

## **PREFACE**

This book has been revised to adequately cater for students preparing their final UACE entrepreneurship Paper 2 exam.

The work has been made in the simplest and summarized way possible that can make students' task to pass a MUST.

- ✓ It can adequately guide them for final revision.
- ✓ It can also help teachers to develop concise teaching notes for paper 2
- ✓ The content for documents have been prepared in a topical way to support easy revision and flow of work
- ✓ A variety of examples have been given on each topic for both accounting area and documents in order to support student's personal revision.
- ✓ Assignments have been given at the end of each topic discussed in order to support student's assessment.
- ✓ All the new areas in taxation have been captured.
- ✓ New dynamics of writing policy documents have been catered for.
- ✓ Any suggestion and constructive criticism will be highly appreciated.

## **DEDICATION**

This book has been dedicated to all my entrepreneurship students. Your desire to excel in entrepreneurship made me to produce this text.

## **APPRECIATION**

I want to extend my sincere gratitude to all my department colleagues of Buddo S.S and St. Jude S.S Katende your academic and moral guidance made it possible to produce this text.

Allow me also to appreciate the following people

- The entire administration of Buddo secondary school and S.t Jude Katende
- The entire administration of St. Jude S.S Katende
- My colleague Mr. Kimuli Fred of St Henry's college Gangu.
- Ssaalongo Kawoya of St Mary's college Kisubi
- Mr. Kasirye Robert of Kololo high S.S
- Mr. Ssempijja Mark of Kiggumba intensive
- Miss. Namutebi Eva of St Jude S.S Katende.
- Mr. Ssemanda Oscar of Elite college Buddo e.t.c
- Mr. Mutaawe Kizito of Lubiri Sec. school
- Miss Nankya Teopista of Mugwanya Summit College.etc

To my entrepreneurship students of Buddo S.S, St. JUDE S.S Katende and other schools I have ever taught so far your desire / passion and zeal to know more and excel made me to produce this text.

Lastly, I thank God for the gift of life, knowledge and wisdom

Revised edition.

0774380388/0704911227.

BY: TONNY INNOCENT SEKAMATTE.

**BUDDO SEC SCHOOL.**

# ENTREPRENEURSHIP PAPER TWO-P230/2 .

## SELFSTUDY ENTREPRENEURSHIP PAPER TWO(P230/2) FOR “A” LEVEL.

### PROJECT MANAGEMENT SKILLS AND FINANCIAL MANAGEMENT.

#### **Introduction**

This chapter aims at enabling learners to develop the skills of applying the theoretical concepts of entrepreneurship education to real life situations.

#### **ENTREPRENEURSHIP EDUCATION PAPER 2**

This is a three (3) hours written examination which tests a candidate's conceptualization of entrepreneurship education concepts and how to apply them to the real world situation.

Paper 230/2 has 6 optional questions and a candidate is required to attempt any four (4) questions, each question carries 25 marks. Questions in this section test how the candidate has developed the skills of applying the theoretical concepts of entrepreneurship education to real life.

#### **STRUCTURE OF THE PAPER.**

-This is an application paper where theory work is converted into day to day life application.

-It covers project management skills questions where application is tested

And accounting area where financial management skills are tested.

#### **NOTE THE FOLLOWING**

##### **1. QUESTIONS ABOUT SOURCE DOCUMENTS.**

- For questions that require **design** ,just include there the basic information such as business name ,address and other required illustrations. Such as business logo ,slogans etc

Also include the required columns like date column, details column, amount column and a required frame .E.g. Design a cash receipt.

**However** for questions that require to **prepare, draft ,develop, write or formulate** source a document like a cash receipt include all the required information in respective columns e.g. if it is a cash receipt include the item paid for and the amount received.

This distinction only applies to **source documents** but not to; illustrations like, adverts, human resource documents such as job specification, description etc. it is not also applicable to programs, schedule and procedure, steps, process e.t.c.

**Note.** The format for all programs is the same. The variation is only on activities

## **2. QUESTIONS ABOUT POLICY DOCUMENTS/ GUIDELINES/TERMS AND CONDITIONS, RULES AND REGULATIONS**

- ✍ Use shall or present simple tense
- ✍ Be specific
- ✍ Avoid personalizing the business i.e. avoid use of I, My, We and Our.

This is because we do not draft guidelines for ourselves as owners of the business but the guidelines are drafted for the business.

- ✍ Business policy documents should also carry business name and address

## **3. WRITING SECTIONS OF THE BUSINESS PLAN**

Irrespective of whether you are preparing a business plan for an existing business or for a business not yet established, a business plan is prepared or written using the present simple tense. This is because the business plan is a working document to which the business shall always refer. Other guiding instructions are;

- ✍ Being specific
- ✍ Avoiding personalizing the business e.g. I, We e.t.c.

## **3 .WRITING SKILLS OF COMMUNICATION DOCUMENTS LIKE LETTERS.**

- Writing skills can be tested in various ways such as writing letters, circulars, notices, memos and reports.
- The most important skill tested here is the style/format of letter writing where by the candidate has to be consistent with the style opted for from beginning to end.
- Other important area tested here is the flow of information i.e., how parts of the letter are following one another. This information is tested from communication skills and a variety of work can be tested here.
- Also emphasize areas such as; whether you are writing to an insider or outsider which will guide you on how to write the receivers address. This implies when writing to an insider, the receivers address is same as the writer's address unlike when writing to an outsider.
- However, for other communication documents a frame is very important in addition to other required information.

## **4. FINANCIAL MANAGEMENT QUESTIONS**

This area majorly covers three accounting areas i.e.

- ✓ Interpretation of financial Statements
- ✓ Cash Flow Statements
- ✓ Computation of taxes.

The interpretation of such results is basically based on definition of the ratio being interpreted or variables in the formula

- ☞ The candidate should master very well stating the different formulae, in addition to indicating the correct units for every answer got depending on what is being calculated.

<b>NO.</b>	<b>TOPIC</b>		<b>CLASS</b>	<b>TERM</b>
1.	INTRODUCTION TO BOOK KEEPING AND PREPARATION OF SOURCE DOCUMENTS.		S.5	TERM I
2.	POLICY DOCUMENTS AND GUIDELINES FOR INNOVATION, CHANGE AND CREATIVITY		S.5	TERM I
3	FINANCIAL NEEDS OF THE BUSINESS.  - LOAN REPAYMENT SCHEDULES AND PREPARATION OF BUDGETS		S.5	TERM I
4	COMMUNICATION SKILLS DOCUMENTS AND POLICY GUIDELINES USED IN COMMUNICATION		S.5	TERM II
5	CASH FLOW PLAN/STATEMENT		S.5	TERM II
6	INTERPRETATION OF FINANCIAL STATEMENTS AND RATIO ANALYSIS		S.5	TERM II
7	BUSINESS PLANNING		S.5	TERM III
8	PRODUCTION DOCUMENTS AND POLICY GUIDELINES		S.5	TERM III
9	MARKETING MANAGEMENT DOCUMENTS AND POLICY GUIDELINES USED UNDER MARKETING		S.6	TERM I
10	BASIC TAX COMPUTATIONS		S.6	TERM I
11	HUMAN RESOURCE DOCUMENTS AND POLICY GUIDELINE DOCUMENTS		S.6	TERM II
12	SOCIAL ENTREPRENEURSHIP		S.6	TERM II
13	LEGAL AND CONTRACTUAL POLICY DOCUMENTS		S.6	TERM II
14	SCHEDULES			

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## **TOPIC 1: BOOK KEEPING**

Book-keeping is the process of recording business transactions accurately and systematically in an enterprise.

### **Importance of book keeping**

- ✓ It helps in the calculation of profits and losses. This is through accurate and complete recording of all business transactions.
- ✓ It acts as a tool for planning. The entrepreneur is able to make future development plans basing on the past and current performance of business.
- ✓ It acts as a tool of control. Proper maintenance of books helps the entrepreneur to minimize misappropriation of funds.
- ✓ It facilitates credit transactions. It would be very difficult for business people to remember all credit sales and purchases if proper records are not kept.
- ✓ It helps an entrepreneur when applying for loans. Financial institutions require looking at financial records of a business before extending credit to it.
- ✓ It acts as a base for tax assessment by the government. This helps to avoid over and under taxation of the business and its employees.
- ✓ It provides evidence for whatever transaction that took place in business. It helps to solve disputes among business stakeholders.
- ✓ It helps to show the financial position of the business. This is through preparing a balance sheet.

### **REASONS FOR TAKING BUSINESS RECORDS/BOOK KEEPING**

- ✓ To calculate profits and losses made during a given period of time.
- ✓ To act as a tool for planning.
- ✓ To act as tool for control. Book keeping allows a business to keep accurate data concerning all its resources, and also proper information on its expenses for proper decision making.
- ✓ To facilitate credit transactions. The business is able to keep track and follow up all its debtors and also keep proper records of all creditors for accurate payments.
- ✓ To act as a base for tax assessment. The tax authorities are able to calculate the exact amount of tax to be paid by an entrepreneur. This helps to minimize over or under taxation.
- ✓ To provide evidence for whatever transaction that took place in business.
- ✓ To determine the financial position of the business. From the records, a business is able to prepare profit and loss account and balance sheet, its result of operation and financial position.
- ✓ To enable the public or new investors who may want to invest in the business to get information on the business and therefore take an appropriate decision whether to buy shares or not.

- ✓ To enable the business to acquire financial support. Most of the financial institutions like banks base on past records kept by the businesses before advancing loans to any borrower.

## **USERS OF BOOK KEEPING INFORMATION/ACCOUNTING INFORMATION**

1. **Owner(s) or management of the business.** These use book keeping records so as to monitor business operations and plan for the success of the business and also to keep track of all debtors and business operations.
2. **Government bodies such as tax authorities.** These need these records such that they accurately and fairly charge taxes.
3. **Banks and other money lenders.** They study accounting records of Potential borrower and use it to decide whether to give out loan/credit or not.
4. **Auditors.** External Auditors normally use accounting records of a given enterprise to assess whether they are properly kept basing on the recommended accounting rules and whether they show a true and fair view of results of operations and position of the business.
5. **Researchers and students.** Some members of the public study the records of different enterprises to determine whether the businesses are concerned with the development of the areas where are located or not. They also use the records to find out whether they are being exploited in the form of high prices.
6. **Employees of the business.** These use book keeping records to determine their job security, and also to demand for more pay basing on the profits of the business.
7. **Potential buyers of the business products.** They need to find out whether the business is reliable when it comes to supply them with the required products.
8. **Business creditors.** The suppliers are usually interested in the book –keeping records of a business to determine whether it is credit worth or not.
9. Competitors so as to compare their performance with other similar businesses.

## **SOURCE DOCUMENTS USED BY THE BUSINESS WHEN TAKING BUSINESS RECORDS**

A **source document** is one that is prepared when transactions take place so as to provide documentary evidence to show that the transaction took place. A source is document that describes the basic facts of the transaction such as its date, purpose and a mount.

It is the information in these documents that is transferred to the books of accounts of the business. Examples include.

## **SOURCE DOCUMENTS**

### **FEATURES OF A SOURCE DOCUMENT**

- The title of the document.
- Business name and address.
- Any related illustrations e.g. logo
- The date
- The document number e.g. 001
- The receiver's address
- Column for details/description of the products



- Quantity column
- Unit cost price /Price column
- Persons details who prepared the document
- Frame of the document

**NOTE:**

If a candidate is asked to design a document, he/she is not supposed to fill in the required details but instead should indicate the key features of the document e.g.

- Business name and address
- Provision of the receivers address
- Provision for the required columns e.g. Details, Quantity, Unit price, Total amount etc.
- Provision for the person who prepared the document and the title
- A frame.

**However** if the document requires to prepare, write, draft all the details must be filled in.

**N.B:-** This condition is only applicable to source documents.

**AN INQUIRY**

An inquiry Note or letter of inquiry is a document prepared by the business to a named or prospective supplier requesting for details of suppliers in question.

This is document sent by a prospective buyer to the seller requesting for information about products available, their prices, delivery terms, terms of sales etc.

***Example:-***

You are operating a furniture workshop in your home area. Write a letter of inquiry you will sent to a supplier of machines.

**LETTER OF INQUIRY TO BE SENT TO A SUPPLIER OF MACHINES TO TONNY FURNITURE WORKSHOP**

**TONNY FURNITURE WORKSHOP**  
**P.O BOX 1667, MUBENDE**  
**TEL: +2567888888**

**Dealers in all sorts of high quality household and office furniture**

NO. L/007

**LETTER OF INQUIRY**

DATE: 02/10/17

DESIRE KITONE ENTERPRISE  
P.O BOX 33,  
MUKONO

Dear Sir/ madam.

Please quote us your prices, terms of payment and delivery terms for the following machines.

Item number	Quantity	Description
1.	2	Saws
2.	3	Planning machines
3.	5	Chisels
4.	4	Cramp
5.	5	Planes
6.	4	Pincers
7.	3	Cutting gauges
8.	3	Brace

Please note that we expect your feedback in one week days' time from the date of receiving this inquiry.

Prepared by



NABUKALU DEBORAH  
PURCHASING MANAGER

approved by

.....

**N.B:** an inquiry may be made about machines, raw materials, packaging materials, merchandise for sell etc. therefore students should prepare it according to the question.

Sometimes, the letter of inquiry may be placed when the buyer has not specified the particulars.

**Example Two:**

You are operating a beverage processing plant. Write an inquiry to the supplier of packaging materials

An inquiry to the supplier of packaging materials to KYANKIMA beverage processing plant

**KYANKIMA BEVERAGE PROCESSING PLANT  
P.O BOX 16, MUBENDE  
TEL: +2567778990**

**LETTER OF INQUIRY**

NO. L/010

DATE: 02/10/20

ROBINAH MWERUKA TRADERS  
P.O BOX 33, KATWE

Dear Sir/ madam.

We are interested in purchasing packaging materials to our beverage processing plant. We kindly request you to provide us with relevant information about the available packaging materials for liquids in stock, their prices, and terms of sale, delivery terms and mode of packaging.

We shall be grateful if you feed us the above information

We hope to place substantial orders and we would like delivery early June, 2020. Your quick response will be greatly appreciated.

**Yours faithfully**



NABUUMA JOAN  
PROCUMENT OFFICER

**Assignment:-**

- (i) You own a restaurant to your home area.
- (ii) Prepare an inquiry to be sent to one of your suppliers of raw materials.

**QUOTATION**

A quotation is reply to the letter of inquiry. It is a document written by the supplier to the prospective buyer showing the details of goods and their terms and conditions attached.

**Example:**

You are the marketing manager SASALA COSMETICS CENTER, you have received an inquiry as show in the previous question, prepare a quotation for the products.

**SASALA COSMETICS CENTER**  
P.O BOX 456, KAMPULINGISA  
TEL: +0423454545

**QUOTATION**

Quotation No. 19

Date: 25<sup>th</sup>/Oct/2017

BWAGAZI TRADING STORE  
PO BOX 56, NATEETE  
Tel: 0754676790

Thank you for your inquiry letter No. 007 dated 20<sup>th</sup>/June/2017. I have pleasure of sending you the pricelist for our products as below;

Item No	Quantity	Description	Unit price shs	Total amount
1	100 pieces	Geisha	800	80,000
2	4 boxes	Lotion	150,000	600,000
3	25 pieces	Bangles	2,000	50,000
4	1 box	Samona jerry	70,000	70,000
		Total		800,000

**Terms and conditions of sale:**

Order with cash – 50% and balance paid in not later than two weeks

Delivery period: 1 week from the date of receipt of an order

5% discount if the balance is paid before two weeks

Mode of transport: our business van

Delivery place: customer's premises

Thanks for giving us priority to be your supplier

**Prepared by**



KUSITAMA ANNA

**Assignment:-**


You are the sales manager of a newly established bakery. Prepare a quotation for your business products.

**PURCHASE ORDER/ ORDER/ LOCAL PURCHASE ORDER**

This is a document issued by the buyer to the seller requesting to be supplied with goods, after the buyer had received a quotation; he selects the goods required and places an order for them. A purchase order states the type of goods required, quantities and prices for each item ordered for

**Example:**

- (i) You and a friend are beginning a maize processing factory dealing as partners.
- (ii) Prepare a purchase order for a milling machine that you are going to use in your factory.

<b>KWAGALAKWE GRAIN MILLING FACTORY</b> P.O BOX 66, Mukono (U) TEL: 0774666777				
Purchase order No. 043	<b>PURCHASE ORDER</b>	Date: 04/09/2016		
Kika general suppliers P.O BOX 20, Kampala				
Dear Sir, Please supply and deliver the following machines				
No	Description	Quantity	Rate	Amount
01	Milling machine	01	2,500,000	2,500,000
02	Weighing scale	02	250,000	500,000
03	Grading trays	03	400,000	1,200,000
04	Moisture metric	01	1,000,000	1,000,000
05	Processing plant dryer	01	500,000	500,000
Total				5,700,000
Delivery date 3 <sup>rd</sup> October 2016				
Place of delivery: factory premises				
Terms of pay: cheque No. 20 for shs 4,000,000 being part payment has been enclosed				
Looking forward for receiving the goods ordered				
Prepared by				
				
Ssenoga Abraham Purchasing Manager				

**Assignment:**

You are the purchasing manager of a fast growing juice processing factory. Prepare a purchase order to be issued to your suppliers of packaging materials.

**ADVICE NOTE:**

Is a document sent by the supplier to the buyer acknowledging the receipt of a purchase order and indicating the terms and conditions of the purchase or supply.

**MODERN STATIONARY**  
**P.O BOX 224, JINJA (U)**  
**PLOT 42, Muyambard**  
**Tel: +2564155-00-00-00**  
**Email : [modernstationary@gmail.com](mailto:modernstationary@gmail.com)**

**No. 098**

**Purchase order No. 002**

**Date : 22/05/2017**

**OZANA GROCERY**  
**P.O BOX 70710, KAMPALA**  
**PLOT 34 BUSABALA ROAD**  
**TEL: 0789778899**

**ADVICE NOTE**

Dear sir / Madam

This is to acknowledge and confirm the receipt of your local purchase order above. The following goods will be dispatched / sent to you against the corresponding prices, to be delivered on 26/05/2017.

The following items and their details have been released from our store and are on their way to you.

<i>Item No.</i>	<i>Description</i>	<i>Quantity</i>	<i>Unit price (shs)</i>	<i>Amount (shs)</i>
001	Computer	2	1,000,000	2,000,000
002	Printers	3	250,000	750,000
003	Cartridges	3	50,000	150,000
004	Reams of paper	50	25,000	1,250,000
				4,150,000

**Prepare by**



**SSEKISANVU ROBERT**  
**SALES MANAGER**

**DISPATCH NOTE**

Is a document prepared by the supplier and sent to the buyer to inform him or her that the listed items have been resealed (dispatched) from their store and are on their way to the buyer's premises such that a buyer can prepare a store to receive goods.

**MODERN STATIONARY**  
**P.O BOX 224, JINJA (U)**  
**PLOT 42, Muyambard**  
**Tel: +2564155-00-00-00**  
**Email : [modernstationary@gmail.com](mailto:modernstationary@gmail.com)**

**Dispatch Note No. 888**  
**Purchase order No. 002**  
**Date : 23/05/2017**

**DISPATCH NOTE**

**BUDDO SS**  
**P.O BOX 70710, KIBIRI GANGU**  
**PLOT 34 KAMPALA**  
**TEL: 0789778899**

The following items and their details have been released from our store and are on their way to you.

