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Improve Your Business: Workbook

Edited by: D.E.N. Dickson

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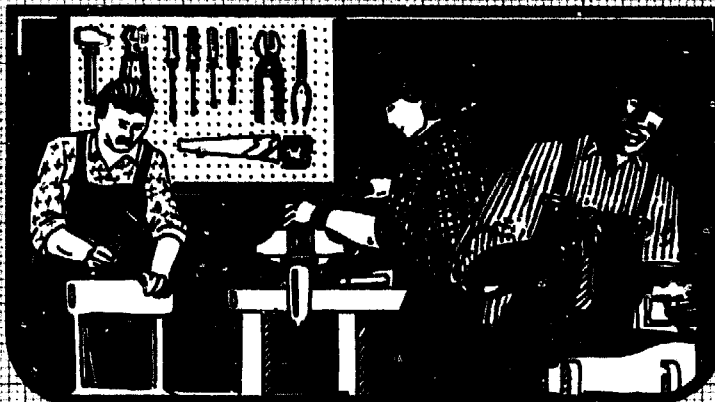
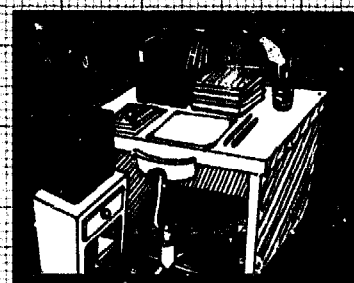
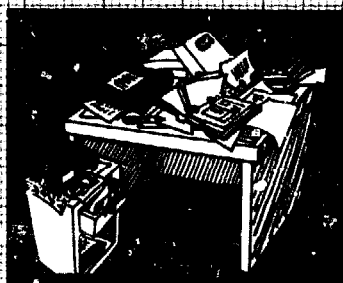
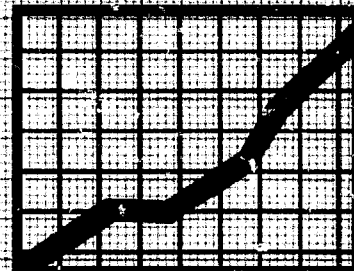
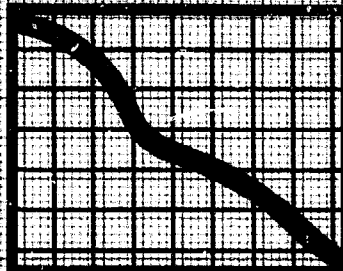
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IMPROVE YOUR BUSINESS

Edited by D. E. N. Dickson



INTERNATIONAL
LABOUR OFFICE
GENEVA



WORKBOOK

IMPROVE YOUR BUSINESS

Edited by D. E. N. Dickson

WORKBOOK

International Labour Office · Geneva

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**IMPROVE
YOUR
BUSINESS**

WORKBOOK

FOREWORD

In recent years there has been an upsurge of interest in the role of small-scale enterprises as providers of employment and contributors to gross national product, and as a key component in economic development. This has been accompanied by the corresponding appearance of numerous publications on how to run small businesses. Given this, what is the justification for another book on the subject?

There are few publications which are simple enough to be understood easily by people with limited formal education but which can still communicate all the basic management knowledge required by entrepreneurs if they are to run small businesses successfully. This book is an attempt to fill this gap.

The underlying idea of the book is that improvements can best come from active and creative thinking by entrepreneurs about their own businesses. The purpose of this material is therefore to encourage such creative thinking and motivate entrepreneurs to take action to improve their businesses.

The material can be used equally well by individual business people or by trainers giving small business seminars and workshops.

The writing and publication of this book, as well as field testing of earlier versions in eastern Africa, was made possible by financial assistance from the Swedish International Development Authority (SIDA). The main author and editor of this edition of *Improve your business* is D. E. N. Dickson, ILO Chief Technical Adviser in Nairobi. He was assisted by Henny Romijn and Per Linden. Many of the ideas in the *Handbook* and *Workbook* owe their origin to the earlier work of the late Rhys Wynne-Roberts, who devoted so much time and effort to adapting the original idea conceived by the Swedish Employers' Confederation. Acknowledgement is also due to many other colleagues in the ILO Management Development Branch, the Kenya Industrial Estates and other organisations, for the comments and suggestions on how to focus and present this material.

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WHAT IS *IMPROVE YOUR BUSINESS*?

Improve your business is about running small businesses. It has been written for retailers, wholesalers, manufacturers and operators of services such as repair services, laundries, dry cleaners and restaurants. Although in a small book like this we cannot hope to deal with the special conditions of each different trade, most of what we say can be used in many different trades or branches of industry. We have given examples from trade, manufacturing and service industries.

Improve your business is material for you to work with. It comes in two parts: a *Workbook*, which you are reading now, and a *Handbook*. They are best read together but they can each be useful if read separately. We recommend that you start using the *Workbook* and when needed turn to the *Handbook* for assistance.

Both the *Handbook* and the *Workbook* consist of eight sections, each of which deals with an important part of the management of your business. Each section of the *Handbook* has a corresponding section in the *Workbook*. The sections stand on their own and can be read separately.

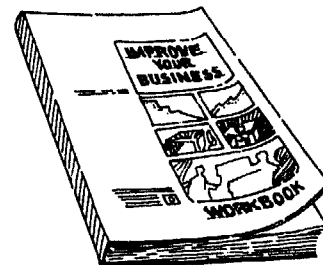
THE WORKBOOK

The *Workbook* will make you think hard about your business; it will do this by asking you a number of questions about your business and the way you are running it. In each section of the *Workbook* there is a list of simple questions to which you answer "yes" or "no". The answers you write will tell you how much you know about the strengths and weaknesses of your business.

The *Workbook* will also give you the possibility of learning more about the financial and practical sides of the business by means of simple exercises in business practice.

▲ IMPROVE YOUR BUSINESS IS FOR:

- RETAILERS
- WHOLESALERS
- MANUFACTURERS
- OPERATORS OF SERVICES



TELLS YOU YOUR STRENGTHS AND WEAKNESSES

THE HANDBOOK

The *Handbook* talks very simply about some of the important things that you must know and understand if you are to make your business work well over a long time. It is not a textbook, but you can get some interesting and useful ideas from the *Handbook*. The sections are set out in the same order as the sections in the *Workbook*, so that you can easily go from *Workbook* to *Handbook* or from *Handbook* to *Workbook*.



**GIVES YOU
MANAGEMENT
IDEAS**

WHERE TO START

We recommend that you start by going through the section which deals with that part of management which you think is weakest in your business.

If you do not know the strong and weak points in the management of your business, you can find this out by filling in the sheet called "Finding out your strengths and weaknesses" which is placed behind the introductory section, "For you in business". We advise you to fill in this sheet before you start using *Improve your business*.

Note: Since this book is intended for use in many different countries, we have used the term "NU" in the examples to represent an imaginary "national unit of currency".

FOR YOU IN BUSINESS

It is for you in business that we have written *Improve your business*. Why? Because one of the difficulties of business owners or managers who have been running their businesses for some time is that they become "blind" to what is happening. They have done things in the same way for so long that they cannot see where they are going wrong or where money is being lost because they are doing things badly.



Have you ever invited a friend into your business, and he or she looks round and says: "Why do you still do things like that? You are wasting money." And you say: "You are quite right. We have been doing things this way for a long time and I never thought about changing."

This *Workbook* is trying to be your "business friend" and to make you see some of the things going on in your business with new eyes. Then it tries to help you do something about putting things right.

HOW TO USE THIS *WORKBOOK*

You can use the material yourself or together with others. You should use it regularly, especially if you feel that something is wrong in the business or needs improvement.



**YOUR WORKBOOK,
YOUR BUSINESS
FRIEND**

PART 1 – QUESTIONS

In the first part of each section of the *Workbook* you will find a number of questions. These questions are related to the corresponding section in the *Handbook*. You can answer the questions with "yes" or "no". The questions have been chosen so that the answers will show the strong and weak points of your business. Think carefully about each question and see whether you can do something to make things better. Do not try to go through the *Workbook* quickly. Take one section at a time.

PART 2 – BUSINESS PRACTICE

Use this part of the *Workbook* to understand the financial and practical sides of your business better. You do this by completing simple exercises in business practice. If you have any difficulties in completing the exercises or if you want to learn more, read the corresponding section in the *Handbook*. Then you will be able to do all the exercises easily.

PART 3 – ACTION PROGRAMME

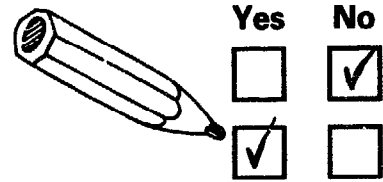
When you have worked through the questions and business practice, you will have found some things in your business which could be done better. The final step is to take action. Use the action programme part of the *Workbook* for this.

PART 1 – QUESTIONS

1. Do you sell goods to others?
2. Do you sell services to others?
3. Are you a retailer?
4. Are you a wholesaler?
5. Are you a manufacturer?

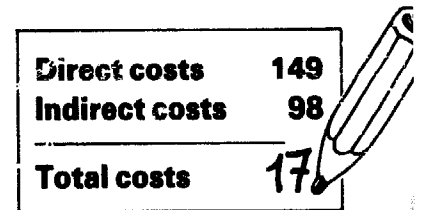
▲ HOW TO USE THIS WORKBOOK

FIRST ANSWER THE QUESTIONS



	Yes	No
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

NEXT COMPLETE THE EXERCISES



Direct costs	149
Indirect costs	98
Total costs	17

FINALLY TAKE ACTION TO SOLVE YOUR PROBLEMS

START HERE!

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

6. Do you operate a service business?

If one or more of your answers is "yes", then you are in business and it is for *you* that we have written *Improve your business*.

7. Do you know what assets are?

8. Do you know the difference between your private assets and your business assets?

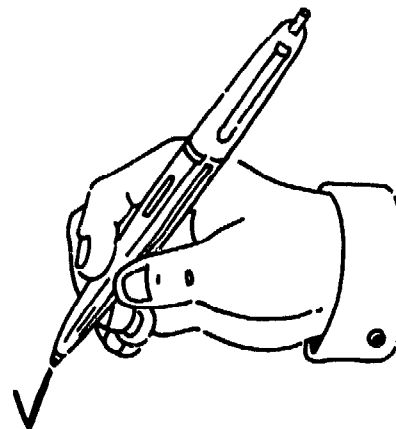
9. Do you know the difference between *money in* and *profit*?

10. Write down what you think is the difference between *money in* and *profit* in the space below.

PART 2 – BUSINESS PRACTICE

1. Put a tick (✓) against those items in the list below which you think belong to a business and not to the owner or his or her family:

- a cutting machine
- the contents of a cash register
- a cousin of the owner
- raw materials like wood and nails
- a bill for school fees to be paid
- a two-ton lorry
- hens in a hen-run



2. Complete these statements about how profit is made.

Money in - _____ = Profit

More money in - Money out = _____ Profit

Sales up and Costs _____ = Profit up

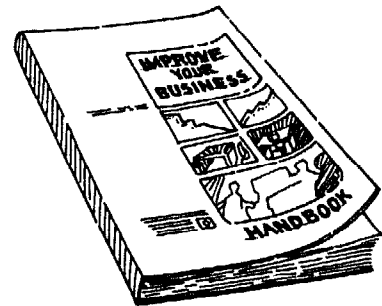
If you had any difficulties in answering the questions, study the section of the *Handbook* entitled "For you in business".

Now that you have completed the business practice exercises, turn to the page which follows the action programme. There you will find the answers. Check *your* answers against the answer solutions which are given on that page. How many correct answers did you get?

Now go to the *Handbook* and read thoroughly the management ideas in the same section there. You will then find that all the business practice exercises become easier to answer.

