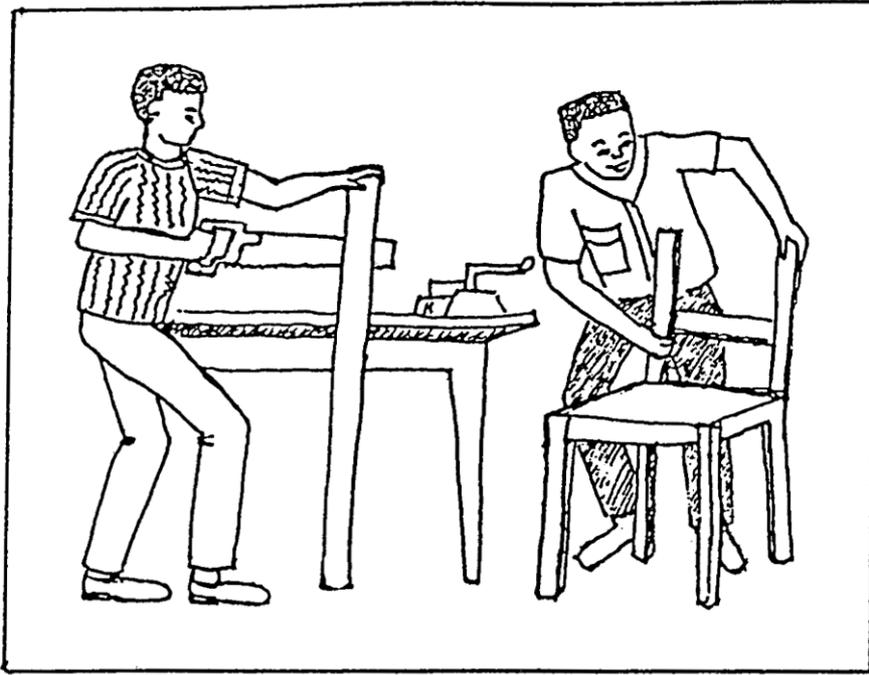
John is a carpenter.

- o On 5-7-1993 he starts his business with ₪ 10,000.
- o On the same day a customer asks him to make a table. John buys the following materials:
  - 3 pieces of wood at ₪1000 each;  $3 \times ₪ 1000 = ₪ 3000$
  - 1 box of nails at ₪ 500
- o On 7-7-1993 he sells the table for ₪ 5500
- o On 8-7-1993 he buys a new saw for ₪ 2000
- o On 9-7-1993 he makes four chairs of left-over wood. He sells the chairs on the same day at ₪1500 each;  $4 \times ₪ 1500 = ₪ 6000$   
( $4 \times ₪1500 = ₪ 6000$ )
- o On 10-7-1993 he pays the apprentice ₪1000
- o He also takes ₪ 2000 out of his business money for his own salary.

John writes his income and expenditure every day in the cash book. He calculates the balance at the end of the week.

Follow the same procedure as with example 1. In the end the cash book will look like this:

تاریخ	(+)	₪	تاریخ	(-)	₪
5-7-93	10000	10,000	5-7-93	3 x 1000	3000
7-7-93		5500	5-7-93	1 x 500	500
9-7-93	hh 4 x 1500	6000	8-7-93		2000
			10-7-93		1000
			10-7-93		2000
		21,500			8500
			10-7-93	1000	
				21,500 - 8500	13,000
					21,500
11-7-93	1000	13,000			



#### **STEP 4: EXPLANATION**

Give the following **tips for cash control**:

- \* Write all money that comes in and goes out immediately in your cash book;
- \* Count your cash when the day begins and again when the day ends;
- \* When you take money for the household or yourself from the business money, write it in your cash book under 'money out', because it is money that goes out of the business.
- \* Write in the cash book only the items that are paid for in cash. Buying and selling on credit will be recorded in a separate book: the credit book. This will be explained in Lesson 8.
- \* You can calculate the balance every day, every week or every month, whenever it is most convenient for your business. But it will always have to be done before you close a page in your cash book. Remember the balance should always be written at the start of a new page.

## STEP 5: PRACTISE

Before starting the exercises ask all participants to draw the lines in the exercise book. Make sure 'money in' is on the left side and 'money out' on the right side, and that each page is correctly divided into the three columns. At least four pages.

### Exercise 1: plenary discussion

Ask a participant to draw a cash book on the chalkboard. Ask individual participants to write the details of the following exercise in the cash book.

- \* Choose a business that you know well:
  - Start with writing an amount of cash money on the 'money in' side;
  - Discuss the process:
    - what materials do you usually buy;
    - what services do you pay for;
    - what wages do you pay;
    - how much do you spend on replacements and repair;
    - how much do you sell your goods for;
  - Write the income and expenditure in the cash book on the chalkboard (using symbols);
  - Add up both columns and find out how much cash is left.
  
- \* Ask participants to copy the example from the chalkboard in their exercise books.

### Exercise 2: exercise in pairs

Divide the group into pairs. Each pair is to do the following exercise.

Read the exercise. Repeat it item by item and write the dates, symbols and amounts on the chalkboard as shown on the next page.

Amina sells groceries (like tea and matches) from a kiosk at the road side.

- o On 5-7-1993 she has ₨ 6000 cash in hand.
- o She goes to town and buys the following items:
  - 5 tins of sardines for ₨ 400 each;  $5 \times ₨ 400 = ₨ 2000$
  - 4 packs of matches at ₨ 200 = ₨ 800
  - bananas for ₨ 1200
  - she pays ₨ 200 for transport
- o On 6-7-1993 she sells the following items:
  - 2 tins of sardines at ₨ 450 each;  $2 \times ₨ 450 = ₨ 900$
  - 1 pack of matches at ₨ 250
  - and bananas for ₨ 700
- o She takes ₨ 400 from the business money to go to the market to buy foodstuffs for herself.

5-7-1993	⊕		₱ 6000
5-7-1993	⊖		5 × 400 = ₱ 2000
5-7-1993	⊖		4 × 200 = ₱ 800
5-7-1993	⊖		1 × 1200 = ₱ 1200
5-7-1993	⊖		1 × 200 = ₱ 200
6-7-1993	⊕		2 × 450 = ₱ 900
6-7-1993	⊕		1 × 250 = ₱ 250
6-7-1993	⊕		1 × 700 = ₱ 700
6-7-1993	⊖		1 × 400 = ₱ 400

Each pair is to answer the following questions, and write the details in an exercise book:

- \* Write all the money that Amina spent, and all the money that she received in a cash book.
- \* How much money did she spend in total, how much did she receive in total, and how much money has she left?

In the end the cash book will look like this:

₱	⊕	₱	₱	⊖	₱
5-7		6000	5-7	 5 × 400	2000
6-7	 2 × 450	900	5-7	 4 × 200	800
6-7	 1 × 250	250	5-7	 1 × 1200	1200
6-7	 1 × 700	700	5-7	 1 × 200	200
			6-7	 1 × 400	400
		<u>7850</u>			<u>4600</u>
			6-7	7850 - 4600	3250
					<u>7850</u>

## **STEP 6: CONCLUSION**

At the end of this lesson ask the following questions to find out whether the participants have understood the lesson:

- \* What do you write in a cash book?
- \* What is balance?

## **STEP 7: HOME WORK**

From now on the participants should try to write down all their income and expenditure in a cash book. They should begin the book with the cash that they have on the 'money in' side. Facilitator should do home-visits to see if the participants are able to practise what they have learned.

### **TEST**

Explain the test and draw the cash book on the chalk board. The participants should do the test in their exercise books. Correct their mistakes and tell the participants to keep the test as an example.

**TEST: THE USE OF THE CASH BOOK**

- \* Think of a business that you know well;
- \* Draw the correct columns in the cash book below;
- \* List the income and expenditure of two days' business in the cash book.