Item No.	Description	Quantity	Unit price (shs)	Amount (shs)
001	Computer	2	1,000,000	2,000,000
002	Printers	3	250,000	750,000
003	Cartridges	3	50,000	150,000
004	Reams of paper	50	25,000	1,250,000
				4,150,000

**Prepare by**



**SSEKISANVU ROBERT**  
**SALES MANAGER**

**Sending of Goods Delivery Note:** This is a document sent to the buyer alongside with the goods. On receiving this document with the goods, the goods should be checked properly to ensure that quantity specifications tally with the physical goods received. If on inspection goods are accepted, a goods received Note is raised. A person responsible for receiving these goods will sign both the Delivery Note and Goods received Note and thereafter goods sent to the store.

**BONNA TWALA GENERAL SUPPLIERS****P.O BOX 333, KAMPALA (U)****TEL: 0753-777-000****DELIVERY NOTE**

DATE: 23/07/2017

**DELIVERY NOTE NO. 23****BAMUSOKE BAKERY LTD****P.O BOX 666, KATWE**

Please receive the following goods

Quantity	Description	Unit price (shs)	Total amount
10	Wheat flour ( 10 cartons)	60,000	600,000
20	Cooking oil 40 liters	80,000	3,200,000
10	Sugar 60 Kgs	100,000	6,000,000
			9,800,000

All delivered in good condition

Prepared by

**KATO MUTEMBI**  
**SALES MANAGER**

Received by:

.....  
.....  
.....**Assignment:-**

You are in charge of making deliveries to customers in T&T Electronics.  
Design a delivery note for business use.

<b>KATWE STATIONERS LTD</b> <b>P.O BOX 3004, KAMPALA</b> <b>TEL: 0703086780</b>		<b>Note No. 37907</b> Date:.....
To:..... M/S:.....	<b>DELIVERY NOTE</b>	
Please receive the following goods / items in their good condition.		
<b>Quantity</b>	<b>Description</b>	
I have received the above goods in their good conditions.		
<b>Received By:</b> Signature:..... Name:..... Title:.....		



**Sending of Package Sheet:** When the supplier packs goods to be supplied to the customer, he will always send them with a package sheet showing the goods packed. If the goods are packed in three containers, three package sheets will also be prepared.

<b>KAMPALA STATIONERS LTD</b> <b>POBOX 3004KAMPALA</b> <b>TEL: 0703086780</b>				
<b>No. 3902</b>  TO: ..... P.O BOX ..... TEL: .....	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <b>PACKAGE SHEET</b> </div>	Date: .....		
This package contains the following goods / items				
<b>No.</b>	<b>Description</b>	<b>Quantity</b>		
<table style="width: 100%;"> <tr> <td style="width: 50%;"> <b>Packed by: Signature:.....</b>             Name:.....             Title:.....         </td> <td style="width: 50%;"> <b>Checked by: Signature:.....</b>             Name:.....             Title:.....         </td> </tr> </table>			<b>Packed by: Signature:.....</b>  Name:.....  Title:.....	<b>Checked by: Signature:.....</b>  Name:.....  Title:.....
<b>Packed by: Signature:.....</b>  Name:.....  Title:.....	<b>Checked by: Signature:.....</b>  Name:.....  Title:.....			

**Preparation of the Goods Received Note:** This is sent alongside with the goods and signed by the person receiving the goods from the supplier. It is prepared in triplicate, one copy sent to the accounts department to await the arrival of the invoice and provide evidence of the safe arrival of goods.

<b>KATWE STATIONERS LTD.</b> <b>P.O BOX 3004 KAMPALA</b> <b>TEL: 0703086760</b>						
Purchases Order No. 601 Received from .....			<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <b>GOODS RECEIVED NOTE</b> </div>		Number: <b>780</b> Date:.....	
I have received the following goods / items in their good conditions						
<b>Serial No.</b>	<b>Description</b>	<b>Code No.</b>	<b>Stock Code No.</b>	<b>Quantity</b>	<b>Rate (Shs)</b>	<b>Amount</b>
Counted by:..... Inspected by:.....				Approved by:..... Received by:.....		

**Returning of Rejected items:** In case some of the goods received are damaged or do not conform to the specifications, they are returned to supplier. Goods may be returned due to poor type, wrong colour, wrong size, damaged in transit e.t.c. **Goods returned note can be designed this way;**

<b>KATWE STATIONERS LTD</b> <b>P.O BOX 3004 KAMPALA</b> <b>TEL: 0703086760</b>		
<b>TO:</b> ..... .....	<div style="border: 1px solid black; display: inline-block; padding: 2px 10px;"><b>GOODS RETURNED NOTE</b></div> Please accept the following goods as returned	No: 0092 Date:.....
<b>QUANTITY</b>	<b>DESCRIPTION</b>	<b>REASON</b>
Please issue us with a Credit Note. <b>Signature:.....</b>		

**N.B:** It is very common to find a business returning some of the goods to the supplier, such goods may be returned due to some reasons like;

- ✓ Those that were not ordered for
- ✓ Those of a different fashion from that ordered for
- ✓ Expired goods
- ✓ Damaged goods
- ✓ Those goods sent in excess of what was ordered for
- ✓ Goods whose quality does not conform to the prescribed quality
- ✓ Those with a different colour, grade, e.t.c from what was ordered for e.t.c.

This will call for an entrepreneur to return some goods and goods Returned Note has been prepared to be sent along with goods so that the supplier may acknowledge and issue a credit note.

**YEZU MULUNGI SECONDARY SCHOOL**  
**P.O BOX 555, Kampala UGANDA**  
**TEL: 0934994455**

**GOODS RETURNED NOTE**

Goods returned Note No. 156

Date 28/09/2017

**To. ZUENA BOOKSHOP**  
**P.O BOX 35, BETELEMU**

Please accept the following goods as returned

Details	Reason	Quality
Quality school chalk	Damaged	10 boxes
Manilas	Wrong colour	50
Markers	Not required	100
Tonner	Wrong type	1 packet

Please issue us with a credit note

Prepared by



**TWAKOOWA SHAFIN**  
**STORE KEEPER**

**Sending the Debit Note:** This is a document prepared by the seller to the buyer to correct an undercharge made from the original invoice.


<b>BAABA HOLDINGS LTD</b> <b>PO BOX 4544 KAMPALA</b> <b>Tel: 0752 833909</b>		
<b>To: KATWE STATIONERS</b> <b>P. O BOX 3004</b> <b>KAMPALA</b>		
<b>DEBIT NOTE</b>		Note No. 4/89 Date: <b>10<sup>th</sup>/04/2020</b>
Details/ Description	Per Unit	Total
50 copies of Longman dictionary	40,000	2,000,000
Less 5 copies not required		(200,000)
		<u>1,800,000</u>
<b>Signed by:.....</b> <b>For: Baaba Holdings Ltd</b>		

A debit note is sent to the buyer under the following circumstances.

- ✓ When more goods than what the buyer ordered for are delivered
- ✓ When wrong prices and in this case lower prices than the agreed prices were charged of due to wrong additions leading to undercharging of the customer.
- ✓ When some items that were delivered to the buyer are omitted in the original invoice.

### *Illustration*

#### **Debit note to be used in Nkomo Southern clinic**

<b>NKOMO SOUTHERN CLINIC</b> <b>PLOT NO: 009 NEW KATWE ROAD, MASINDI</b> <b>TEL: 0753-777-888</b>				
<b>DEBIT NOTE</b>				
			DATE: 18/08/2017 NO. 0421	
TO: T & T DRUG SHOP				
We have debited your account as follows:				
Description	Qty	Reason	Amount	Amount
Boxes of panadol	5	Not covered	10,000	50,000
Add 2 boxes		Error of omission		20,000
Total				70,000
Amount in words: seventy thousand shillings				
Issued by			received by	
			.....	
Tracy Tina Naka			.....	
Clinic officer			.....	

#### **Assignment:**

**You're the Sales a manager of TRACY WHOLESALE TRADERS. One of your customers has just returned part of the items initially sold to him claiming that goods were expired and some were wrongly priced.**

**Prepare a credit note to be issued to that customer.**

**Sending a credit note:** This is a document sent by the seller to the buyer notifying him of the reduction in the amount he owes to the seller due to an over charge made on the invoice or good supplied have been returned to the supplier.

I.e. it is a document sent by the seller to the buyer to correct an over from the original invoice.

DESIRE KITONE GENERAL SUPPLIERS

PO BOX 334. KAMPALA

TEL: +25677-77-88-99

**CREDIT NOTE**

No. 008

Date: 19/13/17

KITUKUTWE BAKERY (U) LTD

PO. BOX 556

KAMWOKYA

We have credited your account as follows

Details	Amount
Correct total	2,300,000
Erroneous total	5,000,000
Total amount	1,700,000

Amount in words. One million seven hundred thousand shillings only

Prepared by

Received by



.....  
NALWOGA RAKI

.....  
SALES MANAGER

### **Preparation of an Invoice:**

This is prepared by the seller to the buyer indicating the total amount of goods sold to him/her on credit. It will show the type of goods, unit price, total amount, quantity sold/supplied and the terms of payment

## AN ILLUSTRATION

Write an invoice to a customer whom you have supplied products on credit worth Shs 560,000.

### Assignment:-

You are the Sales manager of one of the fast growing bakeries in your home area. Prepare an invoice to be issued to one of your credit Customers.

### STATEMENT OF ACCOUNT

Is a document sent by the seller to the buyer giving a summary of the transactions that have taken place during a particular period of time usually a month.

**KATO GENERAL TRADERS LIMITED**  
**P.O BOX 444, KATWE**  
**TEL: 0789-11-22-33**

**STATEMENT OF ACCOUNT**

**STATEMENT NO. 456**

**date: 23/12/2018**

**M/S MAFUMBO BAKERY LTD**

**P.O BOX 234**

**KAWEMPE**

<b>Date</b>	<b>Details</b>	<b>Debits (shs)</b>	<b>Credit (shs)</b>	<b>Balance (shs)</b>
1/3/2018	Invoice No 33	400,000		400,000
2/3/2018	Debit no. 03	80,000		480,000
10/3/2018	Receipt No. 06		100,00	380,000
11/3/2018	Invoice No. 222	300,000		680,000
18/3/2018	Credit Note No22		30,000	650,000
22/3/2018	Receipt No. 444		100,000	550,000

**Prepared by**  
**Kato Kimera**  
**KATO KIMERA**  
**Chief manager**

**Received by;**  
**Signature .....**  
**NAME .....**  
**title .....**

**Assignment:**

**You opened up a dairy farm in your home area.**

**The following are records of one of your customers for the previous month.**

**1<sup>st</sup> July bought goods on credit worth 200,000.**

**3<sup>rd</sup> 3 cartons of milk each at 10,000 was returned back due to expiry.**

**4<sup>th</sup> Receipt of goods worth 30,000 was issued.**

**6<sup>th</sup> More goods worth 30,000 were bought on credit.**

**Prepare a statement of account.**

**Raising Cheque payment voucher:** This is prepared after all the corrections have been made and there is need to pay the supplier for the goods received. It is followed by the cheque in the names of the supplier and hence closing the transaction process with all document stamped on **PAID**.

### Cheque Payment Voucher

<b>KAMPI HOLDINGS LTD</b> <b>PO BOX 4544 KAMPALA</b> <b>Tel: 0752 833909</b> <b>CHEQUE PAYMENT VOUCHER</b>		<b>Voucher No: 8091</b>
Pay.....Cheque		
No:.....Date:.....		
<b>PARTICULARS</b>	<b>AMOUNTS</b>	
<b>TOTAL</b>		
Prepared By:	Authorized.....:	
Checked By:	Name.....:	
Authorized By:	Sign.....:	
Received By:	Date.....:	

**A petty Cash Payment Voucher.** This is a document prepared to record petty expenses within an enterprise. Payment for small expenses like water, staff tea, brooms, cleaning e.t.c are recorded on this voucher. It shows to whom payment was made, amount, authorizing person, e.t.c. This can be illustrated as below.

<b>Cheque Payment Voucher</b> <b>KAMPI HOLDINGS LTD</b> <b>PO BOX 4544 KAMPALA</b> <b>Tel: 0752 833909</b> <b>CASH PAYMENT VOUCHER</b>		<b>Date.....</b> <b>Voucher No: 8091</b>
Pay.....		
<b>PARTICULARS</b>	<b>AMOUNTS</b>	
<b>TOTAL</b>		
Prepared By:	Authorised by.....	
Checked By:	Sign.....:	
Authorized By:	Title.....:	
Received By:	Date.....:	



**Assignment:**

- a) You have mobilized some funds and set up a poultry farm;  
Prepare a petty cash Voucher to indicating petty cash expenses for issued out.

**CASH SALES SLIP**

Is a document which is prepared by the seller to the buyer who has purchased for of goods to acknowledge payment made for goods.

**QUESTION**

You own a stationary station in your home area. Prepare the a **cash sales slip** for your business

**MODERN STATIONARY**  
**P.O BOX 2001, KAMPALA (U)**  
**PLOT 42 MUYAMBA ROAD**  
**TEL: 0724-556677**  
Email. [Modernstationary66@gmail.com](mailto:Modernstationary66@gmail.com)

Cash sales slip No. 009

**CASH SALES SLIP** DATE: 30/03/2017

To: BRIGHT STARS SENIOR SCHOOL  
P.O BOX 555, JINJA (U)  
MBULAMUTI (U)  
PLOT 33 MULAMBO ROAD

**Being payment for,**

Item number	Item description	Quantity	Unit (shs)	Amount (shs)
001	Computer	2	1,000,000	2,000,000
002	Printers	3	2,500,000	7,500,000
003	Photocopier	1	3,000,000	3,000,000
Total		5	6,500,000	12,500,000

**Prepared by**



**NAMATAMA DEBORAH**  
**SALES MANAGER**

**CASH SALES RECEIPT**

Is a document issued by the seller to the buyer for the goods being sold at full cash payment when goods are bought on credit / service payment or a **cash receipt** is a document issued by the seller to the buyer in case of payment for goods that have been bought on credit or payment of services.

**TWALEMWA GENERAL SUPPLIERS**  
**P.O BOX 335**  
**MASAKA**  
**TEL: 0752-81-82-04**

NO. 009

DATE: 16/09/2016

CASH RECEIPT

3,000,000

Received with thanks from: Super Quality Bakery

The sum of : Three Million shilling only

Being payment for: Good bought on Credit

Cheque No/cash

Balance

.....

Signed by: RUTH

RUTH AISHA

SALES MANAGER

**OTHER RELATED DOCUMENTS**

**Standing order** refers to a written instruction issued by a current account holder in bank to his bank to make payments at a regular interval to specific person for a specific period until cancelled by the bank customer. Standing order instructing centenary bank to deduct shs 400,000 and transfer to UMEME A/C

**BIFUNA BISCUITS LTD**  
**P.O BOX 667, MAKATA**  
**NAKASEKE DISTRICT**  
**TEL: 04312-44-55-66**

**“Affordable financial services for all”**

**STANDING ORDER**

NO. 288

Date: 28<sup>th</sup> /08/2013

**To Centenary Bank**  
**Nakivubo Branch**

With effect from 1<sup>st</sup> October 2013 and every 1<sup>st</sup> of the subsequent month until expressly cancelled by us, please pay to UMEME from account of Bifuna Biscuits Limited P.O BOX 36, Kampala. Account No. 0121067894 the sum of shs 400,000 (four hundred thousand shillings only) to cater for electricity bills

Debiting our account with equivalent plus all charges

Signed by .....

Authorized by .....

Name .....

Name .....

Date .....

Title .....

Date and stamp

***CREDIT STATUS INQUIRY***

This is a document written by an individual (lender) or any financial institution and sent to a client's banker requesting it to be provided with the details of the client so as to know his or her credit worthiness.

It is very important to issue this document out as a lender is availed with the information concerning an applicant (borrower) concerning his credit worthiness before he/ she is given a loan, in order to safeguard the firm's funds being misused or defaulting by the borrower.

Your business has started to experience decline in sales. You have just completed market research aimed at improving performance.

Write a credit status inquiry on Ms. Nabukalu Deborah a customer who wants products on credit worth shs 6,000,000.

MAAMA MULUNGI RESTAURANT  
PO BOX 45, KAMPALA  
TEL: 0419-55-67-89

Our Ref: 01/MMR/CB/11/07/17

Date: 11/07/17

The manager  
Post Bank  
Makerere Branch  
P.O Box 334, Kampala

Dear Sir,

***Re: CREDIT STATUS INQUIRY***

We have been approached by Ms. Nabukalu Deborah of Namirembe formation center requesting for extension of outside catering services to her firm on credit to the tune of shs 6,000,000.

She has given your bank as a reference. We request you at your earliest convenience to feed us information concerning the same.

Information will be kept in a confidential way and will not be revealed to her. A self-addressed envelope had been enclosed for use. Hoping for your positive consideration.

Yours faithful



MUSEMAGE LUCKY  
MANAGING DIRECTOR

**Question:**

You own a microfinance institution in your home area town which you wish to turn into a commercial Bank due to the increasing numbers of clients:

- a) Design a cheque to be used by your customer
- b) Design a cheque deposit to be used by your customers
- c) Design a cash deposit slip to be used by your customers
- d) Design a cash withdraw form / slip to be used in your bank

**Solution:** A cheque to be used by customers.

**BRB**

BETTY ROYAL BANK

Empowering you

P.O BOX 334

PLOT NO. 2233

Kampala (U)

Date: .....

Pay: ..... or order

Uganda shillings .....

Account holder's name

Authorized signature .....

.....

Authorized signature

Cheque number:

Account Number:

.....

**N.B: CHEQUE IS A SOURCE DOCUMENT**

BETTY ROYAL BANK

Empowering you

P.O BOX 334

PLOT NO. 2233

Kampala (U

BRANCH .....

***CHEQUE DEPOSIT ONLY***

Date .....

No. 22345

Credit .....

Current / savings

Account number

--	--	--	--	--	--	--	--	--	--

**CHEQUE PARTICULARS**

Serial no.	Drawer's name	Bank	Branch	Cheque no.	Amount Ugx/US\$/EURO	
1.						
2.						
3.						
4.						
TOTAL						

Amount in words UGX/ US\$ / EURO

.....

Paid in by .....

Signature .....

Name .....

## CASH DEPOSIT SLIP

BETTY ROYAL BANK (u) ltd  
Empowering you  
P.O BOX 334  
PLOT NO. 2233  
Kampala (U)

**Bank copy**

No. **2234578**

Branch .....

Date .....

Account .....

Name .....

Account .....

number .....

### CASH DEPOSIT

	<b>Notes UGS</b>	
	50,000/=	
	20,000/=	
	10,000/=	
	5,000/=	
	2,000/=	
	1,000/=	
	<b>COINS</b>	
	1,000/=	
	500/=	
	200/=	
	50/=	
	Total	

Amount in words .....

Details .....

of .....

deposit .....

Paid in by .....

Telephone contact .....

## CASH WITHDRAW FORM

BETTY ROYAL BANK (u) ltd  
Empowering you  
P.O BOX 334  
PLOT NO. 2233  
Kampala (U)

**CASH WITHDRAW**

No. **223898**

Branch ..... Date  
.....