**CHECK
YOUR ANSWERS!**

**THEN GO TO THE
HANDBOOK FOR
MANAGEMENT
IDEAS**



PART 3 – ACTION PROGRAMME

HOW TO CONSTRUCT YOUR ACTION PROGRAMME

Count the number of times you answered "yes" or "no" for questions 7-10 above. How many times did you answer "yes"? The more "yes" answers, the better you are in business management. Now look again at those questions you answered with "no". Those are possible problem areas in your business. Choose the one which you think is the most important for your business. Take the most urgent problem first. Don't try to solve everything at once.

Now write the problem into the action programme opposite, as we have done with the example. Then write in *What must be done*, *By whom* and *By when* in order to solve your problem.

Finally, go back to your business and carry out the action programme.



Problem	What must be done?	By whom?	By when?
<p><i>Example:</i></p> <p>Need to know how to improve my business.</p>	<p>Look at the section called "for you in business" in the Hand-book and read the management ideas there.</p>	<p>Myself</p>	<p>After work <u>TODAY</u></p>

ANSWERS TO BUSINESS PRACTICE

- a cutting machine ✓
 the contents of a cash register ✓
 a cousin of the owner
 raw materials like wood and nails ✓
 a bill for school fees to be paid
 a two-ton lorry ✓
 hens in a hen-run

Of course the answer will depend on the kind of business you have. For example, if you raise poultry, the hens in the hen-run will be a part of your business.

- Money in – Money out = Profit
 More money in – Money out = More profit
 Sales up and Costs down = Profit up

FINDING OUT YOUR STRENGTHS AND WEAKNESSES

Before you start using *Improve your business*, you may wish to find out about your business performance. You can get a rough idea about your strengths and weaknesses by answering the questions below. Each question concerns one area of management and corresponds to one particular section of *Improve your business*. For example, question 1 corresponds to section 1, question 2 to section 2 and so forth. Find out from your answers in which area(s) of management you are weakest and start reading the corresponding sections of *Improve your business*.

How good are you at...

	Good	Average	Bad
1. Buying, selling and stock control?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Production management and production technology?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Bookkeeping?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Costing and pricing your products or services?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Marketing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Management accounting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Organising your office?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Planning your business activities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

BUYING AND SELLING

1

PART 1 – QUESTIONS

SELLING

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Can you find out quickly the total sales of your business during the last month? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you know the names of your competitors? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you know how much your most important competitors sell? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Can you always offer the goods or services when your customers ask for them? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are your customers generally satisfied about the price <i>and</i> the quality you offer? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do customers know the range of different products or services which you offer? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. When you have goods or services that are selling badly, do you use special ways of promoting them? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do you keep records of sales by both quantity <i>and</i> value? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Do you regularly check what products competitors offer for sale? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. With regard to your competitors, do you know the special goods or services which they have that you do not have? | <input type="checkbox"/> | <input type="checkbox"/> |

BUYING TO SELL

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Compare your buying with other businesses in your trade. Do suppliers give you at least the same conditions on prices <i>and</i> discount <i>and</i> credit? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. And do they give you the same quality? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you ask for competitive quotations from at least three suppliers each time you make a major purchase? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Are you happy with your present supplier? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are you free to change suppliers if you are not happy with your present supplier? | <input type="checkbox"/> | <input type="checkbox"/> |

- | | Yes | No |
|--|--------------------------|--------------------------|
| 6. Have you tried to find out about possible new suppliers? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Have you asked other possible suppliers to give you quotations? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Are you able to pay cash for what you buy if you want to? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Can you find out quickly how much of each type of product or material you have bought during the previous six months? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Can you think of three ways in which you could improve your buying? | <input type="checkbox"/> | <input type="checkbox"/> |

STOCK CONTROL

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do you check your stock regularly? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you always have enough stock to satisfy the needs of your business? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Have you ever tried to reduce the average number of items held in stock? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do you know how many of each kind of goods are in stock? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Can you see and count all your stocks easily? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do you write down in a book details of what stock is received and what stock is used? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. When you check your stocks, do you usually have the same number of items in stock as shown in your records? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do you know how long you may have to wait for delivery of different items after you have ordered? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Do you know how much old, damaged and useless stock you have in your store? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Do you try to get rid of old, damaged and useless stock by extra promotion? | <input type="checkbox"/> | <input type="checkbox"/> |

HANDLING CASH

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Can you quickly calculate how much money has come into your business during the past month? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you or does a reliable employee handle all the cash? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Have you instructed all members of your family and your staff never to take money out of the cash box? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Does the way you are now taking care of the cash keep it safe and prevent losses? | <input type="checkbox"/> | <input type="checkbox"/> |

- | | Yes | No |
|--|--------------------------|--------------------------|
| 5. Do you pay yourself and family members working in the business fixed wages? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do you record all the cash you take in and pay out each day either in a cash register or a cash book? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is the cash kept in a locked drawer? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do you write a receipt for every cash sale? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Do you write out a voucher each time you pay out cash? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Do you ask your bank to send you a statement every month showing the balance in your business account? | <input type="checkbox"/> | <input type="checkbox"/> |

PART 2 – BUSINESS PRACTICE

1. Assuming that you sell 100 products of a certain kind in one year, calculate what the gross profit will be if:

- you buy them at 70 NU each;
- you sell them at 100 NU each.



Sales	–	Costs	=	Gross profit
100 × 100 NU		100 × 70 NU		_____

2. If you lower your selling price to 80 NU, you estimate that you will sell 200 in one year. Since you are buying more from your supplier, you will also have a discount. You pay only 55 NU each if you buy 200.

Calculate what the gross profit will be if you sell the 200 products.

Sales	–	Costs	=	Gross profit
_____		_____		_____

3. Understanding steps (a)-(g) below can help you to improve your buying. Write down what you would do at each of the steps:

Step (a): Examine your needs

What I would do:

- (i) _____
- (ii) _____
- (iii) _____

Step (b): Find the supplier

What I would do:

- (i) _____
- (ii) _____
- (iii) _____

Step (c): Ask for quotations from several suppliers

What I would do:

- (i) _____
- (ii) _____
- (iii) _____

Step (d): Negotiate terms and then buy

What I would do:

- (i) _____
- (ii) _____
- (iii) _____

Step (e): On the day the goods arrive, check quantity, quality and price against delivery note

What I would do:

- (i) _____
- (ii) _____
- (iii) _____

Step (f): If you have any complaints, complain to the supplier immediately

What I would do:

- (i) _____
- (ii) _____
- (iii) _____

Step (g): Check your invoices against the delivery note when it arrives

What I would do :

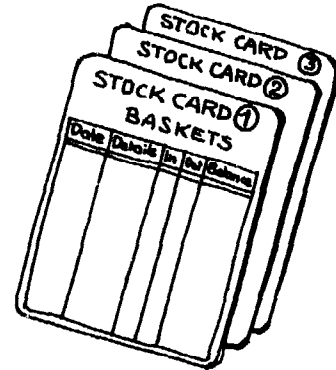
- (i) _____
- (ii) _____
- (iii) _____

4. Suggest four ways in which you could do simple market research :

- (a) _____
- (b) _____
- (c) _____
- (d) _____

5. Filling in and using a stock card

Jane has a small retail shop. She sells items like handicrafts and shopping baskets. She maintains a stock card for each different item that she deals in. Can you help Jane to fill in her stock card for baskets? Use the following information :



1 January 1986 83 baskets in store
1-15 January 1986 26 baskets sold
16-31 January 1986 23 baskets sold
15 January 1986 Jane places an order for
 100 baskets
2 February 1986 Jane receives the order of
 100 baskets.

Her cost price is 30 NU and her selling price 45 NU.

After you have completed the stock card over the page, try to answer the following questions :

(a) How many baskets did Jane have in store according to the stock card at the end of January 1986?

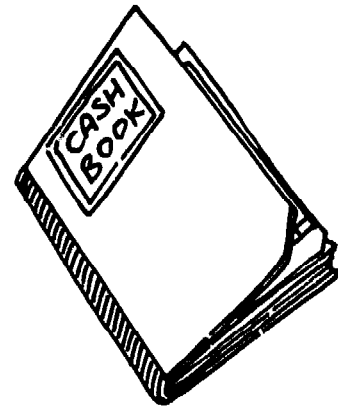
(b) And how many did she have in store on 2 February 1986?

(c) What was the value of her total sales during January 1986?

STOCK CARD				
Item : _____			Reorder level : _____	
Cost price : _____				
Selling price : _____				
Date	Particulars	Stock in	Stock out	Balance

6. Keeping a cash book

Francis has a small retail shop. He sells basic items such as tea, soap, milk, bread and so on. He has never kept a cash book before, but he has now decided that he should start one, because he finds it difficult to keep check on where his cash is going. Can you help him to start the cash book? Use the cash book sheet opposite to make the following entries :



- (a) Francis starts his cash book at the opening of business on 8 March 1986. He counts the cash in the cash box before opening his shop. There are 50 NU in the cash box.
- (b) Francis thinks that this 50 NU is not enough to meet his expenses of the day. He therefore sends his shop assistant to the bank to withdraw 200 NU. He puts this amount into the cash box.
- (c) During the day he sells six loaves of bread at 3.10 NU each, 15 packets of milk at 2.45 NU each, two bars of soap at 2.50 NU each and one tin of coffee at 30 NU.
- (d) In the afternoon he is visited by one of his suppliers who collects his dues. Francis pays him the bills outstanding : 50 NU for toilet rolls, 120 NU for toothpaste and 76 NU for tea.

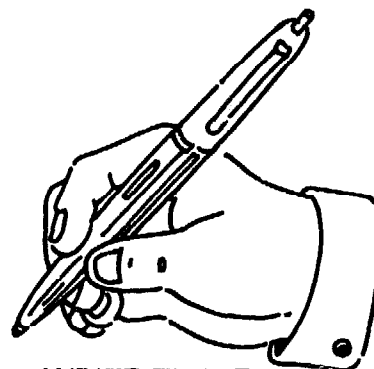
(e) His mother comes into the shop and takes away a tin of beans, without paying! Francis pays for the tin from his own pocket and puts the money into the cash drawer: 25 NU.

Have you made all the entries in the cash book?

(f) Now total up all the columns. What is the total amount of *cash in* on 8 March 1986? _____

(g) Now subtract *cash at start of day* from *total cash in*. What is the *total money from sales*? _____

(h) Finally, subtract *total cash out* from *total money from sales*. This gives you the *net cash in* for the day. How much is it? _____



WRITE THESE AMOUNTS INTO THE CASH BOOK

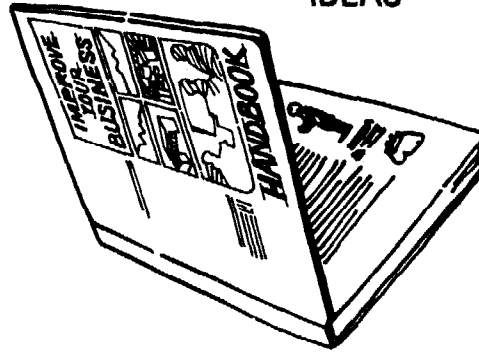
CASH BOOK					
Date	Details	Cash in	Cash out	Bank in	Bank out
8/3/86	Cash at start of day				
Less:	Total Cash at start of day				
Gives:	Total money from sales				
Less:	Total cash out				
Gives:	Net cash in				

Now that you have completed the business practice exercises, turn to the pages which follow the action programme. There you will find the answers. Check *your* answers against the answer solutions which are given. How many correct answers did you get?

CHECK YOUR ANSWERS!

Now go to the *Handbook* and read thoroughly the management ideas in the same section there. You will then find that all the business practice exercises become easier to answer.

THEN GO TO THE HANDBOOK FOR MANAGEMENT IDEAS



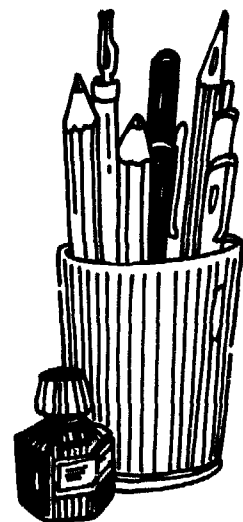
PART 3 – ACTION PROGRAMME

HOW TO CONSTRUCT YOUR ACTION PROGRAMME

Count the number of times you answered “yes” or “no” for each set of ten questions. How many times did you answer “yes”? The more “yes” answers, the better you are in business management. Now look again at those questions you answered with “no”. Those are possible problem areas in your business. Choose the one which you think is the most important for your business. Take the most urgent problem first. Don’t try to solve everything at once.

