



## TVET LEVEL II



# SOFT SKILLS

Basic  
Entrepreneurial  
Skills

*TRAINEE MANUAL*



Approved by:  Workforce  
Development  
Authority



**USAID**  
FROM THE AMERICAN PEOPLE



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# **BASIC ENTREPRENEURIAL SKILLS**

**Unit 1: Develop business idea**

**Unit 2: Perform business operations**

**Unit 3: Prepare an elementary business plan**

**Unit 4: Perform business financial operations**



# Unit 1: Develop a Business Idea



## **Topics:**

- 1.1.** Identification of business opportunities based on market needs
- 1.2.** Development of business idea proposal in terms of needs and requirements
- 1.3.** Elaboration on the implementation plan aligned with the available resources

## **Unit Summary:**

This unit will equip trainees with knowledge and skills required to develop business ideas. By the end of the unit, you will be to identify business opportunities based on market needs, develop a good business idea proposal, and elaborate on a good implementation plan according to the available resources.

## Learning Unit 1 Self-Assessment

1. Look at the Unit 1 illustrations above and discuss what you notice. What topics do you think this unit will include based on the illustration?
2. Fill out the self-assessment at the beginning of the unit. The purpose of the self-assessment is to become familiar with the topics in the unit and for you to check what you know or do not know. At the end of the unit, you will do a self-reflection, which includes re-taking the self-assessment and identifying your strengths, areas that need improvement, and actions to take. The self-assessment is not a test!

There are no right or wrong ways to answer this assessment. It is for your own use during this unit. The trainer will read a skill that is listed in the left column. Think about yourself: do you think you can do this? How well? Read the statements across the top. Put a check in column that best represents your situation. At the end of this unit, you will take this assessment again.

<b>My experience</b>	<b>I don't have any experience doing this.</b>	<b>I know a little about this.</b>	<b>I have some experience doing this.</b>	<b>I have a lot of experience with this.</b>	<b>I am confident in my ability to do this.</b>
<b>Knowledge, skills and attitudes</b>					
Describe personality traits and skills that make an effective entrepreneur.					
Describe the role of innovation and creativity in entrepreneurship.					
Identify ways to identify business opportunities.					
Describe business ideas and its sources.					
Differentiate between needs and wants.					
Describe techniques to generate a good business idea.					
Select a good business idea using Strengths,					



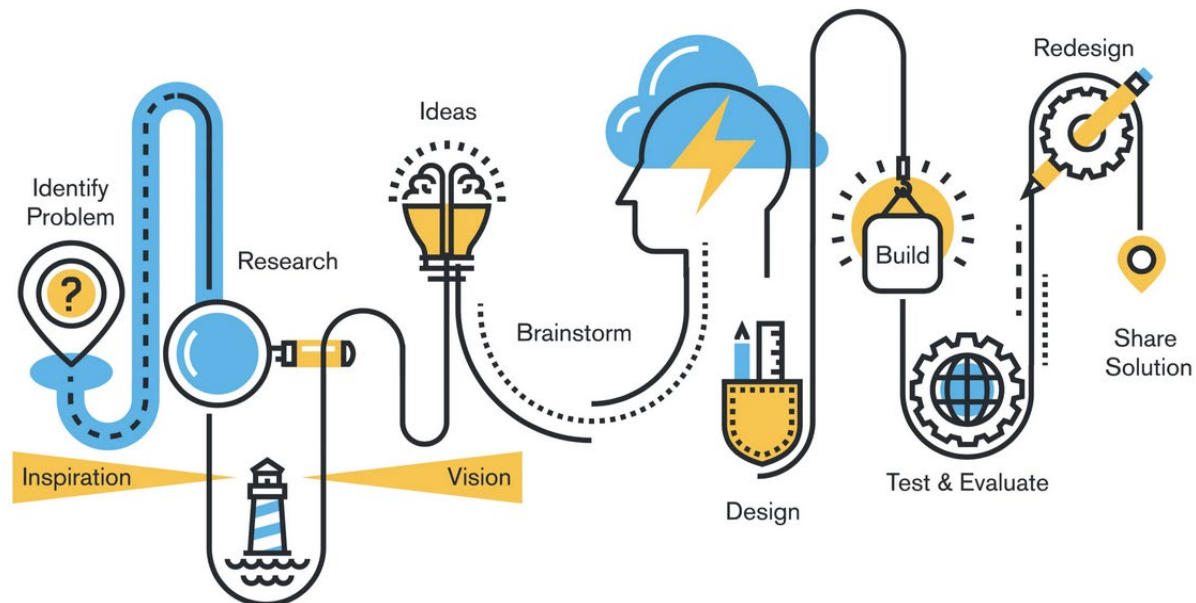
<b>My experience</b>	<b>I don't have any experience doing this.</b>	<b>I know a little about this.</b>	<b>I have some experience doing this.</b>	<b>I have a lot of experience with this.</b>	<b>I am confident in my ability to do this.</b>
<b>Knowledge, skills and attitudes</b>					
Weaknesses, Opportunities and Threat (SWOT) analysis and 6Cs (Cash, capital, customers, competitors, cost and competence).					
Describe characteristics of a good business goal.					
Elaborate business start-up plan and set a business budget.					
Keep personal and business money separate and prioritize business activities in accordance with available resources.					

## Topic 1.1: Identification of business opportunities based on market needs

### Key Competencies:

Knowledge	Skills	Attitudes
1. Identify personal traits and skills of an effective entrepreneur.	1. Identify successful entrepreneurs in their locale based on personal traits and skills.	1. Observant and reflective
2. Differentiate creativity from innovation.	2. Apply creativity and innovation to challenges.	2. Creative
3. Identify characteristics of a good business opportunity.	3. Give examples of business opportunities in their locale.	3. Analytical

### ↻ Getting Started: What do we know and where are we going?



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Fig. 1.1: Identification of business opportunities

<sup>1</sup> Dupriest, D. (n.d.). [Infographic]. Fiverr. <https://www.fiverr.com/ddupriest15/document-your-processes-and-identify-business-opportunities>



### Topic 1.1 Task 1:

1. Study Fig 1.1 about identification of business ideas and answer the following questions.
  - a. What process do you think is represented in Fig.1.1?
  - b. Why do you think entrepreneurs have to go through the process mentioned above?
  - c. Based on the figure, why do you think the following stages are important?
    - i. Identifying Problem
    - ii. Research
    - iii. Ideas
    - iv. Brainstorming
    - v. Designing
    - vi. Testing and evaluation



### Problem Solving Activity



### Topic 1.1 Task 2: Traits and skills of an entrepreneur

Referring to your community, answer the questions below, using the table provided:

- a. Document any two successful entrepreneurs you know of.
- b. Document the type of business run by the entrepreneurs mentioned above.
- c. Identify any four personal traits and/or skills you think makes the identified entrepreneurs successful.

Name of entrepreneur	Type of business	What makes the entrepreneur successful?
		<ul style="list-style-type: none"> <li>• .....</li> <li>• .....</li> <li>• .....</li> <li>• .....</li> </ul>
		<ul style="list-style-type: none"> <li>• .....</li> <li>• .....</li> <li>• .....</li> <li>• .....</li> </ul>

## 1.1 Key Facts

### Qualities of a Successful Entrepreneur

Adapted from Under30CEO's "10 Qualities of a Successful Entrepreneur":

"Successful businesspeople have many traits in common with one another. They are confident and optimistic. They are disciplined self-starters. They are open to any new ideas which cross their path.

**Disciplined.** Successful entrepreneurs are disciplined enough to take steps every day towards the achievement of their objectives.

**Confidence.** Entrepreneurs are confident with the knowledge that they will make their businesses succeed. They exude that confidence in everything they do.

**Open Minded.** Entrepreneurs realize that every event and situation is a business opportunity. They have the ability to look at everything around them and focus it toward their goals.

**Self-Starter.** Entrepreneurs know that if something needs to be done, they should start it themselves. They are proactive, not waiting for someone to give them permission.

**Competitive.** Many enterprises are successful because an entrepreneur knows that they can do a job better than another. Entrepreneurs will highlight their enterprise's track record of success.

**Creativity.** Entrepreneurs often come up with solutions which are the synthesis of other items. They will repurpose products to market them to new industries.

**Determination.** Successful entrepreneurs are determined to make all of their endeavours succeed and will try and try again until it does. They believe there is nothing that cannot be done.

**Strong people skills.** Successful entrepreneurs have strong communication skills to sell the product and motivate employees, so the business grows overall.

**Strong work ethic.** A successful entrepreneur will often be the first person to arrive at the office and the last one to leave to make sure that an outcome meets their expectations.

**Passion.** Passion is the most important trait of the successful entrepreneur. They are willing to put in those extra hours to make the business succeed.”<sup>2</sup>



### Topic 1.1 Task 3: Meaning of concepts

1. Visit your school library and conduct research and/or you can ask other students or instructors with expertise to help you define the terms below.
  - a. Innovation
  - b. Creativity
  - c. Business idea
  - d. Business opportunity
  - e. Needs
  - f. Wants
2. Providing an example for each, differentiate between the following:

<b>Innovation</b>	<b>Creativity</b>
•	•
<b>Needs</b>	<b>Wants</b>
•	•
<b>Idea</b>	<b>Opportunity</b>
•	•

## 1.2 Key Facts

### Meaning of concepts

- **Innovation.** The introduction of something new and effective into the market. It is about introducing something new.
- **Creativity.** Creativity is the process of generating a novel or useful idea. It is about thinking something new.
- **Business idea.** Ideas are solutions to problems and are important providing creative spark for your business.

<sup>2</sup> Wilson, M. (2010, September 27). *10 qualities of a successful entrepreneur*. Under30CEO. <https://www.under30ceo.com/10-qualities-of-a-successful-entrepreneur/>



- **Business opportunity.** This is something (ideas, circumstances, situation) that can lead to a desirable and viable business.
- **Needs.** These are an individual's basic requirements that must be fulfilled in order to survive.
- **Wants.** These are the goods and services that an individual likes to have, so as to add comforts in his/her life.<sup>3</sup>

Difference between concepts	
Creativity	Innovation
The thought of creation of a new traveling motorcycle is creativity.	The actual invention of the motorcycle is innovation.
Needs	Wants
Food, Clothes, Shelter	Cars, Big house, New TV
Idea	Opportunity
How to transport people.	Using a motorcycle to transport people for money.



## Guided Practice Activity



### Topic 1.1 Task 4: Creativity and Innovation challenges

1. Given below are examples of challenges. Read each challenge and apply your innovative and creative skills to solve them.

#### Challenge #1: Creative Thinking - Cut that Cake

Your trainer brings a cake to class to celebrate the birthdays of eight (8) fellow trainees. They cannot eat it until they have cut it. They cannot make more than three cuts and they must divide the cake into eight pieces. Advise your friends on how to cut the cake so as to be able to eat it.

#### Challenge 2#: Manage resources

This is a quick activity to promote out-of-the-box thinking and effectively utilize current resources. You are given 6 nails. How can you create 4 triangles with the nails?

<sup>3</sup> Soule. (n.d.). *Economic decisions review*. SlidePlayer. <https://slideplayer.com/slide/7564891/>

2. Based on the creativity challenges, why do you think innovation and creativity are important in entrepreneurship?

### 1.3 Key Facts

#### Role of innovation and creativity in entrepreneurship

- Leads to improvements in the process of solving problems
- Propels innovation forward
- Increases the productivity of the business
- Gives that competitive edge that every business is striving to achieve
- Leads business to high overall success
- Increases overall productivity
- Encourages exploitation of employee potential
- Encourages critical thinking<sup>4</sup>



#### Topic 1.1 Task 5: Differentiating needs and wants

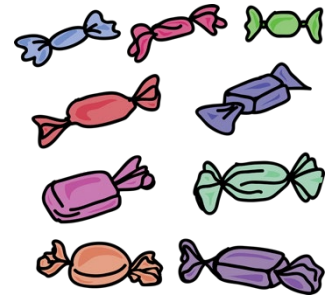
1. Provided below are the Wants vs. Needs cards. Look at the cards, decide whether the item is a want, a need, both, or neither, and write the items in the appropriate section of the table.<sup>5</sup>

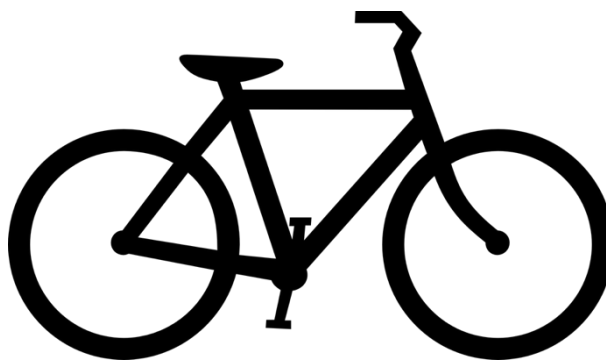
#### Wants vs. Needs cards



<sup>4</sup> Sokolova, S. (2015, February 9). *The importance of creativity and innovation in business*. LinkedIn. <https://www.linkedin.com/pulse/importance-creativity-innovation-business-siyana-sokolova/>

<sup>5</sup> Peachey, S. (n.d.). *Wants versus needs*. Portland State University. <https://www.pdx.edu/geography-education/sites/www.pdx.edu.geography-education/files/WantsVersusNeeds.pdf>





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### Chart

Want	Need	Neither

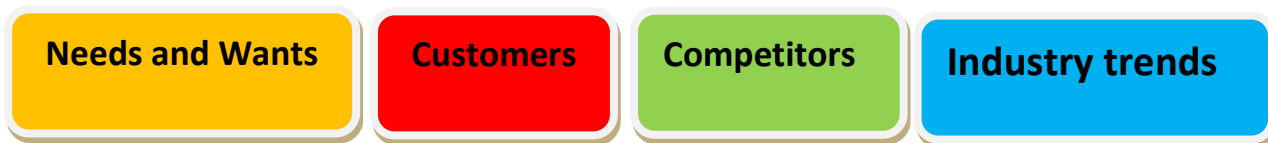
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<sup>6</sup> All images from Pixabay.com; License: <https://pixabay.com/service/license/>



## Topic 1.1 Task 6: Ways to identify business opportunities

1. Provided below are some ways of identifying business opportunities.



Complete the table below to identify business opportunities.

No#	Way of identifying business opportunities		Information that can help entrepreneurs identify business opportunities
1	Needs and wants		
2	Customers		
3	Competitors		
4	Industry trends	Economic	
		Social	
		Technological	
		Political	
		Regulatory	

### 1.4 Key Facts

#### Ways to identify more business opportunities

Adapted from SmartCompant's "Four ways to identify more business opportunities":

- **Listen to the needs and wants of your potential clients and past leads**, which will help you to find opportunities to develop more tailored products and services.
- **Listen to your customers.** This valuable customer information will help you identify key business opportunities to expand and develop your current products and services.
- **Look at your competitors.** Analysing your competitors will help you identify key business opportunities to expand your market reach and develop your products and services.



- **Observing industry trends and insights.** Trends create opportunities for entrepreneurs to pursue.<sup>7</sup>



### **Topic 1.1 Task 7: Characteristics of a good business opportunity**

Visit a number of effective entrepreneurs, big or small, and ask them about the characteristics of a good business opportunity. During the interaction, you can use the following questions to guide you. You can record your findings in the table provided.

- a. What is your business activity?
- b. What are your products or services?
- c. How did you know about or the ways you used to identify the business opportunity?
- d. What characteristics would you look for in a business opportunity to be good?

<b>Name of entrepreneur</b>	<b>Business activity</b>	<b>Products or services</b>	<b>Ways used to identify business opportunity</b>	<b>Characteristics of business opportunity</b>

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<sup>7</sup> Jesnoewski, A. (2018, November 20). *Four ways to identify more business opportunities*. SmartCompany. <https://www.smartcompany.com.au/startupsmart/advice/business-planning/four-ways-to-identify-more-business-opportunities/>

## **1.5 Key Facts:**

### **Characteristics of a good business opportunity**

**Good entrepreneurial business opportunities are:**

- **Market driven**
  - Solve a problem; find a market need; be customer focused not product driven; targets an identified sizeable market segment
- **Feasible**
  - Attractive –there is a demand; Achievable –it can be done; Durable –it lasts; Value creating–it is worth something; Safe; Affordable
- **Unique**
  - Faster/Better/Cheaper; Differentiated (vs. commodity); they have a “Special Sauce”
- **Fundable**
  - Revenue stream; Manageable risk; Sustainable -Market exists with frequency of purchase; Scalable or Replicable; Barriers to entry; Growth potential; Product pipeline; Exit plan; Innovative<sup>8</sup>

**A good business opportunity must be carefully examined and should fulfil the following criteria:**

- Real demand should exist for the products to be produced
- Favourable return on the investment made
- Be able to favourably compete in the market (competitive)
- Should meet the investors many objectives
- Availability of resources necessary for the investment.

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<sup>8</sup> Cottrell, E. (2009). *Entrepreneurship 101: Keys to starting a business*. West Chester University. <https://www.wcupa.edu/business-publicManagement/cottrellcenter/documents/entrepreneurship101.pdf>



## Application Activity



### Topic 1.1 Task 8:

Referring to your community, identify a business opportunity and:

- a. Articulate what makes you think it could be a good opportunity (refer to criteria).
- b. Carry out a research to determine if it can be a good opportunity (refer to criteria).
- c. Conduct a PEST analysis for the business opportunity identified by completing the table below.

Business opportunity:	
Ways to identify opportunities	
Criteria met	
Political factors	
Economic factors	
Social factors	
Technological factors	

### Sample PEST Analysis<sup>9</sup> for Coca Cola

Coca Cola is a famous soft drink producer. It offers different products to a large number of customers worldwide. It uses the finest technology in production, and so its products meet customers' expectation. It is a renowned soft drink production company.

<b>COCA COLA - PEST ANALYSIS</b> <i>Popular Soft Drink Producer</i>	
<b>Political factors</b>	<ul style="list-style-type: none"><li>• Must follow Rwanda Food and Drugs Authority (Rwanda FDA) rules to provide people with right beverages</li><li>• Labour, accounting and internal marketing laws must be followed</li></ul>
<b>Economic factors</b>	<ul style="list-style-type: none"><li>• Understands customers' tastes and preferences</li><li>• Most of income is from selling of soft drinks</li><li>• Must focus on launching healthy drinks</li></ul>
<b>Social factors</b>	<ul style="list-style-type: none"><li>• Have launched healthy drinks in Rwanda</li></ul>
<b>Technological factors</b>	<ul style="list-style-type: none"><li>• They use high technology in producing fine products in short time</li><li>• Use social media effectively for promotions</li></ul>

- d. Needs and wants. Describe possible business opportunities that can be started to satisfy those identified needs and wants.



### Points to Remember

- Innovation and creativity have become critical skills for achieving success in business
- Creativity is the ability to produce new and at times unique ideas.
- Innovation is the implementation of that creativity, whether that be a new idea, solution, process, or product.
- Need: something you can't live without.
- Want: something you would like but that you can live without.

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<sup>9</sup> White, S. (2017, July 3). *5 best and practical pestle analysis examples to know*. AllAssignmentHelp.com. <https://www.allassignmenthelp.com/blog/5-best-and-practical-pestle-analysis-examples-to-know/>

- A good business opportunity should:
  - ▶ Have real demand
  - ▶ Have return on investment
  - ▶ Be equal to or better than the competition
  - ▶ Meet objectives/goals of entrepreneur
  - ▶ Enable entrepreneur access resources



### **Formative Assessment**

**Read and answer the questions below.**

1. Have trainees identify any personal traits and skills that an effective entrepreneur should possess.
2. With an example for each, differentiate innovation from creativity.
3. With an example for each, differentiate needs from wants.
4. Briefly explain different ways an entrepreneur can use to identify business opportunities.
5. List the characteristics a good business opportunity should have.
6. Briefly explain, including an example, the elements of a PEST analysis.



## Topic 1.2: Development of business idea proposal in terms of needs and requirements

### Key Competencies:

Knowledge	Skills	Attitudes
1. Describe business ideas.	1. Select a good business idea using a SWOT (Strengths, Weaknesses, Opportunities and Threat) analysis.	1. Innovative and creative
2. Identify sources of business ideas.	2. Select a good business idea using the 6C's (Cash, capital, customers, competitors, cost and competence).	2. Detail oriented
3. Learn techniques for generating good business ideas.	3. Apply techniques to generate good business ideas.	3. Active



### Getting Started: What do we know and where are we going?



#### Topic 1.2 Task 1:

1. In one of the holidays you went to visit your relatives in one of the districts of Rwanda. While there, you realised that there is shortage of water in the area. Families spend days without water; it *takes many days in between bouts of* rain, and the nearby water source is 5 kilometres away.
  - a. As a student of entrepreneurship, list all possible solutions to the problems in the area.
  - b. What do you call the list of possible solutions above?



## Problem Solving Activity



### Topic 1.2 Task 2: Identification of business ideas

Read the paragraph below and answer questions that follow.

*Essentially, entrepreneurs need ideas to start and grow their entrepreneurial ventures. Generating ideas is an innovative and creative process. Sometimes, the most difficult aspect of starting a business is coming up with a strong business idea.*

Based on the paragraph, answer the following questions:

- a. How would you define a business idea?
- b. What do you think are some sources of the business ideas for entrepreneurs?
- c. What do you are some of the techniques that entrepreneurs can use to generate good business ideas?

### 1.6 Key Facts

**Business idea:** A concept that can be used to make money. Usually it centres on a product or service that can be offered for money.

**Sources of business ideas:**

- Developing ideas as an extension of an existing product (i.e. adding camera and song features to a mobile phone).
- Creating an improved service (fast delivery services).
- Marketing a product at a lower price (via e-commerce e.g. amazon.com).
- Adding value to an existing product or service.
- Altering their quality or quantity.
- Introducing automation, simplification, convenience (i.e. smart product).
- Through personal interests or hobbies-- many people find ways to turn their hobbies into successful businesses.
- Work experiences, skills, abilities, a business related to the work you do.
- A familiar or unfamiliar product or service.
- Spotting the latest trends.

- Changing the delivery method, packaging, unit size, or shape.
- Increasing mobility, access, portability or disposability.
- Simplifying repair, maintenance, replacement, or cleaning.
- Changing their colour, material, or shape.

#### **Techniques to generate good business ideas:**

- **Brainstorming:** A process in which a small group of people interact with very little structure, with the goal of producing a large quantity of novel and imaginative ideas.
- **Focus Groups:** A group of individuals who provide information using a structured format. Normally, a moderator will lead a group of people through an open, in depth discussion.
- **Observation:** A method that can be used to describe a person or group of people's behaviour.
- **Surveys:** This process involves gathering data based on communication with a representative sample of individuals.
- **Emerging Trends:** The example is based on the population within your area—for example, if they're getting older—and creating demand for new products and services.
- **Research and Development:** A planned activity aimed at discovering new knowledge, with the hope of developing new or improved products and services.
- **Tradeshows and association meetings:** An excellent way to examine the products of many potential competitors, uncover product trends, and identify potential products.
- **Other Technique:** This can be achieved by reading relevant trade magazines and browsing through trade directories. These may include local, national and foreign publications.



### **Guided Practice Activity**



#### **Topic 1.2 Task 3: Identification of business ideas**

Visit your communities and generate as many business ideas as possible. You will report the sources of the business ideas and techniques for generating the ideas by completing the table.

Business idea	Source of business idea	Technique for generating the business idea



### Topic 1.2 Task 3: Selection of a good business idea (SWOT Analysis)

1. Read the paragraph below and answer questions that follow

*The purpose of conducting a SWOT analysis on your business idea is to determine the pros and cons—whether it is a viable idea, gaining an understanding of whether your personality and strengths match the business, what capital will be required to launch and grow your business, as well as, analysing who your competitors will be in the market.<sup>10</sup>*

- a. What do you think SWOT stands for?
- b. What are some of the benefits of conducting a SWOT analysis for your business idea?

2. Read the words listed below and answer questions that follow.



- a. In selecting business ideas, what questions/factors are you likely to consider under each word listed above. Complete the table below by listing the questions for each word.

<sup>10</sup> Bristow Scott, C. (2019, May 28). *Your free business idea evaluation SWOT analysis template*. Entrepreneur. <https://www.entrepreneur.com/article/334260>

<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<b>Threats</b>

## 1.7 Key Facts

### SWOT Analysis

**SWOT** stands for Strengths, Weaknesses, Opportunities, and Threats, and so a SWOT Analysis is a technique for assessing these four aspects of your business.

**Strengths.** positive attributes—tangible and intangible, internal to your organization, within your control

- What do you do well?
- What internal resources do you have?
- What advantages do you have over your competition?
- Do you have strong research and development capabilities? Manufacturing facilities?
- What other positive aspects, internal to your business, add value or offer you a competitive advantage?
- What valuable assets do you have?

**Weaknesses.** aspects of your business that detract from the value you offer or place you at a competitive disadvantage.

- What factors that are within your control detract from your ability to obtain or maintain a competitive edge?
- What areas need improvement to accomplish your objectives or compete with your strongest competitor?
- What does your business lack (for example, expertise or access to skills or technology)?
- Does your business have limited resources?
- Is your business in a poor location?

**Opportunities.** external attractive factors that represent reasons your business is likely to prosper.

- What opportunities exist in your market or the environment that you can benefit from?

**Threats.** external factors beyond your control that could place your strategy, or the business itself, at risk, and have no control over them.

- Who are your existing or potential competitors?
- What factors beyond your control could place your business at risk?

