

**PROTOTYPE**



# **ENTREPRENEURSHIP TEACHER'S GUIDE**

## **SENIOR ONE**



**LOWER SECONDARY  
CURRICULUM**



**PROTOTYPE**



# **ENTREPRENEURSHIP**

## **TEACHER'S GUIDE**

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CURRICULUM**



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This material has been developed as a prototype for implementation of the revised Lower Secondary Curriculum and as a support for other textbook development interests.

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# Contents

PREFACE .....	v
ACKNOWLEDGEMENTS .....	vi
CHAPTER ONE.....	1
1.0: INTRODUCTION TO ENTREPRENEURSHIP EDUCATION.....	1
1.1: THE ENTREPRENEUR.....	2
1.2: CREATIVITY AND INNOVATION .....	5
1.3: RISKS IN BUSINESS.....	9
1.4: TECHNOLOGY AND BUSINESS.....	16
CHAPTER TWO .....	23
BUSINESSES IN UGANDA.....	23
2.1: Types of Businesses.....	25
2.2: SUCCESS IN BUSINESS.....	29
CHAPTER THREE.....	36
BUSINESS IDEAS AND BUSINESS OPPORTUNITIES .....	36
3.1: BUSINESS IDEAS .....	38
3.3: MARKET SURVEY .....	43
CHAPTER FOUR .....	49
BUSINESS START- UP PROCESS .....	49
4.0: STEPS IN STARTING A BUSINESS .....	50
4.2: SOURCES OF BUSINESS FINANCE.....	52
4.3: SAVINGS AND INVESTMENT.....	54
4.4: LOCATION OF A BUSINESS .....	58
CHAPTER FIVE.....	61
GOVERNMENT REVENUE .....	61
5.1: INTRODUCTION TO GOVERNMENT REVENUE.....	62



## TEACHER'S GUIDE

## PREFACE

This Teacher's Guide has been written in line with the revised Entrepreneurship subject syllabus. The knowledge and skills which have been incorporated are what is required to contribute to the production of a learner who has the competences that are required in the 21st century.

This has been done by providing a range of activities which will be conducted both within and outside the classroom setting. The learner is expected to be able to work as an individual, in pairs and groups according to the nature of the activities.

The teacher as a facilitator will prepare what the learners are to learn and this Teacher's guide is one of the materials which are to be used to support the teaching and learning process.



**Associate Professor Betty Ezati**  
Chairperson, NCDC Governing Council

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NCDC takes responsibility for any shortcomings that might be identified in this publication and welcomes suggestions for effectively addressing the inadequacies. Such comments and suggestions may be communicated to NCDC through P. O. Box 7002 Kampala or email [admin@ncdc.go.ug](mailto:admin@ncdc.go.ug).



**Grace K. Baguma**

Director,  
National Curriculum Development Centre

# CHAPTER ONE

## 1.0: INTRODUCTION TO ENTREPRENEURSHIP EDUCATION

Key Words	By the end of this chapter, learners should be able to:
<ul style="list-style-type: none"><li>• unemployment</li><li>• entrepreneurship</li><li>• entrepreneur</li><li>• business</li><li>• creativity</li><li>• innovations</li><li>• e- business</li></ul>	<ul style="list-style-type: none"><li>• appreciate the purpose of studying Entrepreneurship Education.</li><li>• demonstrate the characteristics of an entrepreneur.</li><li>• identify and assess risks in business.</li><li>• apply creativity and innovation in business.</li><li>• explore the benefits and challenges of e-business.</li></ul>

### Introduction

There is a high rate of unemployment in Uganda especially among the youth; therefore, entrepreneurship is seen as the best option to equip you with the hands on skills, knowledge and competences required for starting and operating a successful business.

Entrepreneurship will also enable you become a job maker as you exploit and utilize the abundant resources in the environment through creativity and innovation. The 21<sup>st</sup> century requires people with critical skills that are necessary for gainful production.

#### Activity 1.1.1

Guide learners to brainstorm on the meaning of entrepreneurship and Entrepreneurship Education

## 1.1: THE ENTREPRENEUR

### Teacher's Preparation

You will need several pictures of different businesses, flip charts and markers, interview guide for the field activity, sample questions to the guest speaker etc.

### Teacher's Instructions

In groups let learners study pictures or photographs of different businesses.

Guide the learners and assess their level of understanding of what is taking place in **Figures 1 & 2**.

Observe learners carry out **Activity 1.1.2**.

### 1.1.1: Meaning of Entrepreneurship

Entrepreneurship refers to the **spirit** of taking a risk to set up a business or an enterprise to produce and sell goods or services in order to meet the customers' needs with an aim of earning profits.

Below are examples of entrepreneurship:



**Figure 1**



**Figure 2**

#### Activity 1.1.2

**Study the above pictures (Figures 1&2), and explain the different activities taking place.**

**Expected responses**

- Shop keeper selling different goods
- Business woman selling bags
- Display of goods for sale

Entrepreneurship involves doing new things or doing those things already being done but in a new and better way.

Studying entrepreneurship will enable you to develop a positive attitude towards work and business.

### 1.1.2: Purpose of Entrepreneurship Education

#### Meaning of Entrepreneurship Education

Entrepreneurship education is the process of imparting knowledge, skills and values in the learners to identify opportunities around them and undertake business activities with a view of earning profits.

**Activity 1.1.3**

**Guide learners to design a poster to advertise why they should study Entrepreneurship Education. Let them share their posters with the rest of the class.**

#### Teacher's Instructions

- Guide learners in a brainstorming session on the purpose of entrepreneurship education.
- Observe the posters produced by the learners to explore how clear they are in describing and persuading people to study Entrepreneurship Education.
- Let them make a class presentation of their posters.
- Converse with learners by asking them why they chose to design their posters the way they did.
- Assess the output (poster designed) and award accordingly.

### 1.1.3: NOTES TO THE TEACHER

The learner's posters should have the following features which you should assess and score accordingly:

- The poster title
- How the poster has been organised
- What the poster reflects ( content)
- Design of the poster
- Visibility of the poster
- Contacts of the producer

The following are some of the purposes for studying Entrepreneurship education:

1. To provide learners with knowledge and skills needed to succeed in the business environment.
2. To enable learners to identify business opportunities in which they can invest capital and operate successfully.
3. To enable learners to acquire practical skills which can make them job creators rather than being job seekers.
4. To emphasize and help students to develop their imaginative ability and risk taking in business.
5. To enable instructors teach the elements of Entrepreneurship that have been considered unteachable for long and hence break the myth of Entrepreneurs being born and not made.

### 1.1.3: Meaning of an Entrepreneur

This is a person who produces new or better goods or services with a view of selling them to customers and making profit. An entrepreneur commits his/her resources such as money, time, land, machines and labour to start and operate a business venture.

#### Activity 1.1.4

**Ask learners to describe any 2 successful entrepreneurs in their community stating the personal qualities that have led to their success.**

**Guide learners to identify successful entrepreneurs in their community in Activity 1.1.4.**

### **1.1.4: Characteristics / Qualities of an Entrepreneur**

**Carry out a guided discussion about the qualities of an entrepreneur.  
Observe learners read the notes below in the Learner's Textbook.**

In business, entrepreneurs must have some qualities, attributes or characteristics which they should exhibit in order for them to be successful in their businesses. These qualities or characteristics are commonly referred to as “personal entrepreneurial characteristics” or PECs. They may also be referred to as personal entrepreneurial qualities.

The entrepreneur should also have the following qualities:

<b>Opportunity seeking</b>	<b>Independent</b>
<b>Information seeking</b>	<b>Problem solving</b>
<b>Persistent</b>	<b>Risk-taking</b>
<b>Creativity</b>	<b>Competitiveness</b>
<b>Innovation</b>	<b>Time-consciousness</b>
<b>Initiative</b>	<b>Self-confidence</b>
	<b>Persuasiveness</b>

#### **Activity 1.1.5**

**Observe learners study the explanations in the table below; ask them to copy it in their exercise books and write a suitable quality of an entrepreneur corresponding to each explanation.**

**Assist learners to understand the table; you may first work out qualities 1&2 in the table with them.**

## 1.1.5: Benefits of Being an Entrepreneur

Benefits are the gains or advantages that one gets or enjoys by undertaking a specific action e.g. being in business, taking up a particular career, doing a job, etc.

### Activity 1.1.6

**Guide learners to conduct an interview in the nearby community to find out the benefits of being an Entrepreneur.**

#### Teacher instructions

- In groups guide learners to visit the nearby community to carry out an interview on the benefits of being an entrepreneur in **Activity 1.1.6**.