Now write the problem into the action programme opposite, as we have done with the example. Then write in *What must be done, By whom* and *By when* in order to solve your problem.

Finally, go back to your business and carry out the action programme.



Problem	What must be done?	By whom?	By when?
<p><i>Example:</i> I am tied to one supplier. I could buy more cheaply if I could buy for cash from another dealer.</p>	<p>Save up enough money so that I can pay what I owe my present supplier. Then I will be free to choose another supplier.</p>	<p>Myself</p>	<p>Start today. Finish in two months.</p>

ANSWERS TO BUSINESS PRACTICE

1.

Sales 100×100 NU	-	Costs 100×70 NU	=	Gross profit 3,000
-----------------------------------	---	----------------------------------	---	-------------------------------------

2.

Sales 16,000	-	Costs 11,000	=	Gross profit 5,000
-------------------------------	---	-------------------------------	---	-------------------------------------

3. *Step (a):* Examine your needs

What I would do:

- (i) Think how much I need.
- (ii) Think what quality I need.
- (iii) Think what price I pay.



Step (b): Find the supplier

What I would do:

- (i) Look in telephone book.
- (ii) Ask friends in trade.
- (iii) Look in trade directory.

Step (c): Ask for quotations from several suppliers

What I would do:

- (i) Telephone them.
- (ii) Write to them.
- (iii) Get written quotations.



Step (d): Negotiate terms and then buy

What I would do:

- (i) Talk with each supplier.
- (ii) Compare their prices.
- (iii) Ask for a discount.

Step (e): On the day the goods arrive, check quantity, quality and price against delivery note

What I would do:

- (i) Check all deliveries.
- (ii) Examine their condition.
- (iii) Check delivery note details.



Step (f): If you have any complaints, complain to the supplier immediately

What I would do:

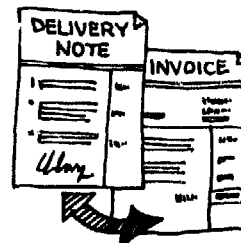
- (i) Contact the supplier himself.
- (ii) Explain the problem.
- (iii) Get the answer in writing.



Step (g): Check your invoices against the delivery note when it arrives

What I would do:

- (i) Check the prices.
- (ii) Check the quantities.
- (iii) Check the additions.



4. Suggest four ways in which you could do simple market research:

- (a) Talk to customers.
- (b) Ask customers what they like.
- (c) Look at competitors.
- (d) Look at what people buy.

5. Filling in and using a stock card

STOCK CARD				
Item: <u>Baskets</u>			Reorder level: <u>57</u>	
Cost price: <u>30 NU</u>				
Selling price: <u>45 NU</u>				
Date	Particulars	Stock in	Stock out	Balance
1/1/86	In store	83		
1/1-15/1/86	Sold		26	57
16/1-31/1/86	Sold		23	34
2/2/86	Bought	100		134

- (a) There were 34 baskets in store at the end of January 1986.
- (b) There were 134 baskets in store on 2 February 1986.
- (c) Total sales over January 1986:
 $26 + 23 = 49$ baskets.

Total sales: $49 \times 45 \text{ NU} = \underline{2,205 \text{ NU}}$.

6. Keeping a cash book

CASH BOOK					
Date	Details	Cash in	Cash out	Bank in	Bank out
8/3/86	Cash at start of day	50			
8/3/86	From bank	200			200
8/3/86	Bread	18,60			
8/3/86	Milk	36,15			
8/3/86	Soap	5			
8/3/86	Coffee	30			
8/3/86	Toilet rolls		50		
8/3/86	Toothpaste		120		
8/3/86	Tea		76		
8/3/86	Beans	25			
	Total	365,35	246		200
Less:	Cash at start of day	50			
Gives:	Total money from sales	315,35			
Less:	Total cash out	246			
Gives:	Net cash in	69,35			

MANUFACTURING AND SERVICE OPERATING

2

PART 1 – QUESTIONS

MANUFACTURING

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do you know how the total costs of making your products are divided between materials, labour and other expenses? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you know how much of your raw materials are wasted from bad cutting or processing and from bad workmanship? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you know what working capital is? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Can you think of two things you could do to cut the costs of manufacturing? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Have you ever stood and watched the movement of your workers between stores, machines and workplaces? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Have you ever looked closely at how the workplaces are laid out and how the workers work at them? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is your work and the supply of material planned so that one job follows another without delay? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Can you think of three ways in which machine working time can be lost in your factory during a normal day's work? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Are the machines regularly oiled, greased and checked to see that they are working properly? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Can you think of three ways in which you could reduce the amount of money tied up in working capital? | <input type="checkbox"/> | <input type="checkbox"/> |

SERVICE OPERATING

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do you know how the costs of your operation are divided between labour, material and other expenses? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you know what the biggest item of cost is? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you know how much of the total working time of your employees is wasted through tea-breaks, smoking, coming in late and leaving work early? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. If your equipment and personnel are not well used, do you know why? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do you know what is meant by the word "productivity"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Can you think of two things you could do to increase the productivity of your service operation? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Are the machines and equipment used in your operation serviced regularly? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do you keep written records which give you details of the dates and times when machines and equipment used in your operation are stopped by breakdowns? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Can you think of two ways in which the costs of your operation could be reduced? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Do you know what is meant by the words "planned maintenance"? | <input type="checkbox"/> | <input type="checkbox"/> |

PART 2 – BUSINESS PRACTICE

1. Write down two things which you could do to cut the costs of your manufacturing or service operation:

(a) _____

(b) _____

2. Write down two things which you could do to reduce the amount of money tied up in working capital in your business:

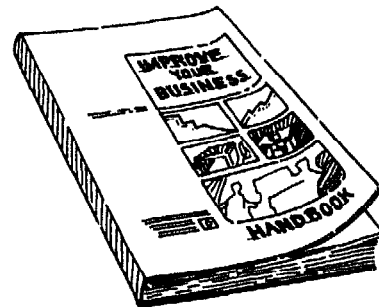
(a) _____

(b) _____

3. Below you see the working capital that was tied up in a business before and after a carpenter studied the manufacturing section of the *Handbook*.

How much extra cash in hand had the carpenter after the improvement?

<u>Working capital tied up in:</u>	<u>Before improvement</u>	<u>After improvement</u>	<u>Released</u>
Raw material store	8,000	6,000	2,000
Processing	4,000	3,000	_____
Assembly	2,000	1,000	_____
Finishing	2,000	1,000	_____
Inspection	3,000	1,000	_____
Finished goods store	6,000	3,000	_____
Cash released after improvement			_____



Now that you have completed the business practice exercises, turn to the page which follows the action programme. There you will find the answers. Check *your* answers against the answer solutions which are given on that page. How many correct answers did you get?

CHECK YOUR ANSWERS!

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THEN GO TO THE HANDBOOK FOR MANAGEMENT IDEAS

PART 3 – ACTION PROGRAMME

HOW TO CONSTRUCT YOUR ACTION PROGRAMME

Count the number of times you answered "yes" or "no" for each set of ten questions. How many times did you answer "yes"? The more "yes" answers, the better you are in business management. Now look again at those questions you answered "no". Those are possible problem areas in your business. Choose the one which you think is the most important for your business. Take the most urgent problem first. Don't try to solve everything at once.

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Finally, go back to your business and carry out the action programme.

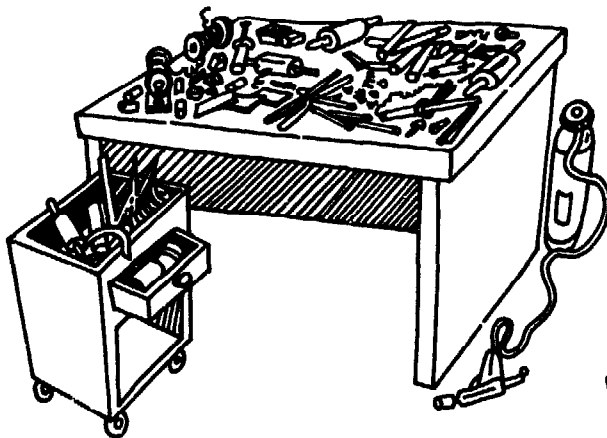


Problem	What must be done?	By whom?	By when?
<p><i>Example:</i> Drilling machine breaks down too often.</p>	<p>Take it out of use. Have it re- paired properly at Machine Repair Ltd.</p>	<p>Joseph and Bill.</p>	<p>Friday afternoon.</p>

ANSWERS TO BUSINESS PRACTICE

- Write down two things which you could do to cut the costs of your manufacturing or service operation :
 - reduce the cost of materials by good buying or cut down on wasted or spoiled materials ;
 - reduce time wasted by workers and cut the cost of labour *or* improve the layout of your workshop.
- Write down two things which you could do to reduce the amount of money tied up in working capital in your business :
 - hold less stocks ;
 - send out invoices fast *and* get your cash in fast.

3. Working capital tied up in :	<u>Before improvement</u>	<u>After improvement</u>	<u>Released</u>
Raw material store	8,000	6,000	2,000
Processing	4,000	3,000	1,000
Assembly	2,000	1,000	1,000
Finishing	2,000	1,000	1,000
Inspection	3,000	1,000	2,000
Finished goods store	6,000	3,000	3,000
Cash released after improvement			10,000

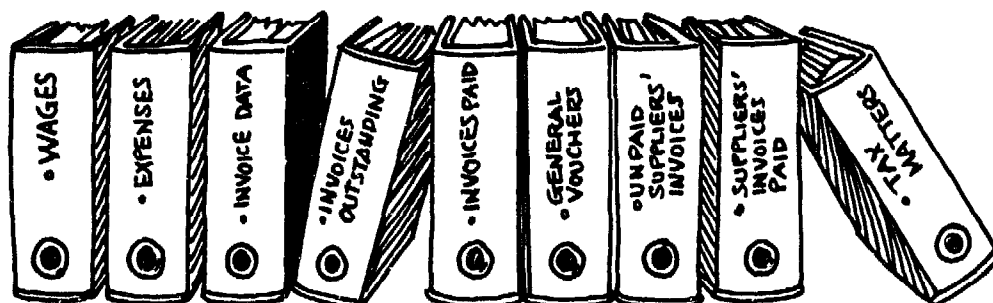


BOOKKEEPING

3

PART 1 – QUESTIONS

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do you have a bookkeeping system? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you understand the bookkeeping system yourself? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you check your bank statement with your cheque counterfoils and paying-in slips? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Can you get all the information you want quickly, and is it correct? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do you file all vouchers (receipts, invoices, etc.) in such a way that they are easily found when needed? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do you have a set of books that gives you information about: | | |
| (a) How much your customers owe you? | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) How much you owe your suppliers? | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) Your employees, their wages and so on? | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) The present value of your machines and equipment? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Do you write out vouchers when people get cash from you and make them sign their names on the voucher? | <input type="checkbox"/> | <input type="checkbox"/> |



PART 2 – BUSINESS PRACTICE

Use the sheet called "Ledger", below, to enter the following business transactions:

<u>Transaction</u>	<u>Date</u>	<u>Item</u>
1.	8 July	A carpenter sells a sofa and receives 600 NU cash from the customer.
2.	10 July	The carpenter receives a loan amounting to 8,000 NU from the local bank. The money is put into the carpenter's loan account.
3.	15 July	A turning lathe is bought. It costs 7,000 NU. It is paid with the money from the bank.
4.	15 July	Wages are paid to four employees. In total 400 NU is paid out.
5.	16 July	The carpenter sells four chairs and receives 600 NU cash.
6.	18 July	Raw material is bought: 60 m of timber 5×2.5 cm. The cost is 240 NU. It is paid in cash.