<ul style="list-style-type: none"> <li>• Is the perception of your business positive?</li> <li>• Has there been recent market growth or have there been other changes in the market the create an opportunity?</li> <li>• Is the opportunity ongoing, or is there just a window for it? In other words, how critical is your timing?</li> </ul>	<ul style="list-style-type: none"> <li>• Are there challenges created by an unfavorable trend or development that may lead to deteriorating revenues or profits?</li> <li>• What situations might threaten your marketing efforts?</li> <li>• Has there been a significant change in supplier prices or the availability of raw materials?</li> <li>• What about shifts in consumer behavior, the economy, or government regulations that could reduce your sales?</li> <li>• Has a new product or technology been introduced that makes your products, equipment, or services obsolete?<sup>11</sup></li> </ul>
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#### Sample 1#: SWOT Analysis for a Bakery

<b>SWOT Analysis</b> <b>Top Taste Bakery</b>	
<b>Strengths</b> <ul style="list-style-type: none"> <li>• Wide range of products that can meet the needs of a wide range of customers.</li> <li>• State of the art facility and equipment.</li> <li>• Robust experience and good academic background of our manager.</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Our location might be our weakness.</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Lots of people consume breads, cakes, and snacks on a daily basis.</li> <li>• Lots of people who might want to learn how to bake.</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Competing with already established bakeries.</li> <li>• Other entrepreneurs who are likely going to launch similar businesses within the same location we plan to launch out from.</li> <li>• Government policies.</li> </ul>

<sup>11</sup> User: teapotNG. (2019, November 26). *TeapotNG*. <https://teapotng.com>. <https://teapotng.com/read-blog?title=importance-of-swot-analysis-for-business-strategic-planning&id=11>  
 Berry, T. (n.d.). *How to do a swot analysis for better strategic planning*. Bplans Blog. <https://articles.bplans.com/how-to-perform-swot-analysis/>

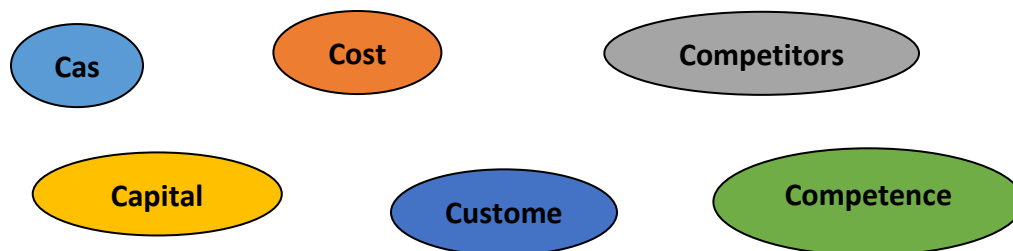
### Sample 2#: SWOT Analysis for MTN Group

SWOT Analysis MTN Group <sup>12</sup>	
<b>Strengths</b> <ul style="list-style-type: none"><li>• Strong brand with largest market share in 15 countries.</li><li>• Huge subscriber base with more than 240million customers.</li><li>• Comprehensive range of innovative products and services.</li></ul>	<b>Weaknesses</b> <ul style="list-style-type: none"><li>• Major setback in Nigerian operations with Nigerian Communications Commission imposing a penalty.</li><li>• Currency fluctuations in major markets.</li></ul>
<b>Opportunities</b> <ul style="list-style-type: none"><li>• Digitization to drive growth of telecom players.</li><li>• Huge potential in Iranian markets after sanctions removal.</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>• Power shortages across Africa affecting telecom infrastructure.</li><li>• Political developments and unrest across Middle East and North Africa (MENA) region.</li></ul>



#### Topic 1.2 Task 4: Selection of a good business idea (6Cs)

1. Given below are the 6Cs (Cash, Capital, Customers, Competitors, Cost, and Competence).



<sup>12</sup> SWOT&PESTLE.com. (2019, September). *MTN group SWOT & PESTLE analysis | SWOT & PESTLE*. <https://www.swotandpestle.com/mtn-group/>

Analyse each, and briefly describe why it is important for the entrepreneur to think about these while generating business ideas and completing the table below.

#	6 Cs	Importance
1		
2		
3		
4		
5		
6		

### 1.8 Key Facts

#### Importance of 6Cs used when generating a business idea:

<b>Cash</b>	<ul style="list-style-type: none"> <li>Is there enough cash to implement the idea?</li> <li>A business idea without cash is useless.</li> </ul>
<b>Capital</b>	<ul style="list-style-type: none"> <li>The implementation of a business idea requires capital.</li> <li>Will you be able to acquire the required capital to implement the idea?</li> </ul>
<b>Customer</b>	<ul style="list-style-type: none"> <li>Does your business idea have customers for the product or services?</li> <li>A business idea without potential customers is useless.</li> </ul>
<b>Competitor</b>	<ul style="list-style-type: none"> <li>Are there other entrepreneurs offering the products or services?</li> <li>Will your business idea survive the existing or upcoming competition?</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>What is the total cost of implementing the business idea?</li> <li>Is the cost not exceeding the benefit?</li> </ul>
<b>Competence</b>	<ul style="list-style-type: none"> <li>Do you have the necessary skills/competences of implement the idea?</li> <li>Are competences required to implement the idea available?</li> </ul>



### Application Activity



#### Topic 1.2 Task 5:

1. Visit your community. Identify business ideas and complete the table below.
  - a. What are the business ideas you identified?
  - b. What are the sources of the business ideas?



- c. What techniques did you use to generate the business idea?

#	Business idea	Source of business idea	Techniques of idea generation

2. For the business ideas generated above in (1),
- a. Perform a SWOT analysis to select good business ideas using the template.

<b>Business idea:</b>	
<b>Strengths:</b> <ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>	<b>Weaknesses:</b> <ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>
<b>Opportunities:</b> <ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>	<b>Threats:</b> <ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>

- b. Check whether it meets the 6Cs using the table below.

<b>Business idea:</b>	Write <b>Yes</b> or <b>No</b>
<b>Cash:</b> <ul style="list-style-type: none"> <li>• Is there cash to implement the idea?</li> </ul>	
<b>Capital:</b> <ul style="list-style-type: none"> <li>• Is required capital easy to access?</li> </ul>	
<b>Customer:</b> <ul style="list-style-type: none"> <li>• Is there a potential market for the products/service?</li> </ul>	
<b>Competitor:</b> <ul style="list-style-type: none"> <li>• Is the competition for the business idea favourable?</li> </ul>	
<b>Cost:</b> <ul style="list-style-type: none"> <li>• Will I be able to cover the costs for implementation?</li> </ul>	
<b>Competence:</b> <ul style="list-style-type: none"> <li>• Are the competences required for implementation available</li> </ul>	



### Points to Remember

- All business ideas are not good business opportunities.
- SWOT analysis and 6Cs analysis are key in selecting good business ideas.



### Formative Assessment

#### A. Read the instructions and answer the questions below.

1. How do you differentiate between a business idea and business opportunity?
2. If you were to identify business ideas in your community, what sources would you use?
3. What techniques would you use to generate business ideas?
4. Why is it important for an entrepreneur to perform a SWOT Analysis when selecting business ideas?

#### B. Read the statements below and circle the best alternative.

1. Which of following is not the meaning of business idea?
  - a. A business idea is an idea that you can use for financial gain by offering a product or service.
  - b. A business idea is a concept which can be used for commercial purposes.
  - c. A business idea centres around a commodity or service that can be sold for money, according to a unique model.
  - d. A business idea is the process of starting a new business in a given location.
2. One of the following is not a source of business idea.
  - a. Interests and hobbies
  - b. Capital evaluation
  - c. Customer surveys
  - d. Brainstorming and dreams
3. \_\_\_\_\_ is a study undertaken by an organization to identify its internal strengths and weaknesses, as well as its external opportunities and threats.

- a.** Competitors analysis
- b.** SWOT analysis
- c.** Production analysis
- d.** Business analysis

## Topic 1.3: Elaboration of a business implementation plan aligned to the available resources

### Key Competencies:

Knowledge	Skills	Attitudes
1. Explain the importance of business goals.	1. Identify business start-up costs and resources needed to start a business.	1. Planner
2. Explain the concept of a SMART goal (Characteristics).	2. Develop a for the resources needed to start a business.	2. Organized
3. Identify business activities according to set business goals.	3. Develop a business start-up plan for businesses.	3. Analytical

### Getting Started: What do we know and where are we going?



#### Topic 1.3 Task 1:

1. Consider the following scenario:

*Your class is planning to have an end of year party. The whole class agrees that for the party to be successful, they will need an organizing committee. You are chosen as the chairperson of the organizing committee.*

2. As the chairperson of the committee, identify all the things that you will have to do in order for the party to be successful.



### Problem Solving Activity



#### Topic 1.3 Task 2: Business Goals

Based on your everyday activities and previous knowledge from school, home, work or a business:

1. Define what you understand about the following:

- a. Goal
  - b. Business goal
2. Why do you think it is important for an individual to set goals (personal or work goals)?
  3. What characteristics do you think a good goal should have?
  4. Provided below are some words that are often used when setting good goals.



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How does each word relate to goal setting? Give your response by completing the table below.

Word	Relationship with goal setting
Specific	
Measurable	
Achievable	
Relevant	
Time-based	

<sup>13</sup> User: Dungdm93. (2016, December 20). *SMART-goals* [Graphic]. Wikimedia Commons. <https://commons.wikimedia.org/wiki/File:SMART-goals.png>  
License: <https://creativecommons.org/licenses/by-sa/4.0/legalcode>

## 1.9 Key Facts

**Goal:** An idea of a desirable, future result that people envision, plan, and commit to achieving.

**Business goal:** Describes what a company expects or hopes to accomplish over a specific period of time.<sup>14</sup>

### Importance of goal setting:

Adapted from Ed Kent Media's "Why Is Goal Setting Important in Business?"

- ✓ **Goals Provide Focus.**
  - Shows employees what they need to focus on, which then helps them to be able to prioritize their tasks.
  - For managers, it helps them decide which major projects to focus on and how best to hand out the work to employees.
- ✓ **Goals Keep Everyone Motivated.** Helps keep everyone motivated, even in times where he or she may not necessarily feel like putting in much work.
- ✓ **Goals Promote Teamwork.** Helps encourage people to work together. When everyone is working towards a common goal, they are more likely to come together to accomplish it.
- ✓ **Goals Increase Morale.** Help workers take ownership and pride in their work. When they achieve a goal that you set for them, it makes them feel good inside, which can increase workplace morale significantly.
- ✓ **Goals Help You Measure Success.** Helps you measure your company's success in ways that you never could if you had not set any goals.<sup>15</sup>

### Characteristics of a good business goal (SMART):

**SMART** is an acronym that stands for **Specific, Measurable, Achievable, Realistic, and Time-based**.<sup>16</sup>

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<sup>14</sup> Market Business News. (n.d.). *Goal - definition and meaning*. <https://marketbusinessnews.com/financial-glossary/goal/>

<sup>15</sup> Ed Kent Media. (2017, August 18). *Why is goal setting important in business | EDKENT® media*. <https://edkentmedia.com/why-is-goal-setting-important-in-business/>

<sup>16</sup> Lotich, P. (2016, June 1). *Example business goals and objectives*. The Thriving Small Business. <https://thethrivingsmallbusiness.com/examples-of-business-goals/>

A **SMART goal** incorporates all of these criteria to help focus your efforts and increase the chances of achieving that goal.



### Topic 1.3 Task 3: Identification of Business activities and resources for the set goals

Your friend approaches you seeking your help regarding setting goals. She wants to set goal for graduating from TVET level 2 by the end of the year. Help her:

- a. Set a SMART goal.
- b. Identify the steps she should go through to determine activities for her set goal.
- c. Identify some key activities needed for her to achieve her goal.
- d. Identify the resources she might need for each activity in order to achieve her goal.

For **c** and **d**, you can use the table below.

Goal	
Key activities	Key resources

## 1.10 Key Facts

### Identifying business activities according to set goals:

- **Step #1 – Identify your goals.** You need to understand where you are going before you can know how to get there.
- **Step #2 – List major outcomes needed to achieve your goal.** For each goal make a list of the outcomes that you need to complete in order reach that goal.
- **Step #3 – Determine the activities needed.** Take your outcomes from step #2 and break them down into all of the activities that are needed to get you to those outcomes.

- **Step #4 – Limit the list to the critical activities.** Reduce the list of activities to only those activities that are absolutely critical for achieving your goals—between 4 and 8 critical activities.
- **Step #5 – Take action on the critical activities.** After you have identified the critical activities you need to take action on those activities.<sup>17</sup>

#### Identifying available resources to start a business:

- **Step #1** – Identify your goals.
- **Step #2** – List major outcomes needed to achieve your goal.
- **Step #3** – Determine the activities needed.
- **Step #4** – Identify all the necessary resources required for each activity to be carried out.
- **Step #5** – Categorize all resources as:
  - o Financial Resources: Funding
  - o Human Resources: Employees
  - o Educational Resources: Industry Know How
  - o Physical Resources: Premises and Equipment
  - o Emotional Resources: Support Systems<sup>18</sup>

#### Example:

Goal: I want to upgrade my career to a TVET Certificate II	
Key activities	Key resources
<ul style="list-style-type: none"> <li>• Research the program OPTIONS and requirements in TVET institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• Transport means</li> <li>• People with information about TVET</li> </ul>
<ul style="list-style-type: none"> <li>• Apply for access to the TVET Institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• Application documents</li> <li>• Updated CV/resume</li> </ul>
<ul style="list-style-type: none"> <li>• Start attending school in a TVET centre.</li> </ul>	<ul style="list-style-type: none"> <li>• School fees</li> <li>• Scholastic materials</li> </ul>



#### Topic 1.3 Task 4: Budgeting and business start-up costs

Read the following scenario and answer questions that follow.

<sup>17</sup> Guest Author. (n.d.). *Achieve your goals by focusing on critical activities.*

Lifhack. <https://www.lifhack.org/articles/productivity/how-to-focus-on-your-critical-activities.html>

<sup>18</sup> Henderson, K. J. (2019, February 5). *5 resources you need to succeed to start a business.*

Chron.com. <https://smallbusiness.chron.com/5-resources-need-succeed-start-business-23.html>



*Shyaka wants to start buying cassava from Kabarondo market and process it into flour so as to increase its value, and then sell the flour at higher price.*

- a. What should Shyaka do before starting his business?
- b. Why do you think it is important for Shyaka to perform the activities mentioned a) above?
- c. What do you understand by the terms below?
  - i. Budget
  - ii. Budgeting
  - iii. Start-up costs
- d. Why is budgeting important when starting a business?
- e. What are some of the start-up costs Shyaka needs to identify for his business?

### 1.11 Key Facts

**Budget.** A financial document used to estimate and plan for future income and expenses based on business goals.

**Budgeting.** The process of crafting financial goals for a company and creating a plan to achieve those goals.

Adapted from WLF Accounting and Advisory's "The Importance of Budgeting in Business":

**A budget is a plan to:**

- control the finances of the business
- ensure that the business can fund its current commitments
- enable the business to meet its objectives and make confident financial decisions
- make sure that the business has money for future projects

**The benefits of budgeting when running a business:**

- budgeting estimates revenue, plans expenditure, and restricts any spending that is not part of the plan
- budgeting ensures that money is allocated to those things that support the strategic objectives of the business
- a well-communicated budget helps everyone understand the priorities of the business

- the process of creating a budget provides opportunities to involve staff, resulting in them sharing the organization's vision
- engaging the team in reviewing and comparing the budget with actuals can provide information that highlights the strengths and weaknesses of the business
- Start-up costs-- the expenses incurred during the process of creating/starting a new business<sup>19</sup>

#### **Examples of business start-up costs**

- One-off costs (establishment costs such as license fees, insurance)
- Cost of purchasing all necessary equipment to be used in the business over the next few years (for example, assets such as equipment, tools)
- Working capital which is the money you need to set aside to cover the initial set-up stage of your business for running costs<sup>20</sup>



#### **Topic 1.3 Task 5: Business start-up plan**

Visit entrepreneurs in your communities and ask them about a business start-up plan, using the questions below to guide you.

- What is a business start-up plan?
- Why should you develop a start-up plan?
- What should be included in a start-up plan?
- If possible, ask for a business start-up plan sample or template.

### **1.12 Key Facts**

**Business start-up plan.** A document which spells out the goals and objectives of a business and clearly outlines how and when they will be achieved.

<sup>19</sup> Banks, K. (2018, February 28). *The importance of budgeting in business*. WLF Accounting & Advisory. <https://wlf.com.au/importance-budgeting-business/>

<sup>20</sup> Business Victoria. (2019, August 27). *Common costs when starting a business*. <https://www.business.vic.gov.au/setting-up-a-business/how-to-start-a-business/common-costs-when-starting-a-business>

### **What should be included in a business start-up pitch?**

Adapted from a Forbes article by Richard Harroch:

- Company Overview (give a summary overview of the company)
- Mission/Vision of the Company (what is the mission and vision?)
- The Team (who are key team players? what are their relevant backgrounds?)
- The Problem (what big problem are you trying to solve?)
- The Solution (what is your proposed solution? why is it better than other solutions or products?)
- The Market Opportunity (how big is the addressable market?)
- The Product (give specifics on the product)
- The Customers (who are the target customers? why will there be a big demand from these customers?)
- The Technology (what is the underlying technology? how is it differentiated?)
- The Competition (who are the key competitors?)
- Traction (early customers, early adopters, partnerships)
- Business Model (what is the business model?)
- The Marketing Plan (how do you plan to market? what do you anticipate for customer acquisition costs vs. the lifetime value of the customer?)
- Financials (actual and projected profit & loss and cash flow)
- The Ask (how much capital you are trying to raise?)<sup>21</sup>

### **Start-up businesses draft a business plan for a number of reasons:**

- to articulate their vision for the business
- to document how they plan to solve key challenges
- to pitch their business idea to potential investors
- refer to it as a source of guidance and use it as a road map during the business implementation
- assess all the subjects that are important when operating a business
- explain a business in an easy and understandable way
- show how much money and other resources are needed
- illustrate the feasibility of the business in terms of its market demand and profits
- get loan or grant from different sources, though there are other requirements for getting the loan

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<sup>21</sup> Harroch, R. (2018, September 17). *Don't waste time on a startup business plan -- Do these 5 things instead.* Forbes. <https://www.forbes.com/sites/allbusiness/2018/09/17/dont-waste-time-on-a-startup-business-plan-do-these-5-things-instead/#2a4a769b37a6>

<ul style="list-style-type: none"> <li>• decide whether the business idea is good enough to spend time and money on, or if you need to search for better idea</li> </ul>
<b>Business start-up plan template:</b>
<b>1. Business Information</b> <ul style="list-style-type: none"> <li>• Name of the business</li> <li>• Address</li> <li>• Names of business owner</li> <li>• Business description</li> </ul>
<b>2. Marketing plan</b> <ul style="list-style-type: none"> <li>• The business products/services</li> <li>• The business customers</li> <li>• Competition</li> <li>• Price of goods/services</li> <li>• Promotion of the business/products/services</li> <li>• How different your business/products/services are from the competition</li> <li>• Place of the business</li> <li>• Production</li> </ul>
<b>3. Operations</b> <ul style="list-style-type: none"> <li>• Equipment</li> <li>• Suppliers</li> <li>• Supplies</li> <li>• Security</li> </ul>
<b>4. Finance</b> <ul style="list-style-type: none"> <li>• Start-Up Costs – the First 3 Months</li> <li>• Source of funds</li> </ul>



## Guided Practice Activity



### Topic 1.3 Task 6:

Read the case study below and answer questions that follow:

Jonathan, a TVET Certificate II in Livestock graduate, wants to start a business in livestock farming. After talking with entrepreneurs in different areas of livestock farming, doing research,

and identifying his strengths and weaknesses, he has narrowed down his choice to poultry farming. During the holidays, he plans to volunteer at a poultry farm in a neighbourhood close to his home. By the time he is ready to start his project, he will have gained exposure to what the poultry farming might be like. Based on this, he has written goals that will guide his work.<sup>22</sup>

- a. Help Jonathan write his SMART goal.
- b. Using the table below identify each element of SMART in the goal set for Jonathan?

Goal		
No#	Element of SMART	Representation of element in the goal
1	Specific	
2	Measurable	
3	Achievable	
4	Relevant	
5	Time-based	

- c. Help Jonathan identify some of the activities he needs to do to achieve his goal.
- d. Help Jonathan identify resources he may need to achieve his goal.



### Topic 1.3 Task 7:

After Jonathan identifies the key activities and resources needed to achieve his goal in **Topic 1.3 Task 6**, he wants to develop a budget for his business. Assist Jonathan to:

- a. Outline the steps for developing a budget
- b. Identify and make a list of expenses for the business
- c. Identify and make a list of possible sources of revenue

<sup>22</sup> Exploring.org. (n.d.). *Setting smart goals activity*. <https://www.exploring.org/activity/setting-smart-goals-activity/>

## 1.13 Key Facts

### Simple steps for developing a budget:

#### Step 1: Set Your Goals

- Determine what you want to achieve. For example, to buy a computer or to invest in your business.
- Make a list of all things or items you need to buy in order to achieve your goals in your business or personal life.
- Prioritize your goals or list of items to purchase, from most to least important (or urgent).

#### Step 2: Estimate Income (money-in)

- Estimate where money to achieve your goal will come from.
- List all possible sources of money-in for business or personal life, making sure to keep personal and business funds separate.

#### Step 3: Estimate Expenses (money-out)

- Estimate what it will cost you to achieve your goal.
- Match the goals or items to spend on with cost or expense. Find all costs/expenses related to achieving your goals or acquiring the item.

#### Step 4: Compare your Expenses and Revenue

- Compare your expenses and your sources of money for covering the expenses.
- Are expenses (money-out) greater than the money-in?
- Are expenses (money-out) less than the money-in?
- Are expenses (money-out) balancing with money-in?

#### Step 5: Adjust your budget

- Where can you reduce your expenses?
- What other sources of money-in can you get?
- Which expenses can increase to achieve your goals?

#### Step 6: Put Your Plans into Action

- After adjusting your expenses and revenues, go ahead and implement your budget.
- Start by spending on goals or items based on priorities and timeline.
- Spend money on goals/items as listed in the expenses/costs section of your budget.

- Try to avoid spending on items that were not on your list.
- Try to bargain for price reductions on items during implementation so as to reduce expenses.
- Try to find more sources of money-in during implementation so as to enable you achieve your goals or acquire items on your list.
- Always work on your goals, expenses, and revenues.



## Application Activity



### Topic 1.3 Task 8:

Read the following case study and answer questions that follow.

#### Case study: Ashimwe Canteen

Ashimwe is a TVET II graduate who wants to start a business (Ashimwe Canteen), in Kacyiru, Gasabo district. Ashimwe's canteen will sell tasty soft drinks (soda, water, tea, coffee, milk, etc.) to customers near the market. In the neighbourhood, there is a lady selling juice and tea in the market, and a man selling coffee and bread about 4 blocks away; however, Ashimwe will distinguish her business from the others. The soft drinks will come from the popular industries. The business will also carry new local coffee supplies to distinguish the coffee from the other suppliers. Customers will be guaranteed tasty local coffee that is all natural. She plans to sell items for the following prices: Tea- 200 Rwf, Bread- 300 Rwf, Coffee- 300 Rwf, Samosa- 300 Rwf, Water- 1000 Rwf, Soft drink- 1000 Rwf, Milk- 300 Rwf.

Ashimwe Canteen will sell tasty drinks to customers near the market. It will be on the main side street. Most customers will be shoppers from the market, and some may be shopkeepers in the market. There will be a mix of men, women, and children. People coming to the market will buy. Some will buy as they arrive. Others will buy once they have completed their purchase at the market.

Ashimwe plans to use flyers posted nearby and public announcements (at meetings, football matches, etc.) to promote her canteen. She will make fresh coffee and tea as requested by the customers. She will buy bread at a discount every morning from her cousin's bakery next to her house. She also plans to buy a fridge for soft drinks.

The coffee will be freshly ground and made from the popular Maraba coffee. No other flavourings will be used in the coffee so as to maintain the taste; customers will be

guaranteed local tasty coffee that is all natural. The tea will be fresh and hot from boiling water on the fire. The bread will be the only bread being sold close to the market. Cold drinks will be available.

She plans to buy these equipment and supplies: tables, coffee box, spoons, cups, chairs, plates, fridge, shelves, charcoal stove, jerry can, water jug, thermos flask, water basin(small), sugar supply cup; coffee, flavouring natural leaves, sugar, water, salt, fire charcoal, milk, lemon, tea, bread, bottled water, soft drinks.

She plans to rent the place where she will put her canteen as well as other utilities like water, electricity and a telephone. She will employ an assistant and will register her canteen with the Sector office.

- a. Help Ashimwe write a SMART goal for her project
- b. What are the key business activities according her set goals?
- c. What are the resources she will need for her business idea?
- d. Using the template below assist Ashimwe to classify the activities, resources into: Business Information, Marketing plan, Operations, Finance, and develop a start-up plan for her business idea.