	<b>Qualities of an Entrepreneur</b>	<b>Explanation</b>
1		Willing and able to see opportunities or chances in any situation
2		Always looking out for more information that affects the business
3		Not giving up easily when faced with challenges
4		Ability to think and come up with ways of doing things differently
5		Ability to improve on existing products to make them better
6		Taking a lead in solving problems and doing things.
7		Ability to make decisions on your own or not depending on others for ideas, solutions and opinions
8		Ability to tackle challenges and provide solutions to them
9		Willing to take chances with a hope of succeeding and getting bigger rewards
10		Eager to win
11		Keeping time and meeting desired targets on time
12		Sure of oneself
13		Able to convince others to see and agree with your ideas

- Guide each group to prepare the questionnaire to be used in the interview.
- Observe how learners interact with the entrepreneurs in the community.
- Ask the different groups to present their findings to the class.
- Assess the quality of the report prepared by each group.

#### Activity 1.1.7

**Invite a successful entrepreneur to make a presentation about his/her business emphasising the following:**  
**How he/she started the business**  
**What helped him/her to succeed?**  
**The benefits of doing business**  
**The challenges he/she is facing**  
**Any future plans**

#### Teacher Instruction

Prepare the class for the presentation of the guest speaker. Brief them on what the visitor is going to talk about and that they should be writing down the important points.

After the presentation let learners ask relevant questions.

**Guide learns to write a report about the presentation of the visiting entrepreneur.**

#### Assessment Strategy

- i) Observe learners interacting with the visiting entrepreneur. Do learners ask relevant questions that build on previous answers during the interview?
- ii) In conversation, ask learners about the report they have written as a result of the interview with a successful entrepreneur. Evaluate the extent to which learners describe key characteristics and skills all entrepreneurs share.

## 1.2: CREATIVITY AND INNOVATION

Key Words	By the end of this topic, learners should be able to practise creativity and innovation to make new products using locally available materials.
<ul style="list-style-type: none"><li>• creativity</li><li>• innovation</li><li>• business model innovations</li><li>• product innovation</li><li>• service innovation</li><li>• marketing innovation</li></ul>	

### Activity 1.2.1: Engage learners in the activity

- a) Collect different products which reflect creativity and innovation.
- b) Draw unique designs on paper using creative art.
- c) Display the different designs in class.

### Teacher preparation

Collect different products and pictures that show creativity and innovation especially those made out of local materials like beads, fibres, sisal, used straws, empty plastic bottles, old calendars and magazines, bottle covers, etc. These depend on what learners are going to make.

### Teacher Instructions

- Engage learners to draw and make unique designs of products which show creativity and innovation.
- Identify and then select key local resources and techniques, and then justify to class why they are selected.
- In case a learner makes a good innovation that can be turned into commercial benefits, assist that learner to register and acquire a patent/intellectual property rights.

### Assessment Strategy

- Observe how well learners communicate a design for an innovative product. Evaluate how they present their ideas and how effectively they are able to articulate key features.
- Challenge groups to develop criteria with which they are able to evaluate/judge one another's games/products. Evaluate how well the criteria judge quality of design and process.

**NOTES**

### **1.2.1: Meaning of Creativity**

This is the ability to produce something new through imaginative skills; a new solution to a problem, a new method or device, or a new artistic object. It is the ability to produce work that is unique and appropriate.

### **1.2.2: Importance of creativity in business**

- It is used to upgrade products and services.
- It leads to development of new and original ideas.
- It enables an entrepreneur to make proper use of limited resources.
- It solves everyday problems in business.

### **1.2.3: How to become creative**

- Noting down thoughts/ideas that drop into the mind so that they are not forgotten.
- Thinking beyond the invisible framework that surrounds problems or situations.
- Through transferring of technology from one field to another.
- Through using one's unconscious mind for example by sleeping on the problem to generate creative solutions.

### **1.2.4: Innovation in Business**

This means to do something in a different or in a better way.

### **1.2.5: Types of Innovation**

- Business model innovations
- Product innovation
- Service innovation
- Marketing innovation

**Activity 1.2.2**

**Guide learners on how to complete the table below by giving two examples for each of the above types of innovations.**

Type of Innovation	Examples
Business model innovations	1. MTN 2.
Production Innovation	1. 2.
Service Innovation	1. 2.
Marketing Innovation	1. 2.



Figure 5



Figure 6

**Figures 5 and 6** show how you can be innovative and creative by using local resources to design and make different products.

### Activity 1.2.3

- a) In groups learners practise creativity and innovation using locally available materials to produce new and unique products.
- b) Learners make a display of their products in class.

### Teacher Instructions

Observe how learners use local materials to make marketable products as they practice creativity and innovation for **Activity 2.1.3**.

Critically look at their finished products and give advice.

**NOTES**

### 1.2.6: Importance of Innovation

- It leads to production of new products which increases variety for customers to make choice.
- Innovation increases output in an enterprise due to creation of new and more effective production methods.
- Innovation results into improvement in the quality of products and services.
- It also leads to market expansion as new products attract new customers as well as maintaining the old customers.

### 1.2.7: How to become innovative / Features of an Innovator

1. **Opportunity oriented:** an innovator is opportunity oriented he/she constantly thinks about new ways of doing things and is not afraid of trying out new things.
2. **Associates with positive people:** An innovator usually surrounds himself/ herself with positive people who have positive attitude towards creating.
3. **Extra ordinary persistent:** An Innovator is committed to achieving his/her goals, he/she keeps going and does not let obstacles get in his/her way.
4. **Compelling Vision:** Innovative people believe that they are part of something better to come and that their willingness to contribute to the vision will make it happen.

**Activity 1.2.4**

- a) In groups learners discuss the current innovations that have taken place in their community.
- b) Guide them to find out how those innovations have benefited the people in and around the community.

## 1.3: RISKS IN BUSINESS

Key Words	By the end of this topic, learners should be able to
<ul style="list-style-type: none"><li>• risk</li><li>• risk avoidance</li><li>• risk reduction</li><li>• risk transfer</li></ul>	appreciate the need to take risks, the rewards from different types of risks and the ways of managing risks.

### Teacher Preparation

You will need pictures of different risks in business, a ball tossing game, charts and markers.

### Teacher Instructions

- i) Guide learners to brainstorm risks in business and their effects.
- ii) Observe learners study the pictures showing risks in business.
- iii) Ask learners to narrate some of the risks they have heard of.
- iv) Supervise learners as they do **Activity 1.2.1**.

#### Pictures Showing Examples of Risks in Business



Figure 3



Figure 4

**ACTIVITY 1.3.1**

**Organise learners into groups for this activity.**

**Provide them with charts to record their answers.**

- 1. Briefly describe the situation in Figure 3.**
- 2. Briefly describe the situation in Figure 4.**
- 3. Give examples of 5 risks one may encounter in a business.**

**Expected Answers**

**Figure 3** - out-break of fire, fire destroying a factory

**Figure 4** - An accident, loss of goods

**Notes**

**1.3.1: Meaning of Risks**

A risk is a situation where one is required to make a choice between two or more alternatives, which may result in differing rewards for success or penalties for failure.

Business risk refers to the factors that may have a negative impact on the profitability or success of a business.

**ACTIVITY 1.3.2**

- 1. In groups learners discuss common risks that affect business in their community.**
- 2. Learners suggest ways how these risks can be overcome.**

**Teacher instruction**

Observe the group discussions taking place for Activity 1.3.2.

Let learners record their responses on charts.

Guide them as they present their work.

### 1.3.2: Types of Risks

Low risk	Moderate risk	High risk
•The gains or losses are small	•Moderate gains or losses	•High gains or losses

### 1.3.3: The Risk Taking Game

The risk taking game is used to demonstrate risk taking in business, the types of risks and how you can assess the risk to be taken.

#### Simulation Game 1

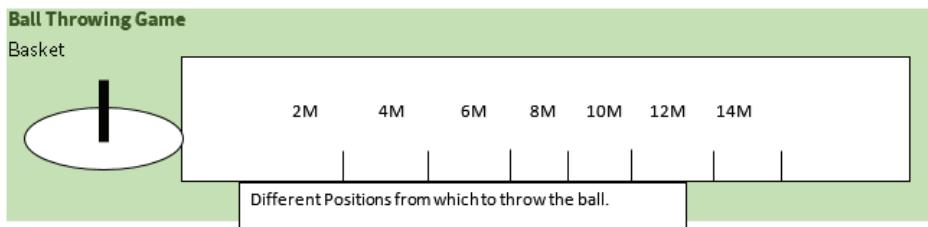
- a) Guide learners to form groups for the ball tossing game.
- b) Guide them on how to play and record their scores.
- c) Interpret the scores and how they reflect the types of risks in business.

#### Teacher Instructions for the Game

Follow the guidelines provided below to guide learners play the ball tossing game, the recording of the scores and the interpretation of the results. Make sure each member of the group gets a chance to play.