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## LESSON 5 PROFIT AND LOSS

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### Revision

- \* How will writing your income and expenditure in a cash book help you in your business?
- \* What did you find difficult about writing the income and expenditure of your own business in a cash book?

### Background information for the facilitator

The cash book is used to write down all the money that comes in and goes out. But the cash book does not show whether you have made a profit or a loss. How to calculate profit or loss will be explained in this lesson.

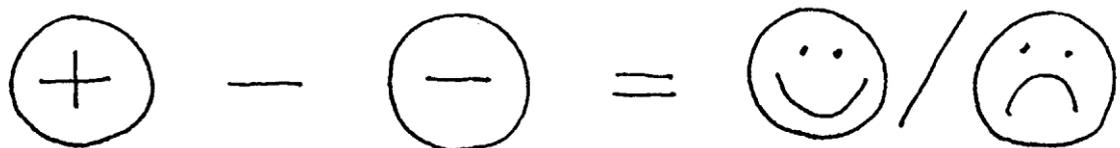
### STEP 1: DISCUSSION

- \* **What is your income?**  
(answer) Money that comes in from the sale of your product or the provision of your services.
- \* **What is profit?**  
(answer) Profit is the difference between the money that comes in from your sales (or your services) and the money that went out to produce those goods or provide the service. Profit is not same as income!

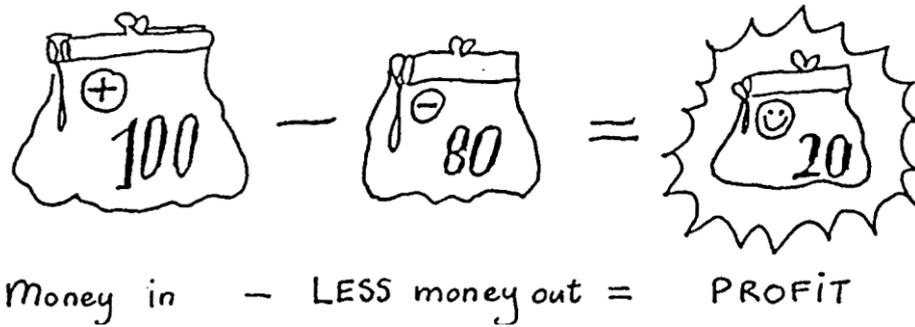
### STEP 2: EXPLANATION

Brainstorm with the participants about the symbol to be used for profit and loss. Then explain the following and draw the symbols on the chalkboard:

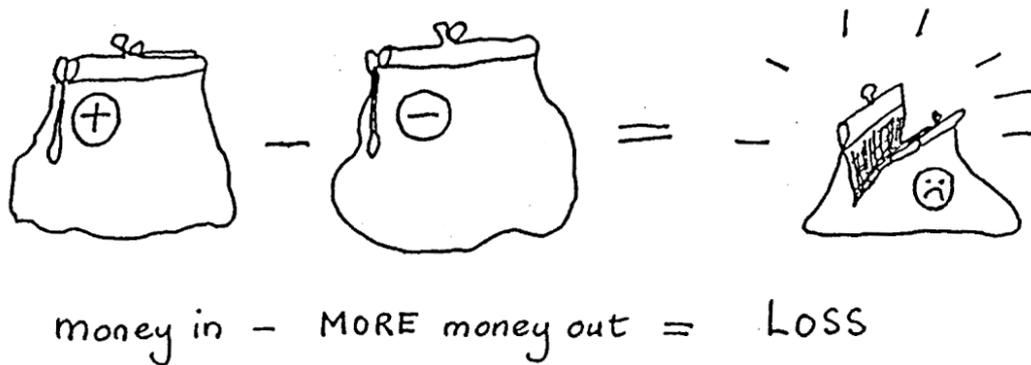
**Money in**      -      **Money out**      =      **PROFIT**      or      **LOSS**  
**from your sales**                      **for production**



**PROFIT** means that there is more money coming in than there is going out.



**LOSS** means that you spend more money on producing or buying your goods than you receive by selling the goods.



### How to calculate profit or loss

To find out whether you are making a profit or a loss, we will go through the process as was discussed in lesson 3:

- \* What is the money that goes out of your business to produce your goods (or provide your service)?
  - what materials do you buy;
  - what services do you pay for;
  - how much do you pay for wages;
  - how much do you need for replacements and repair of your tools and equipment.
- \* How much do you receive by selling the same goods (or providing the service)?

The cash book will help you to remember how you have spent the money that has gone out of your business and how much money has come in from your sales.

**STEP 3: EXAMPLES**

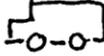
Give the following examples of profit and loss. Ask the participants to assist in writing the income and expenditure on the chalkboard and calculating the profit or loss.

**Example 1**

Beatrice buys and sells oranges.

- o On 25-10-1994 she buys 3 baskets of 100 oranges at ¢ 500 each;  
(3 x ¢ 500 = ¢1500)
- o She pays a porter ¢ 100 for each basket that she carries;  
(3 x ¢100 = ¢ 300)
- o She pays ¢ 700 for transport;
- o She pays her assistant ¢150;
  
- o On 26-10-1994 she sells the 300 oranges at ¢20 per orange.

\* How much money does she spend before she can sell the oranges?

		¢
25-10-94	 3 x 500	1500
25-10-94	 3 x 100	300
25-10-94	 1 x 700	700
25-10-94	 1 x 150	150
		2650

\* How much is the money that comes in from selling the 300 oranges at ¢ 20 each?

		¢
26-10-94	 300 x 20	6000

\* How much profit does Beatrice make?

$$\begin{array}{ccccccc}
 \textcircled{+} & - & \textcircled{-} & = & \textcircled{\text{smiley}} \\
 6000 & - & 2650 & = & 3350
 \end{array}$$

- \* If 200 oranges get rotten and Beatrice can only sell 100 oranges at ₱ 20 each, what will be her income?

		₱
26-10-94	 100 x 20	2000

- \* Does she make a profit or a loss?

$$\begin{array}{r}
 \textcircled{+} \quad - \quad \textcircled{-} \quad = \quad \textcircled{\text{frown}} \\
 2000 \quad - \quad 2650 \quad = \quad -650
 \end{array}$$

**Explain the following:**

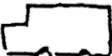
Because the money out is more than the money in, we take the subtraction sign (-) and put it before the amount. This means that there is a loss.

## Example 2

(Note: the following examples of profit and loss are familiar to people who smoke and sell fish. However, the facilitator could use another example of a business that is more common in his/her community.)

Mary is a fishmonger. She buys fish on the beach, smokes it and sells it in the village.

- o She goes to the beach and buys one basket of fresh fish for ₪3500.
  - o She pays one porter to carry the fish from the beach to her house. The porter charges her ₪200 for a basket.
  - o She buys one load of firewood for ₪1000.
  - o She pays a girl to help her with cleaning and smoking the fish ₪200.
  - o She goes to the market to sell the fish and pays ₪100 for transport of one basket of fish.
  - o At the market she pays ₪100 market toll.
- o On 23-12-1993 she sells the smoked fish for ₪6000.
- \* How much money does Mary spend before she can sell the fish?

☀	⊖			₪	
23-12-93		1	x	3500	3500
		1	x	200	200
		1	x	1000	1000
		1	x	200	200
		1	x	100	100
		1	x	100	100
				5100	

- \* Mary sells one basket of smoked fish for ₦ 6000. What is the money that comes in?

−	+	₦
23-12-93	 1 x 6000	6000

- \* How much profit does Mary make when she sells the fish for ₦ 6000?

$$\begin{array}{ccccccc} (+) & - & (-) & = & (+) \\ 6000 & - & 5100 & = & 900 \end{array}$$

- \* If Mary, at the end of the day, had decided to reduce the price and sell her fish for only ₦ 5000, would she have made a profit or a loss?

$$\begin{array}{ccccccc} (+) & - & (-) & = & (-) \\ 5000 & - & 5100 & = & -100 \end{array}$$

- \* If Mary had stored one basket of smoked fish until the lean season and sold it when the price was ₦ 7000, what would have been her profit?