<b>1. Business Information</b> Name of Business: Name of Business Owner: Address of Business: Phone Number: Email: Business Description:
<b>2. Marketing Plan</b> The Business's Products: • Price of Goods/Services: • Place of the Business: • The Business's Customers (People):



<ul style="list-style-type: none"> <li>•</li> </ul> <p>Promotion of the Business:</p> <ul style="list-style-type: none"> <li>•</li> </ul> <p>Production:</p> <ul style="list-style-type: none"> <li>•</li> </ul> <p>Competition:</p> <ul style="list-style-type: none"> <li>•</li> </ul> <p>How am I different from the competition?</p> <ul style="list-style-type: none"> <li>•</li> </ul>	
<b>3. Operations</b> Equipment needed to run the business: <ul style="list-style-type: none"> <li>•</li> </ul> Supplies: <ul style="list-style-type: none"> <li>•</li> </ul> Suppliers: <ul style="list-style-type: none"> <li>•</li> </ul>	
<b>4. Finance</b>	
<b>Income</b>	
Source of Income	Income per month (Rwf)
<b>Total Income</b>	
<b>Equipment</b>	
Item of Expenditure	Total Cost (Rwf)
<b>Supplies</b>	
Item of Expenditure	Cost per month (in Rwf)
<b>Promotion / Marketing costs</b>	
Item of Expenditure	Cost per month (in Rwf)
<b>Rent for Place</b>	

Item of Expenditure	Cost per month (in Rwf)
<b>Utilities (electricity, telephone, water)</b>	
Item of Expenditure	Cost per month (in Rwf)
<b>Salary for Business Owner/Any employees</b>	
Item of Expenditure	Cost per month (in Rwf)
<b>Registration of Business</b>	
Item of Expenditure	Total Cost (Rwf)
<b>TOTAL Expenses</b>	



### Points to Remember

#### Importance of setting goals:

- Goals provide focus
- Goals keep everyone motivated
- Goals promote teamwork
- Goals increase morale
- Goals help you measure success



### Formative Assessment

Read the case study below and perform the tasks that follow.

Miss Karungi has a TVET Certificate II in Hair dressing. She is planning to start her own hair dressing saloon (KARU Hair Dressing Salon) to generate income to her for self-development. She has 250, 000FRW for this business.

#### Tasks:

1. Assist Karungi in setting a SMART goal for her business idea.
2. Identify different activities to be performed by KARU Hair Dressing Salon.

3. Describe all resources required to implement KARU Hair Dressing Salon.
4. Identify all possible expenses and develop a budget for KARU Hair Dressing Salon.
5. Elaborate on the business start-up plan for KARU Hair Dressing Salon.



## Self-Reflection

1. Re-take the self-assessment from the beginning of the unit. Remember, it is not a test, but rather is an opportunity to see the progress you have made in developing your knowledge and skills related to business ideas.

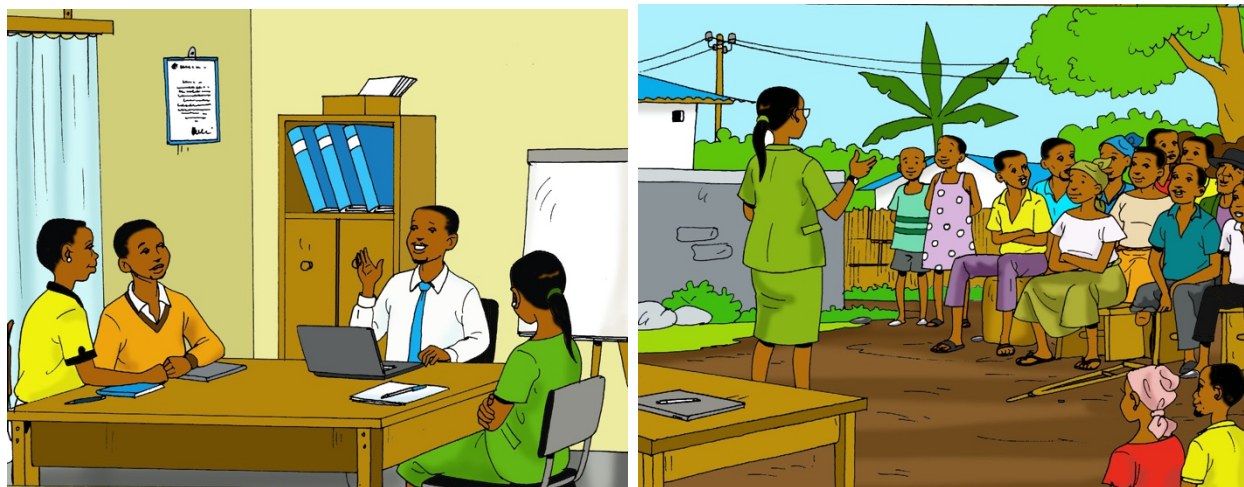
My experience	I don't have any experience doing this.	I know a little about this.	I have some experience doing this.	I have a lot of experience with this.	I am confident in my ability to do this.
Knowledge, skills, and attitudes					
Describe personality traits and skills that make an effective entrepreneur.					
Describe the role of innovation and creativity in entrepreneurship.					
Identify ways to identify business opportunities.					
Describe business ideas and its sources.					
Differentiate between needs and wants.					
Describe techniques to generate a good business idea.					
Select a good business idea using Strengths,					

<b>My experience</b>	<b>I don't have any experience doing this.</b>	<b>I know a little about this.</b>	<b>I have some experience doing this.</b>	<b>I have a lot of experience with this.</b>	<b>I am confident in my ability to do this.</b>
<b>Knowledge, skills, and attitudes</b>					
Weaknesses, Opportunities and Threat (SWOT) analysis and 6Cs (Cash, capital, customers, competitors, cost and competence).					
Describe characteristics of a good business goal.					
Elaborate on business start-up plans and set a business budget.					
Keep personal and business money separate and prioritize business activities in accordance with available resources.					

2. Reflect on the results of the self-reflection and the work you have done during this unit. Fill in the table below.

<b>Areas of strength</b>	<b>Areas for improvement</b>	<b>Actions to be taken to improve</b>
1.	1.	1.
2.	2.	2.

## Unit 2: Perform business idea operations



## **Topics**

- 2.1** Effective interaction with relevant stakeholders according to their role or potential to impact the success of one's business
- 2.2** Purchasing of inputs according to the business production targets
- 2.3** Producing high quality product according to the product specification, demand and available resources.
- 2.4** Performing of selling activities as per selling techniques and plan
- 2.5** Identify business money in and out in terms of provisions and planned activities

### **Unit Summary:**

This unit will equip trainees with the knowledge and skills required to perform business operations. By the end of the unit, you will be able to interact effectively with stakeholders; purchase inputs according to business production targets; run production units according to product specifications, production capacity, and targets; perform selling activities; and identify business money in and out in terms of provisions and planned activities.

## Learning Unit 2 Self-Assessment

1. Look at the Unit 2 illustration above and discuss what you notice. What topics do you think this unit will include based on the illustration?
2. Fill out the self-assessment at the beginning of the unit. The purpose of the self-assessment is to become familiar with the topics in the unit and for you to check what you know or do not know. At the end of the unit, you will do a self-reflection, which includes re-taking the self-assessment and identifying your strengths, areas that need improvement, and actions to take. The self-assessment is not a test!

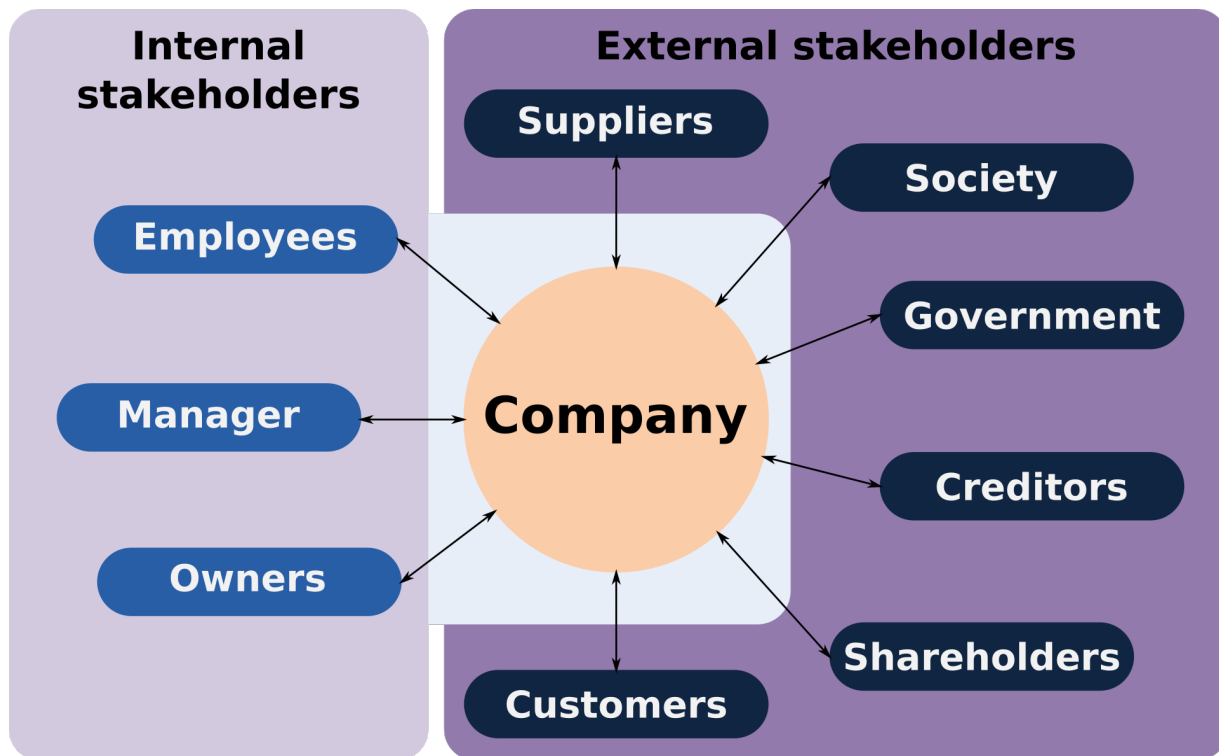
There is no right or wrong way to answer this assessment. It is for your own use during this unit. The trainer will read a skill that is listed in the left column. Think about yourself: Do you think you can do this? How well? Read the statements across the top. Put a check in column that best represents your situation. At the end of this unit, you will take this assessment again.

<b>My experience</b>	<b>I don't have any experience doing this.</b>	<b>I know a little about this.</b>	<b>I have some experience doing this.</b>	<b>I have a lot of experience with this.</b>	<b>I am confident in my ability to do this.</b>
<b>Knowledge, skills and attitudes</b>					
Describe key business stakeholders, their roles, and ways and importance of establishing good relationships with them.					
Describe customer services and how to do business with suppliers.					
Describe how governmental laws and policies affect opening and running a business.					
Set production targets according to the market needs and available resources and costs for production inputs.					

<b>My experience</b>	<b>I don't have any experience doing this.</b>	<b>I know a little about this.</b>	<b>I have some experience doing this.</b>	<b>I have a lot of experience with this.</b>	<b>I am confident in my ability to do this.</b>
<b>Knowledge, skills and attitudes</b>					
Identify and select key business suppliers.					
Describe the process of purchasing goods.					
Describe the quality of final products to meet customer demand.					
Describe required standards for product production as per Rwanda Standards Board.					
Describe product packaging and its functions.					
Describe market and conduct market analysis.					
Describe types of customers and conduct customer survey.					
Describe types of competitors and conduct competitor survey.					
Identify business transactions and differentiate business money from private money.					
Describe the importance of record keeping and determine cash balance.					
Differentiate fixed costs from variable costs and estimate the start-up capital and on-going costs.					



## Topic 2.1: Effective interaction with relevant stakeholders according to their role or potential to impact the success of one's business



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### Key Competencies:

Knowledge	Skills	Attitudes
1. Describe key business stakeholders and their roles.	1. Identify key business stakeholders.	1. Dynamic
2. Describe the importance of establishing a good relationship with business stakeholders.	2. Provide effective customer services.	2. Analytical
3. Describe ways to establish good relationships with stakeholders.	3. Establish a good relationship with stakeholders.	3. Innovative



### Getting Started: What do we know and where are we going?

<sup>23</sup> User: Grochim. (2008, December 11). *Stakeholder (en)* [Infographic]. Wikimedia Commons. [https://commons.wikimedia.org/wiki/File:Stakeholder\\_\(en\).png](https://commons.wikimedia.org/wiki/File:Stakeholder_(en).png)  
License: <https://creativecommons.org/licenses/by-sa/3.0/legalcode>



### Topic 2.1 Task 1: Experience sharing

Individually, think about all categories of people with whom you have relationship.

- a. State all categories of people with whom you have relationship.
- b. Which type of relationship exists between you and them?
- c. What do you do to maintain good relationships with them?



### Problem Solving Activity



### Topic 2.1 Task 2: Meaning of stakeholders

- a. Draw a map of your school with all its stakeholders.
  - Draw the school community map with the school placed in the centre of the map.
  - Include and show all stakeholders of the school using different colours for each.
- b. Complete the table below, using these questions as a guide:
  - Identify the role of each stakeholder to the school.
  - Identify three ways of maintaining a good relationship between the school and its external stakeholders.

Stakeholder	Role of stakeholder	Way of keeping good relationship



### Topic 2.1 Task 3: Business stakeholders

Referring to the **topic 2.1** illustration, answer the following questions. You may do research in the library, on the internet or ask for support from students or instructors with expertise.

- What do understand by the term “business stakeholder?”
- What is the difference between internal and external business stakeholders?
- Briefly explain the role of the following business stakeholders. Complete the table below.

Stakeholder	Role
Customers	
Suppliers	
Government	
Shareholders	
Community	
Employees	

### 2.1 Key Facts

**Business shareholders:** Any internal or external people, organizations, social groups, or society at large that has a stake in the business.

#### Role of Key business stakeholders:

Stakeholder	Role
Customers	<ul style="list-style-type: none"><li>• support the company with every purchase they make</li><li>• show the company what products and services to invest in further</li><li>• share their opinions and experiences</li><li>• word of mouth promotion</li></ul>

Suppliers	<ul style="list-style-type: none"> <li>• provide the raw materials or components used to create its products</li> </ul>
Government	<ul style="list-style-type: none"> <li>• sets policies that affect the business, such as taxation</li> <li>• provide security</li> <li>• provide other necessary infrastructures</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>• provide funds</li> </ul>
Community	<ul style="list-style-type: none"> <li>• provide market</li> <li>• provide supplies</li> <li>• maintain important infrastructures</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• daily work helps the company to succeed</li> <li>• maintain positive relationships with other stakeholders</li> <li>• produce products</li> <li>• provide services<sup>24</sup></li> </ul>



#### Topic 2.1 Task 4:

Based on your knowledge of the different types of business stakeholders:

- a. Why is it important to establish good relationship with business stakeholders?
- b. Identify the different ways you can establish good relationship with the following business stakeholders:
  - i. Customers
  - ii. Government
  - iii. Employees
  - iv. Supplier

## 2.2 Key Facts

### Importance of establishing good relationships with stakeholders:

Adapted from bizfluent's "The Importance of Stakeholders":

- Stakeholders give your business practical and financial support.
- They broaden the pool of people who care about the well-being of your company, making you less alone in your entrepreneurial work.
- Employees will be engaged as a team to further the best interests of your company.
- Customers will spread the word about your products/services because they genuinely want your business to do well.

<sup>24</sup> Martin, M. J. (2019, January 11). *Role & activities of stakeholders*. Chron.com. <https://smallbusiness.chron.com/role-activities-stakeholders-31182.html>

- Investors-- if your interests are aligned and they genuinely care about the work you do-- relationships with your business can go far beyond the desire to make money.
- Employees who care about their work and see it as more than a job will give their best and act as ambassadors for your brand.
- Customers who believe in your company and your offerings will support you with their long-term business.
- Suppliers who see your business as more than just a sales opportunity will go the extra mile to make sure you have the materials you need to make sales and generate revenue.
- Suppliers may even extend flexible terms if they know you're struggling financially.
- Engaged stakeholder investors will help you out with working capital and funds for expansion projects.<sup>25</sup>

**Ways to establish good relationships with stakeholders:**

**a. With customers**

- Make customers feel welcome, understood, comfortable and important
- Meet and exceed the customer's highest expectations
- Provide a good quality product as per customer specification
- Create the highest quality products you can, so your customers will go the extra mile to help you keep providing them.

**b. With the government**

- Run a registered business
- Pay taxes on time
- Adhere to environment and labour laws
- Adhere to customer protection policies

**c. With Employees**

- Treat your employees well and pay them fairly, so they'll work towards your mutual success
- Keep people employed and let them have time to enjoy the fruits of their labour
- Provide a clean, safe, working environment that is free from all forms of discrimination
- Provide job security whenever possible
- Empower employees to make decisions on their own and suggest solutions to company problems

**d. With suppliers**

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<sup>25</sup> Gartenstein, D. (2018, December 10). *The importance of stakeholders*. Bizfluent. <https://bizfluent.com/info-8704286-importance-stakeholders.html>

- Identify your own priorities – lowest price? Highest quality? Certain timeline or deadline? Where can you compromise?
- Shop around – Who are suppliers in your area? How have they done business with others? Prices? What is their capacity to supply you with what you need each month?
- Negotiate effectively with suppliers - Be fair and honest, focus on own priorities, take your time – don't rush into a commitment without reflecting.



## Guided Practice Activity



### Topic 2.1 Task 5:

Visit some entrepreneurs in your communities to find out more about business stakeholders. You can use the following questions to guide your discussion. Then, complete a report of your visit by filling out the table provided.

- What is the type of business activity?
- What are the business' key stakeholder?
- What are the various roles of the stakeholders (identified above) for the business?
- Why is it important to establish a good relationship with the stakeholders (mentioned above)?
- What are some of the ways this business establishes good relationships with its stakeholders?

Type of business	Business key stakeholders	Role of key stakeholder	Ways of establishing good relationships with stakeholders



## Application Activity



### Topic 2.1 Task 6:

*Imagine you are planning to start a business in your community. Among the key activities for your business is to select suppliers, as well as identify laws and policies that your business will have to adhere to.*

- a. What are the key points to focus on when negotiating with suppliers?
- b. Which laws and policies will you need to adhere to in order to successfully run your business?

### 2.3 Keys Facts

#### Business Laws Every Entrepreneur Should Know:

Adapted from BPlans.com

- **Business licenses.** To legally start a business, you'll likely need a business license.
- **Occupational Safety and Health Act.** This law guarantees employees a safe work environment, free from recognized health hazards.
- **Obtain a Tax Identification Number (TIN).** To file your business taxes, you will need a Tax Identification Number from RRA. Know the taxes you have to pay and when.
- **Truth in Advertising and Marketing.** All advertising or marketing efforts should be truthful.<sup>26</sup>



### Points to Remember

- It is important to know the role of each business stakeholder.
- It is always important to maintain good relationships between the business and its stakeholders because a business does not work in isolation.
- Customers are very important to the business, and it is crucial to respect them.
- All businesspeople have to know all government laws and policies that can affect the start and continuance of a business.

<sup>26</sup> Furgison, L. (2015, July 17). 20 business laws every entrepreneur should know about. Bplans Blog. <https://articles.bplans.com/20-business-laws-every-entrepreneur-should-be-familiar-with-in-2015/>



## **Formative Assessment**

**Read the directions and answer questions.**

- 1.** Mention and briefly explain the various business stakeholders.
  
- 2.** Why is it important to establish good relationships with your key business stakeholders?
  
- 3.** Describe some tactics you would use to establish a good relationship with key business stakeholders.



## Topic 2.2: Purchasing of inputs according to the business production targets

### Key Competencies:

Knowledge	Skills	Attitudes
1. Identify key business suppliers within relevant industries.	1. Set production target according to the market needs and available resources.	1. Dynamic
2. Identify production inputs.	2. Set costs for production inputs.	2. Analytical
3. Identify purchase goods and possible suppliers.	3. Select a favourable supplier for one's business.	3. Active



### Getting Started: What do we know and where are we going?



#### Topic 2.2 Task 1:

Read the paragraph below and answer questions that follow.

*Whatever is used in producing a commodity is called its inputs. For example, for producing wheat, a farmer uses inputs like soil, a tractor, tools, seeds, manure, water and his own services.*

- Why do you think the wheat farmer needs those inputs identified above?
- What should the wheat farmer think about when he/she wants to purchase those inputs?
- How would you define production inputs?



## Problem Solving Activity



### Topic 2.2 Task 2:

Read the following case study and answer questions that follow.

#### Case study: Ashimwe Canteen

Ashimwe is a TVET II graduate who wants to start a business (Ashimwe Canteen), in Kacyiru, Gasabo district. Ashimwe's canteen will sell tasty soft drinks (soda, water, tea, coffee, milk, etc.) to customers near the market. In the neighbourhood, there is a lady selling juice and tea in the market, and a man selling coffee and bread about 4 blocks away; however, Ashimwe will distinguish her business from the others. The soft drinks will come from the popular industries. The business will also carry new local coffee supplies to distinguish the coffee from the other suppliers. Customers will be guaranteed tasty local coffee that is all natural. She plans to sell items for the following prices: Tea- 200 Rwf, Bread- 300 Rwf, Coffee- 300 Rwf, Samosa- 300 Rwf, Water- 1000 Rwf, Soft drink- 1000 Rwf, Milk- 300 Rwf.

Ashimwe Canteen will sell tasty drinks to customers near the market. It will be on the main side street. Most customers will be shoppers from the market, and some may be shopkeepers in the market. There will be a mix of men, women, and children. People coming to the market will buy. Some will buy as they arrive. Others will buy once they have completed their purchase at the market.

Ashimwe plans to use flyers posted nearby and public announcements (at meetings, football matches, etc.) to promote her canteen. She will make fresh coffee and tea as requested by the customers. She will buy bread at a discount every morning from her cousin's bakery next to her house. She also plans to buy a fridge for soft drinks. The coffee will be freshly ground and made from the popular Maraba coffee. No other flavourings will be used in the coffee so as to maintain the taste; customers will be guaranteed local tasty coffee that is all natural. The tea will be fresh and hot from boiling water on the fire. The bread will be the only bread being sold close to the market. Cold drinks will be available.

She plans to buy these equipment and supplies: tables, coffee box, spoons, cups, chairs, plates, fridge, shelves, charcoal stove, jerry can, water jug, thermos flask, water

basin(small), sugar supply cup; coffee, flavouring natural leaves, sugar, water, salt, fire charcoal, milk, lemon, tea, bread, bottled water, soft drinks.

She plans to rent the place where she will put her canteen as well as other utilities like water, electricity and a telephone. She will employ an assistant and will register her canteen with the Sector office.

From the case study, assist Ashimwe with the following:

- a. Identify the types of production targets she can set for her canteen.
- b. Identify all production inputs and costs such as raw materials, labour, equipment, and others.
- c. Who do you think will be her key business suppliers?

## 2.4 Key Facts

**Production target.** Set the amount of production in terms of tonnes, units, or other production volume unit for the business for a certain time period.

### Different Production Targets

- **Gross production.** This is the total output for the production process including waste and defect products.
- **Saleable production.** The amount of production that can actually be sold to customers, minus waste, scraps, and including any re-worked production units.<sup>27</sup>

**Production inputs.** The resources, or factors of production, used by a business in the production output.

### Types of production inputs for a business

Input	Examples
<b>Land:</b> All-natural resources which are free gifts of nature.	Soil, rivers, waters, forests, mountains, mines, deserts, seas, climate, rain, air, sun, etc.

<sup>27</sup> LeanManufacture.Net. (n.d.). *Production target and production volume*. <https://www.leanmanufacture.net/kpi/productiontarget.aspx>

<b>Labour:</b> Physical or mental effort of human being in the process of production.	Managers, waiters, cleaners, receptionists, cooks.
<b>Capital:</b> All man-made goods which are used for further production.	Machines, tools, buildings, roads, bridges, raw materials, trucks, factories, etc. <sup>28</sup>



### Topic 2.2 Task 3:

- Referring to the case study of Ashimwe canteen—describe the factors you think Ashimwe should consider when setting production targets for her canteen.
- Study Figure 2.1 below showing some of the steps in setting production targets. Briefly describe each step.



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<sup>28</sup> Singh, J. (n.d.). *Factors of production: Land, labour, capital and entrepreneur | National income*. Economics Discussion. <https://www.economicsdiscussion.net/production/factors-of-production-land-labour-capital-and-entrepreneur-national-income/541>

<sup>29</sup> Republic Bank. (n.d.). [Production Planning Infographic]. SME Toolkit. <https://republicsmetoolkit.com/production-planning-in-5-steps/>

Fig 2.1. Steps in setting production targets

- c. How should Ashimwe determine the resources needed to complete each task involved in her production process?

## 2.5 Key Facts

### Factors to consider when setting production targets:

- Current stock on hand
- Labour productivity
- Unit cost of production and impacts to the cost curve of the plant
- Production planning process and limitations
- Availability of warehouse space
- Customer demand and seasonality
- Production line capacity
- Other business and industry factors

### Steps to setting production targets for businesses:

Adapted from Republic Bank's "Production Planning in 5 Steps":

- **Step 1. Forecast the demand of your product.** Estimate your demand, so that you know how many products you need to produce during a specific time period.
- **Step 2. Determine potential options for production.** Determine the different production options available to meet the forecasted demands of your product.
- **Step 3. Choose an option that uses resources most effectively.** Compare the cost and time of each potential production option and choose the option that uses the most efficient combination of resources and allows you to meet product demand.
- **Step 4. Monitor and control.** Have a control system in place helps you detect problems as soon as they occur, allowing you more time to correct before it is too late.
- **Step 5. Adjust.** The production plan needs to be flexible to accommodate changes in customers' demand (e.g. an important order that gets cancelled). Also, you need to take into account possible risks that may arise during the production process (e.g. a machine breaks, a worker gets sick, or a supplier does not deliver on time) and have a risk mitigation plan.<sup>30</sup>

**Determining the resources needed to complete each task involved a production process.**

<sup>30</sup> Republic Bank. (n.d.). *Production planning in 5 steps*. SME Toolkit. <https://republicsmetoolkit.com/production-planning-in-5-steps/>

Look at how different combination of resources leads to different production times and costs:

- **Human Resources.** Determine the number of staff that will be involved in each phase of the production process, their availability, and the cost. Make sure their time is well utilized.
- **Machinery and Equipment.** Identify the machines needed and their availability, including any maintenance or replacement that may be needed.
- **Materials.** Make a list of all the materials needed for production and how you obtain them. Assess the reliability of your suppliers, including delivery time. Having access to necessary materials is crucial for the production process.
- **Inventory.** Having a good inventory control system in place can help your firm accommodate variations in demand and mitigate possible problems or delays that may occur during the production process.<sup>31</sup>



### Guided Practice Activity



#### Topic 2.2 Task 4:

Visit entrepreneurs in your communities or go to your school purchasing/procurement department and conduct research on how to purchase inputs. You can use the following questions to guide your research.