Arrange the area for the game to look like the illustration below:



<b>Setting:</b>	<ul style="list-style-type: none"> <li>The place where the game is to be played should be spacious enough to allow for adequate throwing distance. The basket should be in a position, and the floor marked with masking tape or chalk from say 2 to 14 meters away from the basket.</li> </ul>
<b>Steps for the game:</b>	<ul style="list-style-type: none"> <li>Form groups and let each group member participate in the game.</li> <li>Get 3 small balls of any kind.</li> <li>Each group member is free to choose a position from where to throw the ball, one at a time into the basket.</li> <li>Each group member has three chances of throwing the ball into the basket. One is free to change positions each time of throwing the ball.</li> <li>When a member throws a ball into the basket he/she scores marks equal to the distance the ball was thrown from.</li> <li>When the ball falls inside the basket and then jumps out, the member scores negative marks equal to the distance the ball was thrown from.</li> <li>The marks scored are recorded where everybody can see using the following format.</li> </ul>

**SCORE SHEET**

First throw			Second throw			Third throw					
No	Name	Distance	score	Distance	score	Distance	score	Distance	score	Total	
1.											
2.											
3.											
<b>Group 1</b>						<b>Group 2</b>			<b>Group 3</b>		
1.						1.			1.		
2.						2.			2.		
3.						3.			3.		

**Note:**

The different positions should have the same distances.

**Guidelines for Playing the Ball Toss Game**

You can repeat this game as many times as possible provided that each group member plays his/her turn.

From the ball toss game you discover that some people stand very near the basket or far. The distance from the basket indicates the risk one takes in business (from 2 meters – 6 meters- low risks; from 7 meters - 10 meters – moderate; from 11 meters – 14 meters – high risks). Some people take low risks, others moderate or high risks.

Entrepreneurs take risks. Successful entrepreneurs prefer to take calculated risks. A **risk situation** is where one is not sure of the outcome of their decisions or actions. The outcome can be positive or negative. Making a calculated risk means you weigh potential success against potential loss.

**NOTES**

### 1.3.4: Assessing Risks

From the ball tossing game you can note that:

- **Low risks** or very minimal risks e.g. choosing position (one in the third round) whereby the reward is similarly minimal.
- **Moderate risks** e.g. choosing positions (four and five) where the chance of gaining is almost half just like that of losing.
- **High risks** e.g. choosing positions (beyond ten) where the chance of losing is much higher than that of gaining.

**ACTIVITY 1.3.3**

**Let learners recall any risk they have ever been involved in and share with the class.**

**Let the class brainstorm if the risk was low, moderate or high.**

Entrepreneurs should not risk more than they can afford to lose. Success will be easier to achieve if one is willing to and is able to take the necessary and calculated risks. The outcome of taking a risk is normally not known but it must be evaluated. It involves potential success and potential loss; the greater the possible loss, the greater the risk involved. Risks can be assessed basing on the following factors:

- Experience and abilities of the person or persons involved in the business
- Viability of the business idea
- Availability of a market
- Pricing policies and strategies
- Cash flow; capital requirement
- Flexibility of the business
- Honesty and reliability of the entrepreneur

### 1.3.5: Risk Management in Business

Business is all about risk taking and management and therefore, one should not fear taking it, but should rather assess and weigh the kind of risk to take.

**Risks can therefore be minimized using the following methods:**

Risk avoidance	These are measures that can help to prevent the risk from occurring. For example, a driver should not drink and drive.
Risk reduction	This is the taking of measures to minimize the likely loss or chances of the risk happening. For example putting in place fire extinguishers or having a standby generator.
Risk transfer	This is when the burden of taking responsibility of a risk is shifted to another party. For example taking an insurance policy against fire, accident, and theft.

#### Activity 1.3.4

**Guide learners to:**

- a) make a list of any 4 possible risks in the school.
- b) explain the strategies/ways that can be undertaken by the school to minimize the risks.
- c) let them hand in their books for marking.

#### Sample Assessment Strategy

- In conversation, ask learners to explain the risk that is illustrated in a

case study describing a new business.

- Observe how well learners listen to presentations from their peers, and the extent to which they ask relevant questions.

## 1.4: TECHNOLOGY AND BUSINESS

<b>Key words</b> <ul style="list-style-type: none"><li>• e-business</li><li>• technology</li><li>• networking</li><li>• Internet</li><li>• Facebook</li></ul>	By the end of this topic, learners should be able to practice doing e-business and teach their community to do the same.
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### Teacher Preparation

Prepare many pictures showing how businesses use technology.

You may also have a mobile phone, a computer, a camera etc.

### Teacher Instruction

- i) Guide learners to brainstorm how technology can be used in businesses.
- ii) Observe learners read the introduction below and study the picture that follow.

### Introduction

The way people do business has been changing drastically for the last ten years. Business can be transacted using many safe, convenient and very fast means. You no longer have to move across nations to purchase commodities. It can be done using modern technological tools and software.

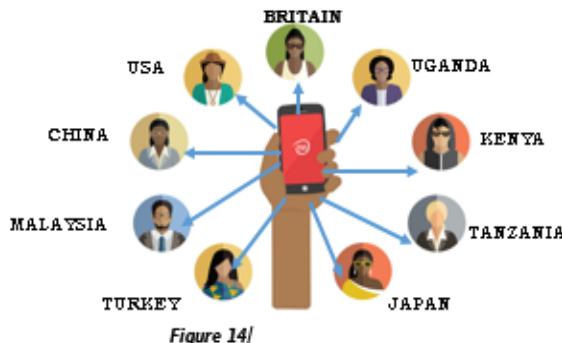


Figure 14/

Ask learners to explain what they understand from **Figure 14**.

countries

**Figure 14** illustrates that it is possible to connect with people of different countries using a mobile phone. This is e- business.

## NOTES

### 1.4.1: Meaning of E-business

This is the type of business carried out using modern technology.

Examples of e-business include the following:

Online banking,  
 Online marketing,  
 Mobile money  
 transfers,  
 e-tax  
 Visa cards

### 1.4.2: Doing E-business

Entrepreneurs can use e-business/ online business to meet customers' orders, effect payments for utilities (such as water, TV, electricity bills and

buy airtime or bundles), business registration, paying taxes and any other online business transactions.

The above e-business services enable the entrepreneur work within a given time frame and effectively satisfy the needs of customers at a low cost and in a more efficient way.

Therefore a business can minimize production costs by engaging in online/ e-business activities and remain competitive on the market.



**Figure 8: Online banking**



**Figure 9: Entrepreneur using an ATM**

#### **Activity 1.4.1**

**In groups guide learners to visit selected businesses in their community and find out the following:**

- a) E-business services used by the entrepreneur**
- b) How e-business benefits the entrepreneur**
- c) The challenges faced by the entrepreneur while using online business/e-business**

#### **Teacher Instructions**

- Guide learners to write a report of one page in their notebooks giving their findings.
- Observe how learners interact with business people in the community.
- Assist learners develop guiding questions to use for the field study.

### Sample Assessment Strategy

- Critically review writing by learners to describe a business that they know well. Evaluate how well learners describe the role of technology, and the challenges and opportunities that this presents to business development.
- In conversation with learners, discuss contrasting examples of the way technology has been used in large businesses across Africa. Evaluate the extent to which learners are able to identify key factors in what technology is able to bring to a growing business.

### NOTES

#### 1.4.3: Benefits /Advantages of E-Business to the Entrepreneur

E-Business brings a lot of benefits to an entrepreneur. Some of them include the following:

1. It enables the entrepreneur save transport costs while transacting business.
2. It is convenient since entrepreneurs do not have to move with large sums of money to transact business. This saves him the dangers of robbery.
3. It is a very fast method of effecting payments irrespective of the geographical location of the receiver and the sender.
4. The entrepreneur can easily advertise his/her products across the world using online marketing.
5. The entrepreneur can easily order for raw materials or purchase goods from foreign countries without going there physically.

#### 1.4.4: Challenges of Using E-Business

Although e-business has a number of advantages to the entrepreneur, it also has some challenges. These include:

1. A challenge of poor network. In areas where the network is poor or non-existent, e-business may not take place.

2. Limited knowledge on how to use e- business services. If an entrepreneur does not know how to use e-business, it becomes a big challenge to him/her to transact business.
3. Limited access to the mobile phones, laptops, computers to effect online transactions makes e-business complicated.
4. High level of fraud by conmen which leads to financial losses to the entrepreneur.
5. High costs for affecting the online transactions e.g. Withdrawal charges, operation charges, taxes.
6. Inadequate power supply especially in rural areas makes using e-business difficult.

**Activity of Integration: Qualities of a Good Entrepreneur**

Observe learners read the case study below and answer the questions which follow.

**KATO'S MODERN FURNITURE WORKSHOP**



Kato made some savings from selling his inherited piece of land and invested it in a carpentry business. He has operated a carpentry business for five years and has a target of becoming the leading producer and seller of quality furniture products in his community. Kato wakes up early to do different activities in his business although things have not been easy for him since initially he had few customers.

Last year Kato received a big order from a nearby school which requested

him to supply fifty dining tables within one month; he fulfilled this order in time and was able to get more orders from the community members. Kato received another order from a nearby school of 100 desks. He bought modern machines which enabled him to work faster and improve the quality of his furniture, in two weeks, Kato was able to finish and deliver the desks.