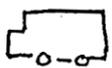
$$\begin{array}{ccccccc} (+) & - & (-) & = & (+) & ! \\ 7000 & - & 5100 & = & 1900 \end{array}$$



### Example 3

This time Mary buys and smokes 5 baskets of fresh fish. She sells the smoked fish in the market on 3-1-1994.

- o She buys 5 baskets of fish at the beach at ₪3500 each (5 x ₪3500 = ₪17,500);
  - o She pays a porter ₪200 for each basket of fish (5 x ₪200 = ₪1000);
  - o She buys 2 loads of firewood at ₪1000 each (2 x ₪1000 = ₪2000) (To heat the oven sufficiently she needs at least ₪1000 worth of firewood. For smoking 1 crate of fish she needs ₪1000 worth of firewood, but with the same firewood she can also smoke 2 or 3 baskets of fish. For smoking 5 baskets of fish she needs a second load of firewood worth ₪1000.);
  - o She pays the girl that helps her ₪200 for each basket (5 x ₪200 = ₪1000);
  - o She pays ₪100 per basket for transport to the market (5 x ₪100 = ₪500);
  - o She pays a market toll of ₪100 per basket (5 x ₪100 = ₪500).
  - o On 3-1-1994 Mary sells the smoked fish for ₪6000 per basket (5 x ₪6000 = ₪30,000).
- \* How much money did Mary spend before she could sell the 5 baskets of fish? And how much did she receive by selling the fish?

تاریخ	⊖	₪
3-1-94	 5 x 3500	17,500
	 5 x 200	1000
	 2 x 1000	2000
	 5 x 200	1000
	 5 x 100	500
	 5 x 100	500

تاریخ	⊕	₪
3-1-94	 5 x 6000	30,000

- \* If Mary sells her 5 baskets of fish for ₱ 6000 each ( $5 \times \text{₱}6000 = \text{₱}30,000$ ), how much profit does she make on the 5 baskets of fish?

$$\begin{array}{r} \textcircled{+} \quad - \quad \textcircled{-} \quad = \quad \textcircled{\text{😊}} \\ 30,000 \quad - \quad 22,500 \quad = \quad 7500 \end{array}$$

- \* How much profit is that for one basket of fish?

$$7500 \div 5 = 1500$$

**Remember: when Mary smoked one basket of fish her profit was only ₱900 per basket!**

- \* If Mary stores the 5 baskets of fish until the lean season and sells it when the price is ₱7000 per basket, what will be her profit?

$$\begin{array}{r} \textcircled{+} \quad 5 \times 7000 = \quad 35,000 \\ \textcircled{-} \quad \quad \quad - \quad 22,500 \\ \hline \quad \quad \quad \text{₱} 12,500 \quad \textcircled{\text{😊}} ! \end{array}$$

#### STEP 4: DISCUSSION

- \* **What do you observe from the examples?**

Accept all answers. Stress the following:

- If you are selling your goods for a price that is lower than the costs you have made to produce or buy those goods, you are selling at a loss.
- If you are able to buy your materials when they are cheap (like buying fresh fish during good catches), store the goods (smoked fish) and sell when the prices are high, you can make more profit.

- \* **Why is the profit per basket higher when she is smoking and selling five baskets instead of one?**

Encourage discussion and bring out the following:

- She needs less firewood per crate of fish:  
(to heat the oven sufficiently she needs an amount of firewood worth ₱1000. With this amount of fish she can smoke one, two or three crates of fish at the same time).





### **Exercise 3: plenary discussion**

Do a profit and loss calculation of a business that is familiar to the participants.

- \* Discuss all the money that goes out to produce your goods (expenditure) and write it on the chalkboard:
  - what materials do you usually buy (take an average amount of materials that people produce or buy and use average prices);
  - what services do you pay for (think of transport, market toll electricity);
  - what wages do you pay (labourers, own salary);
  - how much money do you have to set aside for replacements and repair of tools and equipment?
- \* Discuss for what price the goods are being sold and write your income on the chalkboard.
- \* Calculate the profit or loss.
- \* Ask participants to copy the example from the chalkboard in their exercise books.

### **STEP 6: CONCLUSION**

At the end of this lesson ask participants the following questions to find out whether they have understood the lesson:

- \* What is profit?
- \* What is loss?
- \* How do you calculate profit and loss?

### **STEP 7: HOME WORK**

All participants should try to calculate at home how much profit they are making with their own businesses. Facilitator should help them when asked for.

### **TEST**

Explain the test on profit and loss to your participants. The participants should do the test in their exercise books. Correct their mistakes and tell the participants to keep the test as an example.

**TEST:      PROFIT AND LOSS**

- \* Think of a business that you know well;
- \* Decide on an amount of goods that you are going to sell;
- \* Write down all the money you have to spend before you can sell your goods (expenditure);
- \* Write down how much money you receive for selling your goods (income);
- \* Find out whether you are making a profit or a loss.



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## LESSON 6      HOW TO USE THE PROFIT

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### Revision

Ask participants the following questions:

- \* What is profit?
- \* What is loss?
- \* How do you know whether you are making a profit or a loss?

### Background information for the facilitator

In the profit and loss exercises it was explained that profit is the money that is left over after selling the product. It was left to the entrepreneur to decide whether to use the profit for herself or the household or for savings.

Most people have so little money that they easily spend it on daily needs. They find it very difficult to keep money apart and not to touch it. However, saving money to plan for future needs will help people to improve their business and their lives.

### STEP 1:      DISCUSSION

\* **What can you do with the money if you have a profit?**

Accept all answers. Bring out the following:

If you have not taken any money from the business money for yourself and your household, then you will have to take some money out for yourself first. The rest of the money can be put into savings, until you need it.

\* **What are savings?**

Savings means that you keep money apart and you do not spend it, unless you have planned to use it for some purpose.

\* **For what purpose would you save money?**

Accept all answers, and proceed with the explanation.

## STEP 2: EXPLANATION

### \* Why saving?

1. To replace or repair old or damaged equipment and utensils;

2. To expand your business;

Examples are:

- The doughnut seller is saving to buy a bigger cast iron pot, so that she can fry more doughnuts at a time and thus sell more. In future she also wants to bake cakes, so she is saving to buy an oven;
- The poultry farmer wants to save money so that she will be able to buy more chicks;
- The fishmonger wants to be able to buy more cheap fish during the peak season, so that she can store it and sell it during the season when fish is scarce and the prices are high. She wants to save some money, so that she is not forced to sell the fish beforehand;
- The driver wants to save money so that he can buy his own taxi.

3. To prepare for emergency cases;

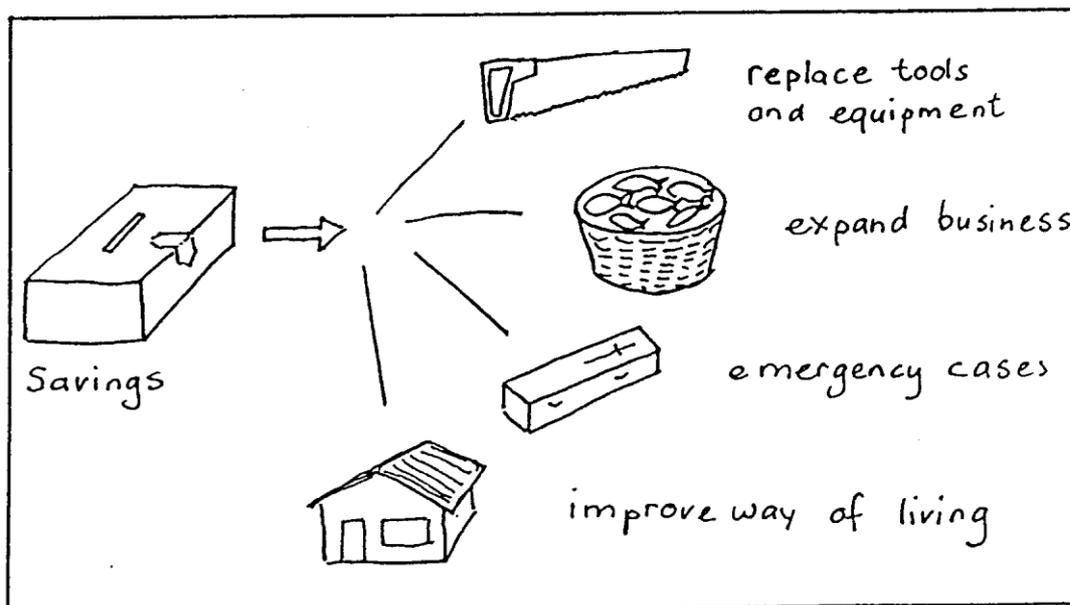
Examples are :

- The school fees have suddenly been increased;
- Your child is sick and is admitted to the hospital;
- Your father dies, and you have to contribute to the funeral.