Ledger

DATE	PARTICULARS	ID.NO.	CASH			BANK			SALES		RAW MAT. *	
			In	Out	Bal.	In	Out	Bal.	In	Out	In	Out
July												
8	One sofa	1	600		600						600	
15	Wages	4		400	200							

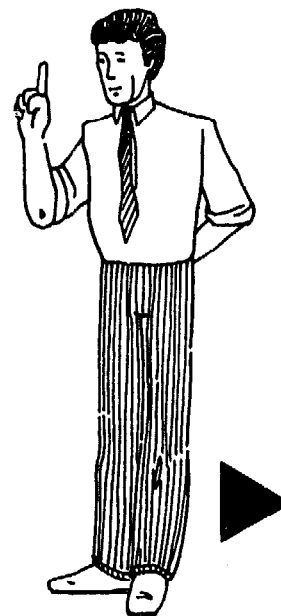
PART 3 – ACTION PROGRAMME

HOW TO CONSTRUCT YOUR ACTION PROGRAMME

Count the number of times you answered “yes” or “no” for the set of questions. How many times did you answer “yes”? The more “yes” answers, the better you are in business management. Now look again at those questions you answered with “no”. Those are possible problem areas in your business. Choose the one which you think is the most important for your business. Take the most urgent problem first. Don’t try to solve everything at once.

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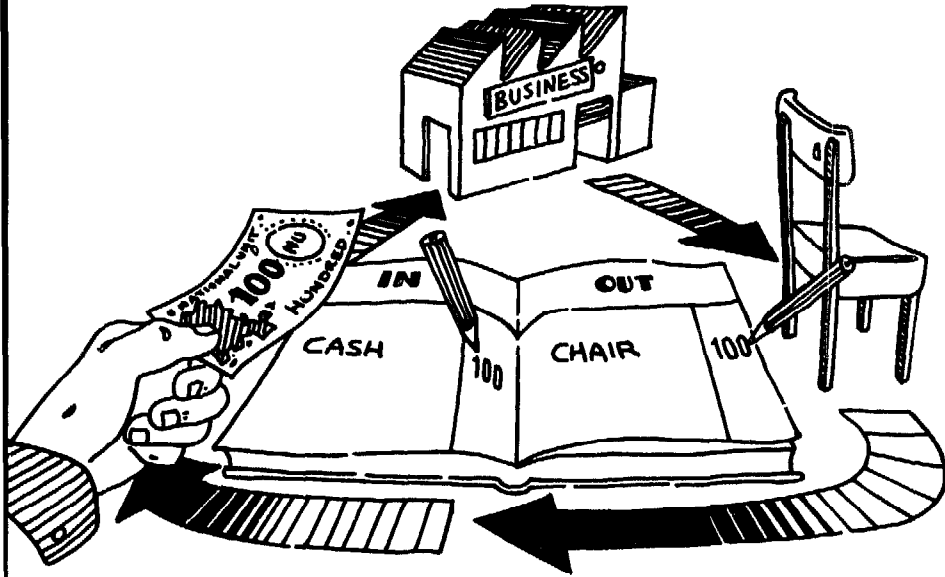


Problem	What must be done?	By whom?	By when?
<p><i>Example:</i></p> <p>We do not have a proper bookkeeping system for the business.</p>	<ol style="list-style-type: none"> 1. Buy a suitable ledger and some notebooks and journals. 2. Begin to enter details of all money in and money out of the business. 	<p>Myself</p> <p>Myself</p>	<p>Friday 5/6/66</p> <p>Next Monday 8/6/66</p>

ANSWER TO BUSINESS PRACTICE

DATE	PARTICULARS	ID.NO.	CASH			BANK			SALES		RAW MAT.	
			In	Out	Bal.	In	Out	Bal.	In	Out	In	Out
July												
8	One sofa	1	600		600						600	
10	Loan	2				8,000		8,000				
15	Turning lathe	3					7,000	1,000				
15	Wages	4		400	200							
16	4 Chairs	5	600		800						600	
18	Timber 5 x 2.5cm 60m	6		240	560							240
19	Interest on loan	7					100	900				
19	Water	8		300	260							
20	1 Chair returned	9		150	110				150			
22	Private expenses	10					500	400				

WAGES		LOANS		EQUIPMENT		INTEREST		DRAWINGS		OTHERS	
In	Out	In	Out	In	Out	In	Out	In	Out	In	Out
			8,000								
				7,000							
400											
							100				
										300	
									500		



COSTING AND PRICING

4

PART 1 – QUESTIONS

COSTING ONE PRODUCT

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do you know what is meant by direct costs? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you know the difference between direct costs and indirect costs? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is the following statement correct: "Indirect costs are the same as overheads"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. When you must quote a price to a customer before he buys, do you have all the information from past costs at hand so that you can make an estimate quickly? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do you have written records which tell you how much you have spent so far this year on each of the following: salaries; insurance; rent; electricity; interest on a loan? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Is the following statement correct: "Direct costs are not the same as overheads"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Can you tell from your records exactly how much your wage bill was for the past six months? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do you know what is meant by inflation? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Do you keep written records giving the costs of materials and labour? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Do your workers work at their jobs 100 per cent of the time they are at the workplace? | <input type="checkbox"/> | <input type="checkbox"/> |

COSTING MANY PRODUCTS

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do you know the total number of hours which your employees worked during last year? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. If a competitor begins to sell goods at lower prices than yours, do you know how much you can afford to lower your price to compete with him? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you think that your prices are generally right and give you the profits you expect? | <input type="checkbox"/> | <input type="checkbox"/> |

- | | Yes | No |
|---|--------------------------|--------------------------|
| 4. Is the following statement correct: "The different products made by a carpenter normally use different quantities of material and different amounts of labour"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Is the following statement correct: "An easy way of calculating indirect costs when there are many different products is to show them as a percentage of direct labour costs"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do you agree with the following statement: "The total costs of making a product consist of the total direct costs plus the total indirect costs"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. If the cost of your raw materials rises, do you increase the price of your product? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Is the following statement true: "Some costs are fixed but most costs are variable"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Can you give a rough estimate of the current rate of inflation in your country? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Do you know the total cost of running your business during the last year? | <input type="checkbox"/> | <input type="checkbox"/> |

PRICING FOR A MANUFACTURER

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do you agree with the following statement: "If you do not know your costs, you cannot know whether the prices you charge give you a profit or a loss"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you know what it costs you for labour, raw materials and overheads every month? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is the following statement true: "It is important to know costs, but there are many other factors that you have to take into account when setting your prices"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Consider the way you are working out your prices. Do they enable you to sell well against your competitors? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. However you work your prices, do you find that they give you a fair profit? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do you set your prices on the basis of: | | |
| (a) The highest you think the customers will pay? | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) Your competitors' prices? | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) Your total costs plus a reasonable profit? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Do you know how to calculate the total costs for each product you make? | <input type="checkbox"/> | <input type="checkbox"/> |

PRICING FOR A TRADER

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do you agree with the following statement: "If you do not know your costs, you cannot know whether the prices you charge give you a profit or a loss"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you know your labour costs, the cost price of your goods and your overheads every month? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is the following statement true: "It is important to know costs, but there are many other factors that you have to take into account when setting your prices"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Consider the way you are working out your prices. Do they enable you to sell well against your competitors? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. However you work out your prices, do you find that they give you a fair profit? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do you set your prices on the basis of: | | |
| (a) The highest you think the customers will pay? | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) Your competitors' prices? | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) Your total costs plus a mark-up? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Do you understand the difference between a trade margin and a mark-up? | <input type="checkbox"/> | <input type="checkbox"/> |

PRICING FOR A SERVICE OPERATOR

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do you agree with the following statement: "If you do not know your costs, you cannot know whether the prices you charge give you a profit or a loss"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you know what it costs you for labour, materials and overheads every month? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is the following statement true: "It is important to know costs, but there are many other factors that you have to take into account when setting your prices"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Consider the way you are working out your prices. Do they enable you to sell well against your competitors? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. However you work out your prices, do you find that they give you a fair profit? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Have you heard the expression "charge per service hour"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Do you set your prices on the basis of: | | |
| (a) Your competitors' prices? | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) The highest you think the customers will pay? | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) Your direct costs per hour plus a percentage for gross profit per hour? | <input type="checkbox"/> | <input type="checkbox"/> |

PART 2 – BUSINESS PRACTICE

1. Complete these statements about the types of costs in a business.

Direct costs	+	<div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 2px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 2px;"></div>	=	Total costs
Total costs	+	<div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 2px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 2px;"></div>	=	Selling price
Money in from sales	-	Money out for costs	=	<div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 2px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 2px;"></div>

2. Complete the following calculations:

<div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 2px;"></div> 180 NU	+	Indirect costs <div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 2px;"></div> NU	=	Total costs 420 NU
Total number of carpenter's hours required to make a table 9.4	×	Hourly labour rate 15 NU	=	Direct labour cost of table <div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 2px;"></div> NU
Total direct labour costs for one table 141 NU	+	Total direct material costs for one table <div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 2px;"></div> NU	=	<div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 2px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 2px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 2px;"></div> 410 NU

3. The total costs of a table are 528 NU and you want to add on 30 per cent for your profit. Calculate the selling price.

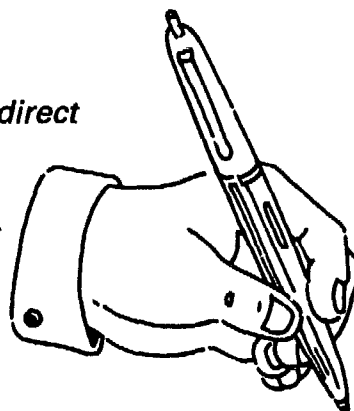
4. A carpenter estimates the total costs of producing a table to be 720 NU. He decides to add on 30 per cent for his profit as follows :

Total costs	+ Mark-up	= Selling price
Total costs of table 720 NU	He adds on 30 per cent for profit _____	Selling price _____ NU

Calculate in the space below his percentage of profit on the selling price.

5. Are the following costs *direct costs* or *indirect costs*?

Fill in the boxes on the right-hand side.

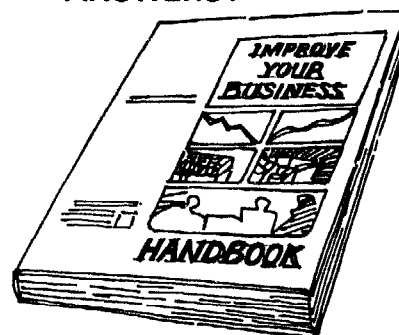


- | | Direct costs | Indirect costs |
|---|--------------------------|--------------------------|
| (a) The wages of your workers in the workshop | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) The cost of your telephone | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) The salary of your secretary | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) The cost of electricity | <input type="checkbox"/> | <input type="checkbox"/> |
| (e) The cost of using a dry-cleaning machine | <input type="checkbox"/> | <input type="checkbox"/> |
| (f) The rent of a factory building | <input type="checkbox"/> | <input type="checkbox"/> |
| (g) The cost of petrol for your car | <input type="checkbox"/> | <input type="checkbox"/> |
| (h) The cost of replacing a worn-out tool | <input type="checkbox"/> | <input type="checkbox"/> |
| (i) The cost of stationery | <input type="checkbox"/> | <input type="checkbox"/> |
| (j) The cost of your raw materials | <input type="checkbox"/> | <input type="checkbox"/> |

Now that you have completed the business practice exercises, turn to the pages which follow the action programme. There you will find the answers. Check *your* answers against the answer solutions which are given. How many correct answers did you get?

Now go to the *Handbook* and read thoroughly the management ideas in the same section there. You will then find that all the business practice exercises become easier to answer.

CHECK YOUR ANSWERS!