Since the number of orders had increased, Kato employed two more people who were qualified and skilled in carpentry. He went for further training in modern carpentry designing, he also uses the internet to access these designs, and this has made him more competent in his business. Kato is using the knowledge and skills he acquired to make furniture with modern designs, this has further attracted more customers and increased his profit margin. He has a plan of opening another branch in another nearby community.

### QUESTIONS

1. I identify the problems which Kato was able to solve in his community.
2. State any four qualities which have enabled Kato to become a successful carpenter.
3. What possible risks does Kato face in his business and how can they be managed?
4. How did Kato employ creativity and innovation in his business?
5. Advise Kato how he can use modern technology to improve his business.

### Scoring Grid for the Activity of Integration

OUTPUT	C <sub>1</sub>	C <sub>2</sub>	C <sub>3</sub>	C <sub>4</sub>
Written explanation indicating what should be done to solve the problem	Scores 1	Scores 2	Scores 3	Scores 4

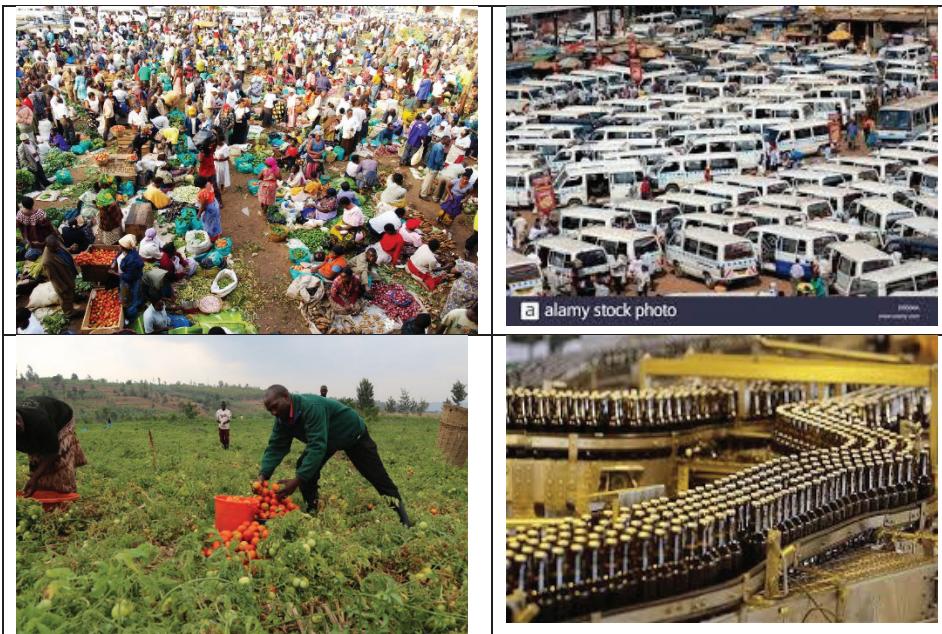
### Chapter Summary

In this chapter you have learned the following:

1. The qualities that enable entrepreneurs to be successful in their businesses.
2. How entrepreneurs can minimise risks in their businesses.
3. How entrepreneurs use creativity and innovations to produce new and unique products from local materials.
4. The benefits of being an entrepreneur.

## CHAPTER TWO

### BUSINESSES IN UGANDA



Key Words	By the end of this topic, learners should be able to:
<ul style="list-style-type: none"> <li>• business</li> <li>• agro-business</li> <li>• manufacturing business</li> <li>• trading business</li> <li>• service business</li> </ul>	<ul style="list-style-type: none"> <li>• identify different types of business in Uganda.</li> <li>• evaluate the importance of doing business.</li> <li>• determine the factors leading to success in business and what causes failure in business.</li> </ul>

### Teacher Preparation

- Prepare pictures of different businesses in Uganda.
- You can have a video of the businesses instead of the pictures.

### Teacher Instruction

- i) In groups, learners are presented with a range of businesses in Uganda. Learners can choose a business (all groups to have a different business if possible) and discuss and record:
  - what type of business.
  - what the key characteristics of the business are.
  - what benefits this business provides to the country.
- ii) Learners share their recordings about a business with another group, who add any further thoughts by commenting on what has been said and by asking further probing questions.
- iii) In groups, learners think about a local business that they know of in their communities, and list key features of its organization and product or service.

## INTRODUCTION

In Uganda entrepreneurs carryout different types of business; the primary objective for doing business is to make profit. In order to achieve this objective entrepreneurs should make sure they succeed in their business and avoid business failure.

Before starting a business the entrepreneur should come up with many good business ideas but select one business opportunity basing on the available resources and carryout a market survey for the business. After doing all this, the entrepreneur can now prepare to start the business.

## 2.1: Types of Businesses

### 2.1.1: Meaning of Business

Business is any legal economic activity done by an individual or a group of persons with an aim of making profits. Examples of business include buying and selling agricultural produce, running a retail shop, operating a restaurant, providing services like salons, growing vegetables, etc.

Business involves exchanging goods or services for money with a view of earning profits while bearing risks since risks and business are almost inseparable.

#### Activity 2.1.1

- **Take learners to a field study to establish the different types of businesses carried out in your community.**
- **Let learners write a report on the field study.**

### 2.1.2: Types of Business

There are four types of businesses; Agro-businesses, manufacturing businesses, trading businesses and service businesses.



*Figure 17*



*Figure 18*



*Figure 19*



*Figure 20*

### Activity 2.2.2

**Ask learners to study the figures above and answer the questions below in their exercise books:**

1. Explain the type of business that is taking place in figure 17?
2. Explain the type of business that is taking place in figure 18?
3. Explain the type of business that is taking place in figure 19?
4. Explain the type of business that is taking place in figure 20?

### Expected Answers

#### Agro- businesses

Agro-businesses produce or sell agricultural products with the aim of making profit.

#### Manufacturing Businesses

Businesses that process raw materials to produce different products are known as manufacturing businesses.

#### Trading Businesses

Trading businesses buy and sell goods either in retail or wholesale. Many of them are found in your communities.

- a. **Wholesale:** The business buys goods in large amounts like in boxes, cartons, or containers. Wholesale business sells large-quantity goods to retail businesses.

- b. **Retail:** The business buys large-quantity goods from wholesalers and packages them into smaller amounts. Most retail businesses sell goods to final consumers.

Wholesale and retail businesses work in a production chain as shown in the flow chart below:



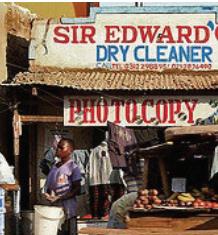
**Figure 1.4: Production chain in trade businesses**

#### Example

A wholesaler will buy sacks of sugar already packed in kilogram from the producer. The retailers buy a sack and sell to consumers in smaller quantities. Final consumers buy what they can afford from the retailers.

### Service Businesses

Service businesses provide services to their customers by using talents or skills.

Agro-Business	Trade Business	Service Business	Manufacturing
			

## Importance of Doing Business

Many people do business in order to get money to meet their personal needs. Business also benefits the community and the country as a whole. The

following are some of the **benefits** of doing business:

<b>Personal</b>	<ul style="list-style-type: none"> <li>• Source of personal income</li> <li>• Enables one to pay school fees</li> <li>• Provides jobs to people</li> <li>• Brings goods and services nearer to the people</li> <li>• Pays taxes to the government</li> <li>• Enables one to provide good accommodation</li> <li>• Private businesses may improve community services by constructing schools, health centres and residential houses</li> <li>• Enables one save money for future use.</li> <li>• Enables one to meet medical expenses.</li> <li>• Provides market to people's products.</li> <li>• They put to use some resources that are unutilised.</li> </ul>	<b>Community</b>
<b>Family</b>		<b>Government</b>

### Activity 2.1.3

**Organise learners in groups and ask them to think about a local business that they know of in their communities, and list key features of its organisation and product or service and the importance of doing business.**

**Using the information above ask learners to identify the benefits of business to each category (personal, community, family and government) and complete the table below in your groups.**

<b>The business owner/personal</b>	
	
<b>Family</b>	
	

<b>The village members/community</b> 	
<b>The government</b>	

### Sample Assessment Strategy

1. Observe and evaluate how well individual learners are able to choose one local business and write a report for their local newspaper about that business. They should include, for example, the type of business it is, key characteristics of the entrepreneur behind the business and how the business has benefited the community and entrepreneur.
2. In conversation with groups of learners, explore to what extent learners recognise the role that businesses have in supporting community cohesion and what challenges a community can face when a new business is developed in their area.

## 2.2: SUCCESS IN BUSINESS

<b>Key Words</b>	By the end of this topic, the learner should be able to differentiate between successful and unsuccessful businesses, evaluate the causes of success in business and ways of reviving a failing business.
Success market profit recognition	

The performance of business varies from one business to another. One business may be successful while another one may be a poor performer or at worst a failure. One should therefore know the indicators of a successful or failed business.



### Teacher Preparation

- Prepare a handout on success and failure in business.
- Identify a successful business in the community.
- Identify a failure business in the community.