AccountName  
.....

Account number 

--	--	--	--	--	--	--	--	--	--

**Please** pay me / us  
(amount in words)

.....  
.....  
.....

Amount in figures

UGX
-----

Account holder's signature (s)

1.....  
2.....

Received by:	Authorized by:	Paying cashier
Signature:	Signature	Signature
		Stamp

## AN ASSET REGISTER

This refers to a document where a list of fixed assets owned by the business are recorded. Such fixed assets may include motor van, computers, photocopying machines etc An Asset register is important in the way that;

- ✓ It helps the business to keep a track of its fixed assets and details surrounding them.
- ✓ It also describe the fixed asset of the business for example A mort van may be described by its color, model , purchase values

## AN ILLUSTRATION OF ASSET REGISTER.

NTAKE BAKERY COMPANY P.O BOX 334, KAMPALA TEL: 0784-55-66-77                      sheet no. 12200								
<b>ASSET REGISTER</b>								
Date of purchase	Name of Asset	Qty	Px.	cost	Dep Rate %	Life span	Current cost	Remarks
Issued by .....								
Name .....								
Title .....								

## TOPIC 2:

### POLICY DOCUMENTS AND GUIDELINES FOR INNOVATION, CHANGE AND CREATIVITY

1. You have received shs. 60,000,000 to establish a social enterprise aimed at establishing public health.
  - a) Present policy guidelines for promoting innovations in your project.
  - b) Formulate guidelines for coping with change in business.

#### **Solution:**

- a) **Present policy guidelines for promoting innovations in your project**

<p style="text-align: center;">NALUBEGA SOCIAL ENTERPRISE P.O. BOX 122, KAMPALA (U) TEL: +256432455678 Email: Masaazisocial@gmail.com</p>
<p style="text-align: center;"><b><i>GUIDELINES FOR PROMOTING INNOVATION</i></b></p>
<ul style="list-style-type: none"><li>✓ Change shall always be expected to always be already to come up with new things.</li><li>✓ New rules shall be implemented i.e. to learn to go beyond the existing indicators of competition in the business.</li><li>✓ Innovative strategies shall be developed e.g. trying out new technology through searching.</li><li>✓ Barriers to innovation shall be avoided i.e. need to put in place measures that ensure good internal co-operation among departments</li><li>✓ Implementation of decisions shall be done so fast by coming up with new things that utilize the identified opportunity.</li><li>✓ Thinking shall be done on a globally level to look for new market for the products abroad, look for new technology abroad etc.</li><li>✓ Things shall be made to happen and failure shall be accepted so as to bring about improvement.</li><li>✓ One shall think like an entrepreneur i.e. to always have ideas and even go ahead to improve on them in case of failure to start.</li><li>✓ Learning shall be always be done and turned into new products/ services.</li><li>✓ Performance indicators shall be measured so as to concentrate on key strategic and profitable indicators by focusing energies on new things that drive the future success of the business.</li><li>✓ Innovation shall be recognized and awarded whenever possible.</li><li>✓ Employees shall network with various people such as customers, suppliers among others.</li><li>✓ Entrepreneurs shall do well to others for example for customers, suppliers, and this help small business to stay ahead of competition.</li></ul>



## PROGRAMME FOR INNOVATION APPLICATION

### NALUBEGA social Enterprises P.O Box 122, KAMPALA (U) PROGRAMME FOR INNOVATION APPLICATION

Date/ Period	Activities	Person in charge	Remarks
	Perceiving an opportunity or Threat that is relevant to current condition to solve the Problem		
<b>Fill in</b>	Conceptualization the idea to secure the necessary information about the problem	<b>Fill in</b>	<b>Don't fill in</b>
	Developing the prototype for experiment to see if the product/service will work as Required		
	Operationalizing the idea to see that it works to solve the problem		
<b>Drafted by:</b> Signature:..... Title:..... Fill in Name:.....		<b>Approved by:</b> Signature:..... Title:..... Name:.....	

#### b) **Policy guidelines for enhancing creativity in Nalubega social Enterprises**

NALUBEGA SOCIAL ENTERPRISE P.O. BOX 122, KAMPALA (U) TEL: +256432455678 Email: Masaaazisocial@gmail.com
<b>GUIDELINES FOR ENHANCING CREATIVITY</b>
<ul style="list-style-type: none"> <li>☞ Workers shall think beyond the invisible frame works that surround problems/situations.</li> <li>☞ Assumptions shall be recognized when are being made and challenge them.</li> <li>☞ Ideas shall be developed from more than one source.</li> <li>☞ Workers shall transfer knowledge from one field to another so as to promote transferring of skills.</li> <li>☞ Workers shall note down thoughts/ideas that they come across so that they are no forgotten</li> <li>☞ there shall be Use of analogy i.e. improve imaginative thinking to find models or solutions in nature, in existing products/services or in other organizations</li> <li>☞ Workers shall be prepared to use unpredictable events to their advantages</li> <li>☞ Workers shall stop narrow minded thinking and widen the field of vision.</li> <li>☞ There shall be suspending judgments to encourage the creative process and avoid premature.</li> <li>☞ There shall be patience so as to avoid leaving a problem until solution emerge</li> <li>☞ There shall be stimulation of curiosity and the skills of observation, listening, reading and recording.</li> <li>☞ Every worker shall avoid premature criticism in order to avoid early regrets.</li> <li>☞ Every worker shall make connections with points that are irrelevant or buried.</li> </ul>

c) **Guidelines for coping with change in a business.**

MUSAAZI SOCIAL ENTERPRISE  
P.O. BOX 122, KAMPALA (U)  
TEL: +256432455678  
Email: Masaazisocial@gmail.com

***GUIDELINES FOR COPING WITH CHANGE***

- ✓ Employees shall be rewarded for success within the business so as to appreciate their efforts..
- ✓ Employers shall give explanation why the change is taking place, the potential impact of change and the goals related to change.
- ✓ There shall be Training of workers to meet the challenges the change requires and eliminate excuse that the change cannot be implemented for lack of knowledge.
- ✓ There shall be Encouraging feedback on progress to accept change if workers have a chance to tell leaders their thoughts and concerns.
- ✓ Managing resistance shall be done to prepare for anything anyone might do in order to stop the change such giving them penalties.
- ✓ There shall be assessing readiness to prepare employees and administrators on how to handle modifications and promote creativity.

2. As a new manager for a faster growing factory.

- a) Draft guidelines for ensuring effective actual negotiation
- b) Formulate guideline for developing good business ethics

**TOPIC 3:**

**FINANCIAL NEEDS OF A BUSINESS**

Before one starts a business he has to identify the business financial needs and these are categorized as follows;

1. **Fixed capital requirements.** These are financial requirements invested in fixed assets like land, machinery and equipment, premises/ buildings, motor-van etc.
2. **Working capital requirements.** This involves money needed to finance or meet the day-to-day operating activities of the business .e.g. salaries and wages, rent, water, electricity, transport, meals, raw materials.
3. **Startup expenses/Pre-operating expenses.** These are expenses that a business may incur before its starts normal operations such as market research, advertisement, business registration, license expenses, installation of utilizes like water etc.

**NB:** The above requirements are shown in a budget. A budget is a summary of projected and expenses of a business for a given period of time. These requirements can be classified into a general budget.

## **BUSINESS BUDGET**

A budget is a detailed statement which shows the estimated business revenue and estimated expenditure of the business for a given financial year. In finance, a budget is very critical in examining the financial implication of the business expenditures.

### **Objectives of budgeting in business**

1. To raise revenue for the business
2. To maintain competitive advantage of the business
3. To control expenditure of the business
4. To maintain quality of products in the business
5. To ensure effective utilization of the procured funds
6. To achieve efficiency in the business

### **An illustration of a budget**

#### **Example one:**

**You own a juice processing company and you have obtained funds worth 4,000,000 from Stanbic Bank. Prepare a budget.**

STAR JUICE PARKERS  
PO BOX 3342, KAMPALA UGANDA  
TEL: +2564317889900  
**BUDGET**

Requirements	Unit cost (shs)	Amount (shs)
<b>i. Fixed capital requirements</b>		
– Purchase of land	1,000,000	
– Construction of building	200,000	
– Purchase of business vehicle	500,000	
– Purchase of tools and equipment	200,000	
– Purchase of computers	100,000	
– Purchase of furniture	80,000	2,080,000
Total fixed capital requirements		
<b>ii. Startup expenses</b>		
– Registering the business	20,000	
– Trading license expenses	30,000	
– Recruiting employees	20,000	
– Carrying out market research survey	10,000	
– Promotional expenses	10,000	
– Installation of utilities	30,000	120,000
Total startup expenses	400,000	

<b>iii. Working capital requirements</b>	500,000	
– <b>Payment of labour</b>	50,000	
– Raw material costs	40,000	
– Advertisement expenses		1,800,000
– Transport expenses		4,000,000
Total working capital requirements		
Total financial requirements		

**N.B. However the general budget can be divided into other minor budgets.**

### **OTHER CLASSIFIED BUDGETS INCLUDE;**

#### **NOTE:**

- Fixed Capital budget comprises of fixed capital requirements e.g. Purchase of land, furniture etc.
- Start up expense/Pre-operating expense budget. This records expenses that a business may incur before business operations.
- Working capital budget. This comprises of expenses that a business may incur on a daily basis.e.g. Payment of salaries, raw materials, etc.

### **ILLUSTRATION OF SUCH BUDGETS.**

#### **1. Fixed capital budget**

<p style="text-align: center;">SHREYA BAKERIES LTD P.O. BOX 241 KAMPALA FIXED CAPITAL BUDGET</p>		
<b>Particulars</b>	<b>Amount (shs)</b>	<b>Amount (shs)</b>
Land	500,000	
Buildings	300,000	
Machinery	1,500,000	
Total fixed capital		<u>2,300,000</u>
<p>Prepared by _____ Approved by _____</p> <p>Signature: .....Signature:.....</p> <p>Name: ShreyaVarsani Name: .....</p> <p>Title: Finance Manager Title:.....</p>		

## WORKING CAPITAL BUDGET

SHREYA BAKERIES LTD P.O. BOX 241 KAMPALA WORKING CAPITAL BUDGET		
Particulars	Amount (shs)	Amount (shs)
Raw materials	300,000	
Transport	20,000	
Rent	250,000	
Meals	200,000	
Salaries & wages	400,000	
Electricity	450,000	
Water	40,000	<u>1,840,000</u>
Prepared by	Approved by	
Signature: .....	Signature:.....	
Name: Shreya Varsani	Name: .....	
Title: Finance Manager	Title:.....	

### **NOTE:**

- a) Fixed Capital budget comprises of fixed capital requirements e.g. Purchase of land, furniture etc
- b) Start up expense/Pre-operating expense budget. This records expenses that a business may incur before business operations.
- c) Working capital budget. This comprises of expenses that a business may incur on a daily basis e.g. Payment of salaries, raw materials, etc

### START-UP BUDGET

SHREYA BAKERIES LTD P.O. BOX 241 KAMPALA START UP BUDGET		
Particulars	Amount (shs)	Amount (shs)
Registration	500,000	
Trading license	200,000	
Installation of utilities	300,000	
Installation of machinery	1,000,000	
Advertising	50,000	
Market research	20,000	
Insurance	250,000	
Raw materials	300,000	2,620,000
<b>Prepared by</b>	<b>Approved by</b>	
Signature: .....	Signature:.....	
Name: Shreya Varsani	Name: .....	
Title: Finance Manager	Title:.....	

#### Assignment:

Your restaurant is planning to expand as a strategy to increase sales.

- a) Prepare:-
- i) Pre-operating budget
  - ii) Working Capital budget

#### **OTHER BUDGETS:-**

- ✓ Marketing budget
- ✓ Production budget
- ✓ Organizational budget

#### Assignment:-

You have acquired a loan of shs2000000 and setup a juice-processing project.

- a) Prepare
- i. a production budget
  - ii. Marketing expense budget.

## CAPITAL

Capital is money or property used to start a business.

### Sources of capital:-

- ✓ Sale of all fixed assets that are no longer being used e.g. old vehicles, old furniture, old machinery.
- ✓ Prepaid goods and services. This involves customers paying for the goods in advance and then the entrepreneur uses that money to stock goods.
- ✓ Retained profit. This involves re-investing part of the business profits in the same business.
- ✓ Own sources/equity capital. This involves using entrepreneur personal savings.
- ✓ Grants & Gifts. Some people start businesses using gifts and offers from well-wishers such as friends and relatives.
- ✓ Supplier's credit. Some people start business-using goods that have been supplied on credit.
- ✓ Sale of shares
- ✓ Membership fees especially for cooperative societies.
- ✓ Inheritance.
- ✓ Loans .These can be acquired from money lenders or financial institutions at an interest.
- ✓ Family source. This involves acquiring financial support from the family members.

## LOAN MANAGEMENT

This refers to the designed program that controls the manner in which the obtained loan is successfully paid back. In the process of paying back the loan, a loan repayment schedule is designed.

### LOAN REPAYMENT SCHEDULES

Is a document showing the time intervals and with a particular amount of money borrowed is to be paid back as agreed between the lender and the borrower or between customers and the business

There are basically two formats of writing a loan repayment schedule i.e.

- ✍ A fixed balance method /Straight method.
- ✍ A reducing balance method

### They can be explained as below.

- a) **Fixed balance method** refers to an installment loan with an interest rate that cannot be changed during the life of the loan. The payment amount also remain the same, though the proportions that go towards paying off the interest and paying off principal will vary.
- b) **Reducing balance method.** This refers to the mode of paying back the loan where the interest payments are based on the outstanding balance. The interest goes on reducing as the loan amount reduces.

## EXAMPLES OF FIXED BALANCE METHOD

1. You have acquired a loan from Stanbic Bank Ltd worth 8,000,000 Ugandan shillings; the principle repayment period is 4 years, calling for an annual interest rate of 12%. You have been allowed to pay in 8 equal installments and all the due have to be cleared in four years

Prepare a loan repayment schedule so as to ensure effective / proper loan management

### **Solution:**

Principle amount – shs 8,000,000

Repayment period – 4 years

Interest rate – 12%

So interest per annum =  $\frac{12}{100} \times 8,000,000 = \text{shs } 960,000$

Annual principle amount payable =  $\frac{8,000,000}{4} = \text{shs } 2,000,000$

So we were granted to pay in 8 equal installments in 4 years, we can pay twice in a year

ie principle amount per installment =  $\frac{2,000,000}{2} = \text{shs } 1,000,000$

Interest amount payable per installment =  $\frac{960,000}{2} = \text{shs } 480,000$

Therefore amount payable per installment

### ***MAJJOKI – CARPENTARY WORKSHOP***

#### ***LOAN REPAYMENT SCHEDULE OF 8 MILLION FROM STANBIC BANK***

Period	Installment Payable	Principle Payable shs	Interest Payable shs	Total Payment Shs	Outstanding Balance shs
YEAR 1	1 <sup>st</sup>	1,000,000	480,000	1,480,000	7,000,000
	2 <sup>nd</sup>	1,000,000	480,000	1,480,000	6,000,000
YEAR 2	3 <sup>rd</sup>	1,000,000	480,000	1,480,000	5,000,000
	4 <sup>th</sup>	1,000,000	480,000	1,480,000	4,000,000
YEAR 3	5 <sup>th</sup>	1,000,000	480,000	1,480,000	3,000,000
	6 <sup>th</sup>	1,000,000	480,000	1,480,000	2,000,000
YEAR 4	7 <sup>th</sup>	1,000,000	480,000	1,480,000	1,000,000
	8 <sup>th</sup>	1,000,000	480,000	1,480,000	0
TOTAL		8,000,000	3,840,000	11,840,000	28,000,000

### **Assignment:-**

Using a fixed installment method, design a loan repayment schedule to a who borrowed shs.1000,000 at an interest are of 2% payable in equal installments.

Prepare a loan repayment schedule.



2. You have set aside Uganda shs 15 million to start a micro finance business in your town. Using the fixed installment method design a loan repayment schedule for a customer who borrowed shs 1,000,000 at an interest rate of 2% per month payable in 5 equal monthly installment.

<b>Loan repayment schedule</b>					
<ul style="list-style-type: none"> <li>➤ Title</li> <li>➤ Frame</li> <li>➤ Loan size: 1,000,000</li> <li>➤ Name of the business, address and contact</li> <li>➤ Interest rate: 2% on fixed installment method</li> <li>➤ Item name: loan repayment schedule</li> </ul>					
<b>Months</b>	<b>Installment</b>	<b>Principle (Shs)</b>	<b>Interest Payable (Shs)</b>	<b>Total Payment (shs)</b>	<b>Outstanding Balance (shs)</b>
1	1	200,000	20,000	220,000	800,000
2	2	200,000	20,000	220,000	600,000
3	3	200,000	20,000	220,000	400,000
4	4	200,000	20,000	220,000	200,000
5	5	200,000	20,000	220,000	0
<b>Total</b>		1,000,000	100,000	1,100,000	2,000,000
<b>Borrower's details</b>			<b>lenders details</b>		
<b>Signature.....</b>			<b>signature.....</b>		
<b>Name .....</b>			<b>Name .....</b>		
<b>Tittle .....</b>			<b>Tittle .....</b>		

3. Mega enterprise borrowed shs 4,000,000 from Barclays Bank at an interest rate of 5% per month and it's paid in equal installment. Prepare a loan repayment schedule using a fixed method and reducing balance method.

**Solution:**

<p style="text-align: center;"><b>BARCLAYS BANK</b>  P. o. box 123 Mbale  Loan repayment schedule  Name of the client: mega enterprises account no: 12224353  Loan size shs: 4,000,000 .interest rate per month 5%  Loan period 5 years  Method of calculating interest: fixed installment method.</p>				
Period year	Principal installment Shs	Interest amount Shs	Total repayment Shs	Principal balance shs
1	800,000	2,400,000	3,200,000	3,200,000
2	800,000	2,400,000	3,200,000	2,400,000
3	800,000	2,400,000	3,200,000	1,600,000
4	800,000	2,400,000	3,200,000	800,000
5	800,000	2,400,000	3,200,000	Nil
Total	4,000,000	12,000,000	16,000,000	
<div style="display: flex; justify-content: space-between;"> <div> <p>Drafted by.....</p> <p>Name .....</p> <p>Title.....</p> <p><b>Note;</b></p> <p>Interest is calculated as <math>5 \times 12 = 60\%</math> per year <math>(60/100 \times 4000,000) = \text{shs } 2,400,000</math></p> <p>Principal installment <math>= 4000,000 / 5 = \text{shs } 800,000</math> per year</p> <p>Total repayment = interest amount + principal installment <math>800,000 + 2400,000 =</math>  <math>= \text{shs } 3,200,000</math></p> </div> <div> <p>Approved by.....</p> <p>Name.....</p> <p>Title.....</p> </div> </div>				

**EXAMPLES OF A REDUCING BALANCE METHOD.**

4. You have acquired a loan worth shs 60,000,000 for establishing a new branch of your mental works project. The loan is payable in six equal monthly installment at a monthly interest rate of 2% on reducing balance method.
- a) Prepare a loan repayment schedule.