4. To improve your way of living;

Examples are:

- Building a house;
- Sending the children to a good school.



\* **How to save the money?**

1. At home:

\* Advantages:

- you do not have to travel.

\* Disadvantages:

- you are tempted to use the money;

- it may not be safe.

2. At the bank:

\* Advantages:

- the money is safe;

- you will get interest on the money.

\* Disadvantages;

- you may have to travel;

- banks are formal institutions, that may discourage people.

3. With a savings group:

\* Advantages:

- you do not have to travel;

- you are encouraged by other group-members to save.

\* Disadvantage:

- the money-collector may not always be reliable.

**STEP 3: EXAMPLE**

Read the following story to the participants:

Joyce has discovered that she can make profit by selling doughnuts. But she knows that if she does not keep some money apart in a separate place she will spend it quickly. Therefore she decides to save some money as follows.

From every ₪1000 income from the sales of doughnuts, she will need ₪600 for buying new ingredients and charcoal, and paying for transport. She will take ₪200 for herself and her household expenses. The remaining ₪200 she will keep apart as savings. She would like to bring it to a bank, but there is none in her village. Therefore she uses a small wooden box with a padlock, that she hides in her room.

\* **What do you observe from this story?**

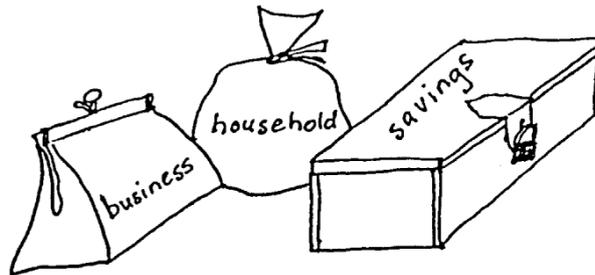
All answers are good.

\* **Why does Joyce take some money out of her business for herself?**

Bring out the following answer. She takes the money as her own 'salary'. She does not want to mix up her household expenses with her business money.

\* **Why should she want to save money?**

Accept all answers.



#### **STEP 4: PRACTISE: ROLE - PLAYS**

Divide the participants in groups of 5 persons. Give each group the following questions to answer:

- \* Choose a business that is familiar to you. What do you want to use your profit for?
- \* What are the things you would want to save money for?
- \* How would you save the money?  
At home? At a bank? With a savings group? Otherwise?  
Give reasons why.

After the discussions ask each group to present the outcome of the discussion in the form of a role-play.

#### **STEP 5: VISIT TO A BANK**

Arrange for a visit to the nearest bank. Let the bank manager explain the procedures and advantages of saving money at the bank. If your participants are interested in getting a loan, you could also ask him to explain the advantages and disadvantages of getting a loan from the bank.

Similarly, if there is a credit-union, credit association or savings group operating in your area, you could invite them to give a talk to your group about their procedures and experiences.

#### **STEP 6: CONCLUSION**

At the end of this lesson ask the following questions to find out whether your participants have understood the lesson:

- \* How will you use the profit of your business?
- \* For what purpose would you save money?
- \* How would you save the money?

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## LESSON 7      BUYING AND SELLING ON CREDIT

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### Revision

Have a discussion on:

- \* What will you do with the profit of your business?

### Background information for the facilitator

Buying and selling on credit is very common. It can be very profitable, but it can also be very risky, as people do not always remember who owes them money and to whom they owe money, and how much. Some people may only pay after a long time, or not pay at all. Some understanding of credit management will help people to control their businesses better.

### STEP 1: DISCUSSION

Introduce the subject by asking the following questions:

- \* **Why do you sell your goods on credit?**  
All answers are good.
- \* **What problems can happen when selling on credit?**  
(answer) You may have difficulties getting your money back. You cannot use the money that somebody still has to repay to continue or to improve your business.
- \* **Why do you buy on credit?**  
All answers are good.
- \* **What problems can happen when buying on credit?**  
(answer) You may have difficulties in paying back your debt.



## STEP 2: EXPLANATION

### Selling on credit

The main advantage of selling on credit is that it is a service to your customers, and will attract some customers.

But there are more disadvantages than advantages to selling on credit:

- your customers may delay in repaying, or may not repay you at all;
- there may be quarrels over repayment;
- selling small items on credit to people (1 bread, 2 bottles of soft drinks), easily adds to a lot of money, which makes it difficult for you to remember who should repay you and how much money;
- the money that your customers still have to repay cannot be used to buy materials or improve your business.

Therefore **it is best not to sell on credit** at all.

But if you have to sell on credit, keep the following **rules**:

1. Only sell on credit to regular customers who you are sure will pay you back on time;
2. Demand payment of part of the amount;
3. Always keep sufficient cash money to buy new stock;
4. Keep records of the people to whom you sell on credit. This will be explained in Lesson 8.

### Buying on credit

Buying on credit may help you in your business in the following cases:

- to buy stock in a season when it is cheap (like fish, cassava), preserve and store it and sell it when the prices are high;
- to enable you to buy cheaper in bulk (like flour);
- to cover seasonal high expenses (like ploughing).

In these cases buying on credit may give you more profit.

The disadvantages of buying on credit are:

- there may be quarrels over repayment;
- you may forget about it;
- there is the tendency to buy unnecessary things;
- sometimes you have to pay more when you buy on credit (interest).

If you decide to buy on credit, **be sure that you will be able to repay your credit on time!**

Before buying on credit find out how much profit you will make with your business (as in lesson 5). The profit should be enough to repay your credit, and still leave some money for savings.

Buying goods on credit for yourself or your household could put you in trouble. Will your business make enough profit to pay for the goods that you have bought on credit for your household?

### **Planning for selling on credit**

As long as you have not received the money that people have to repay you, it is not yet yours. You cannot spend money that you do not have. For example, you cannot use the money to buy materials. You can only plan for expenses after you have received your money.

### **Planning for buying on credit**

The same thing applies when you have to repay other people. You have bought something on credit and you are now making a profit with your business. However, not all the profit is yours. You have to keep some money separate to repay your credit.

Try by all means to repay your credit on time, so that people will be prepared to give you credit again. This is what is called **credit worthiness**.