### Teacher Instruction

- i) Give a handout on success and failure in business to learners to read in groups and discuss.
- ii) Take learners to the community to interview proprietors of successful failing businesses. Let learners share their findings in the class.

### NOTES

#### 2.2.1: Meaning of Success

Success is the realisation of a worthy intention. This means that one becomes successful each time he/she takes a step towards achieving a predetermined goal, objective or target. For example a business can be said to be successful if it is expanding its market share and increasing its profits.

#### 2.2.2: Indicators of Success in Business

These are signs or measures that can be used to show the level of achieving the business goals. They enable an entrepreneur to measure the progress of doing business.

Some of the indicators that can be used in measuring or assessing the success of a business include the following:



### 1. Increased market

A successful business will have more customers buying its products and hence more sales.

### 2. Increased profits

If the profits of a business have been persistently increasing, it shows that a business is successful.

### 3. Expansion of business

A business that is successful will expand its business operations through increased market more products being produced and employing more workers.

### 4. Recognition in the community

How much respect and recognition an entrepreneur and his/her business receive from the community reflect how well the business is doing.

## 2.2.3: Factors Leading to Success in Business

There are several factors that lead to the success of a business. These factors include the following:

### Personal and Entrepreneurial qualities of the business owner

For any business to be successful, the owners must possess entrepreneurial qualities or characteristics seen in topic three of this book. By possessing and practising these entrepreneurial qualities they will be able to operate their business effectively which leads to business success.

### **Clear objectives**

If a business is to be successful, it is necessary that it should have clear and definite objectives. Once set, the entrepreneur should ensure that the business of operating and management guidelines set to achieve the objectives are closely followed.

### **Proper location of the business**

Appropriate location helps a business in securing the required inputs e.g. materials, labour, power, etc, and access markets at low costs.

### **Presence of business support services**

Businesses thrive and succeed in an environment where there are business support services such as financial services, business information, transport, communication, water, power, etc.

### **Presence of market**

Production of goods and services is meaningless unless there are customers who will buy them at prices that will yield profits to the enterprises.

## **2.2.4: Benefits of a Successful Business to an Entrepreneur**

By running a successful business, an entrepreneur gets a lot of benefits, which include the following:

### **1. Self-reliance and fulfilment**

When an entrepreneur operates a successful business, he/she gets to do things for himself/herself, maintain self-confidence and make independent decisions. The entrepreneur will also be in position to produce or meet his/her basic needs.

### **2. Increased Income and Further Investments**

A successful business generates more/increasing profits part of which the entrepreneur can use for personal purposes. The entrepreneur can also use part of the increasing profits to expand the business.

### **3. Recognition in community**

Owners of successful business are highly respected in the community because of the goods and services being provided. This will further help to attract more customers to the business.

### **4. Improved standards of living**

A successful business generates a lot of profits, which is the entrepreneur's income. With this therefore, the owner may be in position to meet most of his/her needs and as such improve on the standards of living.

#### **Activity 2.2.1**

**Guide learners in groups to visit both successful and failing businesses in their community and identify the following:**

- i) **Reasons for their success or failure.**
- ii) **Measures that can be undertaken by the business owners to revive the failing businesses**
- iii) **Ask learners to make a classroom presentation of their findings from the field study.**

## **2.2.5: Factors that Lead to Business Failure**

### **Causes of business failure / Common management mistakes**

There are many factors which lead to business failure. It is therefore important that one becomes aware of the most common management mistakes that lead to business failures. This will enable one to avoid them and therefore save his/her business from failing. The following are some of the common management mistakes that cause most businesses to fail:

#### **1. Mistaking cash for profit**

Owners of some businesses at times tend to mistake the cash received from the sale of goods or services to be profit. Under this mistaken belief, they take and use it for purposes that may not be related to the business. As they do this for a long time, the business funds get depleted and the business fails.

## **2. Lack of record keeping**

Without records, it is difficult for an entrepreneur to tell if a business is in trouble or not. In such circumstances, he/she will know it when it is too late.

## **3. Poor customer care**

Businesses fail as a result of poor customer care by their owners or employees. If customers are not handled well, they will go to other businesses where they are treated better.

## **4. Neglect**

Some other businesses fail due to the little attention that is given to them by their owners. This may result because of some factors such as loss of personal interest, bad habits, poor health, change of priorities etc.

## **5. Incompetence**

This is simply the inability of the business owners and employees to manage the business operations efficiently and effectively.

## **6. Theft of business funds, stock, assets etc**

The business may suffer from loss of its assets (cash, stocks, etc) through theft either by employees or thieves from outside.

## **7. Interference of the family members in the running of the business**

This is where family members withdraw business funds for personal use, taking credit which they do not pay, chasing away business workers, etc.

## **8. Death of the Business Owner**

If the owner dies and there is no one to take over the business or the business is subjected to family wrangles.

### **2.2.6: How to Revive a Failing Business**

Many businesses are started with a lot of vigour from the business owners but within a short period of existence they end up collapsing due to some factors that lead to business failure. The following are some of the strategies / measures that can be undertaken by the business owners to revive a collapsing business:

- Ensuring good customer care to the existing and prospective customers

- Producing/selling quality products
- Expanding the market size locally and internationally
- Ensuring proper bookkeeping for all financial transactions done by the business
- Ensuring that the business complies with the business laws e.g. paying taxes, registering the business, environmental conservation etc.
- Being creative and innovative in business
- Using modern technology

### Activity of Integration

- i) Ask learners to give two common types of business in your community and state how they have benefited the society.
- ii) Let them name three successful businesses and two failing businesses.
- iii) State the factors that have led to the success of those businesses.
- iv) Suggest ways of reviving the failing businesses.

### Chapter Summary

#### In this chapter you have learned the following:

1. The different types of business
2. The benefits of doing business
3. Factors leading to success in business
4. Causes of business failure
5. Measures to be taken to revive a failing business

## CHAPTER THREE

### BUSINESS IDEAS AND BUSINESS OPPORTUNITIES



Key Words	By the end of this chapter, learners will be able to generate business ideas, select a business opportunity from the environment and conduct a market survey.
<ul style="list-style-type: none"><li>• business ideas</li><li>• business opportunities</li><li>• market survey</li></ul>	

## Introduction

Many big and large businesses started as small business ideas which an entrepreneur had in mind. After getting many ideas the entrepreneur selects the best business opportunity basing on the available resources and carries out a market survey to assess the success of the business.



### Teacher Preparation

Look around the school where you can take learners to scan the environment for business ideas.

### Teacher Instruction

- i) As a class, learners brainstorm sources of business ideas, grouping them where possible.
- ii) Learners are shown how to create a decision tree, with an explanation of the benefits of thinking in this way.
- iii) In groups, learners select a dilemma or probing question and create a decision tree, using a series of questions to map possible outcomes for the dilemma.
- iv) Lead learners to a nearby trading centre and ask them to critically observe the environment and generate various business ideas.

- v) In groups, learners discuss factors that lead to a good business idea. Can learners relate the factors to businesses in their community to check them out?

**NOTES**

## 3.1: BUSINESS IDEAS

### 3.1.1: Meaning of a Business Idea

A business idea is any thought that an entrepreneur may come up with for the purposes of developing it into a business to solve an identified problem in the community.

Identifying a good business idea is the first step in transforming the entrepreneur's desire and creativity into a business opportunity and also the first step in the business start-up process.

### 3.1.2: Sources of Business Ideas

There are many sources from where an entrepreneur can generate business ideas. The following are some of the sources:

- Technical skills and experience that they possess by the entrepreneur.
- Personal contacts which expose them to different scenarios and situations.
- Hobbies which may be turned or developed into a business.
- Observations of the developments and changes taking place in and around them, observation can also be made on the products that are being sold, those that are lacking, those that could be improved upon and the gaps that may be there.
- Newspapers and magazines, radio and television.
- Conducting surveys to find out what is happening and the latest thinking and preferences of customers, entrepreneurs' plans, etc.
- Discussions or interviews with other entrepreneurs to sound them out on some business issues; seek their views and suggestions and get their comments on some situations.
- Finding out the people's problems and examining how best they could be met through provision of the required goods and services at profitable prices.
- Using creative minds and innovative skills, entrepreneurs may figure out new businesses that could be introduced into the target communities.

### 3.1.3: Generating Business Ideas

Business ideas can be generated / identified from the environment through the following ways:

1. Developing an idea in an area where you have interest.
2. Taking note of the obvious problems that you encounter in your day to day life.
3. Travelling to new areas can help an individual to gather information about the different business ideas.
4. Listening to and observing what is going on around you.

#### Activity 3.1.1

i) Ask learners to generate five business ideas based on the problems of the people in your community and record them in the table below.

Problem	Business idea
1.	
2.	
3.	
4.	
5.	

### 3.1.4: How to Select a Good Business Idea

Entrepreneurs put into consideration certain factors when selecting a good business idea, these include the following:

1. Present market: This is in terms of the available market.
2. Possibility of expanding the future market
3. Production costs e.g. cost of raw materials, labour, machinery, selling and distribution costs etc.