**MUTEMBI METAL WORKS**  
**PO BOX 222, KAMPALA UGANDA**  
**TEL. +2560491-66-66-66**  
**For quality metal works**  
**LOAN REPAYMENT SCHEDULE**

Loan size: 60,000,000

Interest payable: 2% on reducing balance

Payable in six equal installments

Period	Installment Payable	Principle Payable Shs	Interest Payable shs	Total Payment Shs	Outstanding Balance shs
1 <sup>st</sup>	1 <sup>st</sup>	10,000,000	1,200,000	11,200,000	50,000,000
2 <sup>nd</sup>	2 <sup>nd</sup>	10,000,000	1,000,000	11,000,000	40,000,000
3 <sup>rd</sup>	3 <sup>rd</sup>	10,000,000	800,000	10,800,000	30,000,000
4 <sup>th</sup>	4 <sup>th</sup>	10,000,000	600,000	10,600,000	20,000,000
5 <sup>th</sup>	5 <sup>th</sup>	10,000,000	400,000	10,400,000	10,000,000
6 <sup>th</sup>	6 <sup>th</sup>	10,000,000	200,000	10,200,000	0
Total	6	60,000,000	4,200,000	64,200,000	25,000,000

- 5. You have obtained a bank loan of 60 million shillings for expanding your commuter tax business.** The loan is payable in 8 equal monthly installments at an interest rate of 4% per month on reducing balance method

**MUTEBI COMMUTER TAX BUSINESS**  
**PO BOX 222, KAMPALA UGANDA**  
**TEL. +2546666666666**

**LOAN REPAYMENT SCHEDULE**

Loan size: 60,000,000

Interest payable: 4% on reducing balance

Payable in 8 equal monthly installments

Period (months)	Installment Payable	Principle Payable shs	Interest Payable shs	Total Payment Shs	Outstanding Balance shs
1 <sup>st</sup>	1 <sup>st</sup>	7,500,000	2,400,000	9,900,000	52,500,000
2 <sup>nd</sup>	2 <sup>nd</sup>	7,500,000	2,100,000	9,600,000	45,000,000
3 <sup>rd</sup>	3 <sup>rd</sup>	7,500,000	1,800,000	9,300,000	37,500,000
4 <sup>th</sup>	4 <sup>th</sup>	7,500,000	1,500,000	9,000,000	30,000,000
5 <sup>th</sup>	5 <sup>th</sup>	7,500,000	1,200,000	8,700,000	22,500,000
6 <sup>th</sup>	6 <sup>th</sup>	7,500,000	800,000	8,400,000	15,000,000
7 <sup>th</sup>	7 <sup>th</sup>	7,500,000	500,000	8,100,000	7,500,000
8 <sup>th</sup>	8 <sup>th</sup>	7,500,000	300,000	7,800,000	0
Total		60,000,000	10,700,000	70,800,000	

6. Mega enterprise borrowed shs 4,000,000 from Barclays Bank at an interest rate of 5% per month and it's paid in equal installment. Prepare a loan repayment schedule using a fixed method and reducing balance method.

**Solution:**

<p style="text-align: center;"><b>MEGA ENTERPRISE</b>  P. o. box 123 Mbale  Loan repayment schedule</p> <p style="text-align: center;">Loan size shs: 4,000,000 .interest rate per month 5%  Loan period 5 years  Method of calculating interest: fixed installment method.</p>				
Period year	Principal installment Shs	Interest amount Shs	Total repayment Shs	Principal balance shs
1	800,000	2,400,000	3,200,000	3,200,000
2	800,000	2,400,000	3,200,000	2,400,000
3	800,000	2,400,000	3,200,000	1,600,000
4	800,000	2,400,000	3,200,000	800,000
5	800,000	2,400,000	3,200,000	Nil
Total	4,000,000	12,000,000	16,000,000	
<div style="display: flex; justify-content: space-between;"> <div> <p>Drafted by.....</p> <p>Name .....</p> <p>Title.....</p> <p><b>Note;</b>  Interest is calculated as <math>5 \times 12 = 60\%</math> per year <math>(60/100 \times 4000,000) = \text{shs } 2,400,000</math>  Principal installment <math>= 4000,000 / 5 = \text{shs } 800,000</math> per year  Total repayment <math>= \text{interest amount} + \text{principal installment } 800,000 + 2400,000 = \text{shs } 3,200,000</math></p> </div> <div> <p>Approved by.....</p> <p>Name.....</p> <p>Title.....</p> </div> </div>				

### Reducing balance method

MEGA ENTERPRISE  
P o box 123 mbale  
Loan repayment schedule

Loan size: shs 4,000,000. Interest rate per month 5% Loan period: 5 years  
Branch: mbale  
Method of calculating interest: reducing balancing method.

Period year	Principal installment Shs	Interest amount Shs	Total repayment Shs	Principal balance shs
1	800,000	2,400,000	3,200,000	3,200,000
2	800,000	1,920,000	2,720,000	2,400,000
3	800,000	1,340,000	2,140,000	1,600,000
4	800,000	960,000	1,760,000	800,000
5	800,000	480,000	1,280,000	Nil
<b>Total</b>	<b>4,000,000</b>	<b>7,100,000</b>	<b>1,1,100,000</b>	

**Note:**

The interest is calculated basing on the outstanding principal loan balance for example in year one,  $60/100 \times 4,000,000 = \text{shs } 2,400,000$ , paid loan principal installment 800,000 and the balance being shs 3,200,000.

Year. 3,  $2,200,000 \times 60/100 = \text{shs } 1,920,000$ . Etc

**Assignment:**

**ZAMZAM Traders acquired a loan worth 8000,000 to be cleared in 4 years into 4 equal installments at interest of 2 per annum using reducing balance method.**

**Prepare a loan repayment schedule.**

### **GUIDELINES FOR PROPER LOAN MANAGEMENT**

- ✓ Loan shall be properly documented especially from the commencement date
- ✓ Loan shall be used for intended purposes
- ✓ Friendly and health relationship with banks or lenders shall be maintained
- ✓ Proper management of the business to ensure its success for easy repayment of the loan shall be ensured
- ✓ Manageable loan size shall be got/ obtained
- ✓ Loan repayments shall be made on due dates
- ✓ Accurate information when applying for and using a loan shall be observed
- ✓ Advice from lenders about proper loan management shall be sought
- ✓ Workshops and training in financial management shall be attended to

# CREDIT POLICIES

These are terms and conditions upon which a business sells goods / offer services to customers who do not pay immediately.

**HOSSANA COMPUTER SELLING SHOP  
P.O BOX 444, NAKIBIRI TOWN (U)  
PLOT 130 MBALI RD  
TEL: 0784-67-66-54**

## **CREDIT POLICY/ POLICY GUIDELINES FOR SELLING GOODS ON CREDIT**

- ✓ Credit sales shall attract higher price than cash sales by 5% to discourage credit transactions.
- ✓ The maximum credit period shall be 30 days / 4 weeks / one month from the date of supply in order to ensure short debtors.
- ✓ A written agreement shall be made between the business and the debtor for proper debt management
- ✓ Credit sales shall be granted to customers after establishing their credit worthiness
- ✓ A cash discount of 3% shall be allowed to customers to encourage prompt payment.
- ✓ Maximum credit sales shall be shs 800,000 to easily manage credit sales
- ✓ Credit sales exceeding shall 900,000 and above shall be granted to customers on conditions he / she offer collateral security.
- ✓ The location of the customer to be granted credit shall not exceed a radius of 4 km from the business for proper follow up of debtors.
- ✓ In case of disagreements the parties shall first dialogue and if it fails the arbitrator shall be invited / use of courts of law / local councils in order to harmonise the disagreements.
- ✓ Credit sales shall only be authorized by the sales manager to effectively manage credit sales.
- ✓ Credit sales shall be given for goods that are about to expire / goods that have spent a long time in the business ( specify the period)
- ✓ Down payment of 50% shall be required for all credit sales order to minimize chances of bad debtors.

**Prepare by**

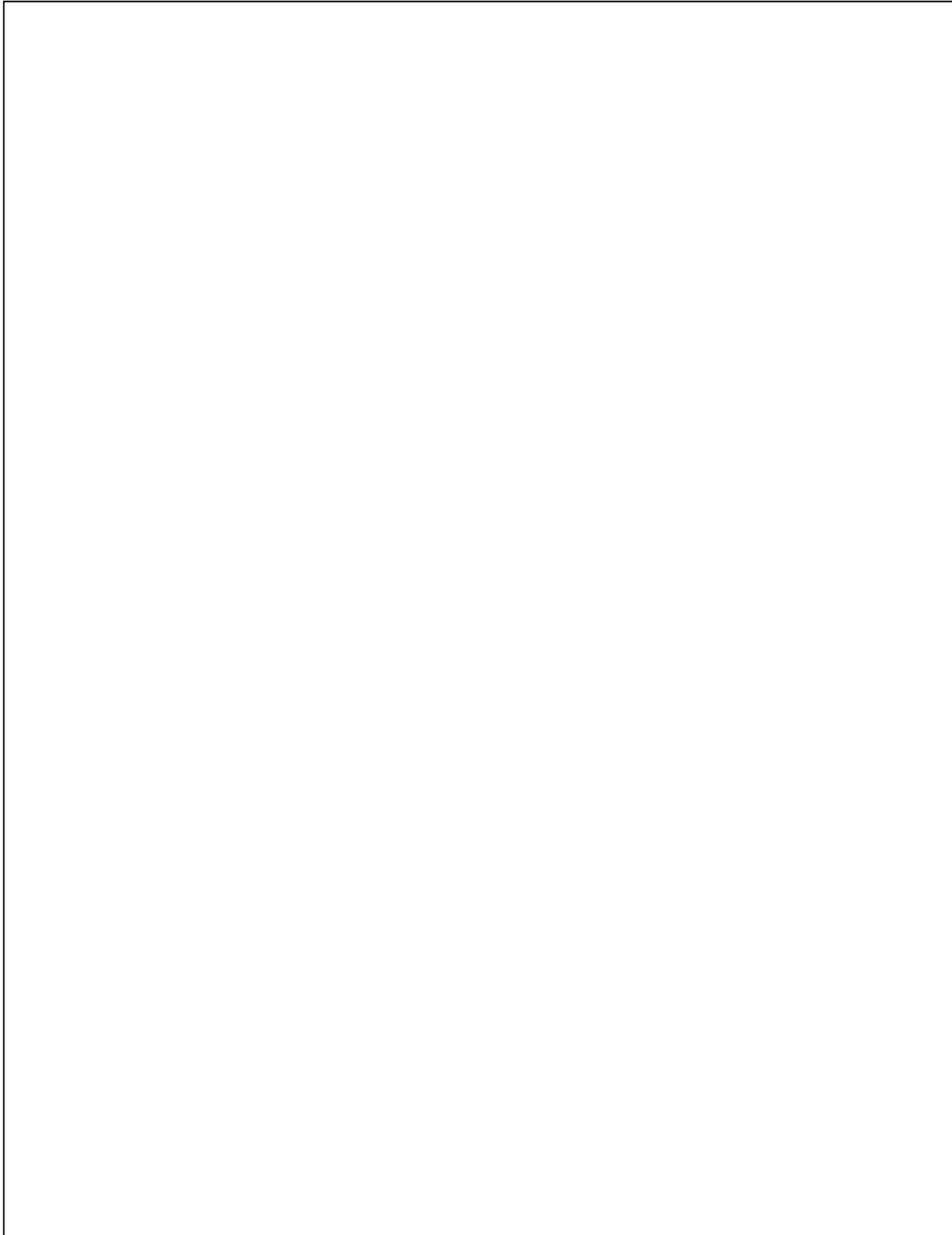
MUSENENE



SALES MANAGER

## **CREDIT RECOVERY PROGRAMME**

This is the program followed by creditors in the process of collecting business debts from the debtors.



## OTHER EXAMPLES OF CREDIT RECOVERY PROGRAMMES.

**You have obtained sufficient funds to start a cooperative savings and credit society**

- a) Develop a credit policy for the project.
- b) Formulate a loan recovery Programme for the project.
- c) Develop staff rules and regulations to be followed by your workers while at works.

### BONNA BAGAGAAWALE COOPERATIVE SAVING AND CREDIT SCHEME

P.O BOX 22, KATWE

PLOT 67, JUNJA ROAD

TEL: 0756-44-99-00

#### CREDIT POLICY TERMS AND CONDITIONS FOR LENDING

The loans offered shall be secured with a collateral security to ensure loan repayment.

The maximum amount that an individual may borrow shall not exceed 10% of the total assets pledged or 25% in case of installment.

The maximum loan period for all borrowers shall not exceed two years so as to ensure easy repayment of the loan

The maximum interests charged on loans exceed 25% per annum.

Any late loan payment by borrowers shall attract an interest of 19% of the loan amount per day in order to ensure a short debtors period.

Loans shall be applied for in writing upon filling a designed loan application form approved by the loan committee and shall be evidenced by an appropriate legal document such as a loan agreement.

Guarantors to borrowers shall exclude members and employees of the company. They shall be natural people but who have accounts with us

Loan applicants shall produce proper identification i.e. valid identification card / passport/ driving permit and a letter of introduction from local council or employer or national identity card so as to ensure proper identification of the borrower

All collateral used as security for a loan shall be located within the geographical boundaries of **Bonnabagagawale** cooperative saving and credit society field of membership so as to ensure easy collection of those securities in the borrower has defaulted the loan.

A legal step shall be taken in case the borrower defaults a loan in order to ensure loan recovery.



## TOPIC 4

### COMMUNICATION SKILLS

**Communication** refers to the process of exchanging information between the sender and receiver. It is how we transmit thoughts, feelings, knowledge and ideas from one person to another

This topic majorly covers all the communications documents and policy guidelines used during the process of carrying out business transactions. They are mainly written communication documents.

#### NAME AND ADDRESS OF THE BUSINESS

#### GUIDELINES FOR ENHANCING EFFECTIVE COMMUNICATION IN THE BUSINESS

- ✓ The business shall ensure completeness of all communication to the relevant receivers in order to ensure effective communication.
- ✓ The business shall ensure correctness of all messages sent or issued
- ✓ The business shall ensure clarity of all messages communicated.
- ✓ The business shall ensure conciseness of all messages communicated.
- ✓ The business official making communication shall make the messages sincere as possible i.e. courteous or courtesy.
- ✓ The business official communicating messages shall consider the receivers feelings, cultural beliefs, age and others i.e. consideration.
- ✓ All business communication shall be made at the appropriate time , when the receiver is ready to receive it.( i.e. timing)
- ✓ All business communication shall be made using the appropriate media.
- ✓ All business communications shall be made from the right environment that allows the receiver to get the full message.
- ✓ All business communication shall be well organised and communicated in a positive way( concreteness)

#### Communication documents

These are basically used when the business communicates with its customers and they are very important in any business. Communication documents are majority prepared in a written form and they include the following;

#### FORMS OF WRITTEN COMMUNICATION

**a)Business letter.** This is a main form of written communication with people outside the business. It is commonly used for external communication.

They are different examples of business letters such as;

- ✓ appointment letter
- ✓ letter of complaint
- ✓ termination letter
- ✓ letter seeking for a trading license
- ✓ warning letter

- ✓ application letter
- ✓ An apology letter etc.

However it should be noted that all the letters carry the following major features and they include the following.

### **Major features of a business letter.**

- i. Return address. This is the address of the writer of the letter (sender of the letter). In the modern way of writing letters, return address must be centered.
- ii. Reference. This is used to assist in identification of the subject matter and to whom the letter is being written. It makes it easy to identify the file when a copy of the letter is kept.
- iii. Date. This shows when the letter was written.
- iv. Inside address. This shows the name of the person or business receiving the letter.
- v. Salutation. This is the greeting used to commence the letter. E.g. Dear sir, Madam, Miss, Mar etc.
- vi. Subject heading. This gives a brief indication of the content of the letter. Capital letters may be used.
- vii. Body. This gives main reason and details as to why the letter is written.
- viii. Complimentary closing. This is a respectful goodbye general closing to the letter. Commonly used closings for formal letters includes, yours faithfully, yours truly etc. NB yours sincerely is commonly used for friendly letters.
- ix. Signature. This is handwritten name of the writer (sender). A signature should be followed by a name and the title of the sender.

### **Note.**

The following features are also very important to appear on a letter.

- ✓ Frame. A complete letter should be framed
- ✓ A title is also important
- ✓ A business logo

C.C (this means someone else has a copy of the letter) E.g. C.C L.C I chairman.

### **Format of a business letter.**

There are two format used that is

- ➡ Fully blocked style
- ➡ Indented block style

**Fully blocked style**, all parts of the letter begin from the left margin

You are running a bakery / confectionery business, however due to increased demand for the products, you have decided to seek for funds from financial institutions, draft an application letter that will accompany your business proposal

### AN EXAMPLE OF FULLY BLOCKED LETTER STYLE

**KJS BAKERS LIMITED**  
**P.O BOX 333, KAMAPAL (U)**  
**TEL: 0772123456**

*“For quality bakery products”*

*Our ref: .....*

*Your ref: .....*

March, 15, 2017

THE LOAN MANAGER  
PRIDE MOCRO FINANCE (U) LTD  
P.O BOX 12

*Dear Sir/ Madam,*

**RE: APPLICATION FOR LOAN FOR BUSINESS EXPANSION**

I humbly submit my request for a business loan to be used in expanding my business. The business deals in confectionery products including cakes, bread, doughnuts and others. It has been in existence for four years

The project is estimated to take five million shillings only (5,000,000) and will take several years. The repayment period is two years. A business proposal and other relevant documents are attached on this letter for more information.

I will be glad if my request is responded to positively

Yours faithfully,



Nakimuli Patricia  
MANAGING DIRECTOR

**Indented blocked style.**

GREENLAND GENERAL HARD WARE  
P.o Box 2461  
NAIROBI, KENYA  
TEL: +2446226266

23<sup>rd</sup>/03/2017

PURCHASING MANAGER  
VIVA GENERAL MACHANDISE  
HARD WARE UG, LTD  
P.O BOX 21  
KAMPALA, UGANDA

**RE: APOLOGY AND REQUEST FOR EXTENSION OF TIME TO DELIVER GOODS**

*Dear Sir / Madam,*

This is to acknowledge that we are in receipt of your notice whereby you informed us that the goods shipped to you on 18<sup>th</sup>/ 03/2017 did not conform to our agreement dated (13<sup>th</sup>/03/2017)

We regret this unintentional mistake on our part, the reason for which were (explained) while we recognize that the time for performing under this agreement has expired, we are requesting that you extend the time to 30<sup>th</sup>/03/2013 in order that we may cure the defect by replacing the shipment with goods that conform to our agreement

Please accept our apology for this inconvenience. We shall be looking forward to your response

Yours faithfully



**MURUNGI ANNIE**  
**SALES MANAGER**

**N.B:** An apology letter is written to a business customer when a business is a pologising over supply of poor quality goods, delay delivery etc

**EXAMPLE:**

You are operating a restaurant in a very congested and unhygienic location and you intend to shift your location to a better place.

- (a) Write an invitation letter to the district environmental officer to inspect your new location.