- a. What types of products/services does the business offer?
- b. What kinds of inputs do you require in the business?
- c. How does the entrepreneur or business or person identify suppliers for the different inputs?
- d. What criteria do you use to select good suppliers for the business?

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<sup>31</sup> Republic Bank. (n.d.). *Production planning in 5 steps*. SME Toolkit. <https://republicsmetoolkit.com/production-planning-in-5-steps/>

You can record your findings using the table provided below.

Type of business activity	Products/services	Production inputs	Ways of identifying suppliers	Criteria for selecting good supplier

## 2.6 Key Facts

**Business suppliers.** A supplier is a person, company, or organization that sells or supplies something such as goods or equipment to the business for production purposes.

### Identifying potential suppliers:

- **Recommendations.** From friends and business acquaintances.
- **Directories.** When looking for a supplier, you can try directories.
- **Trade associations.** Trade associations can match you with suitable suppliers.
- **Business advisors.** Such as chambers of commerce.
- **Exhibitions.** Offer a great opportunity to talk with a number of potential suppliers.
- **Trade press.** Trade magazines feature advertisements from potential suppliers.<sup>32</sup>

### Selection of a favourable supplier:

Adapted from Business.org's "How to Choose the Right Supplier for Your Business":

#### 1. Set your criteria

Create a list of the supplier's selection criteria that companies need to fulfil to be able to provide you with the items you need. This could include issues like:

- Lead times from receipt of your order to delivery
- Minimum and maximum order quantities
- Storage and handling facilities
- Specific methods of delivery

<sup>32</sup> Info Entrepreneurs. (n.d.). *Supplier selection process*. <https://www.infoentrepreneurs.org/en/guides/supplier-selection-process/>

- Quality assurance processes
- Payment terms and conditions
- Return policy
- Contactable references

## **2. Define your process.**

- Identify the methods that you will use to find suitable suppliers.
- Decide whether you will publish your requirements in trade publications and call for bids, or whether you will approach selected companies directly for proposals and estimates.

## **3. Call for bids.**

- Put out a call for bids according to the selection process that you chose.

## **4. Evaluate the bid submissions.**

- Compare each submission you receive against a checklist of criteria for suppliers and question any items that appear to be lacking in clarity.

## **5. Monitor the supplier performance.**

- Make sure they have a direct contact point at your company and conduct regular performance reviews.<sup>33</sup>



### **Topic 2.2 Task 5:**

**Read the following scenario for Amira and answer questions that follow:**

“Amira and her project team buy goods and services on a regular basis to achieve project objectives and goals. Most purchases are small, such as office supplies, training materials, water testing kits and items to maintain vehicles. But the team also needs to buy more expensive items, including a photocopier for the office and a new vehicle.

To promote transparency, ensure the best use of project resources, and manage the risk of fraud, Amira and the team have decided to go through the purchasing process to guide them in setting up the steps for the purchase of the vehicle.

<sup>33</sup> Pratt, M. (2013, June 30). *How to choose the right supplier for your business.*

Business.org. <https://www.business.org/software/supplier/how-to-choose-the-right-supplier-for-your-business/>



After determining the specifications for the vehicle, Amira makes sure that there is sufficient money available in the budget and then she submits an official **purchase requisition** to obtain the authorization she needs to go ahead with the purchase. Once the requisition is signed off, the next step is to obtain **quotations** from suppliers for vehicles that meet the specification. The quotes are then reviewed by a **purchasing panel**, which then selects the preferred supplier.

Amira is now halfway through the process. A **purchase order** is then issued to the supplier, which forms the contract between Amira and the vehicle supplier. When the vehicle is delivered, the team checks to ensure the vehicle is in full working order and reviews the paperwork, to ensure that the vehicle meets the required specifications. The team checks to ensure the invoice shows the correct price and is in line with the terms from the purchase order and quotation. Finally, Amira submits the invoice for approval and payment.”<sup>34</sup>

**From the scenario, identify the steps that Amira followed in order to purchase the vehicle.**

## 2.7 Key Facts

### Steps for purchasing goods:

1. **The Need.** Identify what is needed for the business or needs to be purchased.
2. **Specify.** Decide how much and when you want the products or services delivered.
3. **Requisition or Order.** Write the purchase order or requisition order.
4. **Financial Authority.** Get authorization for the purchase.
5. **Research Suppliers.** Identify potential suppliers for the order.
6. **Choose Supplier.** Choose the best supplier for the order.
7. **Establish Price and Terms.** Negotiate terms and prices.
8. **Place Order.** Order is placed, which becomes a contract between the business and the supplier.
9. **Order Received and Inspected.** The goods are delivered, checked, and entered into the inventory.
10. **Approval and Payment.** The invoices are received and paid.
11. **Update of Records.** The purchasing ledger and stock records are updated.<sup>35</sup>

<sup>34</sup> FMD Pro Starter. (n.d.). *Procurement process flowchart*. <https://fmdprostarter.org/procurement-process-flowchart-2/>

<sup>35</sup> *Steps to purchasing cycle - standard & tender process*. (n.d.). Purchasing Procurement Center. <https://www.purchasing-procurement-center.com/purchasing-cycle.html>



## Application Activity



### Topic 2.2 Task 5:

For the business ideas you developed in Learning Unit 1, do the following:

- a. Name the business idea.
- b. What products or services will the business idea offer?
- c. What are the production inputs for the products and/or services?
- d. Identify any three potential suppliers for the production inputs listed above?
- e. From the potential suppliers identified above in d), select the favourable one according to your business idea. Why did you choose this particular supplier?



### Points to Remember

- It is always very important to set production targets according to the available resources and customer needs.
- It is important to focus on the production inputs and costs because expensive final products can chase away loyal customers.
- Production inputs and other factors of production determine the quality of the final products.
- The success of a company depends on favourable business suppliers.
- The business will always be in the process of purchasing and receiving raw materials and other factors for production.

- Selecting the right suppliers for your business needs is vital to ensure that you are able to deliver your products and services on time, at the right price, and in compliance with your quality standards.



### **Formative Assessment**

**Read the directions and answer the questions below.**

1. What factors should be considered when setting business production targets?
2. What steps should a business follow when setting production targets?
3. Identify the production inputs that may be required by a business.
4. How does a business identify its suppliers?
5. What criteria should an entrepreneur consider when selecting business suppliers?
6. What process should an entrepreneur go through when purchasing goods?

## Topic 2.3: Producing high quality product according to the product specification, demand and available resources

### Key Competencies:

Knowledge	Skills	Attitudes
1. Describe the characteristics of a good quality products.	1. Identify resources required for production.	1. Analytical
2. Describe required standards for product production as per Rwanda Standards Board.	2. Identify customer demand.	2. Analytical
3. Describe product packaging process.	3. Create quality product packaging.	3. Innovative



### Getting Started: What do we know and where are we going?



#### Topic 2.3 Task 1:

Discuss with a partner:

- Describe an item you bought once.
- What was the quality of the item? High? Low?
- How do you know the quality of an item?



### Problem Solving Activity



#### Topic 2.3 Task 2:

Think about your likes, preferences, or tastes, and answer the following questions.

- What do you understand by the term “quality products?”
- What characteristics should a product have in order for you to classify it as *high quality*?

c. What do you think may affect the quality of a product?

## 2.8 Key Facts

**Quality** may be defined as the sum-total of features of a product which influence its capacity to satisfy a given need.

**Product quality.** The collection of features and characteristics of a product that contribute to its ability to meet given requirements and satisfy the customer's wants and needs in exchange for monetary considerations.

### Characteristics of quality product

- **Performance:** a product's primary operating characteristics
- **Features:** product characteristics
- **Reliability:** the probability of a product failing within a specified period of time
- **Conformance:** the degree to which a product's design and operating characteristics match pre-established standards
- **Durability:** a measure of product life—has both economic and technical dimensions
- **Serviceability:** the speed, courtesy, and competence of repair
- **Aesthetics:** how a product looks, feels, sounds, tastes, or smells — is clearly a matter of personal judgment, and reflection of individual preferences
- **Perceived Quality:** evaluation of product's objective characteristics, its image, advertising, or brand names<sup>36</sup>

### Factors Affecting Quality

#### Quality of a product or service depends upon the following factors:

Adapted from Knowledgiate's "Factors Affecting Quality of Products and Services."

- **Market.** Customer demand-- her/his needs and purchasing power are the main determinants of quality level.
- **Materials.** The availability of the right type of materials is essential for maintaining a quality level of finished products. A wide variety of materials may be available but material with the right specifications has to be used.

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<sup>36</sup> Wikipedia. (n.d.). *Eight dimensions of quality*. Retrieved 2020, from [https://en.wikipedia.org/wiki/Eight\\_dimensions\\_of\\_quality](https://en.wikipedia.org/wiki/Eight_dimensions_of_quality)

- **Technology.** Nature of technology and machinery used has direct bearing on product quality. Modern technology, methods and equipment have led to improvements in product quality level.
- **Labour.** The knowledge and experience of people who design and produce products exercise significant influence on quality level. Competent and trained people can design and manufacture better quality products.
- **Cost.** Cost of quality maintenance and improvement has increased significantly. Increasing competition, growing mechanization and decreasing profit margins may not permit greater expenditure on quality improvements. Scrap and rework losses have become serious.
- **Management.** The attitude and policy of management towards product quality is important. Some managers tend to be more quality conscious than others.<sup>37</sup>



### Topic 2.3 Task 3: Background of quality management in Rwanda

Your trainer will invite a resource person from Rwanda Standards Bureau (RSB) to share with you regarding quality management in Rwanda. Ask him/her the following questions:

- a. What is certification?
- b. What is quality control?
- c. What is quality assurance?
- d. What is quality management?
- e. How is quality management implemented in Rwanda?

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<sup>37</sup> Knowledgegate Team. (2017, September 30). *Factors affecting quality of products and services*. Knowledgegate. <https://www.knowledgegate.com/factors-affecting-quality-of-products-and-services/>

## 2.9 Key Facts

### **Rwanda Standards Board (RSB)**

The Rwanda Standards Board (RSB) is a public National Standards Body established by the Government of Rwanda, whose mandate is:

- to develop and publish National Standards
- carry out research in the areas of standardization
- to disseminate information on standards, technical regulations related to standards and conformity assessment, metrology for the setting up of measurement standards, and others

**Certification.** The provision by an independent body of written assurance (a certificate) that the product, service, or system in question meets specific requirements.

**Quality control (QC).** A procedure or set of procedures intended to ensure that a manufactured product or performed service adheres to a defined set of quality criteria or meets the requirements of the client or customer.

**Quality assurance (QA).** A way of preventing mistakes or defects in manufactured products and avoiding problems when delivering solutions or services to customers.

**A quality management system (QMS)** is a formalized system that documents processes, procedures, and responsibilities for achieving quality policies and objectives.

### **Required standards for product production in Rwanda:**

- **Product Certification.** An attestation following assessment that attributes, characteristics, quality, or status of goods, are in accordance with the established standards. The scope covers foods and beverages, construction materials, cosmetics, paper-based products and other industrial products.
- **Certified Products** in Rwanda are given a Standardization Mark (S-Mark), to be displayed on the product.
- **System Certification.** An attestation following assessment that attributes, characteristics, quality, or status of organizations, services, procedures or processes are in accordance with established standards.

- **System certifications** requires an organization to comply with the standards of ISO 9001:2008 that enables continuous improvement of organization's quality management systems (QMS) and processes.<sup>38</sup>



### Guided Practice Activity



#### Topic 2.3 Task 4:

Visit businesses in communities nearest to your school and answer the following questions.

- a. What are the production factors required for the business visited?
- b. Do you think their products are of good quality? Justify your answer with evidence.
- c. What factors did you observe that you think affects the quality of the products?



### Application Activity



#### Topic 2.3 Task 5:

In your business idea identified in Learning Unit 1, think about the products you will want to produce and answer the following questions.

- a. What is the product?
- b. What factors will you consider in order to ensure a high-quality final product?
- c. What will you need in order for your product to meet the required standards for production in Rwanda?

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<sup>38</sup> Rwanda Education Board. (n.d.). *Course: Entrepreneurship: Unit 10:Quality management and certification*. REB e-Learning Platform. <https://elearning.reb.rw/course/view.php?id=274&ion=10>





#### Points to Remember

- Production process should always respect the requirements of Rwanda Standard Board.
- The high quality of a final product will satisfy the customer demand.
- Product packaging plays the role in product safety, environmental impact, and attracting customers



#### Formative Assessment

Read and answer the questions below.

1. What do you understand by the term “quality products?”
2. What characteristics should a product have for you to classify it as *high quality*?
3. What factors are considered when working to produce quality products?

## Topic 2.4: Performing selling activities as per selling techniques and plan

### Key Competencies:

Knowledge	Skills	Attitudes
1. Describe market and marketing mix.	1. Conduct market analysis.	1. Dynamic
2. Describe types of customers and ways to establish a good way of treating customers.	2. Conduct customer survey.	2. Analytical
3. Describe types of competitors.	3. Conduct competitor survey.	3. Innovative and creative



### Getting Started: What do we know and where are we going?



#### Topic 2.4 Task 1: Experience sharing

Imagine you are planning to produce a product or a service to sell to people. What would you do if you want your product or service to be sold successfully?



#### Problem Solving Activity



#### Topic 2.4 Task 2: Market analysis

Visit your school library to conduct research or ask students or instructors with expertise about the following:

- Meaning of Market
- Meaning of Marketing
- Meaning of Marketing mix
- Brief explanation of the 5Ps

### 2.10 Key Facts

- **Market.** People who might want to buy your products or services.
- **Marketing.** Activities undertaken by an entrepreneur to promote the buying or selling of a product or service.
- **Marketing mix.** A group of marketing variables that the business combines and controls, to produce the desired response in the target market.

#### Elements of the Marketing Mix



- **Product.** An item or items the business plans to offer to customers.
- **Price.** How much the company will sell the product for.
- **Place.** The distribution of the product. The easy availability of the product in the target market.
- **Promotion.** Marketing communication, as in publicizing the product to convey product features, aimed at grabbing the attention of customers and enticing them to buy it.<sup>40</sup>
- **People.** All the human beings that play an active role in offering the product or service to the customer, such as the employees.
- **Process.** The complete procedure and the flow of activities through which the product reaches the final consumer.

<sup>39</sup> User:Jorgetarlea. (2017, April 21). *Marketing mix 4p*. Wikimedia Commons. [https://commons.wikimedia.org/wiki/File:Marketing\\_Mix\\_4P.svg](https://commons.wikimedia.org/wiki/File:Marketing_Mix_4P.svg)  
License: <https://creativecommons.org/licenses/by-sa/4.0/legalcode>

<sup>40</sup> Twin, A. (2020, August 17). *Marketing*. Investopedia. <https://www.investopedia.com/terms/m/marketing.asp>

- **Physical Environment.** The marketing environment wherein the interaction between customer and firm takes place.<sup>41</sup>



### Topic 2.4 Task 3: Customer survey

Visit your school library to conduct research or ask students or instructors with expertise about the following:

- a) Meaning of customer
- b) Importance of a customer
- c) Types of customers
- d) Ways to establish good ways of treating customers
- e) Tips for customer analysis

## 2.11 Key Facts

- **Customer.** A person or an organization that buys a product or service from the business.

### Importance of customers:

- **Information:** This information could be seen as the most important aspect of marketing because the entire existence of marketing revolves around them.
- **Customer Service:** Customer service and interaction after the product has been sold, not only to build strong relationships with the consumer, but offer businesses valuable information that will help to design more effective marketing efforts in the future.
- **Marketing Considerations:** Some of the considerations to take into account when marketing to your customers are honesty, integrity, and clarity. Customer confidence is what brings consumers back to a product and ensures long-term success.

<sup>41</sup> MaRS Startup Toolkit. (n.d.). *Marketing mix: Product, price, place & promotion | Entrepreneur's toolkit*. <https://learn.marsdd.com/article/the-marketing-mix-in-marketing-strategy-product-price-place-and-promotion/>

Business Jargons. (n.d.). *Marketing mix*. <https://businessjargons.com/marketing-mix.html>

- **Psychological Considerations:** The psychological makeup of consumers plays a crucial role in developing a product and a marketing campaign that identifies and addresses consumer needs.
- **Word of Mouth:** Consumers like to talk, whether they are talking about a product they enjoyed or a product that left them wanting. Word of mouth has a snowball effect, particularly in an age when fast worldwide communication is common.<sup>42</sup>

#### **Types of customers:**

1. **Potential customer.** A type of customer that is on the very beginning of your sales funnel, but technically, is not your customer yet.
2. **New customer.** This the fresh customer that just bought something from you. He/she is still learning about using your product.
3. **Impulsive Customer.** This is the type of customer that can make a buying decision in an instant, provided that the conditions are right.
4. **Discount customer.** This is the type of customer that sees value in your product but won't buy it at full price.
5. **Loyal customer.** This type of customers keeps coming back for more. Apart from having a significant impact on your revenue, he/she will be also your brand's ambassador.<sup>43</sup>

#### **Establishing customer relationships:**

- Recognize the value of word of mouth marketing.
- Know who your ideal customers are – If you want to give your customers and prospects what they want most, you have to first find out what they want.
- Manage customer expectations.
- Be authentic in customer interactions.
- Treat the customer like royalty. How well and how consistently you put your customers' needs at the forefront of everything you do?
- Practice active listening and follow through.
- Create a scalable support system.
- Treat a customer like a valued partner, using two-way communication.
- Be transparent. Honesty is crucial in today's overcrowded marketplace.<sup>44</sup>

<sup>42</sup> Hose, C. (n.d.). *Customer importance in marketing*. Chron.com. <https://smallbusiness.chron.com/customer-importance-marketing-22741.html>

<sup>43</sup> Firuta, J. (2016, April 1). *5 types of customers and how to approach them (Pt1)*. LiveChat. <https://www.livechat.com/success/types-of-customers/>

<sup>44</sup> Patel, N. (n.d.). *10 ways to make customers fall in love with your business*. Neil Patel. <https://neilpatel.com/blog/10-ways-to-make-customers-fall-in-love-with-your-business/>

**Tips for customer analysis:**

Adapted from IMD's "3 Critical Steps for Writing a Customer Analysis Marketing Plan":

- **Identify as well as research your customers and their needs**
  - Income / Revenue
  - Age range
  - Lifestyle
  - Geographic location
  - Scope (Number of potential customers)
  - Customer base
  - Purchase history
- **Identify your customer's main decision drivers and specific behaviours**
  - Price of Product
  - Quality of Product
  - Existing Competition
  - Urgency of Finding Solutions to Existing Problems
  - Product / Industry Knowledge of Customers
  - Source of Knowledge of the Customers
  - Current Relationship with The Customers
  - Preferred Supplier of the Customers
  - Product Compatibility of the Products Used by Customers
  - Effect of Product to current operations of the customers
- **Show how your product meets the customer's needs**
  - What are your core values and positioning in the market?
  - How does this match the customer's needs?
  - Does anything to be redefined in terms of marketing and branding?<sup>45</sup>

**Topic 2.4 Task 4: Competitors survey**

Visit your school library to conduct research or ask students or instructors with expertise about the following:

- a. Meaning of a competitor

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<sup>45</sup> IMD business school. (n.d.). *Customer analysis marketing plan*. <https://www.imd.org/imd-reflections/general-management-reflections/customer-analysis-marketing-plan/>

b. Types of competitors

c. Tips for competitor analysis

## 2.12 Key Facts

**Competitor.** A person, business, or organization that is trying to sell similar goods or services to the same people or customers.

**Competitor analysis.** Identifying and evaluating your competitors, their strengths and weaknesses. How does their business compare to your business?

### Types of competitors



- **Direct Competitors.** These essentially offer the same product as you, with the same end game.
- **Indirect Competitors.** These offer a product or service which is pretty different than yours; but ultimately, they solve the same problem or have the same purpose.
- **Perceived Competitors.** These may not offer an identical product like yours or belong to the same industry, but they compete for the equivalent resources a customer might need in order to enjoy your product.
- **Phantom Competitors.** These not only compete with all the other business in the industry, but also with almost every other product and service available to consumers.
- **Partner Competitors.** While the businesses keep changing, your strategic partners might turn into competitors as they consider expanding; this is because of the fact that they feel what you do is a great growth opportunity.

### Tips for competitor analysis:

- **Identify your competitors**
- **Obtain information about your competitors**
  - Brand awareness - the % of your target market that are aware of your competitors
  - Pricing - cost of your competitors' products and services
  - Financials - share prices, earnings reports
  - Products - strengths and weaknesses of their products
  - Customer experience - standard of customer care
  - Intellectual property - copyrights, trademarks, patents
  - Marketing - their campaigns, events, promotional activities, social media
  - Risks - competitive strengths/advantages
  - Opportunities - what they're doing badly that you can do better
  - Company culture - old school or start-up?
  - Distribution - the regions, countries they cover
- **Evaluate their strategies**
  - Determine their strengths and weaknesses relative to your brand
  - Predict their behaviour and make informed business decisions<sup>46</sup>




### Guided Practice Activity



#### Topic 2.4 Task 5:





































Study the competitor analysis below and answer the corresponding questions.

- a. Which businesses/companies are competing in the sample?
- b. What kind of information is used to do the analysis in the sample?
- c. What are the weaknesses of  Herman Miller ?

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<sup>46</sup> User: Meg. (2020, February 13). *How to conduct a competitor analysis*. Talkwalker. <https://www.talkwalker.com/blog/conduct-competitor-analysis>



	 VersaTables.com		 Herman Miller			
 Lifetime Warranty			SOME PRODUCTS	SOME PRODUCTS	SOME PRODUCTS	SOME PRODUCTS
 Made in the USA				SOME PRODUCTS	SOME PRODUCTS	SOME PRODUCTS
 Free Shipping			SOME PRODUCTS	SOME PRODUCTS	SOME PRODUCTS	SOME PRODUCTS
 Green Manufacturing				SOME		
 Customer Service	EXCELLENT 	BAD 	GOOD 	OKAY 	GOOD 	GOOD 
 Ease of Return	EXCELLENT 	DIFFICULT 	OKAY 	BAD 	OKAY 	OKAY 
 Product Recalls	 NONE	YES	 NONE	YES	YES	 NONE



#### Topic 2.4 Task 6:

Provided below are two templates, a customer analysis and competitor analysis.

Based on your business idea crafted in Learning Unit 1, go into the field and conduct a customer analysis and a competitor analysis and complete the templates.

## Template 1: Customer Analysis

### Target customers:

**Guidance:** Who are your target customers and how do they behave? Include specific demographics such as age, social status, education and gender. What are your customers' lifestyles, activities, values, needs, interests or opinions? Where are they located?

Customer	Age	Gender	Ethnicity	Education	Location	Lifestyle	Values	Interests

### Customer Profile:

**Guidance:** What's the profile of an ideal customer for your business? In a paragraph or two, clearly define your ideal customer, including, their needs, buying patterns, and motivations for buying. This process will help you to develop a mental image of your ideal customer.

## Template 2. Competitors Analysis

### Competitor Analysis:

**Guidance:** Use the table below to analyse at least 5 competitors.

Competitor	Established date	Size/ Number of Staff	Market share (%)	Value offered to customers	Strengths	Weaknesses

### Competitor profile:

**Guidance:** What's the profile of a typical competitor for your business? In a paragraph or two, clearly define a typical competitor, including, their size, market share, unique value proposition, strengths and weaknesses. This process will help you to develop a mental image of your typical competitor.



## Application Activity



### Topic 2.4 Task 7:

Provided below are templates used in conducting a market survey. Based on your business idea crafted in Learning Unit 1, you will go to the field and conduct a market survey for your products or services using the templates provided.

#### **Marketing Strategy (Marketing Mix):**

**Guidance:** Use this section to detail the overall strategy you will use to position yourself within the market to meet your customers' needs. Whatever your strategy, your goal should be to differentiate yourself from your competitors to encourage customers to choose your business first. The specific elements that make up your marketing strategy are typically referred to as the marketing mix. Each element can be varied to broaden the appeal of products and services and will therefore have a direct impact on sales.

Adapted from Business Victoria's "Marketing strategies and tactics."

#### **Template 1: Product or service**

**Guidance:** Here you should describe your long-term product strategy in detail. If you are providing a service, then you should consider your service(s) as your product(s).