## **STEP 3: EXAMPLE**

Have a discussion with the group on the following examples of buying and selling on credit:

### **\* In which of the following cases will you sell on credit to a customer?**

- Mary comes to your kiosk and wants to buy oil on credit. She is not a regular customer. (answer: no)
- Charles buys vegetables from you every Saturday. He usually pays cash. This time he did not bring enough money to pay for everything he needs. He promises to pay next week. (answer: yes)
- Joyce wants to buy two loafs of bread. She did not bring money. She has not paid you yet for four loafs that she bought in the previous week.
- You are selling fifty loafs of bread twice a week to a shop. They always pay you at the end of the month. (answer: yes)
- You sell your fish sometimes to a trader in the market. The agreement is that she pays you after she has sold the fish again. But she is not very reliable. It often takes a number of weeks before she repays you the money. (answer: no)

**\* In which of the following cases will you buy on credit?**

- You have seen a beautiful pair of shoes in the shop, but you do not have money. (answer: no)
- There has been a bumper catch of fish, which is being sold cheaply. You are sure that you will be able to smoke and sell a lot of fish and you have calculated that you will make a profit. You think you will be able to pay back in two weeks. (answer: yes)
- Peggy is selling kenkey and fish. She is also thinking about selling rice and stew. She will have to buy a bag of rice on credit. When she calculates the profit, she finds out that it is not sufficient to repay the credit.
- Buying sugar and flour in bulk from the wholesale is much cheaper than buying it from the market. But you do not have enough money to buy in bulk. You have calculated that you can make profit with your bakery, and you can even make more profit when you buy the stock in bulk from the wholesale. (answer: yes)

**STEP 4: PRACTISE: SMALL GROUP DISCUSSIONS**

Divide the participants in small groups of three to four persons.

Let each group think of a business whereby it is common to buy or sell on credit. They should try to think of the advantages and disadvantages of buying and/or selling on credit in this particular business.

After the discussions one person of each small group should present their case to the other participants.

**STEP 5: CONCLUSION**

Ask the following questions to find out whether your participants have understood the lesson:

- \* When and to whom do you sell on credit?
- \* When and from whom do you buy on credit?
- \* How do you plan for buying and selling on credit?

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## LESSON 8      THE CREDIT BOOK

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### Revision

Have a discussion with the group on the following questions:

- \* When do you sell on credit to a customer?
- \* When do you buy on credit?

### Background information for the facilitator

Many small scale entrepreneurs buy and sell on credit but they do not keep records of it. They keep everything in their head. Problems with repayments of credit often cause a loss of money. Keeping records of buying and selling on credit will help to avoid this problem.

### STEP 1:      DISCUSSION

- \* **How do you remember who has to repay you and how much?**  
All answers are good. If someone has a method let her explain how she does it.
- \* **How do you remember for how much money and from whom you have bought on credit?**  
All answers are good. Ask for examples.

### STEP 2:      EXPLANATION

#### Credit book

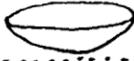
**The credit book keeps record of all the money that customers have to repay you and all the money you have to repay to others.**

You can keep two credit books; one for the goods that you have **sold on credit**, and one for the goods that you **bought on credit**.

Or: you can use the first part of an exercise book for 'sold on credit', and the second part for 'bought on credit'.

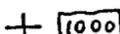
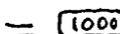
## 1. 'Sold on credit'

Draw the book for 'sold on credit' as shown below on the chalkboard.

Name of customer: ..... 

		- 1000	+ 1000	= 1000	
1	2	3	4	5	6

The customer is the person who buys from you. Use one page in your credit book for each customer, and begin by writing a symbol to represent the name of the customer on the top of the page. For example, if you have a bakery and one customer always collects her bread in a basin, you may draw a symbol of a basin.

- 1st column = Date 
- 2nd column = Goods (use a symbol to represent the goods that you sell; in this example bread) 
- 3rd column = Amount sold on credit on that date 
- 4th column = Payment or part-payment of amount sold on credit 
- 5th column = Balance: total amount the customer has to repay 
- 6th column = Signature or thumb print of customer

Every time a customer buys something on credit, you write down the date, the goods and the amount. After that you add the amount to the balance.

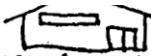
Every time the customer repays or pays part of the debt, you record it under payment.

After each payment you have to adjust the balance to see whether the customer has paid all his debts or whether she still has to repay you some amount.

Request the customer to sign or make a thumbprint each time she buys on credit or repays you.

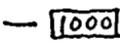
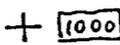
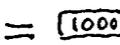
## 2. 'Bought on credit'

Draw the book for 'bought on credit' on the chalkboard as shown below.

Name of supplier : ..... 

		- 1000	+ 1000	= 1000	
1	2	3	4	5	6

The supplier is the shop or the person from whom you have bought on credit. Use one page for each supplier, and begin by writing a symbol to represent the name of the supplier on the top of the page.

- 1st column = Date 
- 2nd column = Goods (use symbols; in this example flour) 
- 3rd column = Amount bought on credit on that date 
- 4th column = Payment or part-payment of amount bought on credit 
- 5th column = Balance: total amount you still have to pay the supplier 
- 6th column = Signature or thumb print of supplier

The 'bought on credit' book is filled in the same way as the 'sold on credit' book.

## One page for each customer/supplier

Keep one page in the credit book for each person buying regularly on credit. Every time that person buys something on credit or repays part of the debt you write this on his/her page and calculate the new balance. This way you can always see whether this person repays regularly and whether he/she still has to pay a balance.

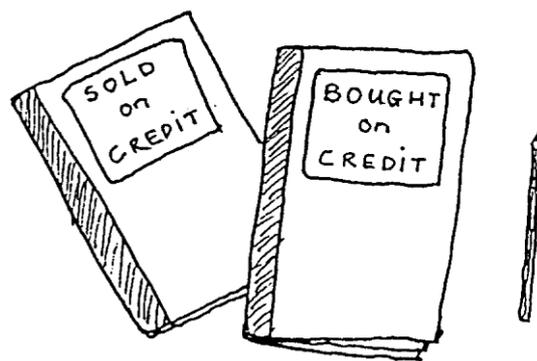
In the same way, if you are always buying on credit from the same supplier, you should also keep one page for each supplier in the book. When a particular customer/supplier page is full you continue the record on the next available free page.

If you do not have regular customers or suppliers, then you should enter each transaction as it occurs on a day to day basis. Then you will have to add an extra column for the names of the different people. However, it is not advisable to sell on credit to people who do not buy from you regularly.

**BEWARE: credit transactions have to be recorded in your cash book as follows:**

Every time someone is paying you for the goods that she/he bought from you on credit, you write it in your cash book under 'money in', as it is cash money that goes into your business.

In the same way, every time you pay for the goods that you bought on credit, you write it in your cash book under 'money out', as it is cash money that goes out of your business.



### STEP 3: EXAMPLES

#### Example 1

Show the following example to the participants. Use the book for 'sold on credit' on the chalkboard. Use the appropriate symbols.

Mary has a regular customer in the market to whom she sells her smoked fish. Her name is Akosua.

- o On 14-12-1993 Mary sells two baskets of fish for ¢6000 each (2 x ¢6000 = ¢12,000) on credit to Akosua. They agree that Akosua will pay the money on the next market day.
- o On 21-12-1993 Akosua pays ¢10,000 to Mary. She stills owes Mary ¢2000.
- o On the same day she buys one basket of fish for ¢6000 on credit again. She now owes Mary ¢8000 (= ¢2000 + ¢6000).
- o On 24-12-1993 Akosua pays all the remaining debts.

Name of customer: Akosua



		- <span style="border: 1px solid black; padding: 2px;">1000</span>	+ <span style="border: 1px solid black; padding: 2px;">1000</span>	= <span style="border: 1px solid black; padding: 2px;">1000</span>	
14-12-93	 2 x 6000	12,000	0	12,000	
21-12-93	<span style="border: 1px solid black; padding: 2px;">1000</span>	0	10,000	2000	
21-12-93	 1 x 6000	6000	0	8000	
24-12-93	<span style="border: 1px solid black; padding: 2px;">1000</span>	0	8000	0	

After writing everything in the credit book Mary also writes the cash payments that Akosua made in her cash book, as it is 'money in'.

On 21-12-1993 she writes in her cash book under 'money in' ¢10,000, and on 24-12-1993 she writes ¢8000 under 'money in'.

## Example 2

Mary usually buys her fresh fish from the same fisherman on credit. Only after selling the smoked fish, she pays the fisherman for the fish.