4. Business risks: Assess the magnitude of risk in the anticipated business basing on market stability, level of competition, anticipated demand and time required to generate profits.

**Activity 3.1.2**

1. Ask learners to list four possible business ideas of their choice in the notebooks.
2. Let them select one business idea which can be turned into a business.
3. Ask them to give reasons for the selection.

## 3.2: BUSINESS OPPORTUNITIES



**Teacher Instruction**

- i) Guide learners to describe and differentiate between a business idea and a business opportunity.
- ii) Form groups of learners to think of an example of an idea and one example of an opportunity.
- iii) Guide learners to discuss in groups the characteristics of a good business opportunity.

**NOTES**

### **3.2.1: Meaning of a Business Opportunity**

A business opportunity is an identified situation or chance that can be turned into a real and profitable business. An opportunity is the evidence that the entrepreneur's idea can be turned into reality. Business opportunities start as ideas which are generated by entrepreneurs. Entrepreneurs always look at any situation with the question "Where is the opportunity in this?" Then after this, the entrepreneur starts thinking, dreaming and generating ideas about possible businesses that can be made out of the given situation.

### **3.2.2: Characteristics of a Good Business Opportunity**

Note that a good idea is not necessarily good business opportunity. So many people have started new products and new businesses but statistics show that very few businesses ever celebrate their 1<sup>st</sup> anniversary. Just like you cannot have everything you want, not all spotted business opportunities can be turned into businesses. A good business opportunity must have the following characteristics:

- Demand – This involves real demand/market for the product i.e. the customers who have the ability and willingness to buy the product.
- Low/moderate start-up capital – it should have low capital investment.
- Availability of resources e.g. the raw materials used as inputs should be available.
- Availability of required skills: the entrepreneur should have the right business skills, technical skills and knowledge about the business.
- Competitive: It should be equal or better than other available products.
- Return on investment – It should be profitable to the entrepreneur.
- Meet objectives: it should meet the goals and objectives of those taking the risk.

### Activity 3.2.1

#### Ask learners to do this activity

- i) The school is generating a lot of rubbish that litters a large section of the school compound. As an aspiring entrepreneur, use your creativity to generate business ideas out of the schools situation.
- ii) Look around your community and figure out the products that may be on demand 10 – 15 years to come; list them down and share with the rest of the class.

#### Sample Assessment Strategy

- Observe discussions between learners about how it is possible to turn a business opportunity into a good business idea and vice versa. Evaluate the questions asked by individuals and how well other learners respond to probing questions.
- Ask learners to explain their ideas for a business opportunity in their community. Evaluate how well their idea reflects their understanding of an opportunity, rather than simply something that they would like to do.

## 3.3: MARKET SURVEY

### 3.3.1: Meaning of a Market

In entrepreneurship, a market for any business means all buyers (people, institutions, businesses, etc) who need the business products and are willing and able to buy or pay for them.



*Photograph showing buyers and sellers in the market*

#### Teacher Preparation

- Make preparations for the learners to visit a nearby community to conduct a market survey.
- Develop market survey tools with the learners. These can be questionnaires and interview guide.
- Guide learners how they can use other means of data collection like observation.

**Teacher Instruction**

- i) Show learners a good example of an effective market survey and then guide them on the necessary steps to follow to conduct a market survey.
- ii) In groups, learners list reasons why a market survey is important and how it can inform strategies for advertising goods and services.
- iii) In groups, learners plan and conduct a simple market survey in the nearby community for a business opportunity, considering the following aspects:
  - customers
  - price
  - raw materials
  - location
  - competition

**NOTES****3.3.2: Meaning of Market Survey**

You may have spotted a good business opportunity. You have taken time to determine your business idea's strengths, weaknesses, opportunities and threats and all seem to show you have an excellent product or service. In order to make certain that your product or service meets all the good characteristics of a good business opportunity; you need to find out as much information as possible about the characteristics of a good business opportunity.

The process of looking for that information is commonly known as **market survey**. Before committing your money and time, you need to be sure that you have sufficient and large demand for your products/services. Many people start their businesses without conducting a market survey, and this accounts for the high failure rate of many new businesses in Uganda.

### 3.3.3: Importance / Benefits of Conducting a Market Survey.

A market survey is carried out to enable the entrepreneur identify the following:

- Customer needs in terms of quality and quantity
- Business competitors, their strengths and weaknesses
- A strategic area where to locate the business
- The number of people to buy the product and how often
- A fair price for the product
- Customer's wants in terms of size , colour, design etc for the product

### 3.3.2: Conducting a Market Survey

Carrying out a market survey involves collecting and using market information in order to determine the market for the products of a business and also identify its problems. Through market survey the entrepreneur is able to find out the “potential” market for the products that would be generated from different business ideas. This helps the entrepreneur to select the best one.

You will have to personally look for information from customers, suppliers, competitors, find out more about the features of your product and seek advice from various experts. The information gathered and all your findings are then prepared in a written report.

### 3.3.5 Steps in Conducting a Market Survey

- Selecting the product for which the market survey is to be done
- Choosing the target area where the survey of a given product is to be done
- Selecting the appropriate method to use in the market survey. These may include observation, interviews or using questionnaires.
- Developing the data collected about the price, product, positioning and promotion.
- Analysing the market strategy which the entrepreneur comes up with.

- Assessing the feasibility and viability of the selected products in the market.

### 3.3.6: Preparations for Conducting a Market Survey

At the beginning you need to know what use the survey will be to your business and what kind of information you are looking for. Before starting the survey write down the following:

- Where to obtain the information required
- The amount of time required
- How much money you will need
- The method you will use to gather information

There are a number of commonly used methods for collecting market information. These include:

#### Interviewing the Respondents

You can find out many things by talking to people. Interviewing is like a conversation with people where you ask them for information or their opinions.

**Observation:** You can collect information by looking on the areas you are interested in and for which you would like to get some information, listening or studying how things work and watching what happens. As you observe, you need to write down your findings so that you can carefully study them later. You can observe by taking notes, using a video recorder or taking photographs.

DATA  
COLLECTIO  
N  
METHODS

**Questionnaire:** A questionnaire is a document with a list of questions where you can ask people to complete with or without assistance from you. It allows one to collect a great deal of information and can be given to many people. People can be guided on how to complete the questionnaire or they can do it on their own.

### Tips for Conducting a Market Survey

- Be patient and persistent.
- Record information immediately after visits.
- If you are talking to competitors, pose as a potential customer.

### 3.3.7: Presentation of Market Survey Information

After gathering the information you need, analyse the information and then prepare the findings in a written report. The information gathered will guide you in preparing and writing a business plan if it shows that the business will be profitable.

### Sample Assessment Strategy

- i) Observe how well learners present a report on what they find out about the structure of market surveys. Aspects of a successful report should include a description of what a market survey can tell you about the customer base, cost/price, attitudes towards materials, the choice of location and aspects of competition.
- ii) Ask learners to produce a list of questions which could be used to conduct some research into how well local transport systems work.
- iii) Observe how effectively these questions could be used in identifying solutions to challenges faced by these systems.

#### Engage Learners in this Activity of Integration

1. Generate ten business ideas.
2. Select one business opportunity and design a market survey guide/questionnaire you will use to carry out a market survey.
3. Visit the area you have identified and carryout a market survey.
4. Write a report of your market survey for presentation.

### Chapter Summary

In this chapter you have learnt the following:

1. How to generate business ideas.
2. How to select a good business opportunity.
3. The characteristics of a good business opportunity.
4. How to conduct a market survey.

## CHAPTER FOUR

### BUSINESS START- UP PROCESS



Key Word	By the end of this chapter the learner will be able to follow the steps involved in starting a business, save money, invest in a profitable venture and find out a suitable location for the business.
<ul style="list-style-type: none"><li>▪ savings</li><li>▪ donations</li><li>▪ profits</li><li>▪ investment</li></ul>	

## Introduction

After conducting a market survey for the selected business opportunity the entrepreneur is ready to start the business. The process of starting a business requires the entrepreneur to put together the necessary resources needed for the business such as the raw materials, building, labour, machinery and the required amount of money.