THEN GO TO THE HANDBOOK FOR MANAGEMENT IDEAS

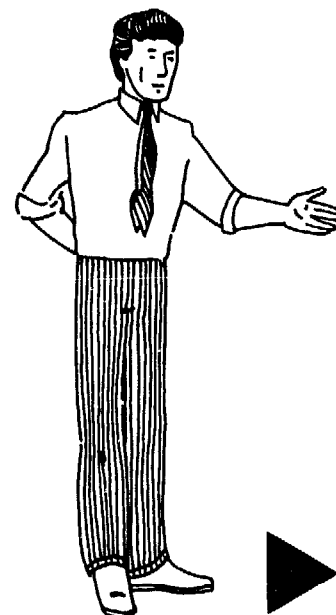
PART 3 – ACTION PROGRAMME

HOW TO CONSTRUCT YOUR ACTION PROGRAMME

Count the number of times you answered "yes" or "no" for each set of questions. How many times did you answer "yes"? The more "yes" answers, the better you are in business management. Now look again at those questions you answered with "no". Those are possible problem areas in your business. Choose the one which you think is the most important for your business. Take the most urgent problem first. Don't try to solve everything at once.

Now write the problem into the action programme opposite, as we have done with the example. Then write in *What must be done*, *By whom* and *By when* in order to solve your problem.

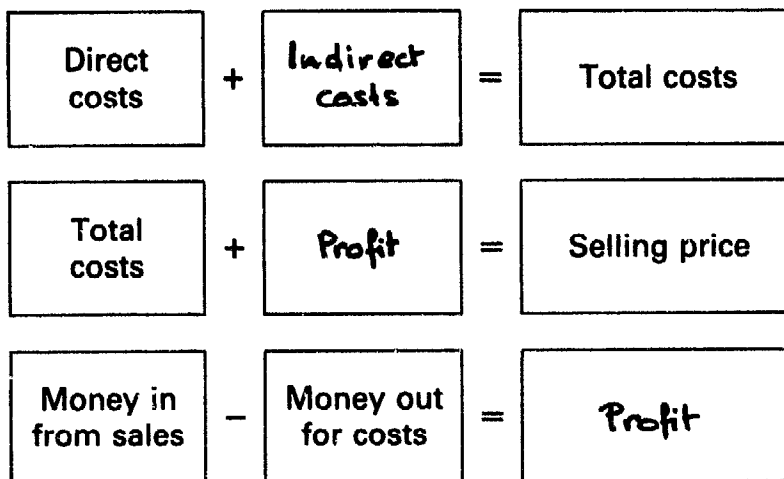
Finally, go back to your business and carry out the action programme.



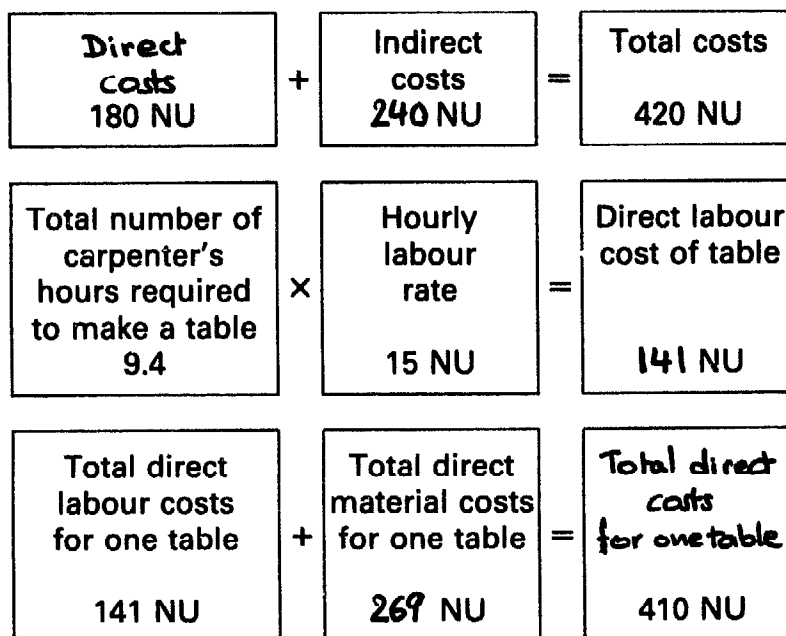
Problem	What must be done?	By whom?	By when?
<p><i>Example:</i></p> <p>I do not know if the price I charge for my products covers the costs and gives me a profit.</p>	<p>Set up a simple costing system which will show me the indirect costs and the direct costs for each product.</p>	<p>Myself and Joshua, my accountant friend.</p>	<p><u>Start:</u> Monday next week. 1/4/86</p> <p><u>Finish:</u> Friday. 5/4/86</p>

ANSWERS TO BUSINESS PRACTICE

1.



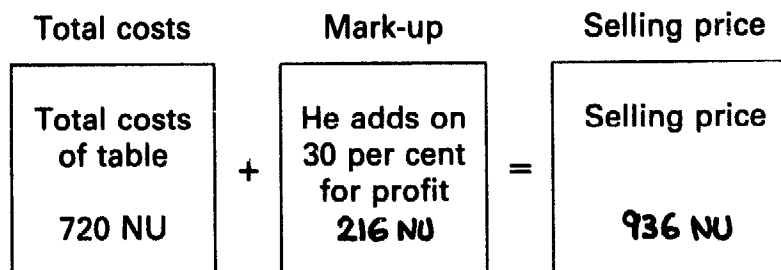
2.



3. The selling price for the table is:

$$528 \text{ NU} + 30 \text{ per cent of } 528 \text{ NU} = 686 \text{ NU}$$

4.



The percentage of profit on the selling price is:

$$\frac{216 \text{ NU}}{936 \text{ NU}} \times 100 = 23 \text{ per cent}$$

5. Are the following costs *direct costs* or *indirect costs*?

	Direct costs	Indirect costs
(a) The wages of your workers in the workshop	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(b) The cost of your telephone	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(c) The salary of your secretary	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(d) The cost of electricity	<input type="checkbox"/>	<input checked="" type="checkbox"/> *
(e) The cost of using a dry-cleaning machine	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(f) The rent of a factory building	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(g) The cost of petrol for your car	<input type="checkbox"/>	<input checked="" type="checkbox"/> **
(h) The cost of replacing a worn-out tool	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(i) The cost of stationery	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(j) The cost of your raw materials	<input checked="" type="checkbox"/>	<input type="checkbox"/>

* Usually indirect costs. For some types of businesses such as laundries they could be viewed as direct costs.

** To be considered as direct costs for a transport business.

MARKETING

5

PART 1 – QUESTIONS

CHOOSING THE GOODS TO BE MADE AND SOLD

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do you know what is meant by "market research"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Have you done any market research for your business or your product(s)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you keep any sales records so that you can see which products sell well and which sell less well? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do you try to specialise in producing or selling a few items in a way that makes your firm a specialist in its field? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Before you bring out a new product or service, do you: | | |
| (a) Look at the market and see if there is a place for a new product or service like the one you are considering? | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) Study your competitors' products and try to make and/or sell something different? | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) Try it out in a few places or on a few customers before selling it to everyone? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. When you produce or sell a new product, do you highlight the specific things that make it different? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Do you sell different sizes and/or qualities of the same product? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do you know who your competitors are and where they are? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Do you know how much your competitors sell each month? | <input type="checkbox"/> | <input type="checkbox"/> |

PROMOTION AND ADVERTISING

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Do you know what is meant by the expression "promotion of your products"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. A letter which has an attractive heading and is well typed makes a good impression on those who receive it. Do you think your letters make a good enough impression? | <input type="checkbox"/> | <input type="checkbox"/> |

- | | Yes | No |
|---|--------------------------|--------------------------|
| 3. Have you at any time advertised the sale of your products in a newspaper or magazine? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Have you ever sent special letters to customers telling them about a new product which you are selling? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do you think it is wrong to tell a customer that your goods or services are better than they really are? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Have you ever used special posters or leaflets to inform customers what you have for sale? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Have you ever asked new customers how they first heard of your name and what made them come to your business? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do you know what is meant by the expression "point-of-sale advertising"? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Have you ever given your customers materials such as calenders, diaries, pencils or notepads which have the name of your business printed on them? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Have you ever produced a printed list of special offers of stock which you want to sell off at very low prices? | <input type="checkbox"/> | <input type="checkbox"/> |

DISTRIBUTING

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Are you sure that your present method of transporting and distributing your goods is the best and cheapest? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Have you tried other ways? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Have you really thought about who and where your customers are, and how many of them there are? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Have you thought about whether it is cheaper to use a wholesaler or your own sales representative for distribution of your products? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Is it only seldom that customers complain about the way they receive their purchases? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do you visit the people and businesses who buy from you and find out what they think about your products? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Do you ever deliver your products to customers yourself? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Have you considered introducing a very quick delivery service to customers who will buy a large quantity of your goods <i>and</i> pay cash? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Is it possible for you to introduce a different and better method of distributing your goods to your big customers? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Do you personally go out and talk to all the customers who buy from you in large quantities? | <input type="checkbox"/> | <input type="checkbox"/> |

MANAGING SALES REPRESENTATIVES

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Have you compared the advantages of doing your own selling (either yourself or by sales representatives) with the advantages of using wholesalers and/or agents? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are you sure that the person who sells on behalf of your business understands your products or services and is able to talk about them to customers in the best possible way? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you deal with customers' complaints the same day they are received in your office? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Is the person selling your products trained to explain their uses and benefits to the prospective customer? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do you give additional incentives to the people who sell your products when they make a sale? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Does someone from your business go out and visit customers and try to find out how satisfied they are with your products? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To promote your sales, do you have a leaflet or small catalogue you can give to potential customers which describes the products or services which you sell? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do you make sure to tell your staff that everyone who works in the business should think of himself or herself as a sales representative for the business? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Do you make sure that letters about sales, orders from customers and requests for quotations are dealt with at once? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Do you keep written sales records which tell you how much of each product or service is being sold every month and by whom? | <input type="checkbox"/> | <input type="checkbox"/> |

SALES RECORDS

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Can you tell from your sales records: | | |
| (a) Whether your sales are going up or down each month? | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) Which goods or services are selling well or badly? | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) In which parts of the city or parts of the country your product sells best? | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) If there have been large increases or reductions in the sales of different products during the last year? | <input type="checkbox"/> | <input type="checkbox"/> |
| (e) How many orders you have received from each of your individual customers during the last 12 months? | <input type="checkbox"/> | <input type="checkbox"/> |

- | | Yes | No |
|---|--------------------------|--------------------------|
| 2. Do you know the total number of orders or sales which you achieve during a year? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you know whether each sale you make is bringing you a profit or a loss? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Can you tell when one of your products is going out of date? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Can you find out quickly which products bring in most of your sales? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do you sit down quietly every month to study the sales figures and make comparisons with the sales obtained in the past? | <input type="checkbox"/> | <input type="checkbox"/> |

PAYMENT AND CREDIT

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do you have rules about payment and credit which you print clearly on your quotations and invoices and display in your business premises? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do your prices allow for discounts to people who buy big quantities? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. When you sell on credit, do you send out your invoices within a week of delivery of the goods? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do you check the credit reputation of a new customer by asking your bank to contact the new customer's bank manager for a reference? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do you try to find out about customers' ability to pay by talking to others who have done business with them? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do you tell customers that you will give them a discount if they pay you cash? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Do you write down every month the names of the customers who owe you money and for how long they have owed you the money? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do you ever make slow payers pay you something extra for being late with their payment? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Do you personally go and talk to all the people who have owed you money for more than two months? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Do you have a definite policy in regard to the collection of debts? If "yes", write your policy below: | <input type="checkbox"/> | <input type="checkbox"/> |

PART 2 – BUSINESS PRACTICE

1. Which of the following activities would you include in market research? Tick them (✓):

Asking customers about your goods.
Asking your husband's or wife's opinion.
Going through business catalogues.
Checking your own order books.
The bus to the nearest big city.
Asking your sales representative's opinion.

2. State four things which you should consider when choosing the goods which you will make and sell:

(a) _____
(b) _____
(c) _____
(d) _____

3. Write below four things which you could do to promote your products or services so that customers will be more likely to buy from you:

(a) _____
(b) _____
(c) _____
(d) _____

4. Which factors would you consider important when selecting a sales representative?

(a) _____
(b) _____
(c) _____

5. Write below three things which you can find out more easily about your products if you keep good sales records:

(a) _____
(b) _____
(c) _____

6. The table below shows the monthly sales (in quantity) of a company, Soap Ltd., which manufactures different brands of soap.