You will need to consider:

- What features and benefits do you offer?
- The unique selling position—what makes your product/service different from your competitors'?
- Are there any potential spin-off products or services? If so, what are they?<sup>47</sup>

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<sup>47</sup> Business Victoria. (2019, August 27). *Marketing strategies and tactics*. <https://www.gov.au/marketing-and-sales/increasing-sales-through-marketing/marketing-mix-strategies-and-tactics>

<b>Product or Service</b>	<b>Features</b>	<b>Benefits</b>	<b>Unique Selling Position</b>	<b>Support</b>	<b>Spin Offs</b>

## Template 2: The Pricing of your Product or Service

**Guidance:** Price is a critical component of your marketing mix. Why? Because choosing the right price for your products or services will help you to maximise profits and also build strong relationships with your customers. By pricing effectively, you will also avoid the serious financial consequences that can occur if you price too low (not enough profit) or too high (not enough sales).<sup>48</sup>

Setting prices for your products and services might seem like a daunting task; however, it doesn't need to be—just remember:

- you are in business to make a profit (and that's ok!)
- most business owners under-price the value that they deliver
- your sales and marketing strategy should defend your prices

Your overall pricing strategy will depend on your marketing, business, and lifestyle objectives. So, before you start the research process spend some time defining your income (and net profit) aspirations.

Product or Service	Price	Costs	Net Profit	Comp. Price	Value

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<sup>48</sup> Business Victoria. (2019, August 27). *Marketing strategies and tactics*. <https://www.business.vic.gov.au/marketing-and-sales/increasing-sales-through-marketing/marketing-mix-strategies-and-tactics>

### Template 3: Your Position (Place) in the Marketplace

**Guidance:** Place refers to the channels and locations for distributing your product, related information, and support services. This is how you will position your product or service in the marketplace.

This includes:

- the place where the product/service can be bought
- the distribution channels

Place represents the location where a product can be purchased. It is often referred to as the distribution channel. This may include any physical store (supermarket, department stores, etc.) as well as virtual stores (e-markets and e-malls) on the Internet. This is crucial as this provides the place utility to the consumer, which often becomes a deciding factor for the purchase of many products across multiple product categories.<sup>49</sup>

#### Sales and distribution channels

Channel type	Products/services	Percentage of sales (%)	Channel strategy
e.g. Shopfront, internet, direct mail, export or wholesale.	List all the products/services sold via this channel	What percentage of overall sales do you expect to sell via this channel?	Why have you decided to use this channel type? How and when will you use it? What is the strategy behind using this channel type for this particular product/service?

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<sup>49</sup> Business Victoria. (2019, August 27). *Marketing strategies and tactics*. <https://www.business.vic.gov.au/marketing-and-sales/increasing-sales-through-marketing/marketing-mix-strategies-and-tactics>


#### **Template 4: The Promotion of your Product or Service**

**Guidance:** State how you currently promote and market your business now (or intend to).

Compare (where applicable) what your competitors do for promotion, noting what does and doesn't work for them as well as for yourself. Regardless of how good your business is, if you don't promote it and tell people you exist, it's unlikely you will make many sales.

Promotion is more than selling and advertising your business. It's about attracting the *right* people to use and reuse your business. There are a number of techniques to use and they can be combined in various ways to create the most cost-effective strategy for your needs.

Detail your promotion techniques into six categories:

- online
- public relations
- advertising
- promotion
- packaging or personal selling
- branding<sup>50</sup>

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<sup>50</sup> Business Victoria. (2019, August 27). *Marketing strategies and tactics*. <https://www.business.vic.gov.au/marketing-and-sales/increasing-sales-through-marketing/marketing-mix-strategies-and-tactics>



Product or Service	Online	Public Relations	Advertising	Promotion	Packaging	Branding

### Template 5. The PEOPLE in your business (salespeople, staff etc.)

**Guidance:** Every employee in your business (if you have them) can influence the marketing of your products and services. Knowledgeable and friendly staff can contribute to creating satisfied customers and can provide the unique selling experience that an organisation is often seeking. If an outstanding team provides a competitive advantage, then the quality of recruitment and training becomes essential to achieving your marketing objectives.<sup>51</sup>

Some questions to consider when assessing your team members:

- Are they prepared to talk with clients in detail about your products and services?
- Do you have training in place to drive constant improvement?
- Does your team understand the process for handling client interactions?
- Are staff members empowered to make decisions (and act) on the business's behalf?
- Do they have the communication skills to be effective?
- Do staff members 'live' your brand when they are at work?

Name	Job Title	Department	Responsibilities

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<sup>51</sup> Business Victoria. (2019, August 27). *Marketing strategies and tactics*. <https://www.business.vic.gov.au/marketing-and-sales/increasing-sales-through-marketing/marketing-mix-strategies-and-tactics>

### Template 6: The Process Represents the Buying Experience

**Guidance:** The process represents the buying experience that the customer experiences when he/she buys your product or service. For example, the way that a fine bottle of wine is presented and served in a restaurant, the reaction of a business to a complaint, or the speed of delivery in a fast food outlet.

A poor process, on the other hand, can undermine the other elements of the marketing mix. Budget airlines, for example, may offer very competitive headline prices, but if the final price is inflated by additional charges such as baggage charges and administrative fees, customers may begin to feel that they have been taken advantage of even if the final price is lower than other carriers.<sup>52</sup>

Product or Service	The Process	Key Benefits	Improvements

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<sup>52</sup> Business Victoria. (2019, August 27). *Marketing strategies and tactics*. <https://www.business.vic.gov.au/marketing-and-sales/increasing-sales-through-marketing/marketing-mix-strategies-and-tactics>



### Points to Remember

- Marketing refers to all activities a company does to promote and sell products or services to consumers.
- Marketing makes use of the "marketing mix," also known as the four Ps—product, price, place, and promotion.
- At its core, marketing seeks to take a product or service, identify its ideal customers, and draw the customers' attention to the appropriate product or service available.
- Marketing mix definition is simple. It is about putting the right product or a combination thereof in the place, at the right time, and at the right price.



### Formative Assessment

**Read and answer the questions below.**

1. Define market.
2. Define marketing.
3. What do you understand by the term “marketing mix?”
4. Briefly name and explain the elements of the marketing mix.
5. Define a customer.
6. What is the importance of a customer in marketing?
7. Briefly mention and explain different types of customers.
8. Briefly explain ways to establish good ways of treating customers.
9. Highlight some tips for customer analysis.

- 10.** Define a competitor.
- 11.** Name and briefly explain the types of competitors.
- 12.** Mention some tips for competitor analysis.

## Topic 2.5: Managing and tracking money coming in and out of business based on proper use of cash balance book and record keeping forms

### Key Competencies:

Knowledge	Skills	Attitudes
1. Identify business transactions and Keep business records.	1. Differentiate business money from private money.	1. Dynamic
2. Describe the importance of records keeping.	2. Determine cash balance (profit/loss).	2. Analytical
3. Differentiate fixed costs from variable costs.	3. Estimate the start-up capital and ongoing costs.	3. Active



### Getting Started: What do we know and where are we going?



#### Topic 2.5 Task 1:

Read the statement below and answer questions that follow.

*The absolute first step of managing your money is understanding how much money is coming in and what money is going out.*

- Do you agree with the statement?
- Provide evidence to support your answer above?
- What can you do to manage how much money is coming in?
- What can you do to manage the money going out?



## Problem Solving Activity



### Topic 2.5 Task 2:

Read the scenario below about managing business money and private money and answer questions that follow.

#### Scenario: Managing Money

Mr. Kabundi started a juice processing business, Kabundi Company Ltd. in his community. The business does a number of transactions on a daily basis that require money to be paid out, such as buying fruits for processing, transport for materials, paying casual workers, and others. Mr. Kabundi also receives money, especially from the sale of the juice.

Mr Kabundi, as the owner, operates an account where he deposits the business money as well as uses it for private matters. When the business wants to pay for all its expenses or when it receives money from the sale of the products, Mr. Kabundi uses that same account. At the end of the year Mr. Kabundi decided to buy the family a new television and some clothes, and he got the money from the same account.

- a. According to the scenario,
  - i. What is a transaction?
  - ii. What transactions are completed by Mr. Kabundi?
  - iii. Differentiate between cash in and cash out transactions with an example of each.
- b. What do you think is the difference between business money and private money?
- c. From the scenario, give one example of business money and one of private money.
- d. Do you think Mr Kabundi separated business and private money?
- e. Give reasons to support your claim above in (d).
- f. What do you think can happen to Kabundi Company Ltd. if Mr. Kabundi does not separate business and private money?
- g. What advice would you give Mr. Kabundi to better manage money coming in and going out of the business?

## 2.13 Key Facts

- **Business finance** refers to the finances of organisations, including companies, government agencies, and institutions. It addresses issues such as business:
  - revenue, expenses and profit
  - assets, liabilities, cash flows and net worth
- **Personal finance** refers to the finances of an individual. Key issues include an individual's:
  - assets, liabilities, and net worth
  - asset mix, such as equities, bonds, cash, and real estate
  - retirement planning
  - risk, including risk of individual asset classes, and ability to meet obligations under short- or long-term disability, job loss, or catastrophe
  - insurance coverage to address risk
  - small business financial planning<sup>53</sup>
- **Cash transaction** involves the immediate exchange of cash for products and services.
- **Cash in transactions.** Receive inflows of cash revenue from selling goods, providing services, selling assets, earning interest on investments, rent, taking out loans, or issuing new shares.
- **Cash out transactions.** Making outflow of cash by making purchases, paying back loans, expanding operations, paying salaries, or distributing dividends.<sup>54</sup>

### Separation of business and personal finances:

- Separate checking accounts for your business and your personal money
- Business expenses are paid by the business account
- Personal expenses are paid out of the personal account
- Capital is retained in the business for future investment
- Business assets are titled in the business name
- Money transferred to the business owner is done according to specific protocols, including salary, dividends and other distributions, rather than in an arbitrary fashion

<sup>53</sup> Cohen, M. E. (2016, October 30). *What is the difference between business finance and personal finance?*. Quora. <https://www.quora.com/What-is-the-difference-between-business-finance-and-personal-finance>

<sup>54</sup> Ross, S. (2020, August 18). *Cash flow vs. fund flow: What's the difference?* Investopedia. <https://www.investopedia.com/ask/answers/012015/what-difference-between-cash-flow-and-fund-flow.asp>



- Loans and other liabilities are titled in the business name<sup>55</sup>

#### **Why separate business and personal finance:**

- **Lawsuits and creditor claims.** A creditor will not be able to make a claim against you personally, when filing action against your business.
- **Tax purposes.** If your personal finances are merged with your business, the tax authority will be forced to audit your personal records as well as the business.
- **Borrowing in the business name only.** If you want to take a loan in the name of your business, and your accounts and the business are the same, the bank will likely require you to be on the loan no matter what.
- **A Professional reputation.** Customers and clients do not usually feel confident in dealing with a hobby type business, especially if there is no proper separation between the business and its owner.
- **Protection from self-destruction.** If you do not view your business as a separate entity but as your personal cash machine, you might drain the business to the point of insolvency.
- **Financial Diversification.** In the event your business collapses, you will have your personal finances to fall back on and the opposite is true. If you fail to keep the two properly separated, you run the risk of pulling both financial situations down at once.
- **Ease of proving financial stability.** As a business owner, you should have the ability to view your company's financial status at any time, and on short notice. If your business and personal records are completely separate, this will be easy to do.<sup>56</sup>



#### **Topic 2.5 Task 3:**

Visit your school library to conduct research or ask students or instructors with expertise about the following:

- a. The definition of business record keeping
- b. The definition of the key business records terms below:
  - i. Sales records
  - ii. Purchase records

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<sup>55</sup> Mercadante, K. (2020, July 19). *Benefits of separating your business and personal finances*. Investor Junkie. <https://investorjunkie.com/entrepreneurship/benefits-separating-business-personal-finances/>

<sup>56</sup> Mercadante, K. (2020, July 19). *Benefits of separating your business and personal finances*. Investor Junkie. <https://investorjunkie.com/entrepreneurship/benefits-separating-business-personal-finances/>

- iii. Cash records
- iv. Debtors records
- v. Creditor records
- c. The importance of record keeping

## 2.14 Key Facts

**Recordkeeping.** The process of recording business transactions and events.

### **Key business records:**

- **Sales records.** Record of your customers, including but not limited to their contact information, how often they purchase from you, what they purchase and how they pay their bills.
- **Purchase records.** Record of purchases from different suppliers, including data for pricing and conditions, over delivering and under delivering limits, planned delivery date, and availability period.
- **Cash records.** Record of the cash that comes into a business and the cash that is used to buy daily items or cover expenses.
- **Debtors records.** Record of amounts which are owed to a business by customers.
- **Creditor records.** Record of amounts which are owed to other businesses or persons by the business.

### **Proper business record keeping provides the business a real advantage over competition in different ways:**

- It helps you to manage your accounts, interests, taxes and working costs effectively.
- Tells about cash in hand.
- Tells about the success of your past campaigns and improvements in present campaign.
- Tells about the customer service and employee efficiency.
- Helps in monitoring company growth rate and profit.
- Provides detailed knowledge about the operation of the business.
- Helps in identification of trends.
- Facilitates accurate control over finances and product quality.
- Facilitates identification of individual costs to allow changes to a product or process to optimise profits.
- Helps keeping track of money owed to the business.
- Provides evidence for tax authorities (may be a legal requirement).

- Provides factual basis for product pricing or salary levels.<sup>57</sup>



#### Topic 2.5 Task 4:

Visit your school library to conduct research or ask students or instructors with expertise about the following:

- a. The definition of start-up capital and ongoing costs.
- b. The difference between fixed costs and variable costs, including examples.
- c. The steps of estimating start-up capital and ongoing costs.

### 2.15 Key Facts

**Start-up capital.** Money that is required to start a new business, whether for office space, permits, licenses, inventory, product development and manufacturing, marketing, or any other expense.

**Ongoing costs/operating costs.** Expenses required for the day-to-day administration and maintenance of a business entity.

**Fixed costs.** Operating costs which a business must pay and remains constant, irrespective of a business's productivity or performance. An example is the rent paid for the business space used by a business, regardless of the business's productivity or profitability.

**Variable costs.** Expenses that change with the productivity of a business, which increases when production increases and reduces when the level of production dips. For example, a French fry business may need to buy more potatoes if demand for its French fries increases.<sup>58</sup>

#### Estimation of Start Up Capital for Starting a Business:

Adapted from Brain Hill (Chron)'s "How to Estimate Start Up Capital for Starting a Business":

- **Complete your strategic marketing plan.** Describe the products and services you will be offering, and the strategies you intend to deploy to introduce them to the market.

<sup>57</sup> ESales Track Blog. (n.d.). *Importance of business record keeping, why to keep records of your deals and customers?*. <https://www.esalestrack.com/blog/2007/11/importance-of-business-record-keeping.html>

<sup>58</sup> UpCounsel. (n.d.). *Ongoing costs of a business: Everything you need to know*. <https://www.upcounsel.com/ongoing-costs-of-a-business>

- **Calculate product development costs.** Consult with your vendors or suppliers and obtain estimates of what these costs will be.
- **Prepare a marketing budget.** Attach numbers to your marketing tasks based on consultations with selected vendors and research on what other companies in your industry typically spend.
- **Put together a personnel budget.** Forecast the number of employees and management team members you will need for the first three years and cost.
- **Forecast facilities and equipment cost.** Determine how much space your venture needs to conduct operations, such as office space, retail space, and production and warehouse space. Also include equipment forecast, for items such as computer workstations and telephone systems.
- **Forecast general and administrative expenses.** These costs include items such as office supplies, travel, insurance, legal, and accounting fees.
- **Separate out the costs** that will be incurred before launching the company from those that will be incurred on an ongoing basis after the company is launched.
- **Complete a revenue forecast.** Build financial models with assumptions about unit sales volume, and price, and then generate forecast revenues, month by month for the first three years. Total up the expenses you forecast for each of these months and calculate how long it will take for the company to reach breakeven cash flow. Total the cash deficit for these months.
- **Compute total start-up capital.** Add up capital needed prior to launch and the capital required to fund the cash deficit. This is your total start-up capital.<sup>59</sup>



## Guided Practice Activity



### Topic 2.5 Task 5:

Provide below is a sample start-up capital/start-up cost for business XYW.  
Study the sample carefully and answer the questions.

- What are the on-going costs for XYW?
- What are the fixed costs for XYW?

<sup>59</sup> Hill, B. (n.d.). *How to estimate start up capital for starting a business.*

Chron.com. <https://smallbusiness.chron.com/estimate-start-up-capital-starting-business-1859.html>

- c. What are the variable costs for XYW?
- d. What is XYW start-up capital?
- e. What are the sources of XYW start-up capital?

	A	B	C	D	E	F	G
1	<b>Startup Costs Template</b>						
2							
3	<b>Startup costs</b>				<b>Start up funding</b>		
4							
5	<b>Expenses</b>				Accounts payable		20,000
6	Website design		2,000		Other liabilities		7,000
7	Stationery		2,000		Debt		120,000
8	Insurance		4,000		<b>Total liabilities</b>		<b>147,000</b>
9	Payroll		3,000				
10	Rent		4,000		Investor capital		10,000
11	Computer costs		6,000		Owner capital		50,000
12	Legal		1,000		<b>Total capital</b>		<b>60,000</b>
13	Logo design		1,000				
14	Training		5,000		<b>Total funding</b>		<b>207,000</b>
15	Marketing		6,000				
16	Other		3,000				
17	<b>Total expenses</b>		<b>37,000</b>				
18							
19							
20	<b>Assets</b>				<b>Opening balance sheet</b>		<b>Opening</b>
21	Land		20,000		<b>Assets</b>		
22	Buildings		10,000		Cash		10,000
23	Equipment		20,000		Accounts receivable		3,000
24	Plant & Machinery		100,000		Inventory		7,000
25	Other				<b>Current assets</b>		<b>20,000</b>
26	<b>Long-term assets</b>		<b>150,000</b>		Long-term assets		150,000
27	Cash		10,000		<b>Total assets</b>		<b>170,000</b>
28	Accounts receivable		3,000				



### Topic 2.5 Task 6:

Analyse the following scenario and use it to answer the questions that follow.

Miss BYIRINGIRO started a business, BYINGI TOURS with the following transaction in 2016:

**Aug 01:** Miss BYIRINGIRO the owner, invested 57,500 RWF cash and 32,500 RWF of photography equipment in the business.

**Aug 04:** Paid 3,000FRW cash for an insurance policy covering the next 24 months.

**Aug 07:** Services were performed and clients were billed for 10,000 RWF.

**Aug 13:** Purchased office supplies for 1,400 RWF. Cash paid 400 RWF and the rest remains outstanding.

**Aug 18:** She withdrew of worth 2,000 RWF for personal use.

**Aug 20:** Received 2,000 RWF cash in photography fees earned previously.

**Aug 24:** The client immediately pays 1,500 RWF for services to be performed at a later date.

**Aug 29:** The business acquires photography equipment. The purchase price is 100,000FRW, pays 25,000 RWF cash, and signs a note for the balance.

**Required:**

Using the Money in Money out template below, record the above transactions appropriately.

Money In & Money Out			
Date	Description	Income Money IN	Expense Money OUT
	<b>Total</b>		



## Application Activity



### Topic 2.5 Task 7:

Refer to your business idea developed in Learning Unit 1 and use the start-up capital template below to guide you. Estimate the business start-up capital for your business idea.

- What are the total expenses?
- What are the fixed costs?
- What are the variable costs?
- What is the total start-up cost?

Business Name:		Business Startup Costs
<b>FUNDING</b>		<b>Estimated</b>
<b>Investor Funding</b>		
	Owner 1	
	Owner 2	
	<b>Total Investment</b>	
<b>Loans</b>		
	Bank Loan 1	
	Non-Bank Loan 1	
	<b>Total Loans</b>	
<b>Other Funding</b>		
	Grant 1	
	Other	
	<b>Total Other Funding</b>	
<b>Total FUNDING (A)</b>		
<b>COSTS</b>		<b>Estimated</b>
<b>Fixed Costs</b>		
	<b>Total Fixed Costs</b>	
<b>Average Monthly Costs</b>		

	<b>Total Monthly Costs</b>	
<b>Total COSTS (B)</b>		
<b>SURPLUS/DEFICIT (A-B)</b>		



### Points to Remember

- It is important to differentiate fixed costs from variable costs.
- Knowledge of different business transactions is very important.
- It is very crucial to keep business records for compliance and future use.
- The knowledge of cash in cash out enables us to know whether the business is taking a loss or making a profit.
- It is important to differentiate business money from private money.



### Formative Assessment

Read the directions and answer the following questions.

1. Using an example, differentiate business money from private/personal money.
2. Using an example, differentiate cash in from cash out transactions.
3. Why is it important for an entrepreneur to separate business money and private money?
4. Differentiate between the following business records:
  - a. Sales records and purchase records
  - b. Debtors records and creditors records
5. Why do you think it is beneficial for the business to do record keeping?
6. Using an example, differentiate fixed costs from variable costs





## Self-Reflection

1. Re-take the self-assessment from the beginning of the unit. Remember, it is not a test, but rather is an opportunity to see the progress you have made in your knowledge and skills related to performing business idea operations.

My experience	I don't have any experience doing this.	I know a little about this.	I have some experience doing this.	I have a lot of experience with this.	I am confident in my ability to do this.
Knowledge, skills and attitudes					
Describe key business stakeholders, their roles, ways and importance of establishing good relationships with them.					
Describe customer services and how to do business with suppliers.					
Describe how governmental laws and policies affect opening and running a business.					
Set production targets according to the market needs, available resources, and costs for production inputs.					
Identify and select key business suppliers.					
Describe the process of purchasing goods.					
Describe the quality of final products to meet customer demand.					
Describe required standards for product production as per Rwanda Standards Board.					

<b>My experience</b>	<b>I don't have any experience doing this.</b>	<b>I know a little about this.</b>	<b>I have some experience doing this.</b>	<b>I have a lot of experience with this.</b>	<b>I am confident in my ability to do this.</b>
<b>Knowledge, skills and attitudes</b>					
Describe product packaging and its functions.					
Describe market and conduct market analysis.					
Describe types of customers and conduct a customer survey.					
Describe types of competitors and conduct a competitor survey.					
Identify business transactions and differentiate business money from private money.					
Describe the importance of record keeping and determine cash balance.					
Differentiate fixed costs from variable costs and estimate the start-up capital and on-going costs.					

2. Reflect on the results of the self-reflection and the work you have done during this unit. Fill in the table below.

<b>Areas of strength</b>	<b>Areas for improvement</b>	<b>Actions to be taken to improve</b>
1.	1.	1.
2.	2.	2.

## Unit 3: Prepare an Elementary Business Plan



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<sup>60</sup> User:geralt. (2017, December 1). *Business plan tree growth grow* [Illustration]. Pixabay. <https://pixabay.com/illustrations/business-plan-tree-growth-grow-2987962/>  
License: <https://pixabay.com/service/license/>

## **Topics:**

- 3.1** Identification of the proposal components according to the template proposed
- 3.2** Developing of basic business plan components
- 3.3** Presentation of the business proposal according to the criteria defined

### **Unit Summary:**

This unit will equip trainees with knowledge and skills required to identify business proposal components, develop a standard business proposal, and to present the business proposal to different audiences according to the criteria defined.

## Learning Unit 3 Self-Assessment

1. Look at the Unit 3 illustration above and discuss what you notice. What topics do you think this unit will include based on the illustration?
2. Fill out the self-assessment at the beginning of the unit. The purpose of the self-assessment is to become familiar with the topics in the unit and for you to check what you know or do not know. At the end of the unit, you will do a self-reflection, which includes re-taking the self-assessment and identifying your strengths, areas that need improvement, and actions to take. The self-assessment is not a test!

There is no right or wrong way to answer this assessment. It is for your own use during this unit. The trainer will read a skill that is listed in the left column. Think about yourself: do you think you can do this? How well? Read the statements across the top. Put a check in column that best represents your situation. At the end of this unit, you will take this assessment again.

My experience	I don't have any experience doing this.	I know a little about this.	I have some experience doing this.	I have a lot of experience with this.	I am confident in my ability to do this.
Knowledge, skills and attitudes					
Identify the main components of the business proposal.					
Describe the main components of the business proposal.					
Analyse different templates of business proposals.					
Present the main components of the business proposal.					
Develop business proposal components.					
Analyse a given business proposal.					

<b>My experience</b>	<b>I don't have any experience doing this.</b>	<b>I know a little about this.</b>	<b>I have some experience doing this.</b>	<b>I have a lot of experience with this.</b>	<b>I am confident in my ability to do this.</b>
<b>Knowledge, skills and attitudes</b>					
Prepare an effective business proposal presentation.					
Present a business proposal following all steps and emphasising key components.					

### Topic 3.1: Identification of the business proposal components according to the template proposed

#### Key Competencies:

<b>Knowledge</b>	<b>Skills</b>	<b>Attitudes</b>
<b>1.</b> Present the main components of the business proposal.	<b>1.</b> Conduct market assessment and competitive analysis.	<b>1.</b> Innovative and creative
<b>2.</b> Prepare business proposal executive summary.	<b>2.</b> Describe the organization products and services.	<b>2.</b> Efficient
<b>3.</b> Describe the organization management and structure.	<b>3.</b> Prepare financial projections and request for funding.	<b>3.</b> Analytical



#### Getting Started: What do we know and where are we going?



#### Topic 3.5 Task 1:

Read the following story and answer questions that follow.