Every time she buys a load of fish she writes it in her 'bought on credit' book, so that she will not forget the amount that she has to pay the fisherman.

- o On 20-11-1993 she buys 3 crates of fish for ₱4000 each;
- o On 21-11-1993 she buys 5 crates of fish for ₱3500 each;
- o On 22-11-1993 she buys 2 crates of fish for ₱4500 each;
- o After coming home from the market on 23-11-1993 she pays the fisherman ₱30,000.

How much money does she still owe the fisherman?

Name of supplier: *Jonas* 

		- 	+ 	= 	<i>Jonas</i>
20-11-93	 3 x 4000	12,000	0	12,000	<i>Jonas</i>
21-11-93	 5 x 3500	17,500	0	29,500	<i>Jonas</i>
22-11-93	 2 x 4500	9000	0	38,500	<i>Jonas</i>
23-11-93		0	30,000	8500	<i>Jonas</i>

After paying the fisherman the ₱30,000, Mary writes in her cash book on 23-11-1993 ₱30,000 as 'money out'.

**STEP 4: PRACTISE**

**Exercise 1**

Draw a 'sold on credit' book on the chalkboard. Read the following story and write the details as shown below in the credit book. Ask participants to come to the chalkboard and write the amounts in the correct columns.

Aba is a farmer. She sells tomatoes and onions. She has a regular customer. Her name is Regina.

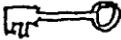
- o On 1-7-1993 Aba sells tomatoes for ₡5000 and onions for ₡4000 to Regina on credit. Regina promises to pay on the next market day.
- o On 7-7-1993 Regina pays Aba ₡7000.
- o On the same day she buys tomatoes for ₡2000 on credit again.

After writing the exercise on the chalkboard, the participants should copy it in their exercise books.

Name of customer: .....

1-7-93	 1 x 5000				
1-7-93	 1 x 4000				
7-7-93	<span style="border: 1px solid black; padding: 2px;">1000</span> 1 x 7000				
7-7-93	 1 x 2000				

In the end the chalkboard will look like this:

Name of customer: Regina 

	 	- <span style="border: 1px solid black; padding: 2px;">1000</span>	+ <span style="border: 1px solid black; padding: 2px;">1000</span>	= <span style="border: 1px solid black; padding: 2px;">1000</span>	
1-7-93	 1 x 5000	5000	0	5000	
1-7-93	 1 x 4000	4000	0	9000	
7-7-93	<span style="border: 1px solid black; padding: 2px;">1000</span>	0	7000	2000	
7-7-93	 1 x 2000	2000	0	4000	

## Exercise 2

Draw a 'bought on credit' book on the chalk board. Read the following story and let the participants write the details in the credit book on the chalkboard.

Amina is a baker. She often buys bags of flour on credit from the wholesale shop. The name of the shop is 'Okay store'. She always writes everything she buys on credit in her credit book, so that she cannot forget anything.

- o On 15-2-1994 Amina buys 2 bags of flour of ₪15,000 each. She pays cash for only one bag and agrees to pay the remaining ₪15,000 in two weeks time.
- o On 25-2-1994 she pays ₪15,000.
- o On 25-2-1994 she buys another 2 bags of flour on credit at ₪15,000 each (2 x ₪15,000 = ₪30,000)

After writing the exercise on the chalkboard, the participants should copy it in their exercise books.

Name of supplier: .....

.....	.....	.....	.....	.....	.....
15-2-94	☐ 2 x 15,000	.....	.....	.....	.....
25-2-94	☐ 1 x 15,000	.....	.....	.....	.....
25-2-94	☐ 2 x 15,000	.....	.....	.....	.....

In the end the chalkboard will look like this:

Name of supplier: Okay Store 

	☐	- ☐	+ ☐	= ☐	
15-2-94	☐ 2 x 15,000	15,000	0	15,000	OK
25-2-94	☐ 1 x 15,000	0	15,000	0	OK
25-2-94	☐ 2 x 15,000	30,000	0	30,000	OK

Note: On 15-2-1994 Amina bought two bags of flour. She paid cash for one bag, and bought the other one on credit. She therefore records one bag in her cash book and the other one in her credit book.

### **Exercise 3**

Choose a business that is familiar to the participants, whereby it is common to buy and sell on credit.

- \* Draw a book for 'sold on credit' on the chalkboard and invite participants to come to the chalkboard and write the details of some credit sales and payments.
- \* Do the same exercise with a 'bought on credit' book.

### **STEP 5: CONCLUSION**

At the end of this lesson participants should be able to do the following:

- \* Write the details of the goods that they have sold on credit in a 'sold on credit' book;
- \* Write the details of the goods that they have bought on credit in a 'bought on credit' book.

### **TEST**

Explain the test about the 'sold on credit' book on the next page to your participants. Ask them to do the test in their exercise books. Correct their mistakes and tell the participants to keep the test as an example.

**TEST: THE CREDIT BOOK**

- \* Think of a business whereby it is common to sell on credit;
- \* Draw the correct columns of a 'sold on credit' book;
- \* Write the details of a customer to whom you regularly sell on credit in the 'sold on credit' book.



A large, empty rectangular box intended for the student to draw the columns of a 'sold on credit' book and write customer details.

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## LESSON 9      COSTING AND PRICING

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### Revision

Have a discussion with the group on the following questions:

- \* What do you write in a book for 'bought on credit'?
- \* What do you write in a book for 'sold on credit'?

### Background information for the facilitator

Many business people do not know their costs and think that they are less than they really are. Therefore many people sell at a price that is too low and they make little or no profit.

Only by knowing the costs will you be able to set your price. The price finally determines the profit.

### STEP 1:      DISCUSSION

\* **How do you determine the price for the products that you are selling?**

Let the participants explain how they usually do it.

### STEP 2:      EXPLANATION

**Costing** is the way you calculate how much each individual product costs you to produce and sell.

**Pricing** means deciding on the price that you charge for your products.

To be able to determine your price, you will have to know all the costs that are involved in making and selling your product.

When you sell your product for a price that is **higher** than the costs to make and sell your product, then you are making a profit.

When you sell your product for a price that is **lower** than your costs, then you are selling at a loss.

### **Factors determining the price:**

When you decide on your price you will have to think of the following factors:

- the costs of each product (= your expenditure);
- the profit you would like to make;
- the price other people are selling the same product for;
- the maximum price people are prepared to pay;
- the price determined by the market.

To calculate the costs of each product you will have to add up the total amount of money going out of your business before you sell the product. This will be done in the same way that you calculated your profit and loss (Lesson 5).

### **STEP 3: EXAMPLE**

Read the following example to your participants and write all the costs involved on the chalkboard, with the appropriate symbols.

Elizabeth is a seamstress. The manager of a clothing shop is interested in her clothes and asks her for the prices. She has no idea, but she promises to make a quotation.

Elizabeth calculates all the costs of making a dress, thinks about the profit she wants to make and the price the customers are willing to pay.

### Materials and services

o 3 yards of material (3 x ₱1500)	₱	4500
o 1 zip ₱50	₱	50
o 5 buttons (5 x ₱20)	₱	100
o sewing thread ₱150	₱	150
o lining ₱650	₱	650
o needles and oil ₱150	₱	150
o transport ₱100	₱	100
	<u>+</u>	<u>₱ 100</u>
		<u>₱ 5700</u>

### Wages

o It takes Elizabeth two days to make a dress. For a start she decides to ask a moderate fee for workmanship of ₱1000 per day (2 x ₱1000)	₱	2000
o She pays one apprentice ₱250 per day for her assistance (2 x ₱250)	₱	500
	<u>+</u>	<u>₱ 500</u>
		<u>₱ 2500</u>

### Replacement and repair

Elizabeth is afraid that her sewing machine will break down and she wants to set aside some money so that she will be able to repair it when necessary. She decides to put ₱300 on top of the costs of each dress to save for this purpose.