Item	Month	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
Soap brand X		–	–	–	4*	5	7	9	12	11	10	11	11
Soap brand Y		20	19	19	12	12	11	10	7	5	3	2	–
Soap brand Z		22	24	21	21	20	19	10	19	20	6	4	3
Total		44	43	40	37	37	37	29	38	36	19	17	14

* Manufacturing of brand X started in April only.

Now answer the following questions:

- (a) Which information about the sales of the different brands of soap can you find in the above table?

- (b) Can you give a possible reason for the falling sales of brand Y?

- (c) Can you suggest two ways in which Soap Ltd. could try to increase sales next year?

(i) _____

(ii) _____

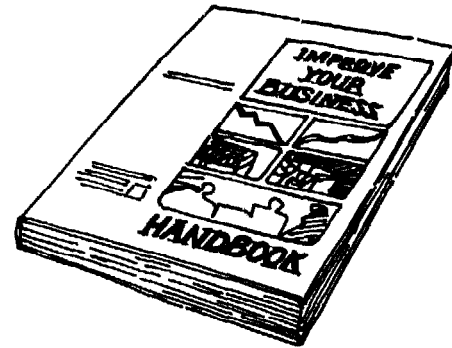
7. Peter is in the business of selling timing machines. His usual selling price is 270 NU per timing machine. However, he is in a very competitive market so he has decided that he must offer discount to people who buy many timing machines at the same time. He offers a 5 per cent discount to those who buy quantities between 10 and 50; and a 10 per cent discount to those who buy quantities between 50 and 100. One day he has the possibility of selling 100 timing machines to a customer. Calculate the total amount that he asks for the 100 timing machines.

Now that you have completed the business practice exercises, turn to the pages which follow the action programme. There you will find the answers. Check *your* answers against the answer solutions which are given. How many correct answers did you get?

Now go to the *Handbook* and read thoroughly the management ideas in the same section there. You will then find that all the business practice exercises become easier to answer.

CHECK YOUR ANSWERS!

THEN GO TO THE HANDBOOK FOR MANAGEMENT IDEAS



PART 3 – ACTION PROGRAMME

HOW TO CONSTRUCT YOUR ACTION PROGRAMME

Count the number of times you answered "yes" or "no" for each set of questions. How many times did you answer "yes"? The more "yes" answers, the better you are in business management. Now look again at those questions you answered with "no". Those are possible problem areas in your business. Choose the one which you think is the most important for your business. Take the most urgent problem first. Don't try to solve everything at once.

Now write the problem into the action programme on the next page, as we have done with the example. Then write in *What must be done*, *By whom* and *By when* in order to solve your problem.

Finally, go back to your business and carry out the action programme.



Problem	What must be done?	By whom?	By when?
<p><i>Example:</i> Too many people to whom I have given credit. They do not pay me.</p>	<ol style="list-style-type: none"> 1. Set a credit limit of 100 NU to customers who have bought from me regularly for at least 3 months. 2. Strictly cash terms for casual customers. 	Myself and all my staff	From today onwards.

ANSWERS TO BUSINESS PRACTICE

1. Asking customers about your goods. ✓
Asking your husband's or wife's opinion. ✓
Going through business catalogues. ✓
Checking your own order books. ✓
The bus to the nearest big city.
Asking your sales representative's opinion. ✓

2. (a) The kind of products my customers want.
(b) The quality and prices.
(c) The design.
(d) The sizes or dimensions.

3. (a) Advertising in newspapers and magazines.
(b) Using signboards on main roads.
(c) Placing posters on buildings.
(d) Sending special promotional letters to selected customers.

4. (a) The ability to learn about the technical aspects of your products.
(b) The ability to fit in with the kind of customers that he or she has to deal with.
(c) Politeness, patience and smart appearance.

5. (a) Whether your sales are rising or falling.
(b) Which goods or products are selling well and which are selling badly.
(c) How your sales representatives are doing.

6. (a) The sales of *brand X* are steady as from August. It is not an extremely successful product in terms of sales volume.
Brand Y is competing with brand X. The sales of brand Y go down steeply in April when brand X is introduced into the market. Ultimately brand Y loses its market share altogether.
The sales of *brand Z* drop suddenly in October.
(b) Brand Y cannot compete with brand X.
(c) (i) Launch a marketing campaign to promote brand X.

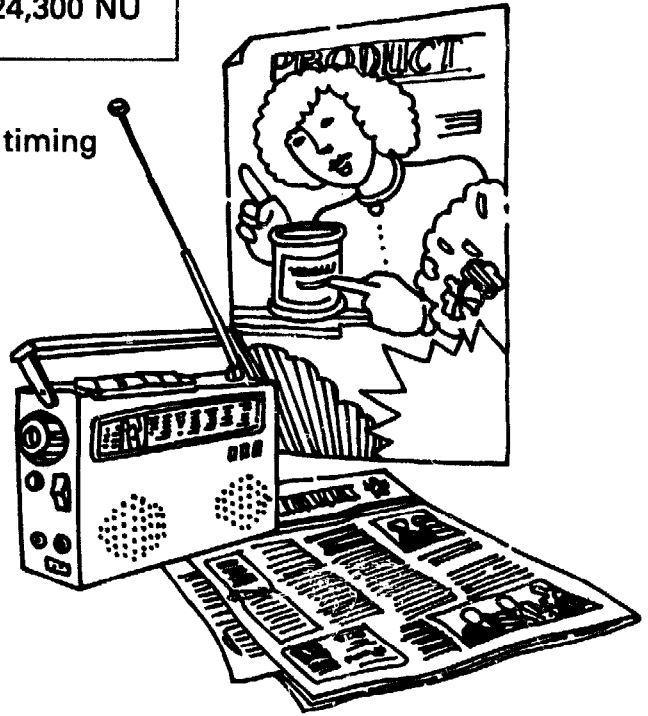


(ii) Start a new brand to replace brand Y ; stop manufacturing brand Y.

7.

$270 \text{ NU} \times 100 =$	27,000 NU
$- 10 \text{ per cent discount}$	2,700 NU
$=$	24,300 NU

The business will ask 24,300 NU for 100 timing machines.



MANAGEMENT ACCOUNTING

6

PART 1 – QUESTIONS

THE PROFIT AND LOSS ACCOUNT

	Yes	No
1. Do you know the difference between cash and profit?	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you try to calculate every month whether you have made a profit?	<input type="checkbox"/>	<input type="checkbox"/>
3. Can you think of two things which you could try to do in your business to increase your profits?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you know what is meant by depreciation?	<input type="checkbox"/>	<input type="checkbox"/>
5. Could you explain to another business person what the expression "value added" means?	<input type="checkbox"/>	<input type="checkbox"/>
6. Do you understand the connection between sales, costs and profits?	<input type="checkbox"/>	<input type="checkbox"/>
7. Do you know which items to include in a profit and loss account?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is it important to study the profit and or loss figures for the last ten years if you want to get ideas on how to improve your business quickly?	<input type="checkbox"/>	<input type="checkbox"/>
9. Do you have a profit and loss account prepared once a year?	<input type="checkbox"/>	<input type="checkbox"/>
10. Are you sure that you understand how you can use the profit and loss account to improve your business?	<input type="checkbox"/>	<input type="checkbox"/>

THE BALANCE SHEET

	Yes	No
1. Do you know what an asset is?	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you know the difference between assets and liabilities?	<input type="checkbox"/>	<input type="checkbox"/>
3. Can you think of three liabilities which your business has?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you know the difference between your private assets and your business assets?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do you regularly check your insurance policies and the valuations put on your assets?	<input type="checkbox"/>	<input type="checkbox"/>

- | | Yes | No |
|---|--------------------------|--------------------------|
| 6. Are your premises suitable for your operations and is there the possibility of expansion if your business grows? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is a balance sheet prepared for your business once a year? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Are you sure you understand how you can use the balance sheet to make your business better? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Do you, the owner, sit down and talk to your accountant about the state of the business once the balance sheet and profit and loss account have been prepared? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Have you ever considered paying a fee to a business consultant to examine your business and give you a report about its strengths and weaknesses? | <input type="checkbox"/> | <input type="checkbox"/> |

THE CASH FLOW BUDGET

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Do you try to plan how money will flow in and out of your business month by month over a future period? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you know what is meant by working capital? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you prepare a cash flow budget at least twice a year? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do you obtain a monthly bank statement from your bank so that you know how much money you have in the bank? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Can you tell how many months your debtors are taking to pay you the money they owe to you? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Is it true to say that if you find a big difference between the estimated cash position and the actual cash position, then you have a possible management problem? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Do you know how you can use the cash flow budget to improve your business performance? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Are you able to calculate your total estimated monthly wage bill for all your workers for each of the next six months? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Can you estimate how much you will spend on business travel and car expenses in each of the next six months? | <input type="checkbox"/> | <input type="checkbox"/> |
| You can? Then write your estimate below and say briefly how you arrived at it: | | |

PART 2 – BUSINESS PRACTICE

1. THE PROFIT AND LOSS ACCOUNT AND THE BALANCE SHEET

Tin Smith Works Ltd. is just about to produce a profit and loss account for the period 1 January 1986 – 31 December 1986 and a balance sheet for the year ending 31 December 1986.

In order to draw up the profit and loss account and the balance sheet, they have collected the following information from their bookkeeping system :

Information needed for the profit and loss account:

	(NU)
Sales	100,000
Payments for:	
Raw materials	30,000
Wages	15,000
Interest on loan	5,000
Drawings	20,000
Others	10,000
The value of the stock for raw materials and goods has increased by:	2,000
The amount of money due from customers (debtors) has increased by:	4,000
The amount of money due to suppliers (creditors) has increased by:	6,000
The reduction in value of machines and equipment (depreciation) during 1986 is:	8,000

Information needed for the balance sheet:

	As at 31 Dec. 1986 (NU)
Money in cash box	8,000
Money in bank	10,000
Money due from customers (debtors)	6,000
Value of stocks	40,000
Value of machines and equipment	30,000
Money owing to suppliers (creditors)	4,000
Loans	35,000
Owner's capital	40,000

Using the above information, try to complete the profit and loss account and the balance sheet which are given below.

After completion, try to answer the following questions :

(a) What was the profit in the business in 1986?

(b) How much profit was made and left in the business up to 31 December 1986?

Profit and loss account		
<i>1 January 1986–31 December 1986</i>		
	Money in	Money out
Sales		
Raw materials		
Wages		
Interest		
Drawings		
Others		
Change in stock		
Change in creditors		
Change in debtors		
Depreciation		
Profit		

Balance sheet	
<i>31 December 1986</i>	
Assets	Liabilities
Cash Bank Debtors Stocks Equipment 	Creditors Loans Owner's capital _____ Profit made and left in the business _____
_____	_____
_____	_____

2. THE CASH FLOW BUDGET

The information needed to draw up a cash flow budget is given below. Turn to the sheet called "Cash flow budget, Tin Smith Works Ltd.", over the page, and try to enter the following items:

- Period of forecast: 1 January 1987–30 June 1987
- Money in the cash box and in the bank account on 1 January 1987: 20,000 NU

◀ ENTER IT

◀ ENTER IT IN "MONEY PRESENT AT START OF MONTH"

Now enter the *RECEIPTS*

- The average sales for the particular months as recorded in the last two years are as follows:

January	February	March	April	May	June
10,000	8,000	8,000	8,000	8,000	10,000

During 1987 sales will be approximately the same as the above for each month from January to June.

- Three-quarters of the sales each month are cash sales.
- One-quarter of total sales each month are on credit. These are entered in the small triangle for each month under "Cash from credit sales".

◀ ENTER THEM

	January	February	March	April
Cash from credit sales	2,500			

◀ CREDIT SALES

- When credit is given by Tin Smith Works Ltd. it is for one month only. Customers usually pay in one month's time. Enter the cash from credit sales.