### Activity 4.1.1

**Let learners in their books, list the basic requirements needed to start the business opportunity selected in the previous chapter.**

## 4.0: STEPS IN STARTING A BUSINESS

### 4.1.1: Factors that Enable an Individual to Start Up a Business

The following are some of the factors that influence business start-up:

- Personal interest in the business
- Technical skills for the business
- Presence of government support in terms of tax incentives and subsidies
- Presence of market for the product
- Inspiration from successful business role models
- High degree of creativity and innovation of an individual
- Presence of raw materials / inputs to use in the business
- Presence of well-developed infrastructures e.g. good roads, communication network and adequate power supply

## 4.1.2: Steps in Starting a Business

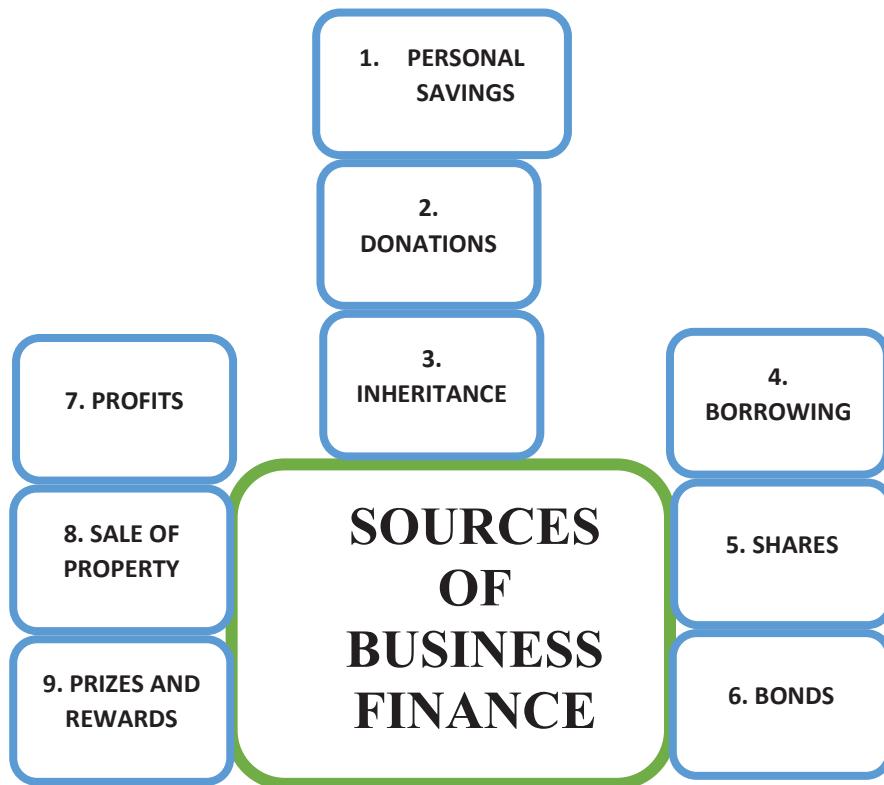
The following steps are followed while commencing business operations:

1. **Identifying potential business opportunities:** This involves scanning the environment to generate business ideas.
2. **Selecting a suitable business opportunity:** From the business ideas identified, select a suitable business opportunity feasible in the market area of operation.
3. **Carrying out market survey for the selected business opportunity:** This requires checking whether the business opportunity selected can be developed into a profitable business that will have a competitive advantage over others.
4. **Preparing a business plan:** This involves the entrepreneur to put on paper how the business will run, including all the requirements sufficient to run the business successfully. It should also cover the cash flow projections and how long the business will take to break even.
5. **Mobilising the necessary resources:** This involves the funds and raw materials/inputs that the entrepreneur will use to produce a good or a service.
6. **Completing all the legal requirements before business start-up:** This involves selecting a legal form of business and completing all the legal formalities necessary to register the selected business.
7. **Selecting the location area:** This involves acquiring land, buildings, equipment and labour necessary for production process.
8. **Preparing a marketing plan:** This enables an entrepreneur to advertise the business products.
9. **Launching the enterprise:** This involves the official opening of the business.
10. **Managing the business operations:** This involves carrying out all the management functions and monitoring all business operations.

### Activity 4.1.2

**Ask learners to state the benefits and challenges for any three sources of business finance.**

## 4.2: SOURCES OF BUSINESS FINANCE



### Activity 4.2.1

**Guide learners in groups to visit the business community around the school and interview them how they raised their capital for business and let them write a report to be presented to class.**

The following are the sources of business finance:

- |                     |                              |
|---------------------|------------------------------|
| 1. Personal Savings | 6. Profits                   |
| 2. Donations        | 7. Sale of Personal Property |
| 3. Inheritance      | 8. Prizes and Rewards        |
| 4. Borrowing        | 9. Bonds                     |
| 5. Shares           |                              |

A bond involves a promise to systematically repay a borrowed amount of money by the end of a clearly stated period of time. Investors or buyers of the bond will benefit from receiving regular interest payments which can be fixed or floating.

#### **4.2.2: BENEFITS AND CHALLENGES OF EACH SOURCE OF BUSINESS FINANCE**

##### **Activity 4.2.2**

**Ask learners to write a case study to describe a business person in their community and identify:**

- i) **the sources of funds.**
- ii) **the benefits of each source of funds.**
- iii) **the challenges of each source.**

##### **Assessment Strategy**

Learners present their case studies in class and you assess how well they understand the effects of how businesses are funded.

## 4.3: SAVINGS AND INVESTMENT

### Teacher Preparation

- i) Prepare a sample savings plan for the learners.
- ii) Provide SACCO bye laws to guide learners.

### Teacher Instruction

- i) As a class, learners agree definitions for saving and investment.  
In groups, learners investigate and discuss:
  - purpose and forms of saving
  - purpose and forms of investment
- ii) Following the discussion, learners agree a generalized statement to share with the class for when to save and when to invest, providing reasons to support their statements.
- iii) Guide learners to prepare a savings plan for themselves.
- iv) Learners form a savings group/SACCO and start saving.
- v) In groups, learners investigate a range of investment plans and consider the benefits of each one.
- vi) In the group, learners agree on one investment plan that they would go with, explaining the benefits of this.

### 4.3.1: Saving

Saving is reserving one's earnings for future use. Saving requires one to reduce on his/her current consumption to reserve a balance that can be saved for future use. Saved income can in future be used for consumption or investment.

### 4.3.2: Investment

Some people use their savings for investment purposes. They may invest by starting their own businesses; buying productive resources (e.g. land, houses etc), buying shares in other businesses, buying treasury bills, depositing money in banks to earn interest, etc.

For investment to take place, people and businesses must have saved a bigger part of their income. Therefore if we are to make bigger investments, then we have got to make bigger savings. Savings and investments can be increased through the following ways:

**Activity 4.3.1**

**Ask learners to give any three forms of saving that an individual can use to start a business venture.**

**NOTES**

### **4.3.3: Factors that Determine Savings**

1. Availability of financial institutions
2. Knowledge of the saving culture
3. Clear goals for saving
4. High motivation to save

### **4.3.4: Factors that Determine Investment**

1. Availability of investment opportunities
2. Favourable government policies on investment
3. Determination to work hard

The significant reasons for making savings and investment include the following:

**1. As a precaution for the future needs**

People save income to provide for unforeseen problems that may arise in the future and will require them to suddenly spend money. Both individuals and businesses hold some cash and bank accounts to provide for illness, accidents, unemployment etc.

**2. For transactions**

Income is also saved in order to have cash to meet transactions of personal and business nature. At personal level, individuals will need cash to be used in their day to day transactions. Businesses will save

money to be re-invested in business or expansion purposes or replacing existing machines.

**3. Self- employment**

Once an entrepreneur or individual invests his/her income or savings he will create employment opportunities for him/herself. This will enable him/her to become self-reliant.

**4. Exploitation of idle resources**

Investing in business enables entrepreneurs to use resources that may be idle and convert into goods and services to meet people's needs.

**5. Employment of others**

If investments being made are to use a lot of labour (labour intensive) then, a number of people will be employed. This will reduce on the unemployment problem in the society and country at large. This will further lead to people raising their standards of living.

**6. Utilization of resources**

By establishing enterprises whether small or large, it will help in tapping latent resources like human resources, land, water, plants and animals and producing goods and services for export, local consumption or investment. This will lead to economic growth of the area and country.

**7. The equality argument**

Investment helps in the creation of wealth by producing more goods and services and income to the investors and employees. Investment therefore helps to bring more people into economic activities and in a way helps in the distribution of income. This particularly helps if investment is deliberately spread all over the parts of the country.

### 4.3.6: Forms of Savings

- By opening bank accounts and depositing our savings there
- Buying properties like animals, houses etc
- Investing in business
- Buying land, etc
- Buying shares from other businesses

### 4.3.7: Saving Plan

#### Making Plans for Saving

This requires one to forecast how, when and how much income he/she will receive during a given period. This will require the person to be thorough in making how to counteract them. The next step is to develop a budget and in so doing, prioritise his/her needs. This will entail doing the following:

- a) Identification of needs
- b) Setting saving targets
- c) Prioritizing the needs
- d) Finding out the cost of each need
- e) Finding out the total cost of the needs to income and establishing whether the balance meets saving targets
- f) Carrying out a review of prioritizing needs, their costs and saving targets to ensure that they can all be accommodated within income packages.
- g) Choosing how the savings of Income can be done
- h) Making the saving
- i) Spending part of the income on the priority list items that have been provided with the budget

#### Activity 4.3.2

##### Engage learners in this activity

1. Form groups of learners to make a saving plan on how to raise resources to start up a business.
2. Guide learners to start a saving group/ SACCO to be monitored by the Entrepreneurship teacher.
3. Guide them to decide on a possible investment for the savings in the SACCO.