₱ 300

### = Total costs

Her total costs are ₱5700 + ₱2500 + ₱300 =

₱ 8500

### + Profit

Elizabeth thinks that ₱500 is a reasonable profit on each dress.

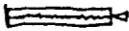
₱ 500

### = Price

Her price will then be ₱9000. This is a price she thinks the customers will be prepared to pay.

₱ 9000

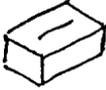
Materials and services:

	3 x	₡ 1500	4500
	1 x	₡ 50	50
	5 x	₡ 20	100
	1 x	₡ 150	150
	1 x	₡ 650	650
	1 x	₡ 150	150
	1 x	₡ 100	<u>100</u>
			5700

Wages:

	2 x	₡ 1000	2000
	2 x	₡ 250	<u>500</u>
			2500

Replacement and repair:

	1 x	₡ 300	300
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	Materials and services:		5700
+	Wages		2500
+	Replacement and repair		<u>+ 300</u>
=	Total costs	⊖	8500
+	Profit	😊	<u>+ 500</u>
=	Price		<u><u>₡ 9000</u></u>

#### **STEP 4: PRACTISE**

Take an example that is familiar to the participants (for example a carpenter who makes a cupboard, somebody who sells cooked food or someone who processes and sells palm oil).

Let the participants tell you the process and write all the costs involved with their appropriate symbols on the chalkboard.

Decide on the price.

Ask participants to copy the example from the chalkboard in their exercise books.

#### **STEP 5: CONCLUSION**

At the end of this lesson ask the participants the following questions to find out whether they have understood the lesson:

- \* How do you set the price for your product?
- \* What happens when your price is lower than your costs?

#### **TEST**

Read the test about pricing on the next page to the participants, and let them write the test in their exercise books. Correct the test and tell the participants to keep the test as an example.

**TEST: COSTING AND PRICING**

- \* Think of a business that you know well;
- \* Calculate the expenditure;
- \* Decide on your profit;
- \* Determine your price.



A large, empty rectangular box with a thin black border, intended for the student to write their answers to the test questions.

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## LESSON 10 BUSINESS PLANNING

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### Revision

Have a discussion with the group on the following questions:

- \* What did you learn from the previous lesson?
- \* How will you determine the price for your product?

### Background information for the facilitator

Most people are used to running small scale enterprises where they work with small sums of money on a day to day basis. They do not take advantage of wholesale and bulk purchasing. In this way they spend more money than necessary. Better planning of their business will help them to reduce their costs and increase their sales, thus making more profit.

### STEP 1: DISCUSSION

Introduce the idea of planning by asking the following questions:

- \* **What is business planning?**  
(answer) Business planning means thinking about the future of your business. It not only means thinking about how to expand your business in the long term, but also how to organise your business in the short term.
- \* **Choose a business that you know well: what are the things you have to plan for?**  
If not mentioned remind your participants of the following activities:
  - when, where and how much material you will buy and for what price;
  - how much you will produce;
  - and when and where you will sell it.
- \* **What are your future plans for the business?**  
Accept all answers. Stimulate discussion about ideas on how to expand their own businesses in future.

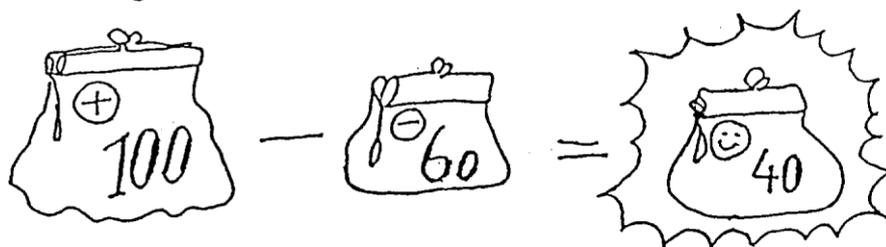
## STEP 2: EXPLANATION

Many people take decisions about their businesses on a day-to-day basis as it occurs. However, good planning of your business will help you to reduce your costs and therefore increase your profit. Good planning will also help you to prepare for the future.

Draw the following pictures on the chalk board:



money in - money out = profit



money in - LESS money out = MORE profit

### Reduce your costs by good planning for buying:

- buying at the lowest possible price (compare the prices of different suppliers and/or buy during the season when the price is very low);
- buying in bulk, if they are goods that can be stored;
- buying the right quantity of perishable products (like tomatoes);
- reducing travel and transport costs.

### Reduce your costs by good planning for production:

- producing the quantity (of perishable goods) that people will buy;
- inspect the quality of the goods you produced, and pack it in a neat way;
- prevent wasting materials;
- producing a lot at one time may be more profitable than producing small amounts at different times.

## STEP 3: EXAMPLES

### Example 1

Read the following story to the group. The participants should listen carefully, because you will ask them how the women in the story can reduce their costs.

A group of women has a small bakery in a village. They bake sugar bread, tea bread and buns. The group members take turns in baking the bread. They also take turns in buying the stock. Every other day someone goes to town to buy the bags of flour that are needed plus the other ingredients. She is given the money for the bus fare and food during the journey.

They buy cooking oil, sugar and yeast in small quantities from the kiosk in the village.

Sometimes members of the group give bread for free to their relatives. On some days they are baking more bread than they can sell. Some of it gets spoiled and they have to throw it away.

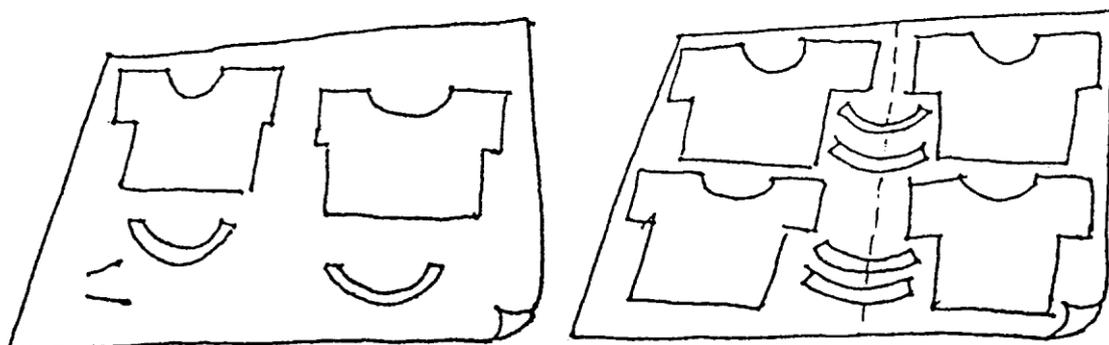
**\* Can you think of any ways that the group in the story could plan their business better so that they will reduce costs?**

The discussion should lead to the advantage of:

- buying the flour in bulk so that the price will be cheaper;
- buying the cooking oil, sugar and yeast in large quantities for the lowest possible price;
- reducing transport costs by travelling to town to buy the ingredients once per week or once per month;
- not giving away bread for free;
- avoiding waste by baking the amount of bread of which they know they will be able to sell.

### Example 2

Copy the two pictures as shown below on the chalkboard.



Bad cutting gives one shirt,  
good cutting gives two shirts!

Ask the following questions about the pictures:

\* What do you observe from the two pictures?  
(answer) Reduce waste

\* Can you give examples of waste in other businesses that you know?

#### **STEP 4: PRACTISE: GROUP-DISCUSSIONS**

Divide the participants in three groups and ask them to draw up a plan for reducing costs in a business that they know.

After the discussions ask each group to present the outcome of the discussion.

#### **STEP 5: CONCLUSION**

At the end of this lesson ask the participants the following questions to find out whether they have understood the lesson:

- \* What do you have to plan for in a business?
- \* How can you reduce your costs?

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## LESSON 11 BUSINESS MANAGEMENT

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### Revision

Ask the participants the following question:

- \* Mention five points of planning your business which will reduce costs.