	January	February	March	April
Cash from credit sales	2,500	2,500		

◀ ENTER THEM

- The Tin Smith Works Ltd. will sell an old welding machine in March 1987. This will add 8,000 NU to "Other money in".

◀ ENTER IT

Now enter the *PAYMENTS*

- Tin Smith have found out that when they buy raw materials each month, the value of the purchases is always half of the sales amount for that month.

◀ WORK OUT THE PURCHASES

Work out the purchases and enter them in the box below.

ENTER THEM

January	February	March	April	May	June

- Four-fifths of the purchases are cash purchases.

◀ ENTER THEM

- One-fifth of the purchases are on credit. These are entered in the small triangle for each month under "cash paid for credit purchases".

	January	February	March	April
Cash paid for credit purchases	1,000	/	/	/

◀ CREDIT PURCHASES

- Tin Smith always pay their creditors within one month. Enter the cash paid for credit purchases.

	January	February	March	April
Cash paid for credit purchases	1,000	1,000	/	/

- Wages amount to 2,000 NU each month.

◀ ENTER THEM

- Drawings by Tin Smith amount to 1,000 NU each month.

◀ ENTER THEM

- Tin Smith have a 40,000 NU loan. They pay 100 NU as interest each month and make a repayment of the loan in March and June amounting to 1,000 NU in each of these months.

◀ ENTER THEM

- The item "Others" amounts to 1,500 NU each month.

◀ ENTER IT

- Tin Smith will buy an electronic calculator in March for 500 NU.

◀ ENTER IT UNDER "PLANNED INVESTMENTS"

(a) With the information you have been given, try to calculate how much money will be present in the business at the end of January. Write your answer below.

(b) Now try to fill in each month and work out how much money will be present in the business at the end of June. Write your answer below.

Cash flow budget, Tin Smith Works Ltd.

Period of forecast : _____

RECEIPTS

PAYMENTS

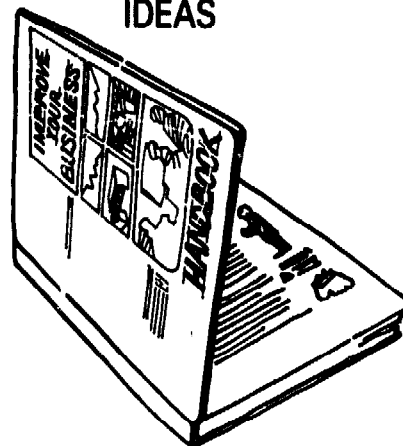
	January	February	March	April	May	June
Money present at start of month						
Cash sales						
Cash from credit sales						
Other money in						
Money in this month						
Cash purchases						
Cash paid for credit purchases						
Wages						
Drawings						
Loan repayment						
Interest						
Others						
Planned investments						
Money out this month						
Money present at end of month						

Now that you have completed the business practice exercises, turn to the pages which follow the action programme. There you will find the answers. Check *your* answers against the answer solutions which are given. How many correct answers did you get?

Now go to the *Handbook* and read thoroughly the management ideas in the same section there. You will then find that all the business practice exercises become easier to answer.

CHECK YOUR ANSWERS!

THEN GO TO THE HANDBOOK FOR MANAGEMENT IDEAS



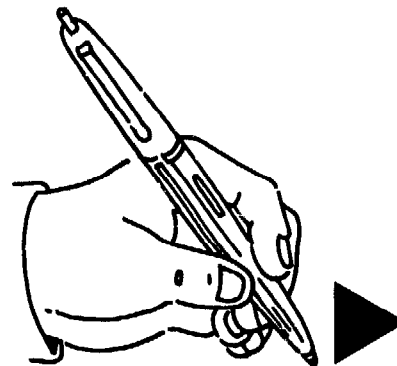
PART 3 – ACTION PROGRAMME

HOW TO CONSTRUCT YOUR ACTION PROGRAMME

Count the number of times you answered "yes" or "no" for each set of questions. How many times did you answer "yes"? The more "yes" answers, the better you are in business management. Now look again at those questions you answered with "no". Those are possible problem areas in your business. Choose the one which you think is the most important for your business. Take the most urgent problem first. Don't try to solve everything at once.

Now write the problem into the action programme opposite, as we have done with the example. Then write in *What must be done*, *By whom* and *By when* in order to solve your problem.

Finally, go back to your business and carry out the action programme.



Problem	What must be done?	By whom?	By when?
<p><i>Example:</i> How to make sure there will be enough cash in the business by the end of August to buy a cash-register.</p>	<p>Draw up a six-month cash budget.</p>	<p>Myself</p>	<p>One week from now i.e. by 9/8/86.</p>

ANSWERS TO BUSINESS PRACTICE

Profit and loss account		
<i>1 January 1986–31 December 1986</i>		
	Money in	Money out
Sales	100,000	
Raw materials		30,000
Wages		15,000
Interest		5,000
Drawings		20,000
Others		10,000
Change in stock	2,000	
Change in creditors	4,000	
Change in debtors		6,000
Depreciation		8,000
Profit		94,000
		12,000
	106,000	106,000

Balance sheet			
<i>31 December 1986</i>			
Assets		Liabilities	
Cash	8,000	Creditors	4,000
Bank	10,000	Loans	35,000
Debtors	6,000	Owner's capital	40,000
Stocks	40,000		79,000
Equipment	30,000	Profit carried over from 1985	3,000
		Profit made in 1986	12,000
	94,000		94,000

Cash flow budget, Tin Smith Works Ltd.

Period of forecast: 1.1.1987 - 30.6.1987

RECEIPTS

	January	February	March	April	May	June
Money present at start of month	20,000	20,400	20,100	26,000	25,400	24,800
Cash sales	7,500	6,000	6,000	6,000	6,000	7,500
Cash from credit sales	$\begin{matrix} 2,500 \\ 2,500 \end{matrix}$	$\begin{matrix} 2,000 \\ 2,500 \end{matrix}$	$\begin{matrix} 2,000 \\ 2,000 \end{matrix}$	$\begin{matrix} 2,000 \\ 2,000 \end{matrix}$	$\begin{matrix} 2,000 \\ 2,000 \end{matrix}$	$\begin{matrix} 2,500 \\ 2,000 \end{matrix}$
Other money in	-	-	8,000	-	-	-
Money in this month	30,000	28,900	36,100	34,000	33,400	34,300
Cash purchases	4,000	3,200	3,200	3,200	3,200	4,000
Cash paid for credit purchases	$\begin{matrix} 1,000 \\ 1,000 \end{matrix}$	$\begin{matrix} 800 \\ 1,000 \end{matrix}$	$\begin{matrix} 800 \\ 800 \end{matrix}$	$\begin{matrix} 800 \\ 800 \end{matrix}$	$\begin{matrix} 800 \\ 800 \end{matrix}$	$\begin{matrix} 1,000 \\ 800 \end{matrix}$
Wages	2,000	2,000	2,000	2,000	2,000	2,000
Drawings	1,000	1,000	1,000	1,000	1,000	1,000
Loan repayment	-	-	1,000	-	-	1,000
Interest	100	100	100	100	100	100
Others	1,500	1,500	1,500	1,500	1,500	1,500
Planned investments	-	-	500	-	-	-
Money out this month	9,600	8,800	10,100	8,600	8,600	10,400
Money present at end of month	20,400	20,100	26,000	25,400	24,800	23,900

PAYMENTS

OFFICE WORK

7

PART 1 – QUESTIONS

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do you have a room or a separate place which is used for the office work in your business? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. When someone telephones you in your office asking for information which must be on the files, can you generally find it while the caller holds the line? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you think the filing of your business documents is as good as it could be? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. In your office, do you have one person responsible for all filing of records? (If it is yourself – write "myself".) | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do you keep a separate file or binder for business documents relating to the way your business is run such as annual reports, insurance policies and so on? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do you have a typewriter to type your business letters? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. If you look at the letterhead and typing of the business letters you recently sent, do you think they create a good impression of your business? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do you think the appearance and layout of your office would give a good impression of your business to a visitor? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Do you use a stamp marked "Paid" to cancel all invoices and vouchers when you have paid them? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Do you use a simple calculator for calculating prices and checking on the additions and multiplications on invoices, ledgers, payrolls and so on? | <input type="checkbox"/> | <input type="checkbox"/> |

PART 2 – BUSINESS PRACTICE

1. Given below is a list of things that you might find in a business office. Choose from the list the twelve which you think are essential for you to have in

your office. Write them down against the letters below in the order of priority in which you would introduce them.

- a safe
- a calculator
- a photocopying machine
- a telephone
- a typewriter
- a desk and chair
- a desk diary
- a waste paper basket
- a calendar
- a file for important business matters
- business cards to give to people
- printed letter-head stationery
- an easy chair for visitors
- a wages file
- an expenses claims file
- a tax file
- data for invoicing
- copies of your own invoices
- a file for suppliers' invoices
- a general voucher file or paid invoice file
- an alphabetical letter file
- shelves for the files
- a wall chart showing your sales targets



- (a) _____
- (b) _____
- (c) _____
- (d) _____
- (e) _____
- (f) _____
- (g) _____
- (h) _____
- (i) _____
- (j) _____
- (k) _____
- (l) _____

2. Write down the names of three documents which you would put in a file called "The business":

- (a) _____
- (b) _____
- (c) _____

Now that you completed the business practice exercises, turn to the page which follows the action programme. There you will find the answers. Check *your* answers against the answer solutions which are given. How many correct answers did you get?

Now go to the *Handbook* and read thoroughly the management ideas in the same section there. You will then find that all the business practice exercises become easier to answer.

**CHECK YOUR
ANSWERS!**

**THEN GO TO THE
HANDBOOK FOR
MANAGEMENT
IDEAS**



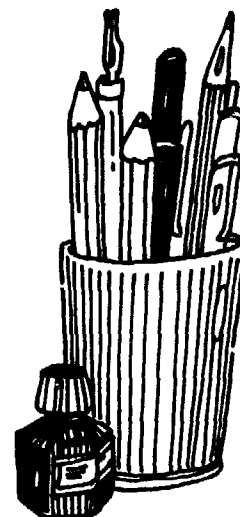
PART 3 – ACTION PROGRAMME

HOW TO CONSTRUCT YOUR ACTION PROGRAMME

Count the number of times you answered "yes" or "no" to the set of ten questions. How many times did you answer "yes"? The more "yes" answers, the better you are in business management. Now look again at those questions you answered with "no". Those are possible problem areas in your business. Choose the one which you think is the most important for your business. Take the most urgent problem first. Don't try to solve everything at once.

Now write the problem into the action programme opposite, as we have done with the example. Then write in *What must be done*, *By whom* and *By when* in order to solve your problem.

Finally, go back to your business and carry out the action programme.



Problem	What must be done?	By whom?	By when?
<p><i>Example:</i> The place where we do the office work is too noisy and dirty.</p>	<p>Must organize a better place for the office work.</p>	<p>Myself and one worker.</p>	<p>Start on Monday next week. 5/8/86</p>

ANSWERS TO BUSINESS PRACTICE

1. This is only one suggestion about the important things in a small business office. Discuss your list of ideas with another business person.

- (a) a desk and chair
- (b) a telephone
- (c) a typewriter
- (d) a calculator
- (e) printed letter-head stationery
- (f) a waste paper basket
- (g) a desk diary
- (h) a file for important business matters
- (i) data for invoicing
- (j) copies of your own invoices
- (k) a file for suppliers' invoices
- (l) a general voucher file or paid invoice file

2. (a) The partnership agreement, if any, or the memorandum and the articles of association, if a limited company.
- (b) Balance sheets and profit and loss accounts; bank statements.
- (c) Loan documents and insurance policies.