Ten friends were invited to a wedding ceremony in a far away neighborhood. The bridegroom requested they all take their lamps as the bridegroom would come late in the night. Five of them took their lamps but did not take any kerosene with them. The other five took kerosene in jars along with their lamps. The bridegroom was delayed, and as they were all tired, they fell asleep. At midnight they heard the shouts and cries: "Here's the bridegroom! Come out to meet him!" Then all the friends woke up and checked their lamps. The first five said to their friends, "Give us some of your kerosene; our lamps are going out." "No," they replied, "there

may not be enough for both us and you. Instead, go to those who sell kerosene and buy some for yourselves.” But while they were on their way to buy kerosene, the bridegroom arrived. The five friends who were ready went with the bridegroom to the wedding banquet. And the door was shut.

- a. What mistakes did the first five friends make?
- b. What do you think happened when the friends came back from buying kerosene?
- c. Why do you think the other five friends were able to see the bridegroom?
- d. What lesson did you learn from this story in relation to starting and running a business?



### Problem Solving Activity



#### Topic 3.1 Task 2:

You requested for some money from your community SACCO to start a business in your locality. You have been invited by the loans committee of SACCO to talk about your business idea and take the team through your business proposal.

Mention and briefly describe the major elements of your business proposal that you will present to the loans committee.

### 3.1 Key Facts

**A business plan.** A roadmap for your business that outlines goals and details how you plan to achieve those goals.

#### Components of a business plan:

Adapted from Florida Atlantic University’s “Business Plan Template for a Startup Business”:

**The title page.** The first page a banker or investor sees. It should be structured neatly and appeal to your intended audience. The title page generally includes the following items:

- Name of your business or proposed name of your business.
- Logo of the business (if any).
- The month and year in which the business plan was issued.
- Name, address, and telephone number of the person responsible for the business.<sup>61</sup>

<sup>61</sup> Business Plan Hut. (n.d.). *What to include on the title page of a business plan*. <https://www.businessplanhut.com/what-include-title-page-business-plan>

**Executive Summary.** The most important part of the business plan. Often, it's the only part that a prospective investor or lender reads before deciding whether or not to read the rest of your plan. It should convey your enthusiasm for your business idea and get readers excited about it too. The Executive Summary should briefly explain each of the following:

- An overview of your business idea
- A description of your product and/or service
- Your goals for the business
- Your proposed target market -- who are your ideal customers?
- Your competition and what differentiates your business
- Your management team and their prior experience
- Financial outlook for the business<sup>62</sup>

**Company Description.** This section explains the basic elements of your business. Include each of the following:

- Company mission statement
- Company philosophy and vision
- Company goals
- Target market
- Industry
- Legal structure

**Marketing Plan.** This section provides details on your industry, the competitive landscape, your target market and how you will market your business to those customers. This focuses on:

- Market research
- Barriers to entry
- Threats and opportunities
- Product/service features and benefits
- Target customer
- Key competitors
- Positioning/Niche
- How you will market your product/service
- Promotional budget
- Pricing

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<sup>62</sup> Florida Atlantic University. (n.d.). *Business plan template for a startup business*. <https://www.fau.edu/techrunway/documents/score-deluxe-startup-business-plan-template-1.pdf>



- Location or proposed location
- Distribution channels
- 12-month sales forecast

**Operational Plan.** This section explains the daily operation of your business, including its location, equipment, personnel and processes. This focuses on:

- Production
- Quality control
- Location
- Legal environment
- Personnel
- Inventory
- Suppliers
- Credit policies

**Management & Organization.** This section should give readers an understanding of the people behind your business, their roles and responsibilities, and their prior experience. If you're using your business plan to get financing, know that investors and lenders carefully assess whether you have a qualified management team. This focuses on:

- Biographies
- Gaps
- Advisors
- Organizational Chart

**Start-up Expenses & Capitalization.** In this section, detail the expenses involved in opening the business and how much capital you'll need. (Do not include ongoing expenses (for after your business opens); those are listed in the Financial Plan.) Estimating start-up expenses as accurately as possible helps you gather enough start-up capital.

**Financial Plan.** Your financial plan is perhaps the most important element of your business plan. Lenders and investors will review it in detail. Developing your financial plan helps you set financial goals for your start-up and assess its financing needs. Include the following:

- 12-month profit & loss projection
- Cash flow projection
- Projected balance sheet
- Break-even calculation
- Use of capital

**Appendices.** Don't slow your readers down by cluttering your business plan with supporting documents, such as contracts or licenses. Instead, put these documents in the Appendices, and refer to them in the body of the plan, so readers can find them if needed.

Below are some elements many business owners include in their Appendices:

- Agreements (leases, contracts, purchase orders, letters of intent, etc.)
- Intellectual property (trademarks, licenses, patents, etc.)
- Resumes of owners/key employees
- Advertising/marketing materials
- Public relations/publicity
- Blueprints/plans
- List of equipment
- Market research studies
- List of assets that can be used as collateral<sup>63</sup>



### Guided Practice Activity



#### Topic 3.1 Task 3:

1. Find the components of a business plan listed in **3.1 Key Facts** in the templates below in **3.2 Key Facts**. Note that there are different variations of business plans so you will not always find the exact same components when comparing business plans.
2. Write down any questions you have for the trainer or other trainees to answer.

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<sup>63</sup> Florida Atlantic University. (n.d.). *Business plan template for a startup business*. <https://www.fau.edu/techrunway/documents/score-deluxe-startup-business-plan-template-1.pdf>

### 3.2 Key Facts

#### Executive Summary

Name of business \_\_\_\_\_

Legal form \_\_\_\_\_

Contact address \_\_\_\_\_

Tel. \_\_\_\_\_ E-mail \_\_\_\_\_

#### Type of business

☐ Manufacturer ☐ Service provider ☐ Wholesaler ☐ Retailer

#### Brief description of the business idea

Products or services \_\_\_\_\_

Customers \_\_\_\_\_

Owner(s) \_\_\_\_\_

(Name, Address, Qualification, Function in the business, Relevant experience)

\_\_\_\_\_

Number of jobs to be created \_\_\_\_\_

#### Start-up capital

Investment \_\_\_\_\_

Working capital \_\_\_\_\_

Total \_\_\_\_\_

#### Source of capital

Own savings \_\_\_\_\_

Partner \_\_\_\_\_

Family loan \_\_\_\_\_

Bank loan \_\_\_\_\_

## **Business Idea and Market**

### **Description of the business idea**

(e.g. identified needs, who are the customers, type of products or services to satisfy the needs, how to reach the customers, etc.)

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### **Description of the market**

(e.g. geographical area, town, type of customers, size of total market, description of competitors, market share for the new business, etc.)

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## **Marketing Plan Product**

Detailed description of the product or product range or service

<b>Product/service</b>	<b>(1)</b>	<b>(2)</b>
Denomination		
Specification (e.g. size, colour, quality)		
Packaging		
After sales service		

**Marketing Plan Price**

Product/service	(1)	(2)
How much are customers willing to pay?	Highest ; Average; Lowest	Highest ; Average; Lowest
Competitors' price	Highest ; Average; Lowest	Highest ; Average; Lowest
My price		
Reasons for setting my price		
Margin for discount?	Yes (? %) No	Yes (? %) No

**Marketing Plan Place****Location of the business**

Description of the planned location for the business

Reason for choosing this location

Reaching the customers by selling to

☐ Individuals

☐ Retailers

☐ Wholesalers

☐ Others

Reason for choosing this way of distribution

**Marketing Plan Promotion****Start-up promotion**

Description of the planned actions to inform customers about the opening of the new business (e.g. printed information, brochures, posters, newspaper articles, radio advertisements, opening ceremony, etc. Also make inquiries about the costs for the different types of promotion)

**Legal Form**

The legal form of the business will be: \_\_\_\_\_

Reason for choosing this legal form \_\_\_\_\_

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**Start-Up Capital**

Estimation of start-up capital		Amount
<b>INVESTMENT</b>		
Land		
Building		
Equipment		
Miscellaneous		
<b>Total Investment</b>		
<b>WORKING CAPITAL</b>		
____ months of staff costs		
____ months of operational costs		
<b>Total working capital</b>		
<b>TOTAL START-UP CAPITAL</b>		
<b>Specification of investment items</b>		
Investment item	Specification	Price
Land	Surface	
Building	Surface	
Equipment	Type, technical specification	
Tools		
Transport		
Miscellaneous		
<b>TOTAL ACQUISITION COSTS</b>		

## Sources of Start-Up Capital

### Sources of funding

Type	Source	Conditions	Amount
		(duration/interest)	
Equity capital	<input type="checkbox"/> Own savings		
	<input type="checkbox"/> Partner		
Loan 1	<input type="checkbox"/> Family		
	<input type="checkbox"/> Friends		
	<input type="checkbox"/> Money lender		
Loan 2	<input type="checkbox"/> Credit cooperative		
	<input type="checkbox"/> Government scheme		
	<input type="checkbox"/> Bank loan		
<b>TOTAL FUNDING</b>			

### Information about funding sources

#### Loan 1

Name and address of creditor or credit institution \_\_\_\_\_

Credit agreement    ☐ under discussion    ☐ finalized  
    ☐ money available on (date) \_\_\_\_\_

#### Loan 2

Name and address of creditor or credit institution \_\_\_\_\_

Credit agreement    ☐ under discussion    ☐ finalized  
    ☐ money available on (date) \_\_\_\_\_

## Debt Service

Repayment Period	1	2	3	4	5	6	7	8
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
<b>Loan 1</b>								
Instalment								
Interest								
<b>Loan 2</b>								
Instalment								
Interest								
Debt service								
Sum of Instalments								

## Organization and Staff

### Organization of the business

#### Staff requirements

	Position	Tasks, Responsibilities and Qualifications
1	_____	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____

#### Planned organization chart

(Sketch of planned organization chart)



**Staff costs**

	Position	Qualifications	Salary per month	Social security	Total staff cost
1	_____	_____	_____	_____	_____
2	_____	_____	_____	_____	_____
3	_____	_____	_____	_____	_____
4	_____	_____	_____	_____	_____
5	_____	_____	_____	_____	_____

**Organization of business premises**

(Sketch of planned shop, office or workshop)

**Business Operation and Costs****Monthly Sales Plan**

All products, product range or services

Month		1	2	3	4	5	6	7	8	9	10	11	12
Product 1	Price												
	Quantity												
	Turnover												
Product 2	Price												
	Quantity												
	Turnover												
Product 3	Price												
	Quantity												
	Turnover												
Product n	Price												
	Quantity												
	Turnover												
All products	Turnover												

### Monthly Operational Cost Plan

Planning is based on the monthly sales plan

Month		1	2	3	4	5	6	7	8	9	10	11	12
Product 1	Quantity												
Materials	All costs												
Product 2	Quantity												
Materials	All costs												
Product 3	Quantity												
Materials	All costs												
Product n	Quantity												
Materials	All costs												
<b>Materials</b>	<b>Total costs</b>												
+ Staff	Total costs												
+ Others	Total costs												
<b>= Operation</b>	<b>Total costs</b>												
+ Capital cost	Interest												
	Depreciation												
<b>=</b>	<b>Total costs</b>												

### Cash Flow Plan

#### Monthly Cash Flow Plan

Month	Pre-operation	1	2	3	4	5	6	7	8	9	10	11	12
Cash beginning of the month													
+ Equity													
+ Loans													
+ Sales													
+ Any other													
<b>I: Total cash in</b>													
+ Investment													
+ Operational cost													
+ Interest													
+ Any other													
<b>II: Total cash out</b>													
<b>I – II Cash at the end of the month</b>													

**Profit Margin****Monthly Estimation of Net Profit**

Month		1	2	3	4	5	6	7	8	9	10	11	12
Product 1	Quantity												
	Turnover												
Product 2	Quantity												
	Turnover												
Product 3	Quantity												
	Turnover												
Product n	Quantity												
	Turnover												
I. Total Sales													
- Operation	Total costs												
- Capital cost	Interest												
	Depreciation												
II. Total Costs													
I – II Profit (before tax)													
Net profit (after tax)													

**Opening Balance****Opening Balance of My Business (Date)**

Assets	Value	Liabilities	Value
<b>Fixed Assets</b>		<b>Equity</b>	
Land		<b>Long-Term Liabilities</b>	
Building		Mortgage	
Equipment		Loans	
Others		Others	
<b>Total Fixed Assets</b>		<b>Total Long-Term Liabilities</b>	
<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash and bank		Accounts payable	
Accounts receivable		Taxes payable	
Inventory		Others payable	
<b>Total Current Assets</b>		<b>Total Current Liabilities</b>	
<b>Total Assets</b>		<b>Total Liabilities and Net Worth</b>	



## Application Activity



### Topic 3.1 Task 4:

Visit some entrepreneurs in your communities and ask them to share some business plans, or you can ask your trainer for a sample business plan. Identify all the various components of the business plan as well as those you think are missing.



## Points to Remember

A basic business plan contains the following components:

- Executive Summary
- Business Idea and Market
- Marketing Plan Product
- Marketing Plan Price
- Marketing Plan Place
- Marketing Plan Promotion
- Legal Form
- Start-up Capital
- Sources of Start-up Capital
- Organization and Staff
- Business Operation and Costs
- Cash Flow Plan
- Profit Margin
- Opening Balance



## Formative Assessment

Name and briefly explain the purpose of the components of the business plan by completing the table provided below.

No#	Component	Purpose

## Topic 3.2: Development of basic business plan components

### Key Competencies:

Knowledge	Skills	Attitudes
1. Formulate business name and describe business idea.	1. Develop business proposal components.	1. Active
2. Describe business operations.	2. Determine business required capital.	2. Dynamic
3. Describe products or services and target customer.	3. Determine business location and timeline of main business phases.	3. Analytical



### Getting Started: What do we know and where are we going?



#### Topic 3.2 Task 1: Experience sharing

- Have you ever started a business activity, or a group activity?
- What was the activity?
- What was the name of the activity?
- Why did you choose this particular name?
- What was the activity about?



### Problem Solving Activity



#### Topic 3.2 Task 2:

Referencing your business idea developed in Unit 1, do the following:

- Write the name of the business you will start.
- Why did you choose that name?
- Briefly describe the business idea.
- Briefly describe the product or service of the business.

- e. Who are the target customers?
- f. What are the capital requirements?
- g. Where will the business be located?
- h. What price will the product or service be sold at?

### 3.3 Key Facts

#### Developing Business Plan Components

Adapted from Florida Atlantic University's "Business Plan Template for a Startup Business":

#### Executive Summary:

- Write this LAST, after you have completed the rest of the business plan.
- Limit your Executive Summary to one or two pages in total.

#### Business Description:

- **Business mission statement.** This is a brief explanation of your business's reason for being.
- **Company philosophy and vision.** What values does your business live by? What do you ultimately want it to become?
- **Company goals.** Specify your long- and short-term goals as well as any milestones or benchmarks you will use to measure your progress.
- **Target market.** Briefly explain who your target customers are.
- **Industry.** Describe your industry and what makes your business competitive: Is the industry growing, mature, or stable? What is the industry outlook long-term and short-term? How will your business take advantage of projected industry changes and trends? What might happen for your competitors and how will your business successfully compete?
- **Legal structure.** Is your business a sole proprietorship, LLC, partnership, or corporation? Why did you choose this particular form of business?  
If there is more than one owner, explain how ownership is divided. If you have investors, explain the percentage of shares they own. This information is important to investors and lenders.

#### Products & Services:

- **Your company's products and/or services:**

- What do you sell, and how is it manufactured or provided?
- The problem the product or service solves.
- What are its benefits, features, and unique selling position?
- How you will price your product or service?

#### **Marketing Plan:**

- **Market research.** This section of your plan should explain:
  - The total size of your industry.
  - Trends in the industry – is it growing or shrinking?
  - The total size of your target market, and what share is realistic for you to obtain.
  - Trends in the target market – is it growing or shrinking? How are customer needs or preferences changing?
- **Barriers to entry.** What barriers to entry does your start-up face, and how do you plan to overcome them? Barriers to entry might include:
  - High start-up costs
  - High production costs
  - High marketing costs
  - Brand recognition challenges
  - Finding qualified employees
  - Need for specialized technology or patents
  - Tariffs and quotas
- **Threats and opportunities.** Once your business surmounts the barriers to entry you mentioned, what additional threats might it face? Explain how the following could affect your start-up:
  - Changes in government regulations
  - Changes in technology
  - Changes in the economy
  - Changes in your industry
- **Product/service features and benefits.** Describe all of your products or services, making sure to focus on the customer's point of view. For each product or service:
  - Describe the most important features. What is special about it?
  - Describe the most important benefits. What does it do for the customer?

In this section, explain any after-sale services you plan to provide, such as:

  - Product delivery
  - Warranty/guarantee

- Service contracts
- Ongoing support
- Training
- Refund policy

- **Target customer.** Describe your target customer.

Identify your target customer groups, and create a demographic profile for each group that includes:

For consumers:

- Age
- Gender
- Location
- Income
- Occupation
- Education level

- **Key competitors.** Your plan must show that you have identified the competitors and understand how to differentiate your business. This section should:
  - List key companies that compete with you (including names and locations), products that compete with yours, and/or services that compete with yours.
- **Positioning/Niche.** Now that you've assessed your industry, product/service, customers and competition, you should have a clear understanding of your business's niche (your unique segment of the market) as well as your positioning (how you want to present your company to customers). Explain these in a short paragraph.
- **How you will market your product/service?**
  - In this section, explain the marketing and advertising tactics you plan to use.
  - Which media will you advertise in, why and how often?
  - What image do you want to project for your business brand?
  - What design elements will you use to market your business? (This includes your logo, signage, and interior design.) Explain how they'll support your brand.
- **Pricing.** You explained pricing briefly in the "Products & Services" section; now it's time to go into more detail. How do you plan to set prices? Keep in mind that few small businesses can compete on price without hurting their profit margins. Instead of offering the lowest price, it's better to go with an average price and compete on quality and service.



- Does your pricing strategy reflect your positioning?
- Compare your prices with your competitors'. Are they higher, lower, or the same? Why?
- How important is price to your customers? It may not be a deciding factor.
- What will your customer service and credit policies be?
- **Promotional budget.** How much do you plan to spend on the marketing and advertising outreach detailed above:
  - Before start-up (These numbers will go into your start-up budget)
  - On an ongoing basis (These numbers will go into your operating plan budget)
- **Location or proposed location.** If you have a location picked out, explain why you believe this is a good location for your start-up. Consider the following factors:
  - Convenient location for customers
  - Adequate parking for employees and customers
  - Proximity to public transportation or major roads
  - Type of space (industrial, retail, etc.)
  - Types of businesses nearby
- **Distribution channels.** What methods of distribution will you use to sell your products and/or services? If you have any strategic partnerships or key distributor relationships that will be factors in your success, explain them here.
- **12-month sales forecast.** If you've already made some sales, you can use those as a basis for your projections. If, like most start-ups, you haven't sold anything yet, you'll need to create estimates based on your market research, your proposed marketing strategies, and your industry data.
  - Create two forecasts: a "best guess" scenario (what you really expect) and a "worst case" scenario (one you're confident you can reach no matter what).
  - Keep notes on the research and assumptions that go into developing these sales forecasts. Financing sources will want to know what you based the numbers on.

#### **Operational Plan:**

- **Production.** How will you will produce your product or deliver your service? Describe your production methods, the equipment you'll use, and how much it will cost to produce what you sell.
- **Quality control.** How will you maintain consistency? Describe the quality control procedures you'll use.

- **Location.** Where is your business located? You briefly touched on this in the Company Overview. In this section, expand on that information with details such as:
  - The size of your location
  - The type of building (retail, industrial, commercial, etc.)
  - Zoning restrictions
  - Accessibility for customers, employees, suppliers, and transportation if necessary
  - Costs, including rent, maintenance, utilities, insurance and any buildout or remodelling costs
  - Utilities
- **Legal environment.** What type of legal environment will your business operate in? How are you prepared to handle legal requirements? Include details such as:
  - Any licenses and/or permits that are needed and whether you've obtained them
  - Any trademarks, copyrights or patents that you have or are in the process of applying for
  - The insurance coverage your business requires and how much it costs
  - Any environmental, health, or workplace regulations affecting your business
  - Any special regulations affecting your industry
  - Bonding requirements, if applicable
- **Personnel.** What type of personnel will your business need? Explain details such as:
  - What types of employees? Are there any licensing or educational requirements?
  - How many employees will you need?
  - Will you ever hire freelancers or independent contractors?
  - Include job descriptions.
  - What is the pay structure (hourly, salaried, base plus commission, etc.)?
  - How do you plan to find qualified employees and contractors?
  - What type of training is needed and how will you train employees?
- **Inventory.** If your business requires inventory, explain:
  - What kind of inventory will you keep on hand (raw materials, supplies, finished products)?
  - What will be the average value of inventory (in other words, how much are you investing in inventory)?
  - What rate of inventory turnover do you expect? How does this compare to industry averages?
  - Will you need more inventory than normal during certain seasons? (For instance, a retailer might need additional inventory for the holiday shopping season.)

- What is your lead time for ordering inventory?
- **Suppliers.** List your key suppliers, including:
  - Names, addresses, websites
  - Type and amount of inventory furnished
  - Their credit and delivery policies
  - History and reliability
  - Do you expect any supply shortages or short-term delivery problems? If so, how will you handle them?
  - Do you have more than one supplier for critical items (as a backup)?
  - Do you expect the cost of supplies to hold steady or fluctuate? If the latter, how will you deal with changing costs?
  - What are your suppliers' payment terms?
- **Credit policies.** If you plan to sell to customers on credit, explain:
  - Whether or not this is typical in your industry (do customers expect it?)
  - What your credit policies will be. How much credit will you extend? What are the criterion for extending credit?
  - How will you check new customers' creditworthiness?
  - What credit terms will you offer?
  - Detail how much it will cost you to offer credit and show that you've built these costs into your pricing structure.
  - How will you handle slow-paying customers? Explain your policies, such as when you will follow up on late payments, and when you will get an attorney or collections agency involved.

#### **Management & Organization:**

- **Biographies.** Include brief biographies of the owner/s and key employees. Include resumes in the Appendix. Here, summarize your experience and those of your key employees in a few paragraphs per person. Focus on the prior experience and skills that have prepared your team to succeed in this business. If anyone has previous experience starting and growing a business, explain this in detail.
- **Gaps.** Explain how you plan to fill in any gaps with regards to management and/or experience. For instance, if you lack financial know-how, will you hire an accountant? If you don't have sales skills, will you hire an in-house sales manager or use outside sales reps?

- **Advisors.** List the members of your professional/advisory support team, including:
  - Attorney
  - Accountant
  - Board of directors
  - Advisory board
  - Insurance agent
  - Consultants
  - Banker
  - Mentors and other advisors
- **Organization Chart.** Develop and include an organization chart. This should include both roles that you've already filled and roles you plan to fill in the future.

### **Start-up Expenses & Capitalization**

- **Start-Up Expenses.** In working on this Business Plan, you should already have gathered most, if not all, of the information you need. In the body of this section, be sure to explain all of the assumptions behind the figures. How did you come up with these expenses? If you've secured or expect to secure loans, explain the source/s, amount/s and terms. If you've secured or expect to secure investors, explain how much each investor will contribute and what percentage of ownership each receives in return.
- **Opening Day Balance Sheet.** Use it to detail the expected state of your business finances on opening day. As with the Start-Up Expenses sheet, be sure to explain the assumptions behind the figures.
- **Personal Financial Statement.** If you are using the business plan to seek financing, include personal financial statements for each owner and each major stockholder. The personal financial statements should detail each person's assets and liabilities outside of the business and their personal net worth. Investors and/or lenders typically expect business owners to use personal assets to finance a start-up, and they'll want to see how much capital you have available from your personal finances.<sup>64</sup>



### **Guided Practice Activity**

<sup>64</sup> Florida Atlantic University. (n.d.). *Business plan template for a startup business*. <https://www.fau.edu/techr runway/documents/score-deluxe-startup-business-plan-template-1.pdf>



### Topic 3.2 Task 3:

Referring to your business idea from Unit 1, complete the following sections for your business idea using the templates/worksheets below.

#### Company Description Worksheet

<b>Business Name</b>	
<b>Company Mission Statement</b>	
<b>Company Philosophy/Values</b>	
<b>Company Vision</b>	
<b>Goals &amp; Milestones</b>	1. 2. 3.
<b>Target Market</b>	
<b>Industry/ Competitors</b>	1. 2. 3.
<b>Legal Structure/ Ownership</b>	

#### Product & Service Description Worksheet

<b>Business Name</b>	
<b>Product/ Service Idea</b>	
<b>Special Benefits</b>	
<b>Unique Features</b>	

<b>Limits and Liabilities</b>	
<b>Production and Delivery</b>	
<b>Suppliers</b>	
<b>Intellectual Property Special Permits</b>	
<b>Product/ Service Description</b>	

### SWOT Analysis Worksheet

	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
<b>Product/ Service Offering</b>				
<b>Brand/ Marketing</b>				
<b>Staff/HR</b>				
<b>Finance</b>				

<b>Operations/ Management</b>				
<b>Market</b>				
<b>Can any of your strengths help with improving your weaknesses or combating your threats? If so, please describe how below.</b>				
<b>Based on the information above, what are your immediate goals/next steps?</b>				
<b>Based on the information above, what are your long-term goals/next steps?</b>				

### Competitor Data Collection Plan

Price		
Benefits/Features		
Size/profitability		
Market strategy		

## Competitive Analysis Worksheet

For each factor listed in the first column, assess whether you think it's a strength or a weakness (S or W) for your business and for your competitors. Then rank how important each factor is to your target customer on a scale of 1 to 5 (1 = very important; 5 = not very important). Use this information to explain your competitive advantages and disadvantages.<sup>65</sup>

FACTOR	Me	Competitor A	Competitor B	Competitor C	Importance to Customer
Products					
Price					
Quality					
Selection					
Service					
Reliability					
Stability					
Expertise					
Company Reputation					

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<sup>65</sup> User:fredybingi. (2019). *Competitive analysis worksheet edited*. Course Hero. <https://www.coursehero.com/file/43235890/Competitive-Analysis-Worksheet-EDITEDdocx/>



<b>Location</b>					
<b>Appearance</b>					
<b>Sales Method</b>					
<b>Credit Policies</b>					
<b>Advertising</b>					
<b>Image</b>					

#### Marketing Expenses Strategy Chart

	<b>Target Market 1</b>	<b>Target Market 2</b>	<b>Target Market 3</b>
<b>One-Time Expenses</b>			
<b>Monthly or Annual Expenses</b>			
<b>Labor Costs</b>			

## Pricing Strategy Worksheet

<b>Business Name</b>		
<b>Which of the following pricing strategies will you employ? Circle one.</b>		
<b>Cost Plus</b> The costs of making/obtaining your product or providing your service, plus enough to make a profit	<b>Value Based</b> Based on your competitive advantage and brand (perceived value)	<b>Other:</b>
<b>Provide an explanation of your pricing model selection.</b> Include strategy info on your major product lines/service offerings. List industry/market practices and any considerations to be discussed with your mentor.		