**An invitation letter to the district environmental officer**

**3K RESTAURANT  
P.O BOX 19  
BAKULI-NANKULABYE  
TEL: 0731663314  
[2krestaurant@yahoo.com](mailto:2krestaurant@yahoo.com)**

**Our Ref; 2K/ADM/2013**

**Your Ref:**

**To:  
THE DISTRICT ENVIRONEMTNAL OFFICER  
KAMPALA DISTRICT  
19<sup>TH</sup>/JULY/2013.**

**Dear Sir/Madam,**

**REF: INVITATION FOR THE INSPECTION OF MY RESTAURANT**

I hereby humbly request you to come and inspect my new place where I am going to shift my restaurant to due to unhygienic and congestion condition where I have been operating from. It is found at Bakuli-Nankulabye opposite city oil petrol station in Kampala. The function will begin at 1:00pm on the 28<sup>th</sup> July 2013.

We shall be warmly waiting to receive you on that day.

Yours faithfully,



**MPAGI EMMANUEL  
MANAGING DIRECTOR**

**c.c To the mayor of Kampala**

**c.c To the L.CV of Kampala**

**c.c To the Bishop of Kampala**

***"A customer is our Boss"***

**You are the general manager Tukole carpentry workshop in Kyengera.**

- Write a letter to be forwarded to the town clerk Kyengera town council seeking for a trading license.
- Write a warning letter to an employee with poor performance.
- Write a termination letter to an incompetent employee whose services are no longer needed at the workshop.
- Write an appointment letter to a newly recruited security officer at the workshop.
- You have decided to resign from your work due to some reasons, write a resignation letter.

**TRADING LICENSE LETTER**

This is written when the business is seeking to get permission to commence business activities.

This permission is granted through a trading license.

A trading license refers to a document that gives the permission to the a applicant to commence a particular business in a particular area/location.

However the license does not allow the holder to any other trade or business than for it is issued.

**a) A LETTER SEEKING FOR A TRADING LICENSE FROM THE TOWN CLERK**

**TUKOLE CARPENTRY WORKSHOP**

**P.O BOX 216 KYENGERA**

**TEL: 0774380388**

Dealers in quality furniture like tables, chairs, beds etc.

Our ref: TCW/MD/2020

Your ref: .....

Date...4/02/2020.....

THE TOWN CLERK

WAKISO DISTRICT

Dear Sir,

**RE: APPLICATION FOR A TRADING LICENSE**

I humbly submit in my request to your esteemed office seeking for a trading license for TUKOLE carpentry workshop. The workshop is located in Kyengera trading center behind Equity bank.

Waiting for your positive response

Yours faithfully



MAGEZI TOM

General Manager

C.C L.C.I chairman

**WARNING LETTER**

This cautions an employee to adjust accordingly in his style of conduct at place of work.

**An example of a warning letter.**

## **WARNING LETTER TO AN EMPLOYEE WITH POOR PERFORMANCE.**

### **TUKOLE CARPENTRY WORKSHOP**

**PO BOX 216 KYENGERA**

**TEL: 0774380388**

Dealers in quality furniture like tables, chairs, beds etc.

Date 3/02/2020

To: MR. NJUKI MATAYO

Dear Sir,

### **RE: WARNING LETTER**

I write to inform you that management is for so long not satisfied with the way you perform your duties, you are therefore warned to improve your performance and create a chance for the success of our workshop otherwise we shall be forced to do away with you.

Yours faithfully



NSENENE MARK

GENERAL MANAGER

C.C personal file

C.C chairman Board of directors

## **TERMINATION LETTER**

This refers to the notice which an employer uses to notify an employee as to the end of their employment contract.

**An example of a termination letter.**

## TERMINATION LETTER TO AN INCOMPTENT EMPLOYEE.

**TUKOLE CARPENTRY WORKSHOP  
PO BOX 216 KYENGERA  
TEL: 0774380388**

Dealers in quality furniture products like tables, chairs, beds etc.

Date: 03/03/2020

Our ref TCW/03/2020

TO: Mr. Kiwuka

Dear Sir,

### **RE: TERMINATION LETTER**

I would like to recommend your good services you have been rendering to our firm as a cashier since we employed you. however we are not able to continue with your incompetence and I would like to bring it to your notice that effective to march 1<sup>st</sup> 2017 you are no longer our business cashier and your services has been terminated.

Your termination package of shs 100,000 has been arranged collect it from the general manager's office.

Yours faithfully



**NSENENE MARK  
GENERAL MANAGER**

**Note:** When writing a termination letters, the date when an employee has been stopped from work must be mentioned and the termination package. It is also important to mention the cause why the employee's services has been terminated.

## **APPOINTMENT LETTER**

This is a letter that officially tells someone that he has got a job with a company or organization.

## **AN EXAMPLE OF AN APPOINTMENT LETTER**



## **AN APPOINTMENT LETTER TO A NEWLY RECRUITED SECURITY OFFICER**

**TUKOLE CARPENTRY WORKSHOP  
PO BOX 216 KYENGERA  
TEL: 0774380388**

Dealers in quality furniture products like tables, chairs, beds etc

Date: 08/03/2018

Mr. Mayanzi Sam

Dear Sir,

### **RE: APPOINTMENT FOR THE POST OF SECURITY OFFICER**

Following the interview you had with us on 10<sup>th</sup> June 2016, I am glad to inform you that you were successful and hereby appointed you as a security officer of our workshop effective 1<sup>st</sup> July 2016. You are supposed to report directly to the general manager.

Your gross pay shall be shs 800,000 (eight hundred thousand shillings only) per month. You will also be given housing allowance, medical allowance, transport allowance and lunch.

#### **Your duties shall be;**

Ensuring total security at the workshop premises at all times.

Ensuring that properties of the workshop are safe at all times.

Please inform us in writing using an acceptance letter if you are satisfied with the terms and conditions of this job offer and willingness to start on 1<sup>st</sup> July 2016.

**Yours faithfully**



Mukazi Sarah

General Manager.

### **POINTS TO NOTE WHEN PREPARING AN APPOINTMENT LETTER.**

- ✓ The date on which the appointed employee is reporting to work should be mentioned.
- ✓ The remuneration amount should also be mentioned.
- ✓ Terms and conditions of work.
- ✓ Duties and responsibilities to be performed by a recruited employee.

## **RESIGNATION LETTER**

This is a form of business letter written to announce the author's intent to leave a position currently held, such as an office, employment etc.

### **AN EXAMPLE OF A RESIGNATION LETTER**

#### **A RESIGNATION LETTER**

**NSENENE MARK  
PO BOX 233  
KAMPALA – UGANDA**

17/03/2017

THE MANAGING DIRECTOR  
TUKOLE CARPENTRY WORKSHOP  
PO BOX 216

Dear Sir,

#### **RE: REQUEST FOR RESIGNATION FROM WORK.**

I wish to extend my gratitude to you and the entire firm for the support and whatever you have given me for all this along, during my stay with you.

However, I hereby extend to request to resign from duty as the general manager. This is due to opportunity that was given to me in form of scholarship for my further studies.

I'm hoping to leave by 1<sup>st</sup> march 2017 but we shall remain in touch.

I will be happy if my request is granted

Yours in service



NSENENE MARK  
General Manager  
C.C. HRM  
C.C chairman board of directors

## **RECOMMENDATION LETTER**

This a form of business letter in which the writer assesses the qualities, characteristics and capabilities of the person being recommended in terms of that individuals a ability to perform a particular task or function.

**An example of a recommendation letter.**

**Katwe carpentry workshop  
P.O BOX 245, KAMPALA  
TEL: 0752 837788**

**Date: 23rd /04/2020**

The Branch Manager  
Centenary Bank  
Nateete  
P.o Box 235, Kampala  
Dear Sir

**RE: RECOMMENDATION OF MR. BWIRE BRIAN FOR DRIVING POST:**

I do hereby recommend Mr. Bwire Brian for the post of a driver. I have worked with him for the last 10 years He is hard working and a careful driver committed to his work and he wishes to change from our company to your bank, something I highly recommend him.

Your kind consideration on this matter will highly be appreciated.

**Yours faithfully**

.....  
**Mukasa Robert**

**Letter of Promotion:** Sometime a company employee may be raised to a higher level in the firm. This may come up as result of being a hard and committed worker in helping the company achieve its objectives and goals, gaining of experience and skills, attaining of more education etc.



**NATEETE BAKERY LTD  
P.O BOX 9302KAMPALA**

TEL: 0414 5634902

Date: 3rd January  
2020

MISS. NAFULA SARAH  
P.O BOX 5042,  
Busia  
Dear Madam,

**Re: PROMOTION:**

I have the pleasure to inform you that due to your outstanding services to our company, you have been promoted to the position of Assistant Company Accountant with effect from 1<sup>st</sup> February, 2020.

To this effect, your salary has also been increased from Shs 900,000 (Nine hundred thousand shillings) to Shs 1,700,000/- (Shs One million and Seven hundred thousand monthly).

You will also be entitled to housing allowance, transport allowance and medical allowance from the company.

I wish you success in your new office and appointment.

Yours faithfully,

.....  
**KalyeOkawulire Robert**  
Managing Director.

### C) A MEMO

A short message or record used for internal communication in a business. Memos are used within organization to report results, instruct employees, announce policies, disseminate information and delegate responsibilities. Whether sent on paper, as mails or as attachments to emails, memos provide a record of decisions made and actions taken. They also can play a key role in management of many organizations because entrepreneurs use memo to inform and motivate employee.

Memos are used in offices, schools and various organizations across the world as a simple and uniform way of informing individuals on a statement.

#### Format of a memo

- Contains To, From, Date, Subject, Heading and message section
- Does not need to be signed but sometimes has the sender's name at the bottom to be friendlier or the sender's full name to be formal. In doubt follow your company style

#### How to write a memo;

- 1) A “**To**” section containing the name of the receiver. For informal memos, the receiver's name is given e.g. **To: Andy** is enough. For more formal memos, use the receiver's full name. If the receiver is in another department, use the full name and department name. It is usually not necessary to use Mr., Mrs., Miss or Ms unless the memo is very formal.
- 2) A “**From**” section containing the name of the sender. For informal memos the sender's other name e.g. **From: Bill** is enough. For more formal memos use the sender's full name. If the receiver is in another department, use the full name and the department name, it is usually not necessary to use Mr., Mrs., Miss or Ms unless the memo is very formal.
- 3) A “**Date**” section. To avoid confusion between the British and America date systems, write the month as a word or an abbreviation e.g. January or Jan.
- 4) A subject heading. The purpose of the subject heading is to tell the reader, what the document is for and what it is about (topic).
- 5) The message/Body. Unless the memo is a brief note, a well-organized memo message should contain the following sections
  - Situation- an introduction or the purpose of the memo
  - Problem (optional)
  - Solution
  - Action
  - politeness

## Illustration of a memo

**Quality chemicals Uganda limited**  
**P.o Box 6666, Kampala Uganda**  
**Tel: 0428666777**  
**MEMO**

**TO:** health and safety committee

**From:** chair person

**Date:** 5, august, 2013

**Subject:** room change for next meeting

The meeting on Saturday, 7 September has changed to room 101, we apologize for inconveniences made

Thank you

**Nalwoga Raki**

### Example two:

You are operating a super market in your home area. Write an internal memo  
Addressing your staff about safety of items in the super market

**PAMELA AND SONS SUPERMARKET**  
**P.O BOX 6676, JINJA (U), PLOT 1 KAMULI**  
**TEL: +256752818204**

### **MEMO**

**FROM.....**

**TO .....**

**DATE .....**

**SUBJECT:** THEFTY OF ITEMS

This serves to print your attention that due to your reluctance, many customers are taking that advantage to steal the products especially sweets, pense.t.c which fits in the pockets

Therefore try your level best to be kin / caring when handling each and every customer since it is your duty

Thank you

**Batambuliza Doris**

**Assignment:**

**You are the general manager of T and T juice packers; write a memo to your sales manager instructing him to adjust prices of a small sized bottle juice.**

**d) AGENDA**

This refers to the list of items to be handled at the meeting, It acts as a guide to the meeting indicating which activities or business to be handled and sequence to be followed.

**Sources of items from agenda:**

- ✓ They can be drawn from previous meeting.
- ✓ Uncompleted business.
- ✓ From new suggestions from members.
- ✓ New development in the company.

**NB.** Modern agenda should be timed (each item should be given specific time).

**Content of the document**

Should have the following

- ✓ Heading indicating word
  - ➡ Agenda
  - ➡ Type of meeting
  - ➡ Organization
  - ➡ Venue
  - ➡ Time

Items should be numbered.

**Example:**

You are the company secretary of the firm, draft the Agenda to be followed in the forthcoming meeting.

**DENO SUPERMARKET**  
**P.O BOX 12, Kampala (U)**  
**PLOT 120, LUMU STREET**  
**TEL: +2563557202020**

Ref No. 45

Date: 24/08/2016

A staff meeting scheduled on 29/08/2016 at 3:30 pm in the Board room

**AGENDA**

<b>No.</b>	<b>Activity</b>	<b>person in charge</b>
1.	Opening prayer	Sales manager
2.	Reading and adoption of the agenda	Secretary
3.	Reading and confirming of last minutes	Secretary
4.	Communication from the chairman	Chairperson
5.	Communication from the director	Director
6.	Matters arising from 3 and 4	All members
7.	A.O.B	All members
8.	Closing prayer	Secretary

**Prepared by: Katushabe Annet**

**Secretary**

**Date: 24/08/2016**

**f) MEETING MINUTES;**

These are records of what took place at the meeting. They are taken down by a minute secretary he or she would record them in a minute book and later transcribe them into final minutes

Minutes are important documents for presenting deliberations and resolutions made at a meeting; once they have been signed they become legal documents, which can be referred to by courts of law, auditors and other inspectors.

**Example: write a minutes for meeting held with heads of department**

**MARRENE FRUIT PROCESSORS LIMITED**

**P.O BOX 7777, KAMPALA**

**TEL: 0412887799**

**Ref No. 345**

**Date 30<sup>th</sup>/05/2017**

**MINUTES OF THE HEAD OF DEPARTMENTS MEETING HELD ON 21<sup>ST</sup> MAY 2016 FROM THE BOARD ROOM AT 2:00 PM**

**Member presents:**

- |                           |   |                          |
|---------------------------|---|--------------------------|
| 1. Mr.Kayongo Charles     | - | M.D. / chairperson       |
| 2. Mr. Luwaga Henry       | - | HOD- finance             |
| 3. Mr. Ssemogerere Hassan | - | HOD – production         |
| 4. Mr. Kimuli Fred        | - | Public Relations Officer |

**Members absent with apology:**

- |                         |   |                  |
|-------------------------|---|------------------|
| 1. Mr. Kimera George    | - | HOD – marketing  |
| 2. Ms. Nabukalu Deborah | - | HOD – purchasing |

**Agenda**

1. Opening prayer
2. Communication from the chairman
3. Reviewing of the previous minutes of the meeting
4. Communication from the managing director
5. Matter arising or reaction from communication
6. AOB
7. Closing prayer

**Min. 1.0 Opening prayer**

Was led by Mr. Luwaga Henry

**Min. 2.0 Communication from the chairperson**

He welcomed members who had attended the meeting and passed on apologies to those who had not turned up

**Min. 3.0 Reading of the agenda**

Was read by the secretary, and all members adopted and passed it

**Min. 4.0 Reviewing of the previous minutes of the meeting**

They were read by the secretary, reviewed and approved by all members, passed as true records to be filed, signed by the chairperson

**Min. 5.0 communication from the managing director**



- 5.1 He informed members about the grant that the company received from UN, and told them that it was specifically for putting up a new production unit
- 5.2 He also asked members for their combined efforts so that they may utilize the funds well since the UN officials will have to audit and ask for accountability thereafter
- 5.3 He asked members to arrange another meeting specifically to draft a budget for the grant

**Min. 6.0 Matters arising**

- 6.1 Members thanked the M.D for his endeavour to source for the grant and they were very happy
- 6.2 The production manager however asked the members, if possible to allocate some of the funds to a new “extracting machine” as the existing one is wearing out and getting absolute
- 6.3 The M.D and all members accepted the request and promised to allocate some funds to a new machine

**Min. 7.0 A.O.B**

- 7.1 The financial Manager informed the members about his introduction ceremony which is due to take place in January and called upon their support
- 7.2 The M.D also informed members the good news of his wife Leila who had given birth to a baby girl and named her Leichidri
- 7.3 The date of the next meeting was discussed and agreed to be held on 29<sup>th</sup>/December/ 2016

**Min. 8.0 Closing prayer**

Was led by the company secretary and the meeting was adjourned

Minutes prepared by



Mr. Shamima Mark  
Company secretary

Approved by

Sign.....

Title.....

Name.....

**Assignment:**

You are the general manager of MK Electronics dealing in selling and distributing electronics.

You have just held a meeting to discuss strategies of improving on the performance. Present the minutes for the conducted meeting.

**f) NOTICE**

Refers to written information from an organization / department to the general public or staff members informing them of the specific event or a warning, e.g. a notice may be a reminder to the customers for payment, intentions to sue Etc.

**Example 1:**

You are the Human Resource Manager of Kwa-Kwa Bakery Limited. You have identified the need to recruit more workers to increase output at minimum costs. Write a notice inviting all workers for a two days training workshop.

**Content of a notice:**

✓ Title, Name of the business and address, Reference number, Date, To ,From, Re: (subject), Body, Cc, Frame

***For example:***

<b>KWA-KWA BAKERY LTD</b>		
<b>P. O BOX 1472, Namuwongo</b>		
<b>TEL: +256752818204</b>		
N0. 222	<div style="border: 1px solid black; padding: 5px; text-align: center;">NOTICE</div>	Date: 02/02/2017
TO: ALL WORKERS		
RE: CALL FOR A TWO DAYS WORKSHOP		
You are hereby requested to attend a two – days training work-shop that is scheduled on the 15 <sup>th</sup> February 2015 starting at 8:00 am to 5:00 pm; venue will be the main hall		
The training is aimed at enhancing and improving our production skills and techniques. Certificates will be awarded at the end of the training		
Please endeavor to attend without fail		
FROM: HUMAN RESOURCE MANAGER		
<b>Nabukalu Rachael</b>		
C.C. General Manager		
C.C. managing Director		

**Trial questions**

1. You are the owner of the poultry farm with chicken laying eggs and you want to improve on the quality of your poultry. Write /develop / prepare a notice to invite the staff members to attend a meeting on how to improve the quality.
2. You are operating a restaurant in a congested area and you have acquired new and spacious premises where you intend to locate a business in one week time. Write a notice informing the customers of your new premises.

**Example 2:**

**Qn.** You own a grain milling factory in your locality;

a) Write a notice to prospective partners inviting them for a meeting

**KWAGALAKWE GRAIN MILLING FACTORY**

**P.O BOX 66, Mukono (u)**

**TEL: 0774666777**

Date: 6<sup>th</sup> / 12/2016

**NOTICE**

To: ALL PARTNERS

**RE: INVITATION FOR AN URGENT MEETING SCHEDULED 19<sup>TH</sup>/12/2016**

I am writing to invite you for the above meeting that will take place on Saturday 19<sup>th</sup> /12/2016 from the company Board room starting at 9:00 am

The main purpose of this meeting is to discuss issues concerning the general performance of the business and we shall follow the following agenda.