## 4.4: LOCATION OF A BUSINESS

This refers to the setting up of a business in a particular area. Location of a business is one of the factors that affect business success; therefore the entrepreneur should choose an appropriate site for the business.

### Teacher Preparation

Have relevant teaching materials.

### Teacher Instruction

- In groups, learners discuss factors which influence business location and present this to class.
- Learners discuss contrasting locations of businesses and try to link the chosen location to the type of business. They should try to explain situations where the location does not seem to match the type of business.
- Learners should discuss what is involved in selecting a location for business, and then design a guide for entrepreneurs who may also wish to do so.

### NOTES

#### 4.4.1: Factors Affecting/Influencing Location of a Business

The following are some of the factors that influence business location.

##### 1. Market

Businesses should be located nearer to the market or customers to enable them easily access the business product. Furthermore, if the products are perishable and there are no means of preserving them, it is better for a business to be located near the market.

##### 2. Source of raw materials

A business should be located as nearer to the source of raw materials as possible especially when the raw materials are bulky and perishable. This reduces the cost of transport and the risk of perishable raw materials getting spoilt.

### **3. Accessibility to transport and communication network**

A business should be located along all-weather roads to facilitate easy movement of its raw materials, products and customers all the time. Furthermore, the location should have communication services like telephone, faxes, e-mail, Internet services, etc. to facilitate quick transfer of business information from the business to the customers, suppliers, bankers, etc.

### **4. Presence of land / buildings for business operations**

The land/buildings required for the business operation should be available; these can be rented, purchased or leased for the business operations. However, if the site is for purchasing, it should be large enough to allow expansion of the business if desired at a later stage.

### **5. Presence of Human Resources**

A business may also be located in an area where there is skilled and unskilled labour at a low cost of hiring.

### **6. Government policy on location of business**

The government may direct the location of some enterprises in a given region to provide employment opportunities, balance industrial growth in the country and protect the natural environment, for example Namanve Industrial park.

### **7. Presence of adequate power supply**

Power is very important in deciding where to locate a business. For example a manufacturing business that uses a lot of power for its operations should be located near the power source.

### **8. Presence of water sources**

Water plays an important role as a component and raw material in the production of some goods like soft drinks, beer, textiles, dairy farms and brick making. Such businesses should therefore be located near permanent sources of water.

### **9. Security**

Many people prefer to locate their businesses in areas that enjoy a high degree of security.

### **10. Presence of business support services**

Business support services like banks (for financial support) and insurance companies (to protect the business against risks) can also influence an entrepreneur when choosing his/her business site.

**Group Activity 4.4.1**

- i) Ask learners to conduct a field activity around the school and identify the businesses located there.
- ii) Let them find out from the businesses the factors that led to the location of the business where it is.
- iii) Let them compile a report and present it in class.

**Engage learners in this activity of integration.**

Ask learners to think of a business Idea in the community and answer the following questions:

1. What is the business idea?
2. How can you raise capital to start a business?
3. Design a saving and investment plan for the business.
4. Giving reasons, where would you locate your business?

**Chapter Summary**

**In this Chapter you have learned:**

- 1) The steps taken to start a business
- 2) The different sources of business finance
- 3) How to save and invest
- 4) The factors that influence the location of the business

## CHAPTER FIVE

# GOVERNMENT REVENUE



Key Words	By the end of the chapter, you will be able to appreciate why government needs revenue and that taxation is one of the major sources of government revenue.
<ul style="list-style-type: none"><li>• government revenue</li><li>• taxation</li><li>• taxes</li><li>• tax revenue</li><li>• non-tax revenue</li></ul>	

## INTRODUCTION

The government needs money to provide social and economic services for the well-being of its people. Taxes being the major source of government revenue have been covered in detail in this topic. When people pay taxes the government is able to fulfil its obligations.

### Teacher Preparation

Prepare relevant teaching and learning materials.

### Teacher Instruction

- i) In groups, learners discuss 'Where does the government get its money from?' Encourage learners to think of examples locally, nationally and internationally. Each group presents its answers to the class, using

examples, and also explaining the benefits and disadvantages of these sources of income for the government.

- ii) Ask learners to look at 2 sources of government revenue in detail. Ask them to present what they can find out about the structures, conditions and aims of these sources in a diagram of their choice so as to be able to compare the sources easily.
- iii) In groups, learners are provided with a range of sources of government revenue across Africa. They should discuss why governments need this revenue and how it is distributed. Learners should consider the effects of the way revenue is distributed, comparing systems in Uganda to those in other neighbouring countries.
- iv) Split class into 2 groups and debate a given example in Uganda where government revenue has benefited/not benefited the community in which they live. The debate should result in a range of further questions that learners can use to conduct further research in government revenue.

#### NOTES

## 5.1: INTRODUCTION TO GOVERNMENT REVENUE

### 5.1.1 Meaning of Government Revenue

This is the total amount of money received by a government, and local authorities from different sources in order to finance different sectors.

### 5.1.2: Uses / Importance of Government Revenue

The government uses the money it receives in the following ways:

- i) **Providing and improving social services** such as health, education, security, transport and communication. This helps to improve peoples' welfare.

**Photograph NO. 1 shows a poor state of health services which may be caused by government having less revenue. However, when people pay more taxes government can be able to provide better health facilities and services like in Photograph No.2.**

**Photograph No. 3 shows a poor state of the road while no. 4 shows a modern all-weather road which was constructed using government revenue.**

<b>No.1</b> 	<b>No.2</b> 
<b>NO.3</b> 	<b>NO.4</b> 

**Source: The Internet**

**Source: The Internet**

### Activity 5.1.1

**Engage learners in this activity.**

- i) As a good citizen, what lesson do you learn from the photographs 1 to 4 above?
- ii) Facilitating Public administration for example payment of salaries and wages to government employees, pension and gratuity to civil servants, office supplies, repairs, depreciation, fuel, travel abroad and other allowances.
- iii) Promoting infrastructural development - The government uses the revenue collected to build industries, dams, schools, hospitals, roads, markets, piped water, among others.

**Photograph 5 shows a power dam while 6 shows public street lights on the road which were constructed and provided by government revenue.**



**NO. 5**

**Source:** *The Internet*



**NO. 6**

**Source:** *The Internet*

- ii) **Help in overcoming the effects of disasters.** This is through extending humanitarian services to people that are affected by socio-political instabilities and natural calamities. For example, landslides, floods, conflicts, drought, epidemics which require government intervention.

**Photographs 7 and 8 show areas affected by landslides and floods respectively.**



**NO. 7**



**NO. 8 Source: The Internet**

From the above photographs, when government has enough revenue, such affected areas can be helped financially.

- iii) **Setting up development schemes to help the youth and needy people;** these include financing SACCOs, school fees loan schemes, senior citizen benefit schemes and others.
- iv) **Promoting modernisation of agriculture in the country.** This is through subsidised inputs, establishing demonstration farms, agricultural exhibitions, and agricultural research centres among others.
- v) **Facilitating the repayment of government debts.** Government revenue is used to pay back borrowed funds from both internal and external sources.

### 5.1.3; Sources of Government Revenue

Government collects money from both tax and non-tax sources.

#### Tax Sources

**A tax** is a compulsory monetary payment charged by the government on individuals or companies to help it finance its expenditure. It is not charged in return for any specific service rendered by the government to the tax payer.

Taxes are the most important source of government revenue. Some of the taxes levied include; Income tax, Value Added Tax (VAT), Customs duty and Excise duty.

## Non-Tax Sources

Non-tax revenue is the income earned by the government from sources other than taxes. These include:

1. **Fees** - This is payment to government for services offered to people for example court fees, registration fees, passport fees, licensing fee.
2. **Fines and penalties** - These are charges imposed on offenders of state laws as a punishment for having gone against the law for example police traffic fines.

**Photographs 9 and 10 show Traffic Police arresting offenders.**

**These may pay fines.**



With the use of fines and penalties from offenders, government can generate revenue to finance her expenditures.

3. **Gifts and donations** - These are voluntary contributions made by individuals and organisations to the government.
4. **Borrowing** - This refers to loans obtained by the government from within or outside the country.
5. **Earnings from government enterprises** - These are profits earned by the government from the sale of goods and provision of services.
6. **Proceeds from national lottery** - This is revenue from sale of tickets issued by the national lottery for financing a specific social project.

7. **Rent and rates** - This is money charged by government on buildings or premises leased by individuals or organisations.
8. **Road and bridge tolls** - These refer to revenue collected from users of roads and bridges to enable government maintain these facilities.



**Photograph 11 shows a road toll on Entebbe Express Highway**

#### **NO. 11**

From the above photograph, government can generate from the road tolls for example Southern Bypass Entebbe Highway.

#### **ACTIVITY OF INTEGRATION**

Ask learners to visit their community and find out social and economic services the government has been able to provide to community members.

#### **Chapter Summary**

In this chapter you have learnt:

1. The different sources of government revenue.
2. The uses / importance of government revenue to the community.





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