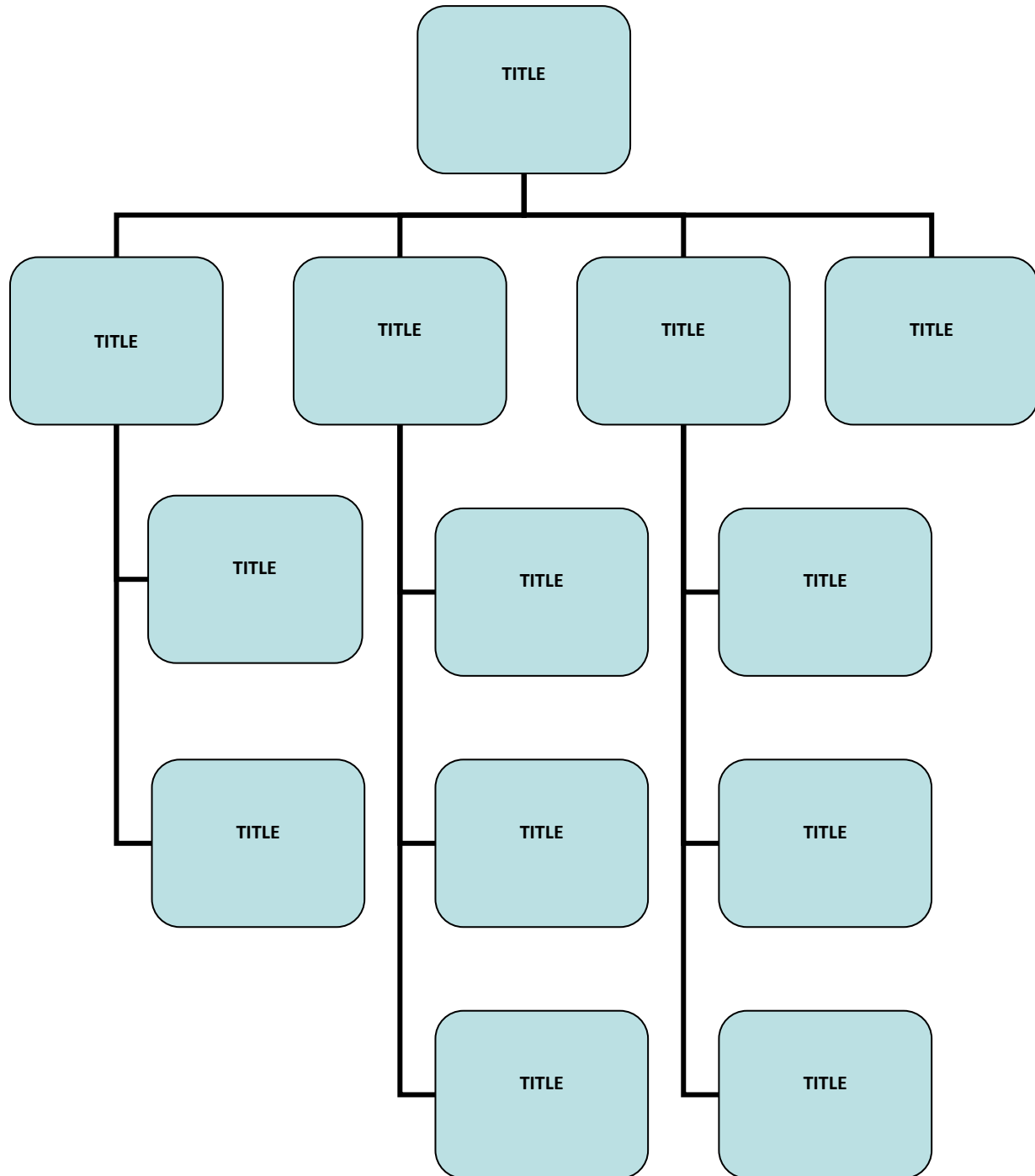
### Distribution Channel Assessment Worksheet

	<b>Distribution Channel 1</b>	<b>Distribution Channel 2</b>	<b>Distribution Channel 3</b>
<b>Ease of Entry</b>			
<b>Geographic Proximity</b>			
<b>Costs</b>			
<b>Competitors' Positions</b>			
<b>Management Experience</b>			
<b>Staffing Capabilities</b>			
<b>Marketing Needs</b>			

## Management Worksheet

<b>Bio/s</b>	
<b>Gaps in Management or Experience</b>	
<b>Advisors</b>	

## Organization Chart





## Application Activity



### Topic 3.2 Task 4:

Visit your communities and support the local entrepreneurs:

- a. Identify an entrepreneur who does not have a business plan.
- b. Explain the benefits of having a business plan to the entrepreneur.
- c. Assist the entrepreneur in developing a business plan for his/her business.



### Points to Remember

- Remember to always develop the various components of the business plan before developing a full business plan.
- Also, conduct research as you develop each component to ensure you're well informed.



### Formative Assessment

You can visit any entrepreneur in your community or ask your trainer to provide you with a sample business plan to complete the following:

1. Identify the name of the business.
2. Describe the business idea.
3. Describe business operations.
4. Identify the product and/or service of the business.
5. Describe the target customers.
6. Describe the requirements, in terms of capital.
7. Describe the location of business.
8. Describe the timeline of main phases of the business.
9. Describe the main components of a business proposal.

### Topic 3.3: Presentation of the business proposal according to the defined criteria



### Key Competencies:

Knowledge	Skills	Attitudes
1. Describe the growth of market in the next 3-5 years.	1. Prepare self-introduction and introduction of the company and its products.	1. Analytical
2. Describe the market and the role of company in solving customer problems.	2. Present competitive advantages for outstanding revenue growth and profitability and marketing strategies.	2. Dynamic
3. Describe the particularity of products and the size of the market for products.	3. Identify marketing strategies.	3. Innovative



### Getting Started: What do we know and where are we going?



#### Topic 3.3 Task 1:

Imagine you have been chosen to give a presentation on a class project.

- How would you prepare for the presentation?
- What would you do in order to make the presentation successful?



### Problem Solving Activity



#### Topic 3.3 Task 2:

Thinking back to the business plans you developed, consider the following, and answer the questions that follow:

Imagine you have finished developing the business plan for your business idea. You have been invited to present it to potential investors. Even if you are confident the business plan is well thought out, you still worry that you will not be able to express the most important aspects of the plan and engage the investors' interest in the short time allotted for the in-person presentation.

- How would you prepare yourself in advance for a successful presentation?
- How would you prepare yourself on the presentation day?



- c. How would handle yourself during the actual presentation?

### 3.4 Key Facts

#### Make a Business Plan Presentation

Adapted from Brian Hills (Chron.com)'s "How to Make a Business Plan Presentation":

- 1. Prepare the Business Plan Presentation.** Organize your presentation using slides that focus on the following key points:

##### Slides 1-3

- Introduce yourself, your company, and its products.
- Describe your market and how you solve your customers' problems.
- Explain how your product is different than anything else on the market.

##### Slides 4-6

- Discuss the size of the market for your product.
- Explain who your customers are.
- Demonstrate growth in your market in the next 3-5 years.

##### Slides 7-8

- Discuss the competitive advantages your venture has that will lead to outstanding revenue growth and profitability.
- Demonstrate your projected revenues and pretax profits for the next 3-5 years.

##### Slides 9-10

- Discuss your marketing strategies, including distribution channels and sales strategies.

##### Slides 10 and beyond

- Introduce your management team and advisory board members. Include one or two points about each person's background and experience, and explain how each person on the team brings a critical element necessary for your company's success.

##### Final slides

- Reveal the total amount of capital you need and a short list of major expenditures.

- 2. Rehearse Your Presentation.** Once you have created the presentation, practice presenting it to ensure that you appear polished and professional come presentation day.
- Again, keep time limits in mind, and respect the investors' time.

- Don't forget to include time for questions in your overall presentation plan.
- Create an outline of the presentation, addressing the important points that you want to cover.
- If you are using presentation software like PowerPoint, print a copy of your presentation in outline view.
- Use the printout to identify the key points you want to make from each slide.
- Jot down additional notes about what you want to say.
- Creating the outline not only ensures that you cover all of the key points, it also keeps you from simply reading what's on the screen, which will quickly bore the audience.
- Once you have an idea of what you are going to say, rehearse your presentation with colleagues.
- Invite members of your management team and conduct a dress rehearsal of the presentation.
- Get their feedback on what parts of the presentation might need editing or clarification.
- Time your presentation and cut it down if necessary.
- Rehearse the presentation several more times on your own.

### **3. Succeed on Presentation Day.**

- It's normal to be nervous come presentation day but do your best to relax and calm your nerves.
- Try some breathing or visualization exercises ahead of time to clear your mind and get into the right frame of mind.
- If you are well-prepared and know your presentation inside and out, there is nothing to be nervous about.
- Just be yourself – the investors are evaluating you as well as your business plan, after all. Do your best to project an image of confidence and competence.
- Show enthusiasm and urgency but avoid coming across as desperate or unfocused.
- Speak slowly, smile, make eye contact, and refer to your notes if you need to, and you'll impress investors with both your business and your presentation skills.<sup>66</sup>

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<sup>66</sup> Hill, B. (2019, March 7). *How to make a business plan presentation*. Chron.com. <https://smallbusiness.chron.com/make-business-plan-presentation-789.html>



## Guided Practice Activity



### Topic 3.3 Task 3:

Find a sample business plan, either from community entrepreneur or your trainer. Read through the business plan and imagine you are going to present it to potential investors.

- a. Briefly describe how you would prepare yourself for the presentation.
- b. What tips would you use in order to effectively present the business plan?
- c. Write out a brief outline of your presentation for the business plan.

### 3.5 Key Facts

#### When presenting a business plan:

- **Use facts and figures** — Support every conclusion and claim with research from third-party sources. If you mention trends or evaluate your market potential, make sure you've done the research to back your claims.
- **Be clear** — Your banker or potential investor probably isn't an expert in your field, so avoid industry jargon, acronyms, and technical details.
- **Show you've done your research** — Demonstrate you've looked at your project from every angle and prepared contingency plans. Discuss how your previous experience and achievements will help in this case.
- **Stick to business** — Focus on proving your case. It's good to be passionate about your business, but it's your facts and figures that will get you the money.
- **Be realistic** — Your forecasts should clearly show how your business or project will be profitable for both you and your counterpart. These forecasts must be rational and backed by solid data.<sup>67</sup>

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<sup>67</sup> Business Development Bank of Canada. (n.d.). *How to present your business plan effectively*. <https://www.bdc.ca/en/articles-tools/start-buy-business/start-business/pages/presenting-business-plan.aspx>

- **An introduction** — The entrepreneur's own qualifications, education, work experience, and background should be offered at the beginning of the presentation.
- **Visual appeal** — This can be achieved through the use of charts and graphs that might be created from research results or from financial data and forecasts.
- **Avoid heavy reliance on notes** — So that a relatively continuous amount of eye contact with the audience, can be made, avoid overusing notes.
- **Audience participation** — Might be gained by using examples of how the product, service, or business can benefit the people in the audience, or at least people who have similar interests and/or occupations.<sup>68</sup>



### Application Activity



#### Topic 3.3 Task 4:

Referring to your individual business plan previously prepared for your business idea, do the following:

- a. Briefly describe how you would prepare yourself for the presentation.
- b. What tips would you use in order to effectively present the business plan?
- c. Write out a brief outline of your presentation for the business plan.

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<sup>68</sup> Business Plan Hut. (n.d.). *Tips on presenting a business plan*. <https://businessplanhut.com/tips-presenting-business-plan>



#### Points to Remember

- Don't try to fit your entire business plan into the presentation.
- Just be yourself – the investors are evaluating you as well as your business plan, after all – and do your best to project an image of confidence and competence.
- Show enthusiasm and urgency but avoid coming across as desperate or unfocused.
- Speak slowly, smile, make eye contact, and refer to your notes if you need to, and you'll impress investors with both your business and your presentation skills.



#### Formative Assessment

1. Describe how a business plan can be presented effectively.
2. What are the tips for effective presentation of the business plan?



## Self-Reflection

1. Re-take the self-assessment from the beginning of the unit. Remember, it is not a test, but rather is an opportunity to see the progress you have made in your knowledge and skills related to preparing an elementary business plan.

<b>My experience</b>	<b>I don't have any experience doing this.</b>	<b>I know a little about this.</b>	<b>I have some experience doing this.</b>	<b>I have a lot of experience with this.</b>	<b>I am confident in my ability to do this.</b>
<b>Knowledge, skills and attitudes</b>					
Identify the main components of the business proposal.					
Describe the main components of the business proposal.					
Analyse different templates for business proposals.					
Present the main components of the business proposal.					
Develop business proposal components.					
Analyse a given business proposal.					
Prepare an effective business proposal presentation.					
Present a business proposal, following all steps and emphasising key components.					

2. Reflect on the results of the self-reflection and the work you have done during this unit. Fill in the table below.

Areas of strength	Areas for improvement	Actions to be taken to improve
1.	1.	1.
2.	2.	2.

# Unit 4: Perform Business Financial Operations





## **Topics:**

- 3.1** Mobilization of financial resources by collaborating with financial institutions and other sources of funds
- 3.2** Payment of all business expenses as per rules and regulations
- 3.3** Creating of balance sheet based on given assets and liabilities of a business

## **Unit Summary:**

This unit will equip trainees with the knowledge and skills to enable them to perform business financial operations. By the end of the learning unit, trainees will be able to mobilize financial resources, pay all the business expenses, and take inventory of assets.

## Learning Unit 4 Self-Assessment

1. Look at the Unit 4 illustration above and discuss what you notice. What topics do you think this unit will include based on the illustration?
2. Fill out the self-assessment at the beginning of the unit. The purpose of the self-assessment is to become familiar with the topics in the unit and for you to check what you know or do not know. At the end of the unit, you will do a self-reflection, which includes re-taking the self-assessment and identifying your strengths, areas that need improvement, and actions to take. The self-assessment is not a test!

There is no right or wrong way to answer this assessment. It is for your own use during this unit. The trainer will read a skill that is listed in the left column. Think about yourself: do you think you can do this? How well? Read the statements across the top. Put a check in column that best represents your situation. At the end of this unit, you will take this assessment again.

My experience	I don't have any experience doing this.	I know a little about this.	I have some experience doing this.	I have a lot of experience with this.	I am confident in my ability to do this.
Knowledge, skills and attitudes					
Describe sources of funds and types of financial institutions as source of finance.					
Describe how financial institutions as source of finance support small business.					
Describe the role of financial institutions, informal, and lending groups as source of finance.					
Describe business operating expenses.					
Describe modes of payment.					
Describe necessary documents required for payment.					

My experience	I don't have any experience doing this.	I know a little about this.	I have some experience doing this.	I have a lot of experience with this.	I am confident in my ability to do this.
Knowledge, skills and attitudes					
Describe business assets and liabilities.					
Prepare a balance sheet.					

## Topic 4.1: Mobilization of financial resources

### Key Competencies:

Knowledge	Skills	Attitudes
1. Describe saving and lending groups (IBIMINA) as informal sources of finance.	1. Identification of source of funds for a business.	1. Analytical
2. Describe types of financial institutions as source of finance.	2. Describe how financial institutions as source of finance support small business.	2. Active
3. Describe the role of financial institutions as source of finance.	3. Describe advantages and disadvantages of getting informal savings and loans from financial institutions.	3. Detail oriented



### Getting Started: What do we know and where are we going?



#### Topic 4.1 Task 1: Experience sharing

Read the scenario and answer the corresponding questions.

#### Scenario:

In your community there are people who are needy. Among these are the old people, the poor, and the sick. The community leader calls for a meeting to find solutions on how to help these people. Among the solutions the community members come up with is an idea to build a house

for one, very needy family. Fortunately, you are chosen to head the committee in charge of finding the funding to build the house.

1. As the leader, mention the various ways in which you will mobilize the funds for the house.



### **Problem Solving Activity**



#### **Topic 4.1 Task 2: Source of business funds**

Referring to the start-up capital estimations for your business idea in the business plan from Learning Unit 3, answer the following questions:

- a. Identify and briefly explain all the possible sources of finance for your business.
- b. From the sources mentioned in (a) above, complete the table provided by answering the questions below.
  - i. Which are formal sources? Provide evidence.
  - ii. Which are informal sources? Provide evidence.

Type	Source	Reasons
Formal sources		
Informal sources		

## 4.1 Key Facts

**Business finance/funds.** The amount of money you need to start your business.

**Sources of finance/funds.** The way and manner an entrepreneur finances his/her business or acquire funds to be invested in the business.

**Formal sources of funds:** Financial institutions that are established by law to carry out financial business activities, and at the same time, are responsible for assisting in growth, development, and survival of SMEs by providing facilities after fulfilling certain criterion.

**Informal sources of funds:** These are normally characterized by lack of contract documents. However, the borrower in most cases is well known by the lender.

Formal sources of funds	Informal sources of funds
<ul style="list-style-type: none"><li>• Commercial banks</li><li>• Corporative societies</li><li>• Micro finance banks</li><li>• Bank of industry</li><li>• Development banks</li><li>• Agricultural products/services financing</li><li>• Investment banking</li><li>• Business Development Funds</li><li>• Savings and loan association (SACCO)</li></ul>	<ul style="list-style-type: none"><li>• Relative and friends</li><li>• Money lenders</li><li>• Rotating savings</li><li>• Credit associations (IBINIMA)</li><li>• Personal savings</li><li>• Sale of property</li><li>• Gifts/Donations</li><li>• Salary/profit</li></ul>



### Topic 4.1 Task 3: Types and roles of financial institutions

1. Based on the formal sources of business finance/funds identified in **4.1 Key Facts**, conduct research in the library or ask students or instructors with expertise about:
  - a. The types of financial institutions
  - b. Roles of different type of financial institutions

Present your findings in the table provided.

Type of financial institution	Role of financial institution

## 4.2 Key Facts

**Financial institution.** A company that provides financial services; for example, a bank, an insurance company, or an investment fund.

**Types and roles of financial institutions:**

Financial institution	Role
Saving and Loan Associations (SACCOs)	<ul style="list-style-type: none"> <li>• Collect the funds of many of the small savers.</li> <li>• Lend funds to borrowers.</li> </ul>
Credit Unions	<ul style="list-style-type: none"> <li>• Created, owned, and also operated by the participants who are voluntarily associated for the purpose of saving their money.</li> <li>• Lends money to members of their union only.</li> </ul>
Saving Banks	<ul style="list-style-type: none"> <li>• Accept savings from individuals.</li> <li>• Lend money to other individuals.</li> </ul>
Commercial Banks	<ul style="list-style-type: none"> <li>• Accept deposits from the public.</li> <li>• Facilitates transactions through checks or credit/debit cards.</li> </ul>

	<ul style="list-style-type: none"> <li>• Lends money to borrowers.</li> </ul>
Cooperative bank	<ul style="list-style-type: none"> <li>• Established on the cooperative basis.</li> <li>• Deals in ordinary banking business.</li> <li>• Accept deposits.</li> <li>• Grant loans to borrowers.</li> </ul>
Microfinance institutions	<ul style="list-style-type: none"> <li>• Provide microfinance services.</li> <li>• Accept Deposits.</li> <li>• Offer loans.</li> <li>• Offer payment services.</li> <li>• Offer money transfers.</li> <li>• Offer insurance.<sup>69</sup></li> </ul>



#### Topic 4.1 Task 4: Benefits and challenges of different sources of business finance/funds

Based on the formal sources of business finance/funds identified in **4.1 Key Facts**, conduct research in the library or ask students or instructors with expertise about:

- The benefits and challenges of formal sources
- The benefits and challenges of informal sources

Present your findings in the table provided.

Type of financial institution	Benefits	Challenges
Formal source		
Informal source		

<sup>69</sup> WallStreetMojo. (n.d.). *Financial institutions*. <https://www.wallstreetmojo.com/financial-institutions/>

### 4.3 Key Facts

#### Benefits and challenges of different sources of business finance/funds

Source of finance	Benefits	Challenges
<b>Relatives and friends:</b> The most commonly used informal method of sourcing finance.	<ul style="list-style-type: none"> <li>• Entrepreneurs can easily source funds from family members or a friend through a simple agreement struck between them.</li> <li>• Borrower and lender have a personal relationship and do not need any formal introduction.</li> <li>• Easy for the entrepreneurs to approach the relative/friend and seek funds.</li> <li>• Few requirements, especially in comparison to banks and other formal sources.</li> </ul>	<ul style="list-style-type: none"> <li>• Small loan size: Many of the entrepreneur's friends and relatives have limited funds.</li> <li>• The entrepreneur may have to source funds from other sources which could potentially lead to multiple loans that normally are difficult to service.</li> <li>• Not reliable: At times they do not hold up their end of the bargain.</li> <li>• Interference: Relatives and friends may want to be involved in making decisions for the business.</li> </ul>
<b>Money Lenders</b>	<ul style="list-style-type: none"> <li>• Quick processing: In the event that the MSME requires money on short notice then s/he may go to a money lender.</li> </ul>	<ul style="list-style-type: none"> <li>• Usually demands for collateral that is much more valuable than the loan borrowed to be deposited in their custody.</li> <li>• High cost of funds: Majority of money lenders charge very high interest rates that are compounded frequently on the borrowed funds.</li> </ul>



		<ul style="list-style-type: none"> <li>• Miscommunication of interest rates, fees and penalties: Many money lenders communicate the interest rates charged on loans very attractively but do not disclose that they compound the interest to the principal.</li> </ul>
<p><b>Rotating Savings and Credit Associations:</b></p> <p>Members contribute a prescribed amount of money regularly and then the total/part of the money raised is given to one of the members during each meeting until all the members have been covered.</p>	<ul style="list-style-type: none"> <li>• Affordable: entrepreneurs acquire savings in the association by making small contributions.</li> <li>• ROSCAs charges very little interest to members, making the funds cheap.</li> <li>• Few requirements: There are few requirements in sourcing funds from an association.</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of money: The associations are informal groups and normally are not registered.</li> <li>• Some members receive money and then fail to make further contributions.</li> <li>• Small loan amounts: Funds that are advanced to members are limited to the contributions.<sup>70</sup></li> </ul>
<p><b>Formal sources</b></p>	<ul style="list-style-type: none"> <li>• This loan is available to all citizens be it businessmen, small farmers, SME or even ordinary borrowers.</li> <li>• Borrowing costs are low.</li> <li>• The government regulates these institutions controlling interest rates. Loan terms and conditions are fixed.</li> <li>• There is no exploitation by the lenders.</li> </ul>	<ul style="list-style-type: none"> <li>• Availing a loan may be a time-consuming process.</li> <li>• Banks require a lot of documentation.</li> <li>• Collateral or security is demanded by banks to sanction loans.</li> </ul>

<sup>70</sup> Sumila, V. (2017, July 6). *Informal sources of business finance for entrepreneurs*. Micro, Small and Medium Enterprises (MSMEs) Information Portal. <https://entrepreneurs.or.tz/informal-sources-of-business-finance-for-entrepreneurs/>



## Guided Practice Activity



### Topic 4.1 Task 5:

Visit different entrepreneurs in your communities and discuss their various sources of income. Use the questions below to guide your discussion:

- a. Why do you need funds for your business?
- b. What is your main source(s) of finance for your business?
- c. Why did you choose the source(s) mentioned above?
- d. What are the challenges with the source(s) mentioned above?
- e. Do you belong or have heard of informal savings and loans groups? What are the benefits and challenges of these groups?



### Topic 4.1 Task 6:

Visit different financial institutions in your communities and discuss their role in supporting small businesses. Use the questions below to guide your discussion:

- a. What kind of financial institution is your institution?
- b. What kinds of services do you offer to entrepreneurs?
- c. What is your role in supporting the start of small businesses?
- d. What are the requirements for such support from the entrepreneurs?



## Application Activity



### Topic 4.1 Task 7:

Based on the start-up capital estimations for your business and findings about the different sources of business finance,

- a. Which source(s) will you opt for?
- b. Provide evidence to support your choice.