PLANNING

8

PART 1 – QUESTIONS

PLANNING SALES AND COSTS

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Do you plan your business at least one year ahead? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you plan your business one or more months ahead? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you write your plans down on paper? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do you usually set a target in terms of a certain value of sales or profit which you hope to achieve during the next year? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do you know what a budget is? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. If you plan ahead, do you make your plans by using : | | |
| (a) Records of your past activities? | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) Information you can get from official publications and talks with other business people? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. When planning, do you talk with your own staff and get their ideas? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Once you have drawn up the plan, do you check regularly that everything is going in accordance with that plan? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Do you prepare a written budget of what your various business costs are likely to be during the next year? | <input type="checkbox"/> | <input type="checkbox"/> |

NEW INVESTMENTS

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Do you know which information about your machines and equipment you need in order to be able to decide when they must be replaced? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you keep written records about output, breakdowns and costs on all your machines and equipment? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. When thinking about buying new machines or equipment: | | |
| (a) Do you first make an estimate of your sales for the next few years? | <input type="checkbox"/> | <input type="checkbox"/> |

- | | Yes | No |
|---|--------------------------|--------------------------|
| (b) Do you contact several dealers and suppliers for information on new techniques and processes? | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) Do you visit other businesses which are already using the equipment you want to buy, or similar equipment? | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) Do you obtain and compare detailed specifications and quotations from several manufacturers, either through local agents or direct? | <input type="checkbox"/> | <input type="checkbox"/> |
| (e) Do you check in advance whether your new equipment can operate with the materials you are currently using and, if not, do you find out if the new materials you need are easily obtainable, and at what cost? | <input type="checkbox"/> | <input type="checkbox"/> |
| (f) Do you ensure that spare parts for the new equipment can be easily and quickly obtained? | <input type="checkbox"/> | <input type="checkbox"/> |
| (g) Do you find out whether your workers will need new skills to operate the new equipment? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do you make sure that the contract spells out clearly the exact payment conditions, delivery dates, capacity, fuel consumption and so on, of the equipment, as well as the obligations of the supplier (guarantee conditions, etc.)? | <input type="checkbox"/> | <input type="checkbox"/> |

PART 2 – BUSINESS PRACTICE

1. THE BUSINESS PLAN

A *business plan* is an estimate of the sales you think you can achieve with the resources you have in the business, i.e. with the machines, workers, cash and your own business skills or ability.

The business plan helps you to control the operation of your business. The plan is made up for the period of time ahead (e.g. for one year or for three years). It is then broken down into shorter periods (e.g. months). If it is done in this way, it is easier for you to check whether your business is running according to the plan. If necessary you can take action to correct any deviation from the plan.

In addition to the estimated sales figures which you have to calculate for your business plan, you also have to estimate the direct and indirect costs. Once

you have made estimates of these costs you can get an idea of how much profit you will make in total for the whole period, and also for each shorter period within the business plan.

To give you an idea of what you have to do to make a business plan, we will ask you to complete the business plan for one year for a carpentry business.

Read the following and try to complete the sheet called "Business plan" over the page by filling in the following :

(a) Sales

Last year's sales in John's carpentry business were 2,500 chairs, at 45 NU a chair. As a result of improvements, the production capacity is now bigger. John has never had problems selling what he produces. His estimate for production and sales for the next 12 months (January-December) is 3,000 chairs at 50 NU a chair. Fill in the sales figure.

(b) Labour

The wages for his five employees (labour cost) will be 3,000 NU each month. Fill in the labour cost.

(c) Materials

John estimates that the materials cost will be slightly less than half the selling price. If the sales each month total 12,500 NU the materials cost will be just under half that figure (half is 6,250 NU so you estimate, say, 6,000 NU for each month). Fill in the materials cost.

(d) Gross profit

Now you can complete the estimated gross profit each month and for the whole year. Fill it in on the sheet.

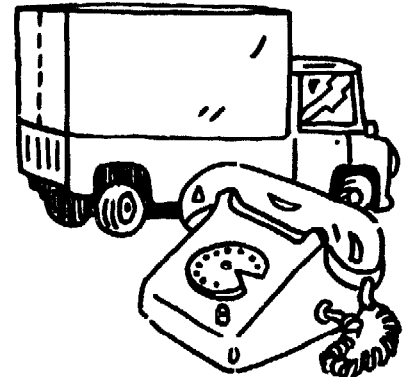
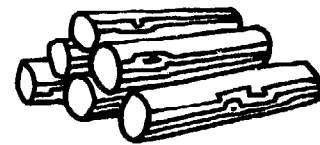
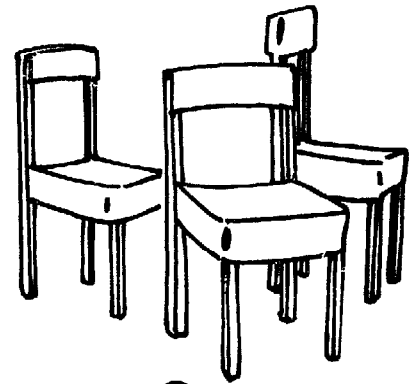
(e) Indirect costs

The indirect costs (all other costs in John's business) were 15,000 NU last year. John knows that these costs increase every year. He must add an extra 20 per cent to his indirect costs (i.e. 20 per cent of 15,000, making 3,000). He adds 3,000 to 15,000 and gets 18,000 NU. This is the total indirect cost for the year to come. To get the monthly figure for indirect costs, 18,000 is divided by 12, giving 1,500 NU for each month. Fill in the indirect costs.

(f) Net profit

Now you are in a position to calculate easily the monthly net profit and yearly net profit totals for John's business.

This example of a business plan shows you the basic principles which have to be followed. In the *Handbook* you will find more detailed instructions on how to make a business plan.



BUSINESS PLAN

Details	Jan.	Feb.	Mar.	Apr.	May
Sales	_____	_____	_____	_____	_____
Less: Production costs of which:					
Labour	_____	_____	_____	_____	_____
Materials	_____	_____	_____	_____	_____
Gives: Gross profit	_____	_____	_____	_____	_____
Less: Indirect costs	_____	_____	_____	_____	_____
Gives: Net profit	_____	_____	_____	_____	_____



2. MARGARET'S TAILORING BUSINESS

Margaret has a small tailoring business. When she started her business two years ago, she did not have the capital to buy a suitable sewing-machine. Therefore she borrowed a hand-powered machine from her aunt, who was quite glad to receive 20 NU per month as a rent for the machine.

However, Margaret is not very satisfied with the machine. The fact that it is hand operated slows down the pace of her work as the right hand has to be on the wheel all the time, and only the left hand is available to hold the cloth. She has plans to invest her money in a new sewing-machine. She has made up her mind that,

June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

to solve her present problem, the new sewing-machine should be either foot powered or electrical.

Margaret has never been in a situation like this before in her life. She does not know how to choose between the two types of machine. Can you help her by giving her some factors which she should consider before making the decision?

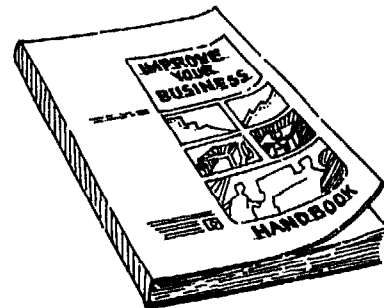
- (a) _____
- (b) _____
- (c) _____
- (d) _____
- (e) _____
- (f) _____

Now that you have completed the business practice exercises, turn to the pages which follow the action programme. There you will find the answers. Check *your* answers against the answer solutions which are given. How many correct answers did you get?

Now go to the *Handbook* and read thoroughly the management ideas in the same section there. You will then find that all the business practice exercises become easier to answer.

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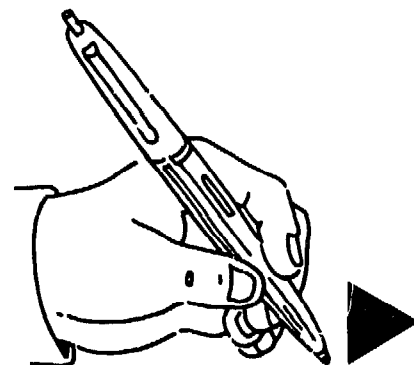
PART 3 – ACTION PROGRAMME

HOW TO CONSTRUCT YOUR ACTION PROGRAMME

Count the number of times you answered "yes" or "no" for each set of questions. How many times did you answer "yes"? The more "yes" answers, the better you are in business management. Now look again at those questions you answered with "no". Those are possible problem areas in your business. Choose the one which you think is the most important for your business. Take the most urgent problem first. Don't try to solve everything at once.

Now write the problem into the action programme opposite, as we have done with the example. Then write in *What must be done*, *By whom* and *By when* in order to solve your problem.

Finally, go back to your business and carry out the action programme.

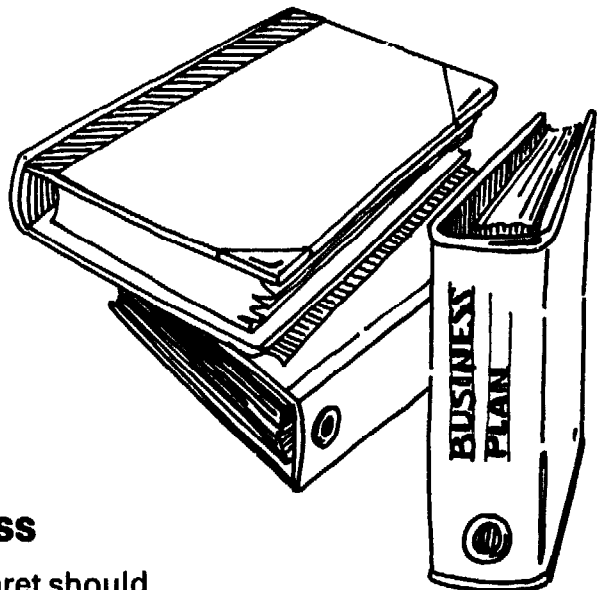


Problem	What must be done?	By whom?	By when?
<p><i>Example:</i> Must set up targets for my business activities for the next 12 months.</p>	<p>Make up a Business Plan.</p>	<p>Myself</p>	<p>Next Saturday 4/7/86</p>

ANSWERS TO BUSINESS PRACTICE

1. THE BUSINESS PLAN

Details	Jan.	Feb.	Mar.	Apr.	May
Sales	12,500	12,500	12,500	12,500	12,500
Less: Production costs of which:					
Labour	3,000	3,000	3,000	3,000	3,000
Materials	6,000	6,000	6,000	6,000	6,000
Gives: Gross profit	3,500	3,500	3,500	3,500	3,500
Less: Indirect costs	1,500	1,500	1,500	1,500	1,500
Gives: Net profit	2,000	2,000	2,000	2,000	2,000



2. MARGARET'S TAILORING BUSINESS

There are a number of factors which Margaret should consider:

- (a) A foot-operated machine is much cheaper than an electrical one. Will Margaret be able to make an investment in an electrical machine worthwhile?
- (b) Are spare parts for the electrical machine readily available? And for the foot-operated machine?

June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
12,500	12,500	12,500	12,500	12,500	12,500	12,500	150,000
3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000
3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000
1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000

- (c) Is there a mechanic available to repair the electrical machine when it breaks down?
- (d) Are there frequent power cuts?
- (e) An electrical machine gives a lot of possibilities for making more sophisticated clothing which a foot-powered machine may not have. Is there a market for more sophisticated, fashionable clothes in Margaret's town?
- (f) Will Margaret need additional training to operate the electrical machine? At what cost will the training be available?

ENDPIECE

What we have advised in this *Workbook* is:

- Answer the questions by "yes" or "no" so that you will know the strong and weak points in your business knowledge.
- Complete the exercises in business practice to improve your business knowledge. If you found that you had any difficulties in completing the exercises or if you want to learn more, always read again the corresponding section in the *Handbook*. Then you will be able to complete the exercises easily.
- Take action by using the action programme part of the *Workbook* to write down:
 - (a) Your business problems.
 - (b) What must be done?
 - (c) By whom?
 - (d) By when?

Lastly, remember that you should always ask yourself questions about your business as the *Workbook* does. This means that the best way to improve your business is to look at it in a critical way, ask yourself questions about it and then write down action programmes which do something about solving your problems.