1. Opening prayer
2. Singing the anthems
3. Communication from the chairman, board of Directors
4. Communication from the chairman
5. Matters arising
6. Reactions to matters arising
7. Way forward
8. Closing prayer

Please attend in person and keep time

**MALUNDA PETER**

**MANAGER**

c.c chairman, Board of Directors


c.c. Minute secretary

**Example 3:**

**Notice on Temporary Closure:** Sometimes, the organization may close its operations temporary to allow some work take place. During this period services to their customers

may be put to halt and therefore the need to inform them about the close and the day to resume operations.

A Notice to customers of KATWE Carpentry workshop about temporary closure:



**KATWE CARPENTRY WORKSHOP**  
**P.O BOX 255,**  
**KAMPALA TEL:**  
**0754676767**

**NOTICE**

**Dear Esteemed Customers,**  
Please you are informed that we shall close the workshop for temporary expansion work on **16<sup>th</sup> March 2020**. We shall continue serving you on **20<sup>th</sup> March 2020**. Any inconveniences caused are highly regretted.

**MANAGEMENT**

**Example 4:**

In case an employee of the firm may be dismissed and the public has to be informed not to deal with the terminated employee on behalf of the company/ firm / business notice may be written and it appears this way;

**NATEETE BAKERY LTD**  
**P.O BOX 666, KAMPALA**  
**TEL: 0414 666666**

Date: 1<sup>st</sup> / 8 / 2020.

**PUBLIC NOTICE**

The management of Nateete Bakery limited wishes to inform the general public that **Miss Namatama Aisha** is no longer our employee and is not allowed to conduct business on the company's behalf. Whoever deals with her does it at his / her own risk.

**MANAGEMENT**

**STOCK TAKING NOTICE**

**NALUBEGA ENTERPRISES**  
**P.O BOX 752, KAMPALA**  
**TEL: 0752 833909**

*"Importers and wholesalers of purified cooking oil"*

**STOCK TAKING:**

**Our Esteemed Customers,**  
You are hereby informed that we shall be closed for Stock Taking from **Wednesday 26<sup>th</sup> to 30<sup>th</sup> May, 2020**. We shall be open for business on **Tuesday 1<sup>st</sup> June, 2020**. Kindly plan for your purchases accordingly

**MANAGEMENT**

**Qn.** Write a notice to your esteemed customers informing them that you are going to shift your location to another location to a new one due to the congestion and unhygienic condition in the present location.

**A notice to my esteemed customer**

**3K RESTAURANT**  
**P.O BOX 19**  
**BAKULI-NANKULABYE**  
**TEL: 0731663314**  
[2krestaurant@yahoo.com](mailto:2krestaurant@yahoo.com)

**Our Ref; 2K/ADM/2020**

**Your Ref:**

**20<sup>TH</sup>/JULY/2013.**

**NOTICE**

**TO: All our esteemed customers**

**RE: RE-LOCAION OF 3K RESTAURANT.**

This is to inform you that all our esteemed customers that the 3K restaurant is going to be shifted due to the congestion in Nankulabye whereby you have even always been lacking a convenient parking yard to a vast land with a convenient parking yard and it is also due to the unhygienic conditions which may be a threat to your lives. It is going to be shifted to Bulange-Mengo opposite the Kings Palace at Kabaka-Anjagala road. Sorry for he inconveniences.

Please our continued support is highly considered.

Yours faithfully,



**MPAGI EMMANUEL**  
**MANAGING DIRECTOR**

**c.c To the administration**

**c.c To the Marketers**

**c.c To the Suppliers**

***"A customer is our Boss"***

**ASSIGNMENT**

You are the general manager of ZAM ZAM SUPER MARKET.

**Qn.**

Write a notice to inform your customers about changes in the schedule of product distribution in different areas.

### **f) REPORT**

**Report;** these are used by entrepreneur to give conclusion and recommendations based on investigated facts and situations, e.g. weekly report etc

### **AN EXAMPLE**

#### **Question**

You have been assigned by your managing director to carry out a survey to identify the cause for declining sales for the cosmetics products of your business. Write a report to present your findings.

### **A REPORT TO THE MANAGING DIRECTOR OF MUKWANO COSMETICS LIMITED**

**MUKWANO COSMETICS LIMITED  
P.O BOX 23, MITYANA  
TEL: 0782123456  
REPORT**

**To the Managing Director  
MUKWANO COSMETICS LIMITED  
PO BOX 23, MITYANA**

Dear Sir,

**RE: REPORT ON THE MARKET RESEARCH CARRIED OUT ABOUT MUKWANO COSMETICS LIMITED PRODUCTS**

**Introduction.** On 26<sup>th</sup> of September 2012, the managing director of Mukwano cosmetics limited instructed the sales manager to carry out market research to investigate the causes of declining sales in Mukwano Cosmetics Limited

**Procedure / methods.** The manager distributed questionnaires to customers in order to obtain market information.

**Procedure.** The sales manager also moved to the field and observed the way the sales persons and agents deal with the selling process.

He also had oral interviews with the middle men in the distribution channel and then customers

**Findings.** It was discovered that the distribution van used to stop only in the town neglecting the semi urban and rural areas, two of the sales persons had skin rashes which had even covered part of their eye. One had a face which was burnt by acid and the teeth were peeping and un attractive to look at by customers. The lotions were highly priced and temperatures were too high in some areas and would affect the products quality. The sales persons were not friendly to customers

**Conclusion.** The causes of declining sales in Mukwano Cosmetics Limited is as a results of inadequate product distribution, un attractive sales persons, poor relationship between sales persons and customers and high prices for some products

**Recommendations.** There is need for distributing products in all areas including rural areas, recruitment of more attractive sales persons with good facial appearance and good health, regulating the prices of various products and improving customer care by sale persons

Prepared by



Kabugumu Sincere  
Sales manager  
Date. 27<sup>th</sup> / 09/ 2012

**Assignment:**

You have taken over a declining soap making business. You are planning to carry out a survey to identify the cause for the decline.

**Qn. Write a report to present your investigations made.**


**c) CIRCULAR**

Is a written communication to different individuals in different copies but having the same information.

A copy is usual duplicated or photocopied in many copies to be given out to the concerned parties.

**Example:**

You are a director of studies in vibrant / big secondary school in Jinja. Write a circular to the parent of S.5 and S.6 students to attend a parents teachers' meeting in a school

<p>EARTHLY PARADISE HIGH SCHOOL P.O BOX 3345, NAKIBALI (U) PLOT 32-49 MBWAIWE RD TEL +2567887766</p>	
<div style="border: 1px solid black; padding: 5px; display: inline-block;"><b>CIRCULAR</b></div>	
<b>Circular No. 445</b>	Date: 7 <sup>th</sup> / 02/ 2014
<b>TO ALL PARENTS</b>	
<b>SUBJECT: <u>PARENT – TEACHERS MEETING</u></b>	
<p>This is to inform our dear parents of S.5 and S.6 that we shall have a meeting scheduled to take place on 10<sup>th</sup> – Feb – 2014, venue will be the school main hall and starting at 9:30am mainly to discuss about the success strategy of your children.</p>	
<p>Your presence will add value</p>	
<p>Thank you</p>	
<p>Yours in service</p>	
	
<p><b>KABANDA EMMANUEL</b> <b>DOS</b></p>	

**Assignment:**

You the general manager of a fast growing bakery. Write a circular to heads of departments calling them for an urgent meeting

## POLICY GUIDELINES FOR COMMUNICATION

### Example:

**You own a fast growing bakery firm in your locality**

- a) Formulate guidelines for recovering overdue debts
- b) Write guidelines for handling difficult customers
- c) Draft policy guidelines when bargaining with customers
- d) Draft guidelines followed when presenting a product to customers

**a) Guidelines for recovering overdue debts.**

**KIWONVU BAKERY**  
**PO BOX 3344, KATWE**  
**Dealers in all quality bakery products like bans, doughnuts, cookies,**  
**breads etc.**  
**Email. [Kiwonvubakery56@gmail.com](mailto:Kiwonvubakery56@gmail.com)**

**GUIDELINES FOR RECOVERING OVERDUE DEBTS**

- One shall Begin by identifying all the debtors for a given period from the accounts books of the business and listing them according to their debt amounts.
- Grouping of all the debtors shall be done according to their credit periods and then assigning specific workers to each of them to help in collection of the debts.
- There shall be Sending of polite reminders to customers with overdue accounts or calling them on phone to remind them of their debts.
- Receiving /collecting of debts from different debtors shall be made through the workers assigned to do the collection.
- There shall be updating of the debtors records and then issuing statements of accounts to each of them.
- One shall send more strongly worded last debt reminders to debt defaulters to pay their debts not later than the new deadline date stated.
- Taking legal action against debtors who still have failed to settle their debts after the new deadline date shall be made by employing courts of law to recover the debts.

**b) Guidelines for handling difficult customers.**



c) Guidelines followed when presenting a product to customers.

**KIWONVU BAKERY**  
**PO BOX 3344, KATWE**  
**Dealers in all quality bakery products like bans, doughnuts, cookies,**  
**breads etc.**  
**Email. [Kiwonvubakery56@gmail.com](mailto:Kiwonvubakery56@gmail.com)**

**Guidelines followed when presenting a product.**

- ✓ Sales representatives shall be smartly dressed so as to attract the potential customers
- ✓ Products shall be packaged in attractive packaging materials to attract the customers' interests.
- ✓ The business shall ensure customer's privacy, convenience and ability to use the products and others to plan how best to present the product.
- ✓ The sales representatives shall identify and analyze the needs of target customers by estimating their ages, income levels among others.
- ✓ The business shall bring out the outstanding features of the products being presented, benefits to the customers
- ✓ Relevant presentation aids shall be used like photographs, catalogue and charts to back up the product.
- ✓ The business shall show adequate knowledge about the product
- ✓ Customers shall be given chance to give their opinions and decisions regarding the product being presented
- ✓ Any doubt in the mind of the customers shall be handled tactfully
- ✓ Samples shall be provided to customer if available to the customers to taste and also offering guarantees to back up the product presentation.

**Guide lines for effective communication the business**

**NAME AND ADDRESS OF THE BUSINESS**

**GUIDELINES FOR ENHANCING EFFECTIVE COMMUNICATION IN THE BUSINESS.**

- ✓ The business shall ensure completeness of the message to ensure it includes all the facts the receiver wants to know.
- ✓ The business shall ensure correctness of all messages sent as possible to deliver true intended meaning.
- ✓ The business shall ensure clarity of all messages communicated, there by using language and words the receiver is familiar with.
- ✓ The business shall ensure conciseness of all messages communicated, in that it is sent in fewest words possible.
- ✓ The business official making communication shall avoid hurting the receiver but address the issue under concern ie courteous or courtesy.
- ✓ The business official communicating messages shall consider the receivers feelings, cultural beliefs, age and others ie consideration.
- ✓ All business communication shall be made at the appropriate time , when the receiver is ready to receive it.( ie timing)

- ✓ All business communication shall be made using the appropriate media that is accessible to both the sender and the receiver.
- ✓ All business communications shall be made from the right environment that allows the receiver to get the full message.

## **TOPIC 5:**

### **CASH FLOW STATEMENT /CASHFLOW PLAN**

This plan shows an entrepreneur the amount of cash that will flow in and out of the business i.e. cash receipts and payments. The cash flow plan is prepared periodically either on annual or monthly basis

#### **COMPONENTS OF A CASHFLOW STATEMENT.**

**a) Cash inflow.** This shows the sources from where cash will flow into the business clearly indicating the amount from each source in a given period of time.

**b) Cash out flow.** This shows where cash will go from the business.

**c) Net cash position.** This is the difference between cash inflows and cash outflows of the business. This is the exact amount that a business may remain with after cash expenditures are made.

#### **d)Net cash position**

This is the difference between the planned inflows and outflows. It portrays the residual cash position of the business at a given period of time

The net cash position indicates whether a business has enough cash to cover the expected cash payment or not

A negative balance for a “monthly” net cash position indicates a serious problem for the business. It indicates that total cash inflow will not be enough to meet the expected cash payments

In such situations, an entrepreneur will have to find a way of increasing cash inflows or reduce the expected cash outflows

**Note.** Non- cash inflow and outflow items are excluded in a cash flow statement because they don’t involve actual movement of cash e.g. depreciation, discounts, debtors, creditors etc.

#### **e) Cash balance brought down**

This is the balance that remained in the previous period and the forwarded to the following period e.g. the remaining balance in January will be brought forward in February.

#### **SOURCES OF CASH INFLOWS**

✍ Cash at the start of the plan period. This is cash that was left in the business from the previous plan period, it may be in the bank or in the business lockers/ safes as the plan period begins.

✓ Cash from sales i.e. total cash realized by a business through the sale of goods or services that it is dealing in.

Total sales = Number of units sold X price of the items

- ✓ Share capital i.e. money that business receives from its owners by way of their contribution towards its capital
- ✓ Cash from debtors i.e. money received from customers or clients in settlement of what they owe to the business. (cash payments from customers for credit sales made to them)
- ✓ Cash from loans i.e. cash received by the business from loans or credit facilities granted by its partners. They normally comprises of obligations on part of the recipient to pay back the principal and interest at a later date
- ✓ Cash grants i.e. money that a business may receive through donations from its well – wishers or partners
- ✓ Other cash in any form i.e. any other money received which does not fall into any of the above categories e.g. from the sale of fixed assets , dividends etc
- ✓ Dividends received. Refers to profits gained by share holders and put into the business.
- ✓ Sale of fixed assets. Is also a cash inflow where money may be received from sale of some fixed assets

### **SOURCES OF CASH OUTFLOWS**

- ✓ Direct costs, these include purchase of raw materials or stock (for producing good or acquire merchandise for sale, cash payment on wages and other labour related expenses
- ✓ Cash payment on other labour related expenses. These will be in respect of business workers who help in its productive and administrative processes. These include welfare, transport, insurance, training etc
- ✓ Cash payment for indirect or overhead costs, a business normally makes other payments other than labour and raw materials, these can include rent, , electricity, water, salaries of workers that do not directly produce goods or services
- ✓ Cash payments for equipment and other fixed assets i.e. expenses incurred when buying machinery, equipment, furniture, buildings, motor vehicles and other fixed assets
- ✓ Cash payments to shareholders, this refers to cash a business pays to owners or shareholders, normally a percentage of profits is allocated to them as a rate of return on investment
- ✓ Loan interest payment, the interest that the business will pay each month to an individual or institutions that lent it money
- ✓ Loan principal Repayment. Refers to the principal loan repayments a business would making each month to repay money lent out.

### **N.B:**

It should be noted that the following items are not supposed to appear in a cash flow statement. This is because they don't involve direct physical movement of cash in and out of the business.

These include;-Discounts allowed and received.

- ✓ Credit sales.
- ✓ Credit purchases
- ✓ Depreciation expenses.
- ✓ Donations in form of physical items like machines,motor vans etc

## IMPORTANCE OF CASH FLOW STATEMENT

- ✓ It provides a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize those cash flows.
- ✓ It is used as monitoring tool for the business performance
- ✓ A cash flow statement provides information that enables users to evaluate the changes in net assets of an enterprise, its financial structure (including its liquidity and solvency)
- ✓ It portrays the ability of the business to pay loans and the best time for repay.
- ✓ Cash flow statement help in making financial decisions. E.g. buying capital equipment using cash or pay workers.
- ✓ It helps the financial managers to make a cash flow projection for immediate future, e.g. basing on the past financial projections.
- ✓ It shows the entrepreneur to determine whether there will be any funds shortages/deficits which enables him to plan accordingly.
- ✓ It helps the internal management to determine the financial policy to be adopted in future, since it supplies information relating to funds, e.g., taking decision about the replacement of fixed assets or repayment of long- term liabilities etc
- ✓ It reveals the cash position for the business, as it shows the movement of cash in the business i.e., whether there is any increase in cash or decrease in cash and the reasons explaining so.
- ✓ Cash flow statement helps to identify the main financial sources for the business.
- ✓ Cash flow statement is significant to management for proper cash planning and maintaining a proper matching between cash inflows and outflows. As Cash flow statement reports the amount of cash received during the period through various financing activities, such as issue of shares, debentures and raising long-term loan. Where it will go in a given period of time.
- ✓ It shows an entrepreneur where cash will come from and how it will be used. Where will it go in a given period of time?
- ✓ It enables the entrepreneur to determine whether the business will have enough cash to pay for cash needs that will arise in the course of running the business.
- ✓ It enables the management to compare the actual cash available with projections where there are big difference investigations are made before its too late.

**FORMAT A CASH FLOW STATEMENT.**  
**SMILE TRADERS**  
**CASH FLOW STATEMENT**  
**FOR THE MONTHS OF JAN, FEB, MARCH**

Details	January Shs.	February shs	March shs
<b>Cash balance b/f</b>	xx		
<b>Add; cash inflows</b>			
Sale of goods	xx		
Receipts from debtors	xx		
Rent received e.t.c	xx		
<b>Total Cash Inflows</b>	<b>xxx</b>		
<b>CASH OUTFLOWS</b>	xx		
Raw materials cost	xx		
Insurance costs	xx		
Electricity bills	xx		
<b>Total Cash Outflows</b>	<b>xxx</b>		
<b>Net Cash Position</b>	<b>xxxx</b>		

**Examples:**

- (a) The following information is for **NALWOGA JOSEPHINE GENERAL ENTERPRISES** for the months of June and July 2014.

<b>DETAILS</b>	<b>JUNE (shs)</b>	<b>JULY (shs)</b>
Purchase of equipments	4,000,000	5,000,000
Payment of salaries	180,000	2,000,000
Receipts from sales	2,000,000	3,000,000
Loan from Stanbic bank	6,000,000	4,000,000
Repayment of loan installment	1,000,000	900,000
Payment of rent	120,000	140,000
Purchase of raw materials	2,000,000	3,000,000
Sale of refreshment	5,300,000	6,000,000
Tax	200,000	240,000
Debtors	600,000	700,000
Creditors	320,000	300,000
Purchase of furniture	360,000	340,000
Donations from friends	400,000	280,000
Disco collections	8,000,000	9,000,000
Disposal of old furniture	240,000	200,000
Rates	300,000	320,000
Transport expenses	200,000	180,000
Installation of utilities	500,000	400,000
Video collections	320,000	400,000
Electricity bills	140,000	144,000

**Required:**

- (a) Prepare **NALWOGA JOSEPHINE GENERAL ENTERPRISES** cash flow statement for the two months.
- (b) State **NALWOGA's** cash position for the two months and give your comments.

**NALWOGO JOSEPHINE GENERAL ENTERPRISES**  
**CASH FLOW STATEMENT**  
**FOR THE MONTH OF JUNE AND JULY 2012**

<b>Details</b>	<b>June (shs)</b>	<b>July (shs)</b>
Balance b/f	-	13260000
<b><u>Add cash inflows</u></b>		
Reciepts from sales	2000000	3,000,000
Sale of refreshments	5300,000	6000,000
Donations from friends	400,000	280,000
Disco collections	8,000,000	9,000,000
Disposal of old furniture	240,000	200,000
Video collections	320,000	400,000
<b>Total cash inflows</b>	<b>22260,000</b>	<b>22,880,000</b>
<b>Total cash available</b>	<b>22260,000</b>	<b>36,140,000</b>
 <b>Less cash outflow</b>		2000,000
Payment of salaries	180,000	900,000
Repayment of loan installments	1,000,000	140,000
Payment of rent	120,000	140,000
Purchase of raw materials	2000,000	3000,000
Tax	200,000	240,000
Purchase of furniture	360,000	340,000
Rates	300,000	320,000
Transport expenses	200,000	180,000
Installation of utilities	500,000	400,000
Electricity bills	140,000	144,000
<b>Total cash outflow</b>	<b>9000,000</b>	<b>12664,000</b>
<b>Net cash position</b>	<b>13,620,000</b>	<b>23,476,000</b>

a) In the month of June the business had net cash position of 13,260,000 where inflows exceeded outflow.