### Background information for the facilitator

All the previous lessons are part of good business management: keeping records of income and expenditure and credit transactions, calculating your profit or loss, setting a good price and good planning will all help to improve your business. This last lesson summarizes the characteristics of a good business and highlights some techniques that will help a business person to attract more customers and increase the sales.

### STEP 1: DISCUSSION

- \* **What is good business management?**

(answer) Everything you learned in the previous lessons is part of good business management: keeping records of income and expenditure and buying and selling on credit, calculating your profit or loss, setting a good price and good planning.

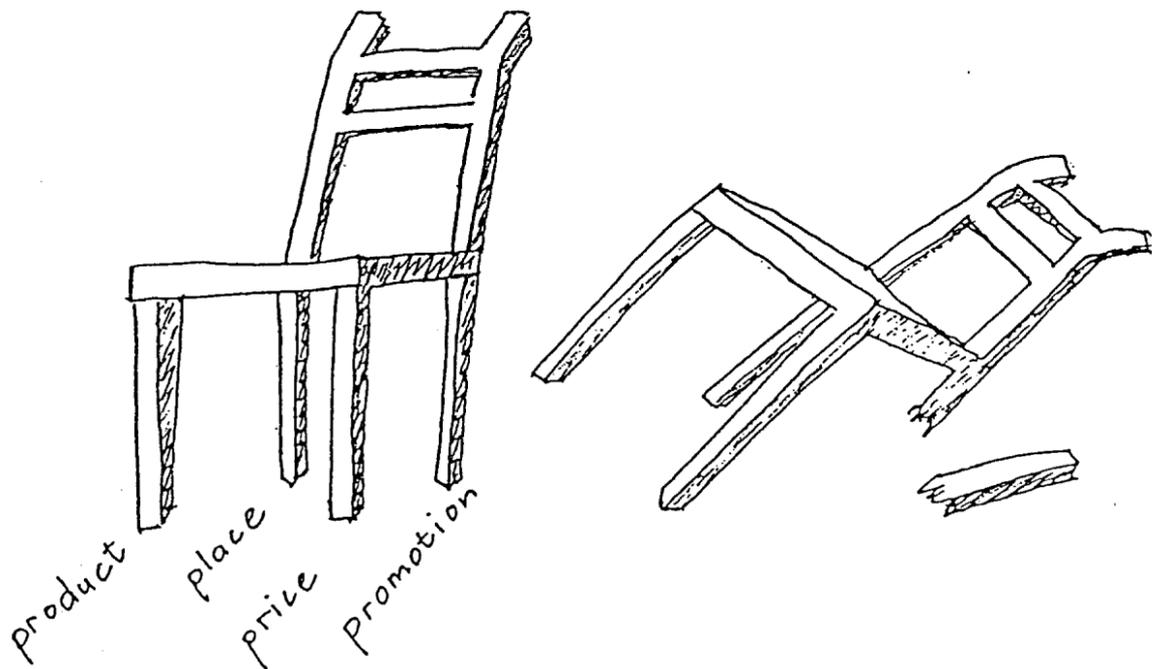
- \* **How can a business woman/man attract more customers and increase the sales?**

All answers are good. Encourage discussion.

### STEP 2: EXPLANATION

Good business management means organising your business in such a way that you make as much profit as possible. It therefore includes all the issues that you learned in the previous lessons.

Good business management can be represented by four P's: Product, Place, Price and Promotion.



### **The four P's of a good business**

Show the picture of the chair with 4 legs. Explain that a business contains four elements:

- Product: choose a product that people want and need and make sure it is good quality;
- Place: decide on a place where there will be many customers and few other sellers with the same product;
- Price: set a price that covers your costs, gives you profit and which customers are prepared to pay;
- Promotion: attract customers to buy the product.

Each leg of the chair represents a P. If one leg is broken, you will no longer be able to sit on the chair. The four P's always go together. If no attention is paid to one of the four P's, the business will fall apart.

Take time to explain the four P's.

**To make your business successful you have to consider the following questions:**

**1. Product**

- What is your product? Is it what the people in your village need and will buy?
- Is somebody else already selling a similar product? Will people still be interested in your product? What makes your product different from others?
- What is the quality that the people expect from your product?

**2. Place**

- Will there be many people at the place you want to sell your product?
- Where will you buy everything you need?

**3. Price**

- How much does it cost to produce your product?
- For what price are other people selling the same product?
- What price do you have to set to make a profit?

**4. Promotion**

- Do you have a friendly approach to your customers?
- Is your product of good quality?
- Do you always have your products available and do you finish your orders in time?
- How can you make the place where you sell your product look clean and attractive?
- Is it possible to advertise your business in the papers or on the radio?

**\* What are the characteristics of a good sales person?**

A good sales person should:

- be friendly and helpful,
- be polite and understanding,
- be clean and neat,
- make sure that the product is always available and of good quality.

It is not only the product that makes a person to return and buy more. The customer also comes back because he/she is pleased with the **service**.

**Satisfied customers will return to buy more and will tell others about the business. Remember, it is the customer who matters most.**

\* **What do you have to find out before starting a business?**

- Choose a business that suits your ability and experience;
- Find out whether it is profitable by observing people who are already in the business and by finding out about the costs of production and the selling price;
- Make a calculation of all the costs involved, and the profit you will make;
- Find out all the details involved to make this business successful, by considering **the four P's**;
- Calculate how much you will have to invest in setting up the business (constructions, materials, tools);
- Find out where you will get the money from (savings, loan, gift).

**STEP 3: EXAMPLE**

Go through the following exercise with the participants.

Victoria is a seamstress and she wants to start a sewing centre in her village. What are the things she has to consider before starting her business?

Make sure the participants talk about the issues mentioned under the 4 P's; product, place, price and promotion.

Stress that she may have competition. In a situation of competition it is the **best** seamstress and sales person who will get the customers.

#### **STEP 4: PRACTISE: ROLE-PLAYS**

Divide the participants in two groups. Each group is to perform a role-play. Each role-play should highlight some of the issues that they have learned in the previous lessons.

##### **Group 1**

Choose a business that is familiar to you. Prepare a role play on a very bad business woman. Some ideas that you could include in your role-play are:

- her prices are very high;
- her place is far from the village;
- her products are often not ready in time;
- her products are of bad quality;
- she is unfriendly to customers;
- she does not keep records of income and expenditure.

##### **Group 2**

Take somebody in mind who you consider to be a very good business woman. Think of what makes her a good business woman and prepare a role-play on that. Some ideas for your role-play are:

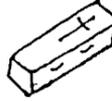
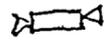
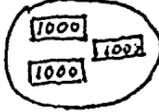
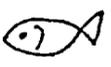
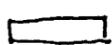
- the product is what people need and are prepared to pay for;
- she produces good quality and in time;
- she gives good service to customers;
- she keeps records of her income and expenditure in a cash book;
- she keeps a credit book.

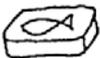
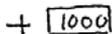
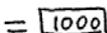
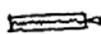
#### **STEP 5: CONCLUSION**

At the end of this lesson ask the following questions to find out whether your participants have understood the lesson:

- \* What is good business management?
- \* What are the four P's?
- \* What is a good sales person?
- \* What do you have to find out before starting a business?

## APPENDIX 1: SYMBOLS

	money in		cloth
	money out		school fees
	date		medicyn
	amount		hair dresser
	profit		funeral
	loss		church
	cash money		sweets
	gift		chicks
	loan		chicken food
	savings group		porter
	fish		tomato
	fire wood		onion
	bread		okra
	taxi		household
	bus		table
	food		chairs
	school uniform		wood

	nails		buttons
	saw		sewing thread
	assistant		lining
	tin of sardines		needles and oil
	matches		credit sales/purchases
	bananas		Repayment of credit
	oranges		balance
	fresh fish		
	market toll		
	smoked fish		
	flour		
	sugar		
	yeast		
	oil		
	charcoal		
	doughnuts		
	zipper		

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