### **Points to Remember**

#### **Sources of business funds:**

- Commercial banks
- Corporative societies
- Micro finance banks
- Bank of industry
- Development banks
- Agricultural products/services financing
- Investment banking
- Business Development Funds
- Savings and loan association (SACCO)
- Relative and friends
- Money lenders
- Rotating savings
- Credit associations (IBINIMA)
- Personal savings
- Sale of property
- Gifts/Donations
- Salary/profit



### **Formative Assessment**

**Read and answer the following questions.**

1. Name the various sources of funds for the business.
2. Mention the benefits and challenges of each source of finance explained above.
3. Name examples of financial institutions you know of.
4. What is the role of financial institutions in business development?

## Topic 4.2: Payment of all business expenses as per rules and regulations

### Key Competencies:

Knowledge	Skills	Attitudes
1. Describe key business operating expenses.	1. Use different mode of payments.	1. Analytical
2. Describe modes of payment.	2. Prepare different documents for payment.	2. Analytical
3. Describe necessary documents required for payment.	3. Fill out a cheque as a practical exercise	3. Detail oriented



### Getting Started: What do we know and where are we going?



#### Topic 4.2 Task 1: Experience sharing

- List all the things you spend money on in your everyday life.
- How do you pay for some of the things you have mentioned above?



### Problem Solving Activity



#### Topic 4.2 Task 2: Key business operating expenses

Referring to your business idea and business plan developed in Learning Unit 3, answer the following questions:

- What do you understand by the term “operating expenses?”
- Mention all the possible operating expenses your business is like to incur.

## 4.4 Key Facts

**Operating expenses.** Expense a business incurs through its normal business operations but are not related to the production of a product.

*Operating expenses = license fees + office expenses + legal fees + insurance + travel and vehicle expenses + salaries and wages + accounting expenses + maintenance and repairs + supplies + advertising + utilities + property taxes.*<sup>71</sup>

### Examples of key business operating expenses

#### a) Selling, General, and Admin costs

- **Telephone Expenses.** Costs incurred on landline or mobile phones.
- **Travelling Expenses.** Expenses for staff during their official visits, either to meet customers, for some supplies or any other event.
- **Office Equipment and Supplies.** Expenses for the purpose of purchasing office supplies used on a daily basis in the office. For example, pen, papers, clippers etc.
- **Utility Expenses.** Expenses related to payment of utility bills, like expenses of water and electricity that generally are used for the daily operating activities.
- **Property Tax.** Property tax paid by the company on its properties.
- **Legal Expenses.** Operating expenses incurred for using the legal services by the company.
- **Bank Charges.** Fees charged by the banks for the general transactions going in the business.
- **Repair and Maintenance Expenses.** Operating expense on the assets used for production like repair requirements for machines or the vehicles in the company.
- **Insurance Expenses.** Expenses incurred for health care insurance, general insurance of staff, and fire insurance.
- **Advertising Expenses.** Operating expenses related to the promotion and advertising done for increasing sales.
- **Research Expenses.** Operating expenses incurred for research of new products.
- **Entertainment Expenses.** Expenses incurred for sales and related support activities.
- **Sales Expenses.** Operating expenses incurred for the purpose of increasing sales.<sup>72</sup>

#### b) Cost of the Goods Sold

<sup>71</sup> Scalia, S., & Shofeld, T. (n.d.). *Operating expenses: Definition, formula & examples.*

Study.com. <https://study.com/academy/lesson/operating-expenses-definition-formula-examples.html>

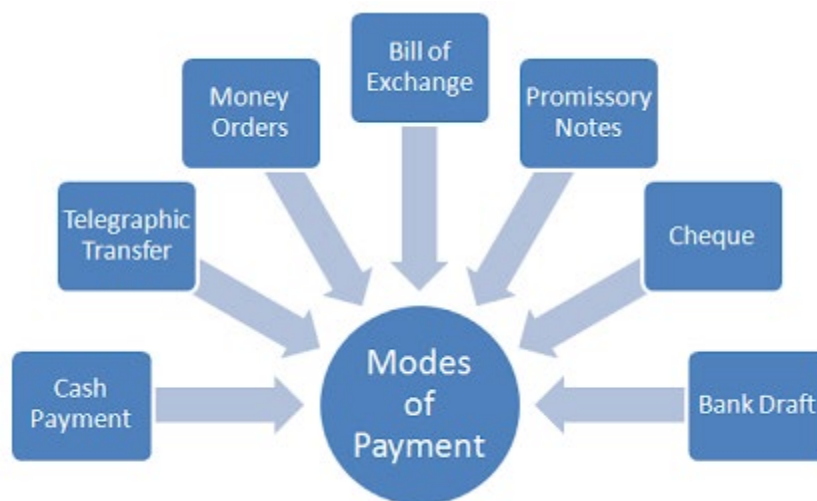
<sup>72</sup> WallStreetMojo. (n.d.). *List of operating expenses.* <https://www.wallstreetmojo.com/list-of-operating-expenses/>

- **Freight in Cost.** Cost which buyer has to pay for purchasing the merchandise for the business.
- **Freight out Cost.** Cost of transportation, which is associated with the delivery of the goods from the place of the supplier to customers.
- **Product Cost.** Costs incurred to make the product in good condition to sell it to customers, which includes cost related to direct labor, direct overheads, and direct material.
- **Rental Cost.** Rental Cost paid for the properties used for providing the support related to the production.
- **Depreciation Expenses.** The reduction in the value of the asset due to wear and tear while using it at the time of production
- **Other Costs.** Those directly attributable to production form part of the cost of goods sold.<sup>73</sup>



### Topic 4.2 Task 3: Mode of payment

Study the illustration below showing the different modes of payment and answer the questions that follow.



74

a. What do you understand by the term “modes of payment?”

<sup>73</sup> WallStreetMojo. (n.d.). *List of operating expenses*. <https://www.wallstreetmojo.com/list-of-operating-expenses/>

<sup>74</sup> Akrani, G. (2011, May 4). *Different modes of payment* [Graphic]. Kaylan City Life. <https://kalyan-city.blogspot.com/2011/04/different-modes-of-payment-what-are.html>

- b. Briefly describe the modes of payment depicted in the illustration.
- c. Highlight any other modes of payment that may not be on the illustration.
- d. Which mode(s) is suitable for your business? Give evidence to support your choice.

#### 4.5 Key Facts

**Mode of payment.** Means by which a payment is made

Adapted from Marketing91's "The 7 Different Modes of Payments Explained with Pros and Cons":

Mode	Advantages	Disadvantages
<b>Payment using Cash:</b> the buyer pays money in the form of notes and coins to the seller, who on receipt of cash, issues cash memo or cash receipt.	<ul style="list-style-type: none"> <li>• Hassle-free payment.</li> <li>• Payment using cash can be made anywhere.</li> <li>• No other equipment is required.</li> <li>• Easy mode of payment for older and/or less tech-savvy people.</li> </ul>	<ul style="list-style-type: none"> <li>• Tax stealing.</li> <li>• One needs to carry the currency of the country where he wants to make a transaction.</li> <li>• It is difficult to make a large number of payments using cash.</li> <li>• More chances of accounting errors.</li> </ul>
<b>Payment by Cheque:</b> an order to a bank to pay the stated amount of money on the cheque from a person's account to the person whose name is mentioned on the cheque.	<ul style="list-style-type: none"> <li>• Convenient mode of payment.</li> <li>• Safe mode of payment.</li> <li>• A cheque is crossed, which reduces the chances of payment to the wrong person.</li> <li>• The payer can cancel the payment until payee has presented the cheque to the bank.</li> </ul>	<ul style="list-style-type: none"> <li>• Not convenient for merchants and individuals who make several day to day transactions.</li> <li>• Not all merchants accept cheques as a mode of payment, which can cause a problem if you are in an unknown country.</li> <li>• More chances of fraudulent cases as cheques might get rejected by the bank due to insufficient balance in the payer's bank account.</li> </ul>
<b>Telegraphic Transfer or Mail Transfer:</b> the payer deposits the cash in the bank which	<ul style="list-style-type: none"> <li>• Useful mode of payment in an emergency.</li> </ul>	<ul style="list-style-type: none"> <li>• Can take 3 or more days to make the transfer.</li> <li>• The difference in time zone can cause a delay in the transfer.</li> </ul>

has a branch in the payee's town, once the cash is deposited by the payer the payee's bank is informed telegraphically and asked to make payment in the payee's account.	<ul style="list-style-type: none"> <li>• Money can be transferred overseas in less time.</li> <li>• Safe and convenient mode of payment</li> </ul>	
<b>Payment by Bill of exchange:</b> contains the order of transfer of money to a specific person on a predetermined date in the future.	<ul style="list-style-type: none"> <li>• A useful mode of payment in international transactions.</li> <li>• Reduces the chances of fraud.</li> <li>• Builds trust between the seller and the buyer.</li> <li>• Bill of exchange contains all the important information about the payment such as the name of the payer and the payee, amount of payment, the date of payment, and the conditions of payment, etc.</li> <li>• Services can be used on credit and can be paid later using the bill of exchange. Payment can be made early using a bill of exchange in case of urgency.</li> </ul>	<ul style="list-style-type: none"> <li>• Not known by all businesspeople.</li> <li>• Cannot be used in day to day transactions.</li> <li>• Cannot be used locally.</li> <li>• Involves charges.</li> </ul>
<b>Payment by Promissory Note:</b> It is a note in writing where one party	<ul style="list-style-type: none"> <li>• Legal document.</li> <li>• Allows you time for the payment.</li> </ul>	<ul style="list-style-type: none"> <li>• Additional fees are required to be paid to the third party where the promissory note is kept.</li> </ul>



promises in writing to make payment to another party at a specified date or time shortly.	<ul style="list-style-type: none"> <li>• The flexibility of paying money in single lump or installments.</li> </ul>	<ul style="list-style-type: none"> <li>• Cannot be used in complex situations.</li> <li>• Unfavorable conditions can be involved in the long-term promissory note which a novice borrower might not be able to understand.</li> <li>• Time-consuming legal process.</li> </ul>
<b>Bank Draft as a Modes of Payment:</b> almost similar to a bank cheque, but it is signed by the banker, not by the payer.	<ul style="list-style-type: none"> <li>• Banks Draft is useful for making large payments.</li> <li>• More secure than a bank cheque as it is drawn on a bank, not on an individual.</li> </ul>	<ul style="list-style-type: none"> <li>• A bank draft is irrevocable once it is delivered to the recipient.</li> </ul>
<b>Digital mode of payment</b> any payments made using digital instruments, where the payer and the payee, both use electronic modes to send and receive money. E.g. Banking Cards, Mobile wallets, Mobile Money, Visa.	<ul style="list-style-type: none"> <li>• Low labour costs. Since online payments are usually automatic, they have lower labour costs.</li> <li>• Convenience for online sales.</li> <li>• Automatic. Which can be convenient for you and your customers.</li> <li>• Fast transaction speed. Online transactions quickly provide feedback to you and your customers.</li> <li>• Low risk of theft. Online payments generally go straight into your bank account.</li> </ul>	<ul style="list-style-type: none"> <li>• Service fees. Payment gateways and third-party payment processors charge service fees.</li> <li>• Inconvenient for offline sales.</li> <li>• Vulnerability to cybercriminals, who can disable online payment methods or exploit them to steal people's money or information.</li> <li>• Reliance on telecommunication infrastructure.</li> <li>• Internet and server problems can disable online payment methods.</li> <li>• Technical problems. Online payment methods can go down due to technical problems.<sup>75</sup></li> </ul>

<sup>75</sup> Small Business First. (2017, February 6). *Advantages and disadvantages of online payments*. <https://smallbusinessfirst.kochiesbusinessbuilders.com.au/advantages-and-disadvantages-of-online-payments/>

<b>Money Order or Postal Order:</b> Payment can also be remitted through money orders and postal orders. <sup>76</sup>	<ul style="list-style-type: none"> <li>• Safest Payment Mode: Money orders are the safest payment option.</li> <li>• Safe to Mail: Money orders can be mailed without any issue.</li> <li>• Easy to Access: You can get money order from your bank as well as many retail shops near you.</li> </ul>	<ul style="list-style-type: none"> <li>• Slow time of Transit: Money orders are safe but time consuming.</li> <li>• Loss: Money orders can be lost.</li> <li>• Stop Payment Fee: If have to stop your money order for some reason, then you will have to pay stop payment.</li> <li>• Forgery/Fraud: Money order can be forged by thieves.<sup>77</sup></li> </ul>
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#### Topic 4.2 Task 4: Documents required for payment

Imagine you own a business dealing in selling foodstuffs in your community. This means that you will be involved in a number of transactions, either purchasing or selling. One of your suppliers from Musanze brought you 100 kg of potatoes and now demands payment.

- Which documents will you require from the supplier in order to pay for the potatoes?
- Which documents will you use after the payment?

### 4.6 Key Facts

#### Necessary documents required for payment:

**Purchase order.** A request for the goods at the quantity and prices listed by the buyer. Purchase orders add an extra level of fraud prevention and secure materials at desired prices.

**Delivery note.** Certifies the delivery of goods to the buyer, who must sign it to make it clear that the goods have been delivered in accordance with the conditions established.

<sup>76</sup> Akrani, G. (2011, May 4). *Different modes of payment - What are types of payment?*. Kaylan City Life Blog. <https://kalyan-city.blogspot.com/2011/04/different-modes-of-payment-what-are.html>

<sup>77</sup> Bhasin, H. (2019, October 18). *The 7 different modes of payment explained with pros and cons.* Marketing91. <https://www.marketing91.com/modes-of-payment/>

Khan, I. (2017, August 29). *Pros and cons of money order. Drawbacks Of.* <https://www.drawbacksof.com/money-order/>

**Goods Received Note.** Confirms whether all goods mentioned in the purchase order (PO) have been received

**An invoice.** Indicates what must be paid by the buyer according to the payment terms of the seller.

**Receipt.** Proves that money, goods, or services have been received.



### Guided Practice Activity



#### Topic 4.2 Task 5:

Visit different entrepreneurs in your communities and have a discussion regarding how they pay all businesses expenses. Use the following questions to guide you during the discussion:

- What type of business activities are you involved in?
- What are your key business operating expenses?
- What mode do you use to pay for the operating expenses identified above?
- Before effecting payment, do you require or give some documents? If yes, which ones?

You can present your findings using the table provided.

Business Activity	Operating expenses	Mode of payment	Documents required for payment

--	--	--	--



## Application Activity



### Topic 4.2 Task 6:

Read the scenario below and answer questions that follow.

Musonera operates a retail shop in his area. He has been in business for over 5 years now. Because he had little capital to invest in the business, he decided to buy and sell different products (required by the community members) in small quantities, as a way of capturing more customers. Musonera commutes to Kimironko every morning to buy the products for his shop. This requires him to pay for a moto to and from to the shop. He has a refrigerator where he sells soft drinks including water. Sometimes he pays some money to people to look for customers. He employs one assistant whom he pays a salary. Musonera is a very flexible person especially in terms of payments, whether from his customers or to his suppliers. This has enabled his business to succeed.

- a. Which operating expenses do you think Musonera incurs in his business?
- b. Given the size of his business, which modes of payment do you think are convenient for him? Provide evidence.
- c. Do you think Musonera may require or be required to use documents during payment? If so, which documents?



### Points to Remember

- Every company will have different expenses based on their individual operations
- Operating expenses can greatly impact the profitability of a business and how much cash it has
- Operating expenses includes cost related to the production of goods,
- Finance cost such as the interest expenses is always excluded from the operating expenses



## Formative Assessment

**Read and answer the following questions:**

1. Name and briefly describe the key business operating expenses.
2. Name and briefly describe the modes of payment available to a business.
3. Briefly explain the advantages and disadvantages of the various modes of payment available to the business.
4. Name and briefly describe the necessary documents for payment.

## Topic 4.3: Creating a balance sheet based on given assets and liabilities of a business

### Key Competencies:

Knowledge	Skills	Attitudes
1. Describe business assets and liabilities.	1. Classify business assets.	1. Analytical
2. Describe sources of business assets and liabilities.	2. Differentiate fixed assets from current assets.	2. Dynamic
3. Differentiate capital from owner's equity.	3. Prepare a balance sheet.	3. Details oriented



### Getting Started: What do we know and where are we going?



#### Topic 4.3 Task 1: Experience sharing

- Make a list of all things you possess in life including those that others currently have but belong to you.
- How did you get or acquire the things identified above?
- From this list, identify things that are you are likely to have and those you are not likely to have after one year.
- Make a list of all things that that you have but belong to others or things that you owe other people in life.
- How did you get these things or come to owe these people the things identified above?
- From the list, identify things that you are likely to pay for and those you are not likely to pay for after one year.



## Problem Solving Activity



### Topic 4.3 Task 2:

Visit the library and conduct research, or ask students or instructors with expertise the meaning of the following terms:

- a. Business assets
- b. Fixed assets
- c. Current assets
- d. Liabilities
- e. Long term liabilities
- f. Short term liabilities
- g. Capital
- h. Owner's equity
- i. Balance sheet

### 4.7 Key Facts

- **Business assets.** Items of value that your business owns, creates, or benefits from.
- **Current assets.** Assets with a shorter life span and easily transferred into cash.
- **Fixed assets.** Assets intended for long-term use and unlikely to convert quickly into cash.
- **Business liabilities.** The money that a business owes to outside parties or other businesses.
- **Long term liabilities.** Liabilities or debts payable over a longer period, normally after one year.
- **Short term liabilities.** Liabilities or debts payable within one year.
- **Capital.** The amount of financial and physical resources needed by the entrepreneur to start and run a business.



- **Owner's equity.** The amount invested into the business by the owners, plus all accumulated profits.
- **Balance sheet.** A statement of the assets, liabilities, and capital of a business or other organization at a particular point in time, detailing the balance of income and expenditure over the preceding period.



### Topic 4.3 Task 3: Difference between assets and liabilities

Given below is a list of assets and liabilities of a business. Analyse them and answer questions that follow.

Cash on hand, Inventory, Equipment, Land, Accounts Payable, Salaries Payable, Wages Payable, Interest Payable, Income Taxes Payable, Unearned Revenues, Capital, 5-months loan, 10 years bank loan, Cash at bank, Machinery, Furniture, Buildings, Bank overdraft, Creditors, Debtors, Stock

#### Required:

- Using the table below, identify and separate business assets and liabilities.

Assets	Liabilities

- From the table above, use the below table provided to differentiate between fixed and current assets and long-term and short-term liabilities.
  - Fixed and current assets

Fixed assets	Current assets

--	--

ii. Long-term and short-term liabilities

Long-Term	Short-Term

c. How do businesses acquire the assets and liabilities identified above?

4.8 Key Facts	
Examples of fixed assets	Examples of current assets
Equipment Land Buildings Machinery Furniture Office furniture Vehicles	Cash on hand Inventory Unearned Revenues Debtors Stock Temporary Investments Accounts Receivables Prepaid Insurance
Examples of long-term liabilities	Examples of current liabilities
Capital 10 years bank loan 5-year business car loan A mortgage on a building owned by the business Deferred income tax payable Loan on office equipment	Accounts Payable Salaries Payable Wages Payable Interest Payable Income Taxes Payable 5-months loan Bank overdraft Creditors
Sources of business assets and liabilities:	
Source of business assets	Source business liabilities
<ul style="list-style-type: none"> <li>Investments by owners</li> </ul>	<ul style="list-style-type: none"> <li>Profit from business operations</li> </ul>

<ul style="list-style-type: none"> <li>• Borrowing from creditors</li> <li>• Earnings activities</li> <li>• Purchase of business assets</li> <li>• Sales of assets</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase on credit</li> <li>• Loan</li> <li>• Unpaid expenses</li> </ul>
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## Guided Practice Activity



### Topic 4.3 Task 4:

Provided below is a sample Balance Sheet of Quick Service Ltd. Study the sample and answer questions that follow.

**QUICK SERVICE LTD  
BALANCE SHEET  
AS AT 31<sup>ST</sup>/DEC/2010**

Assets		Liabilities and Owner's Equity	
<b>Fixed Assets</b>		<b>Long term liabilities</b>	
Vehicle	125,000	Long term loan	235,000
Buildings	85,000	<b>Current liabilities</b>	
Furniture	80,000	Bank overdraft	50,000
Land	135,000	Short term loan	150,000
Total Fixed Assets	425,000	Creditors	50,000
<b>Current Assets</b>		Total Current liabilities	250,000
Cash at hand	100,000	<b>Owner's Equity</b>	
Stock	80,000	Capital	270,000
Debtors	80,000	Add: Net Profit	10,000
Total current assets	260,000	Less: Drawings	80,000
		Net owner's equity	200,000
<b>Total Assets</b>	<b>685,000</b>	<b>Total Liabilities</b>	<b>685,000</b>

- a. Name the business assets.
- b. Name business fixed assets.
- c. Name the business current assets.
- d. Name the business liabilities.
- e. Name the business long term liabilities.
- f. Name the business short term liabilities.
- g. Draw a simple Balance Sheet format.

## 4.9 Key Facts

### Balance Sheet Template

#### Balance Sheet

Business Name

Date: ...../...../.....

#### Assets

Current Assets (e.g. – Cash at Bank, Cash, Debtors) Amount

_____	_____
_____	_____
_____	_____

**Total Current Assets**

Fixed Assets(e.g. - Furniture, Office Equipment, Vehicle) Amount

_____	_____
_____	_____

**Total Fixed Assets**

Inventory ((example - Stock)) Amount

_____	_____
_____	_____

**Total Inventory**

**Total Assets**

#### Liabilities

<b>Current Liabilities</b> (e.g. - Bank overdraft, Creditors,)	Amount	
_____	_____	
_____	_____	
<b>Total Current Liabilities</b>	_____	
<b>Long Term Liabilities</b> (example - 2 year Loan)	Amount	
_____	_____	
_____	_____	
<b>Total Long Term Liabilities</b>	_____	
	<b>Total Liabilities</b>	_____
		_____
	<b>Net Assets</b>	_____
	(Assets less Liabilities)	=====
<b>Equity</b>		
(e.g. - Funds Introduced, Drawings, Current Earnings)		
	Amount	
_____	_____	
_____	_____	
_____	_____	
	<b>Total Equity</b>	=====



### Topic 4.3 Task 5:

Provided below is information from Rukundo Trial Balance for the month that ended January 31 2019. Analyse the trial balance and answer the questions that follow.

**Rukundo**  
**Trial Balance**  
**For the Month ended January 31**

Details	Debit	Credit
Cash	2 122 000	
Account receivable	0	
Furniture	60,000	
Equipment	420,000	
Account payable		90,000
Rukundo, Capital		1 420,000
Rukundo, Withdrawal	310,000	
Revenue		1 527 000
Rent expense	50,000	
Salary expense	75 000	
Total	3 037 000	3 037 000

- a. Referring to the Balance Sheet template in **4.9 Key Facts**, create a balance sheet for Rukundo as of 31<sup>st</sup> January 2019.
- b. What are the:
  - i. Total business assets
  - ii. Total business liabilities
  - iii. Net worth or owner's equity



### **Application Activity**



#### **Topic 4.3 Task 6:**

Referring to your business idea and business plan developed in the previous learning unit, do the following:

- a. Identify all the business assets (fixed and current).
- b. Identify all the business liabilities (long term and short term).
- c. What will be your contribution as the owner?

- d. Using the above information, prepare a start-up Balance Sheet for your business idea/business using an appropriate format.



### Points to Remember

- **Balance sheet.** A statement of the assets, liabilities, and capital of a business or other organization at a particular point in time, detailing the balance of income and expenditure over the preceding period.
- **Assets = Liabilities + Owner's Equity**



## Formative Assessment

Study the following information and answer the questions that follow.

The following balances are taken from the books of BAGIRAYABO Company Ltd. at the end of his first year trading on 31 December 2014.

Sales		40000
Purchases	18500	
Wages and salaries	5100	
Repairs and maintenance	1300	
Heating and lighting	900	
General expenses	1200	
Insurance	800	
Cash at bank	2200	
Cash in hand	1300	
Trade receivables	4100	
Trade payables		3400
Premises	30000	
Fixtures and fittings	10000	
Motor vehicle	8000	
Capital at 1 January 2014		52000
Drawings	12000	
	<u>95400</u>	<u>95400</u>



**The following additional information is available:** Inventory at 31 December 2014 was valued at 4500 RWF.

1. Identify all the business assets (fixed and current).
2. Identify all the business liabilities (long term and short term).
3. Identify the owner's equity.
4. Using the above information, prepare start-up Balance Sheet for the business idea/business using an appropriate format.



### Self-Reflection

1. Re-take the self-assessment from the beginning of the unit. Remember, it is not a test, but rather is an opportunity to see the progress you have made in your knowledge and skills related to performing business financial operations.

My experience	I don't have any experience doing this.	I know a little about this.	I have some experience doing this.	I have a lot of experience with this.	I am confident in my ability to do this.
Knowledge, skills and attitudes					
Describe sources of funds and types of financial institutions as a source of finance.					
Describe how financial institutions as a source of finance support small business.					
Describe the role of financial institutions, informal, and					

<b>My experience</b>	<b>I don't have any experience doing this.</b>	<b>I know a little about this.</b>	<b>I have some experience doing this.</b>	<b>I have a lot of experience with this.</b>	<b>I am confident in my ability to do this.</b>
<b>Knowledge, skills and attitudes</b>					
lending groups as source of finance.					
Describe business operating expenses.					
Describe modes of payment.					
Describe necessary documents required for payment.					
Describe business assets and liabilities.					
Prepare a balance sheet.					

2. Reflect on the results of the self-reflection and the work you have done during this unit. Fill in the table below.

<b>Areas of strength</b>	<b>Areas for improvement</b>	<b>Actions to be taken to improve</b>
1.	1.	1.
2.	2.	2.

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