In the month of July the business had the net cash position of 23,476,000 where the inflows exceeded outflows

However the business performed better in the month of July than June

**Example 2:**

- i) The following show EKANYA ENTERPRISES' transactions for the months of June and July, 2006.

<b>Transactions</b>	<b>June</b>	<b>July</b>
Purchase of assets	2,000,000	2,500,000
Payment of wages	90,000	1,000,000
Receipts from sales	1,000,000	1,500,000
Loan	3,000,000	2,000,000
Repayment of loan installment	500,000	450,000
Payment of rent	60,000	70,000
Purchase of raw materials	1,000,000	1,500,000
Sale of refreshment	2,650,000	3,000,000
Tax	100,000	120,000
Debtors	300,000	350,000
Creditors	160,000	150,000
Acquisition of furniture	180,000	170,000
Grants from friends	200,000	140,000
Disco dance collections	4,000,000	4,500,000
Sale of old furniture receipts	120,000	100,000
Rates	150,000	160,000
Transport expenses	100,000	90,000
Installation of new machinery	250,000	200,000
Cinema collections	160,000	200,000
Electricity bills	70,000	72,000

***Required to:***

- Prepare EKANYA ENTERPRISES' cash flow statement of the two months
- State the cash position of EKANYA ENTERPRISES for the two months



**EKANYA ENTERPRISES  
CASH FLOW STATEMENT  
FOR THE FEBRUARY AND MARCH 2006**

<b>Transactions</b>	<b>February(shs)</b>	<b>March (shs)</b>
Balance b/f	—	6,630,000
<b><u>Cash inflow</u></b>		
Receipts from sales	1,000,000	1,500,000
Loan	3,000,000	2,000,000
Sale of refreshments	2,650,000	3,000,000
Grants from friends	200,000	140,000
Disco dance collections	4,000,000	4,500,000
Sale of old furniture receipts	120,000	100,000
Cinema collections	160,000	200,000
Total cash inflow	<b>11,130,000</b>	<b>11,440,000</b>
Total cash available	<b>11,130,000</b>	<b>18,070,000</b>
<b><u>LESS cash outflow</u></b>		
Payment of assets	2,000,000	2,500,000
Payment of wages	90,000	1,000,000
Repayment of loan installment	500,000	450,000
Payment of rent	60,000	70,000
Purchase of raw materials	1,000,000	1,500,000
Tax	100,000	120,000
Acquisition of furniture	180,000	170,000
Rates	150,000	160,000
Transport expenses	100,000	90,000
Installation of new machinery	250,000	200,000
Electricity bills	70,000	72,000
Total cash inflow	<b>4,500,000</b>	<b>6,332,000</b>
Net cash position	<b>6,630,000</b>	<b>11,738,000</b>

**b)** In the month of February the business had a net cash position of 6,630,000 (surplus) where the inflow exceeded outflows

In the month of March, the business had a net cash position of 11,738,000 (surplus) where the inflows exceeded outflows. The business performed better in March than in February

**Example 3:**

ii) The following information relates to the business of MUSAAZI ENTERPISES for the months of October, November and December 2012

- Cash balance brought forward from the month of September shs 20,000,000
- Monthly cash sales shs 9,000,000

- Monthly credit sales were shs 4,000,000 but repayment would be made in the following months
- The business bought furniture in the month of November 2012 with shs 1,000,000
- Monthly cash purchases were shs 500,000
- The business acquired a loan shs 12,000,000 in October to be paid in two equal installments in the following months
- Monthly salary bill was shs 700,000
- Business received cash donation of shs 750,000 during the month of November
- The business bought machinery worth shs 8,000,000 and paid shs 3,000,000 in the month of October and the remaining amount would be paid in two equal installments in the following two months

**Required:-**

- a) Work out MUSAAZI ENTERPRISES cash flow statement for the months of October, November and December.
- b) Explain the cash position of the business.

**MUSAAZI ENTERPRISES  
CASH FLOW STATEMENT  
FOR THE MONTH OF OCTOBER, NOVEMBER AND DECEMBER**

Transaction	October (shs)	November (shs)	December (shs)
<b>Balance b/f</b>	20,000,000	36,800,000	39,850,000
<b><u>Cash inflow</u></b>			
Cash sales	9,000,000	9,000,000	9,000,000
Credit sales	—	4,000,000	4,000,000
Loan	12,000,000	—	—
Cash donation received	—	750,000	—
<b>Total cash inflow</b>	<b>21,000,000</b>	<b>13,750,000</b>	<b>13,000,000</b>
<b>Total cash available</b>	<b>41,000,000</b>	<b>50,550,000</b>	<b>52,850,000</b>
<b><u>LESS cash outflow</u></b>			
Purchase of furniture	—	1,000,000	—
Cash purchases	500,000	500,000	500,000
Loan payment	—	6,000,000	6,000,000
Salary bill	700,000	700,000	700,000
Purchase of machinery	3,000,000	2,500,000	2,500,000
<b>Total cash outflow</b>	<b>4,200,000</b>	<b>10,700,000</b>	<b>9,700,000</b>
<b>Net cash position</b>	<b>36,800,000</b>	<b>39,850,000</b>	<b>43,150,000</b>

- b) During the month of October, the business had cash position surplus of shs 36,800,000 hence was able to meet its cash outflows.

During November, the business had cash position surplus of shs 39,850,000 hence able to meet its cash outflows.

During December, the business had cash position of surplus shs 43,150,000 hence able to meet cash outflows.

However the business performed better in the month of December than October and November.

**Example 4:**

iii) The table below relates to the expected sales of MUKISA enterprises for the months of January to April 2010

Months	January	February	March	April
Sales (shs)	60,000,000	70,000,000	50,000,000	90,000,000

**Note:**

- i. The company receives 60% of sales in the month of sale and the balance in the next month.
- ii. The company is to receive extra share capital in the months of January and March of shs 20,000,000 respectively.
- iii. The company expects a loan in February of shs 18,000,000
- iv. There is a rent refund in February of shs 2,200,000
- v. In the month of march it expects a grant of shs 4,000,000
- vi. The company expects to buy raw materials worth 30% sales per month
- vii. The company expects to pay salaries to workers to shs 12,200,000.
- viii. Electricity charges are projected at shs 1,320,000 per month.
- ix. The returns to URA per month is to be shs 3,600,000
- x. Payment of water bills per month is to be shs 3,600,000
- xi. Loan repayment per month is expected to be shs 3,000,000 beginning with the month that follows the acquisition of loan.
- xii. Cash balance as per 31<sup>st</sup> December 2009 was shs 20,540,000

**Required:-**

- a. Use the information above to prepare a cash flow statement for Malusa Enterprises
- b. Advise him on what he can do to save the situation in case of a given a negative cash flow position.

**MUKISA ENTERPRISES**  
**CASH FLOW STATEMENT**  
**FOR THE MONTHS OF JANUARY – APRIL 2014**

PARTICULARS	JANUARY SHS	FEBRUARY SHS	MARCH SHS	APRIL SHS
Cash balance b/d	20,540,000	37,820,000	82,300,000	125,580,000
<b><u>Cash inflows</u></b>				
Receipt from sales	36,000,000	42,000,000	30,000,000	54,000,000
Balance of sales		24,000,000	28,000,000	20,000,000
Share of capital	20,000,000		20,000,000	
Loan		18,000,000		
Rent refund		2,200,000		
Grant			4,000,000	
<b>Total cash inflows</b>	<b>56,000,000</b>	<b>86,200,000</b>	<b>82,000,000</b>	<b>74,000,000</b>
<b>Total cash available</b>	<b>76,540,000</b>	<b>124,020,000</b>	<b>164,300,000</b>	<b>199,580,000</b>
<b><u>Cash outflows</u></b>				
Purchase of raw materials	18,000,000	2,100,000	15,000,000	27,000,000
Salaries	12,200,000	12,200,000	12,200,000	12,200,000
Electricity charge	1,320,000	1,320,000	1,320,000	1,320,000
Water bills	3600,000	3600,000	3600,000	3600,000
URA remittance	3,600,000	3,600,000	3,600,000	3,600,000
Loan repayment		3000,000	3,000,000	3,000,000
<b>Total cash outflow</b>	<b>38,720,000</b>	<b>41,720,000</b>	<b>38,720,000</b>	<b>50,720,000</b>
<b>Net cash position</b>	<b>37,820,000</b>	<b>82,300,000</b>	<b>125,580,000</b>	<b>148,860,000</b>

**Example 5:**

The following information relates to projections made by Mbale vendors` association for the months of January, February, march and April 2018.

- i. Projected cash and bank balances as at December shs 20,000,000.
- ii. Sales will be both cash and credit. January cash sales will be 800 units at price of shs 10,000 each. Thereafter, cash sales will be increase at a rate of 5% per month. Credit sales for each month are expected to be shs 5,500,000.debtors will be expected to pay in the month of sale.
- iii. The business plans to buy 15 computers at shs 650,000 each in March. And import duty of 5% on total cost will be paid in addition.
- iv. Monthly expected expenses and payments include salaries and wages shs 30, 000, 000, machine servicing shs 300, 000, depreciation shs 100,000.salaries for April will be paid in the month of March.

- v. The business is paying back a loan of shs 10,000,000 previously obtained. Monthly installments amount to shs 2,000,000 per month starting in February. The loan attracts interest of shs 100,000 per month also payable starting February
- vi. The business will buy 900 units of raw materials at shs 6,000 each in the month of January. The quantity of raw materials is expected to increase by 10% every month. Purchase of raw materials is strictly on cash basis.
- vii. The business expects to receive shs 10,000,000 as a donation in April and plans to sell off an old motor van at shs 9,000,000 in March.

***Required;***

Prepare Mbale vendors' association's cash flow statement for the period of January to April 2018.

**MBALE VENDORS' ASSOCIATION'S**

Cash flow statement

For the period of January, February, March and April 2018

Details	January	February	March	April
Balances b/f	20,000,000	(2,200,000)	(26,640,000)	(75,851,000)
Add cash inflows				
Cash sales	8,000,000	8,400,000	8,820,000	9,261,000
Receipt from debtors	5,500,000	5,500,000	5,500,000	5,500,000
Cash donations				10,000,000
Sale of old vehicle			9,000,000	
<b>Total cash inflows</b>	<b>33,500,000</b>	<b>11,700,000</b>	<b>(3,320,000)</b>	<b>(51,090,500)</b>
Less cash outflows				
Purchase of computer		9,750,000		
Import duty		487,500		
Salaries and wages	30,000,000	30,000,000	60,000,000	
Machine servicing	300,000	300,000	300,000	300,000
Loan repayment		2,000,000	2,000,000	2,000,000
Loan interest payment		100,000	100,000	100,000
Purchase of raw materials	5,400,000	5,940,000	6,534,000	7,187,400
	<b>35,700,000</b>	<b>38,340,000</b>	<b>79,171,500</b>	<b>6,677,900</b>
	(2,200,000)	(26,640,000)	(75,851,000)	<b>(57,768,400)</b>
<b>Total cash outflows</b>				
Net cash position				

***Example 6:***

Nakawa Trading Co. which plans to start a business has availed the following projected details for the first six months of the year, 2016.

1. Cash at bank shs 4,000,000 as at 1<sup>st</sup> Jan 2016
2. Cash sales for January 2016, shs 5,500,000. The sales are expected to increase by shs 500,000 every month. All sales will be by cash.
3. Capitalization loan to be acquired from Stanbic bank in February, 2016 shs 5,000,000.

4. Purchase of start-up assets during the month of February 2016, shs 5,000,000.
5. Monthly payments starting with January 2016.
  - Salary and wages 1,500,000
  - Rent 500,000
  - Advertising 150,000
6. Pre-operating expenses to be paid January 2016 shs 4,200,000.
7. Monthly loan repayments shs 600,000 will begin June 2016.
8. Purchases occur in the month of sale and are expected to be 75% of each month's project sales. Purchases will be paid for after one month of purchase.

**Required:**

- ✓ Prepare a cash Flow statement for Nakawa Trading Co. for the period January to June 2016.

**NAKAWA TRADING COMPANY'S CASHFLOW STATEMENT FOR THE MONTH OF JANUARY, FEBRUARY, MARCH APRIL MAY AND JUNE 2016**

	Jan	Feb	Mar	Apr	May	June
Particulars	shs '000'	shs '000'	shs '000'	shs '000'	shs '000'	shs '000'
Bal. b/f	—	3,150	7,000	7,225	7,575	8,050
Add cash inflows						
Share capital	4,000					
Cash sales	5,500	6,000	6,500	7,000	7,500	8,000
Capitalization loan		5,000				
<b>Total cash inflows</b>	<b>9,500</b>	<b>14,150</b>	<b>13,500</b>	<b>14,225</b>	<b>15,075</b>	<b>16,050</b>
Less cash outflows						
Purchase of startup assets		5,000				
Salary and wages	1,500	1,500	1,500	1,500	1,500	1,500
Rent	500	500	500	500	500	500
Advertising	150	150	150	150	150	150
Pre operating exp	4,200					
Loan repayment						600
Purchases			4,125	4,500	4,875	5,250
<b>Total cash out flows</b>	<b>6,350</b>	<b>7,150</b>	<b>6,275</b>	<b>6,650</b>	<b>7,025</b>	<b>8,000</b>
<b>Net cash position</b>	<b>3,150</b>	<b>7,000</b>	<b>7,225</b>	<b>7,575</b>	<b>8,050</b>	<b>8,050</b>

**NB:** 50% penalty applies where currency units are missing.

**Example 7:**

- iv) The following information relates to projections made by Zanda for the months of January, February, March and April 2017
  - i. Projected cash and bank balance as at December 31<sup>st</sup>, 2016 shs 20,000,000
  - ii. Sales will be both cash and credit, January cash sales are expected to be 800 units at a price of shs 10,000 each. Thereafter, cash will increase at a rate of 5% per

month. Credit sales for each month are expected to be shs 5,500,000. Debtors will be expected to pay the month of sale.

iii. The business plans to buy 15 computers at shs 650,000 each in March. An import duty of 5% on total cost will be paid in addition.

iv. **Monthly expected expenses and payments include:-**

	Shs
Salaries and wages	30,000,000
Machine servicing	300,000
Depreciation	100,000

Salaries for April will be paid in the month of March

v. Zanda is paying back a loan of shs 10,000,000 previously obtained. Monthly installments amount to shs 2,000,000 starting February. The loan attracts interest of shs 100,000 per month also payable starting February.

vi. The business will buy 900 units of raw materials at shs 6,000 each in January. The quantity of raw materials is expected to increase by 10% every month. Purchase of raw materials is strictly on cash basis.

vii. Zanda expects to receive shs 10,000,000 as a donation in April and plans to sell off an old vehicle at shs 9,000,000 in March.

**Required:-**

(a) Prepare Zanda's cash flow statement for the period of January to April 2017.

**ZANA'S CASH FLOW STATEMENT  
FOR THE MONTHS OF JAN, FEB, MARCH AND APRIL 2017**

DETAILS	JAN	FEB	MARCH	APRIL
	SHS	SHS	SHS	SHS
Balance b/f	20,000,000	(2,200,000)	(26,640,000)	(82,194,500)
Add. CASH INLFOWS				
Cash sales	8,000,000	8,400,000	8,820,000	9,261,000
Receipts from debtors	5,500,000	5,500,000	5,500,000	5,500,000
Cash donations				
Sale of old vehicle			9,000,000	
Total cash inflows	33,500,000	11,700,000	(3,320,000)	(57,433,500)
<b>Less cash outflows;</b>				
Purchase of computers			9,750,000	
Import duty			487,500	
Salaries and wages	30,000,000	30,000,000	60,000,000	
Machine servicing	300,000	300,000	300,000	300,000
Loan repayment		2,000,000	2,000,000	2,000,000
Loan interest		100,000	100,000	100,000
Purchase of raw materials	5,400,000	5,940,000	6,237,000	6,548,850
Total cash outflows	35,700,000	38,340,000	78,874,500	89,488,50
net cash position	(2,200,000)	(26,640,000)	(82,194,500)	(66,382,350)

**NB.** The penalty of 50% applies where the candidate does indicate currency.

**Example 8:**

The following relate to the business of TRACY Enterprise for the months of April, May and June 2016.

- 1<sup>st</sup> April TRACY Enterprises had a balance of Shs 1,000,000
  - Cash sales to date Shs 5,000,000 per month
  - Credit offered amounted to Shs 3,000,000 per month
  - Rent income from investments was expected to be 1,000,000 and 1,500,000 for May and June respective
  - Acquired a loan in April of 2,400,000
  - Monthly purchases 450,000
  - The business planned to purchase a computer worth 1,200,000 and paid Shs 200,000 in the month of April and the remaining amount to be paid in two equal installments in the following month.
  - The loan acquired by the business will be paid in 3 installments from April-June as follows 2:2:1.
  - Interest of Shs 200,000 on outstanding loan will be paid in the month of June.
- The loan acquired will attract an interest of 5% at each month.
- The business acquired a generator of shs. 3,000,000 in the month of April.
  - Dividends from investments were shs 440,000 @ month

**Required:-**

- ✓ Prepare TRACY Enterprise's cash flow statement for the 3 months.
- ✓ Explain the cash position of the business.



<p style="text-align: center;">TRACY TENTERPRISES</p> <p style="text-align: center;">CASH FLOW</p> <p style="text-align: center;">FOR THE MONTH OF APRIL, APRIL, JUNE 2016</p>			
DETAILS	APRIL (shs)	MAY (shs)	JUNE (shs)
<b>Cash flow</b>			
Balance b/f	1,000,000	4,110,000	8,520,000
Cash sales	5,000,000	5,000,000	5,000,000
Rent income		1,000,000	1,500,000
Loan	2,400,000		
Dividends	440,000	440,000	440,000
Total cash inflow	8,840,000	10,550,000	15,460,000
<b>Cash out inflow</b>			
Purchases	450,000	450,000	450,000
Purchase of computer	200,000	500,000	500,000
Loan installment payment	960,000	960,000	480,000
Payment of standing interest			200,000
Interest payment	120,000	120,000	120,000
Acquisition of Generator	3,000,000		
Total cash outflow	4,730,000	2,030,000	1,750,000
Net cash position	4,110,000	8,520,000	13,710,000

**NB:** The net cash position for the current month becomes the b/f for the next month.

b) In the month of April, the business had a surplus net cash position of shs 4,110,000.  
 In the month of May, the business had a surplus net cash position of shs 8,520,000.  
 In the month of June, the business had a surplus net cash position of shs 13,710,000.

### **ASSIGNMENT 1:**

***Bibuuza trading company had the following transactions for year ended 2011***

- i. The company expects to sell goods every month worth shs 100,000,000 and receives only 80% in the month of sale and the balance to be received one month after the month of sale for all sales
- ii. Expected share capital from shareholders in June and July shs 6,000,000 and 8,000,000 respectively
- iii. Expected cash from debtors in July shs 10,000,000
- iv. Sale of old van in June shs 6,000,000
- v. Monthly credit sales shs 30,000,000 and payment is to be received from Debtors after every one month of sale
- vi. Loan is expected in May for shs 12,600,000 and it will attract an interest of 10% per month to be paid in three equal installments using reducing balancing method.

- vii. The grace period given to the business will be a month and after one month it will start payment of the loan.
- viii. The company expected to pay raw materials worth shs 5,000,000 in the first month but this is to increase by 10% monthly
- ix. By the end of April 2011, the company had a cash balance of shs 4,000,000
- x. The company expected to buy a juice blending machine in May for shs 2,000,000 and pay cash of shs 1,000,000. The remaining amount to be paid in the ratio 4:2:2 respectively in the following month
- xi. Purchase of fruit from farmers is projected at shs 2,000,000 which is to increase by 20% after the first 2 months
- xii. Tax of shs 200,000 will be paid to KCCA monthly starting with the month of June
- xiii. The dividends will be paid every after one month at a rate of 10% of average share capital for four months
- xiv. The company is to make a commission payment of shs 12,000,000 monthly which is to reduce 5% monthly after the first 2 months

### **Assignment 2:**

You are required to prepare a cash flow plan for four months starting with May 2011

1. The following information relates to Umoja investments for the months of May, June, July and August 2015:-

- Opening balances as at 1<sup>st</sup> May 2012 was shs 320,000
- Output of 800,900,700 and 100 units were sold at shs 500 each during the months of May, June, July and August respectively
- Loans of shs 500,000 and shs 300,000 were obtained from inland bank ltd in June and August
- Receipts from debtors of shs 100,000, shs 80,000 and shs 30,000 were registered for the months of June, July and August respectively
- Purchases of 700, 800, 900 and 1,000 units of raw materials were made in the months of May, June, July and August respectively at a cost of shs 200 per unit
- Labour cost for the months of May, June July and August were shs 150,000, shs 120,000, shs 100,000 and 140,000 respectively
- A machine was bought and paid for in July for shs 1,000,000
- Monthly fixed cost of shs 20,000 per month were paid
- Monthly rent receivable from a shoe-shiner shs 50,000

### **Required:-**

- a) Prepare a statement showing cash inflows and cash outflows for the months of May to August 2015.
- b) Comment on the cash position of Umoja Investments ltd. For the four months.
- c) Suggest measures which should be under taken to avoid a deficit in the cash flow.

### **Assignment 3:**

2. GAGAMEL ENTERPRISES LIMITED located in Masindi wishes to operate a restaurant in Kigumba town soon and below is summary of its cash projections for the first three months of the year i.e. January to march 2014

- ✓ Cash sales shs 1,860,000 and shs 930,000 respectively
- ✓ Loan from Faulu Uganda ltd shs 1,450,000 in January
- ✓ Receipts from debtors shs 890,000 in February and shs 925,000 in march
- ✓ Cash purchases of shs 720,000, shs 480,000 and shs 240,000 respectively
- ✓ Monthly direct wages of shs 48,000
- ✓ Administrative expenses of shs 63,000 however expected to reduce by shs 2,000 after a month
- ✓ Electricity of shs 48,000 per month to be incurred and paid
- ✓ Selling expenses of shs 20,000 and shs 15,000 in January and march respectively
- ✓ Corporation tax of shs 226,900 to be paid immediately after a month of commencement of operation
- ✓ Cash purchase shs 250,000 in February, to be paid for the following month
- ✓ A cash deficit in a given month is to be offset by getting a loan in the following month.

#### **Required:-**

- a) Use the above information to prepare a cash flow statement for the given period
- b) Comment on the cash position of the business
- c) Suggest measures that the business can undertake in case of a cash flow short fall.

### **Assignment 4:**

3. Vivian is a student of S.6 and she plans to open up a restaurant in her S.6 vacation. Here is a summary of her cash plan for the first three months of the year

- ✓ Cash sales shs 1,860,000, shs 1,395,000 and shs 930,000 respectively
- ✓ Loan form youth Development fund shs 1,450,000 in January
- ✓ Receipts from debtors shs 890,000 in February and shs 9,250,000 in march
- ✓ Cash purchase of shs 720,000, shs 480,000 and shs 240,000 respectively
- ✓ Direct wages of shs 48,000 each month
- ✓ Administrative expenses shs 63,000, shs 61,000 and shs 61,000
- ✓ Electricity shs 30,000 per month
- ✓ Selling expenses shs 20,000, shs 150,000 in January and March respectively
- ✓ Taxes shs 226,000 to be paid in march
- ✓ Cash purchases of assets shs 2,900,000 in January
- ✓ Credit purchases shs 250,000 in February to be paid for the following month
- ✓ A cash deficit is offset by getting a loan in the following month

#### **Required:-**

- a) Prepare a cash flow statement for the given period.
- b) Comment on the cash position of the business.
- c) Suggest measures that Vivian can take to avoid cash flow deficits.

### **Assignment 5:**

The following information was obtained from the book of MUKISA COMPANY LTD for the year 2016.

Here is a summary of her cash plan for the first three months of the year

- ✓ Cash sales shs 1,860,000, shs 1,395,000 and shs 930,000 respectively
- ✓ Loan from youth Development fund shs 1,450,000 in January
- ✓ Receipts from debtors shs 890,000 in February and shs 9,250,000 in march
- ✓ Cash purchase of shs 720,000, shs 480,000 and shs 240,000 respectively
- ✓ Direct wages of shs 48,000 each month
- ✓ Administrative expenses shs 63,000, shs 61,000 and shs 61,000
- ✓ Electricity shs 30,000 per month
- ✓ Selling expenses shs 20,000, shs 150,000 in January and March respectively
- ✓ Taxes shs 226,000 to be paid in march
- ✓ Cash purchases of assets shs 2,900,000 in January
- ✓ Credit purchases shs 250,000 in February to be paid for the following month
- ✓ A cash deficit is offset by getting a loan in the following month

### **Required:-**

- i. Prepare a cash flow statement for the given period
- ii. Comment on the cash position of the business
- iii. Suggest measures that MUKISA COMPONY LTD. can take to avoid cash flow deficits

### **Assignment 6:**

**The following projections were made by MONDO during the month of January 2014.**

- i. On January 1, 2014, the business had a cash balance of Shs. 33,000,000.
- j. The business expected to make credit sales of Shs. 12,000,000 monthly of
- k. Which payment of 80% was to be made in the month of sale and the balance paid in the next month.
- l. The business was to get a loan of Shs. 3,000,000 in January. The loan was to
- m. Attract an interest of 5% monthly after one month of grace period.
- n. The business expected a donation of Shs. 2,000,000 in January. This was to
- o. Increase by 10% monthly.
- p. Cash sales expected monthly amounted to Shs. 20,000,000.
- q. The business had a policy of paying 2% commission on each sale.
- r. The business was to sell the old vehicle at Shs. 8,000,000 and receive 60% of
- s. The total price receives the balance in the ratio 3:2 in the following months.
- t. The business was to buy office buy office desks in March each at a cost of Shs.
- u. 60,000.
- v. Monthly cash purchases expected at Shs. 17,000,000.
- w. Loan repayment was to be in two equal monthly principal installments.
- x. Credit purchases were expected to increase by 5% every month. Credit
- y. Purchases made in January amounted to Shs. 18,000,000.
- z. Labour cost was expected at Shs. 600,000 per employee for 20 employees.
- aa. The VAT of 18% was to be separately paid in response to the purchase of office
- bb. Desks.

**Required:**

- a. Prepare MONDO's monthly cash flow statement for four months.
- b. Comment on the trend of the Net Cash position of MONDO's business.

**Assignment 7:**

1. **QUALITY SUPERMARKET** plan to operate their business as follows, with projected details for four months of the year 2016.
  - i. Share capital of shs 600,000 as at 1st march 2016
  - ii. Cash sales for March 2016 shs 8,250,000 and sales to increase by shs 750,000
  - iii. Monthly debts to be collected are shs 2,000,000, but expected to increase by shs 200,000 per month.
  - iv. A loan worth shs 7,500,000 to be acquired from tropical bank in April 2016
  - v. Monthly credit sales of shs 4,000,000. But 60% will be paid in the month of sale and balance to be paid in the following month.
  - vi. Startup equipment worth shs 7,500,000 to be bought in April 2016.
  - vii. Monthly expenses for servicing of refrigerators expected to be shs 200,000.
  - viii. Monthly payments are salaries shs 2,250,000, security shs 750,000, and insurance shs 225,000.
  - ix. Monthly utility bills shs 750,000 are paid.
  - x. Startup expenses of shs 6,300,000 paid in March.
  - xi. Monthly loan repayment shs 900,000 will start in May.
  - xii. Purchases are expected to be shs 2,000,000 monthly.

**Required to:**

6. Prepare a cash flow statement for **QUALITY SUPERMARKET** for the period from March to June 2016.
  - i. Give any five importance of the cash flow statement **QUALITY SUPERMARKET**
  - ii. Advice the entrepreneur on the best ways of minimizing cash outflows.

**Assignment 8:**

- Qn.** (a) Outline four main causes of cash flow problems in an enterprises.
- (b) **KAMPALA ENTERPRISES LTD** has the following cash flow projections in the 1st quarter of the year 2017
- i. Cash shortfall brought down from last month of the last quarter 2014 was shs 5,890,000.
  - ii. Commission income for the first quarter shs 6,000,000. This is to be spread in 3 months of the first quarter of the year in ratios 3:2:1 respectively.
  - iii. Donations (first month of 1st quarter) shs 8,000,000.
  - iv. Machine disposal (in 2nd month of the 1st quarter of the year) was projected to be shs 4,000,000
  - v. A loan to be obtained in the 1st month of the 2nd quarter of the year shs 10,000,000. This will attract a monthly interest of 5% starting with the 2nd month of the 2<sup>nd</sup> quarter of the year.
  - vi. Cash to be received from trade debtors as follows;  
1st month 3,040,000 ,2<sup>nd</sup> 5,360,000,3<sup>rd</sup> month.7,280,000
  - vii. Debentures of shs 16,820,000 and shs 5,740,000 for the 1st month and 2nd month of the 1st quarter respectively were to be obtained.
  - viii. A cash refund of shs 900,000 is to be received from suppliers in the 1st quarter. This is in respect of overpayment made on cash purchases made in the last month of the previous quarter.
  - ix. Monthly cash purchases to amount to shs 3,900,000 .

X Debenture repayment is to be effected in the last month of the 1st quarter and the 1st month of the 2nd month of the year for the two debentures obtained respectively.

- xi) Credit purchases for the period are projected to be shs 21,000,000 in the last month of the 1st quarter. However, no payments to credit supplier's will be made until 2nd month of the 2nd quarter.
- xii) Equipment are to be purchased during the 1st month of the 1st quarter at a cost of shs 16000,000.
- xiii) The enterprise projects monthly cash sales of shs 20,950,000. This will attract a monthly sales tax of 15% per the cash sales made in that month.
- xiv) Audit fees per month are to be shs 750,000. This will be paid once in the last month of the 1st quarter.
- xv) Wages and salary bills per month will total to shs 810,000.
- xvi) Purchase of machinery in the 2nd month of the 1st quarter of the year is to cost shs 5,000,000.
- xvii) Repairs and Maintenance per month are to cost the enterprise shs 320,000.
- xviii) Non – current assets to depreciate at a rate of 3% by the end of the 1st quarter.
- xix) Rent income of shs 650,000 per month is projected in the 1st quarter of year starting with the 1st month.

**Required:**

- i. You are required to prepare Kapapala's cash flow statement for the 1st quarter of the year.
- ii. What measures can Kapapala enterprises Ltd put in place in order to avoid cash short falls in the subsequent period?

**Assignment 9:**

KUKU Traders had the following expected sales relating to the months January to April 2013.

Months	January	February	March	April
Sales (shs)	60,000,000	70,000,000	50,000,000	90,000,000

- The company receives cash worth 60% of the sales in the month of sale and balance in the next month.
- The company is to receive extra share capital in the month of January and April of shs 20m and shs 30m respectively.
- The company expects to get a loan of shs 18m in January.

- The company expects rent refund in March of shs 2,200,000
- In the month of April, it expects a grant of shs 4m.
- The company expects to buy raw materials worth 30% of sales in every month.
- The company is to pay salaries to workers of shs 12,400,000 per month.
- Electricity charges are projected at shs 1,320,000 per month.
- Tax returns to URA are expected to be shs 3,600,000 per month.
- Payment of water bills per months shs 1,200,000.
- Loan repayment per month expected to be shs 3m.
- Cash balance as per 31/12/12 was shs 20,540,000
- The company hopes to purchase machinery worth 80m and pay a down payment of shs 40m in the first month and the balance in installments of 50%, 1/4, 9/36 in the next 3 months respectively.
- Monthly interest on loan is charged at 20% per annum payable after 1 month grace period on a fixed installment method.

**Required;**

- i. Prepare a cash flow statement for KUKU Traders.
- ii. Comment on the net cash position of the business.

**Assignment 10:**

The following information was obtained from the books of VARSANI INVESTMENTS for the months of January, February, March, April 2014:-

- i. On 1<sup>st</sup> January 2014. The business started with shs 4m.
- ii. It expected cash sales of shs 6m per month however it is expected to reduce by 10% in March.
- iii. The expected credit sales were shs 1,600,000 per month but payment would be made in the following month.
- iv. The business expected a donation of shs 800,000 in cash per month but this was to reduce by 15% after the 1<sup>st</sup> month.
- v. The monthly rent income was shs 200,000. However it is expected to increase by 24% after the first 2 months.
- vi. Immediately after the 1<sup>st</sup> month of operation, the expected income from other source was shs 3m per month.
- vii. The business planned to purchase a delivery van of shs 14m on hire purchase. The down payment is 6m and balance on hire purchase. The down payment is 6m and balance to be paid in installments of 4:3:1 to be paid respectively in the following month.



- viii. The business expected to acquire a loan 4m KK Bank Ltd in February of shs 4m. The loan was payable in 4 equal installments at an interest rate of 5% on reducing balance with effect from March 2014.
- ix. The expected monthly cash purchases were shs 3m expected to be reduced by 20% after 2 months.
- x. The business expected to issue a debenture of shs 5m in March 2014.
- xi. The electricity bill expected to be cleared at the end of every month was shs 1m.

**Required:-**

- a) Prepare a cash Budget.
- b) Advise the owner on the benefits of preparing a cash budget.

**CONTROLS TO MANAGE THE FLOW OF FUNDS IN A BUSINESS OR MEASURE UNDER TAKEN TO SOLVE AN ANTICIPATED CASH DEFICIT (CASH FLOW SHORT FALL)**

- ✓ Looking for the possible ways of increasing cash sales, like through carrying out sales promotions
- ✓ Reducing the expenditure on some possible items, like salaries and wages bills so long as it will not affect the business image and operations
- ✓ Delaying some cash expenditures, for instance extending the payment for salaries and wages for workers on conditions that it will not affect productivity
- ✓ Acquisition or applying for a loan from possible financial institutions like Banks and other recognized credit institutions
- ✓ Carrying out strict monitoring and control cash inflows and outflows like monitoring cash sales and cash spent on purchases and other avenues so as to reduce / avoid cash mismanagement and misuse
- ✓ Encouraging more of cash sales than credit sales so as to increase inflows like offering cash discounts and other after sales services to prompt payers
- ✓ Bargaining with the financiers for a lower interest rate paid on loans, this however reduces cash spent on servicing the loan acquired
- ✓ Bargaining for a longer repayment period for the loan principle and the associated charges
- ✓ Sourcing possible suppliers who can offer good on credit, this will reduce the outright cash outflow on cash purchases, through extending payment at a later date
- ✓ Mobilizing more capital from owners (shareholders) or his own saving / sources if it is personal business
- ✓ Sourcing funds from friends and relatives in form of donations, grants etc. this however increases the cash inflows in the business
- ✓ Soliciting for cash donation
- ✓ Minimizing cash drawings.
- ✓ Selling Shares to the public



- ✓ Giving debtors a short average short payment period.
- ✓ Ploughing back the profits and re-invest it in the business.

## **TOPIC 6:**

### **INTERPRETATION OF FINANCIAL STATEMENTS AND FINANCIAL RATIO ANALYSIS**

Financial Statements are the output of the accounting system and they are prepared at the end of the trading period to find out the profits or losses made by the business and to also determine the financial position of the business.

#### **FINANCIAL RATIO ANALYSIS**

These are tools used to interpret figures of the financial statements.

They refer to the means of showing the relationship between different items and the financial statements in form of fractions, percentages, ratios etc such that meaningful comparison can be made using financial ratios rather than absolute figures.

#### **TYPES OF FINANCIAL STATEMENTS.**

##### **i). Income statement**

This is a financial statement prepared at the end of the trading period so as to find out the net profit or net loss made by the business.

##### **ii)Balance sheet;**

Is a financial statement which shows the financial position of the business as at a particular date.

#### **COMMON TERMS USED IN BUSINESS FINANCIAL RATIO ANALYSIS.**

- i. **Purchases.** These are goods bought in the business for the purpose of reselling them to get profits.
- ii. **Sales / Turnover.** Refers to the total amount of goods sold in the business for the purpose of reselling them to get profits.
- iii. **Return inwards.** These are goods which are initially sold to customers but later returned to the business premises. This may arise out of poor quality, damage, expiry date, wrong colour and size etc. return inwards reduce the value of total sales and they are therefore subtracted from the total sales of the business in order to obtain the total Net sales.
- iv. **Return outwards.** These are goods returned to the suppliers after initially buying them from them. (From where they were purchased). Goods may be returned to suppliers due to poor quality, damage, expiry dates, and wrong

colour or size etc. returns outwards reduce the value of purchases and are therefore, subtracted from the total purchases in order to obtain the “Total Net purchases”

- v. **Rate of stock turnover.** This refers to the number of times business’ stock is replaced. It measures the speed at which the stock of a business is cleared in a year. It is arrived at by dividing the cost of sales by average stock.
  - vi. **Stock.** This refers to the unsold goods of a business at a given period of time. It is of two categories i.e.;
  - a) **Opening stock.** It refers to the unsold goods held by a business at the beginning of a trading period is also called stock at start.
  - b) **Closing stock.** It refers to the unsold goods held by the business at the end of a trading period. It is also called stock at hand or stock at close
- xii) **Stock taking / stock counting.** This is the physical counting of the goods in the business after a given period of time.

**OVER TRADING.** It’s a situation where a firm has more or too much stock compared to other current assets.

**Criticism/ dangers of over trading / dangers of holding too much stock**

- ✓ Storage facilities may be inadequate hence stock may be insecure, damaged or stolen
- ✓ Price fluctuations or uncertainties in the market like unexpected decline in demand causing losses
- ✓ If the stock is not sold quickly, the firm may run short of working capital to meet the day to day activities
- ✓ Stock may become obsolete / outdated

xiii) **UNDERTAKING.** It is where a firm has less stock compared to other current assets.

xiv) **Stock evaluation.** This is the monetary value of the stock counted for a given period of time.

xvi) **Margin.** This is the ratio of Gross profit to Net sales expressed as a percentage.

xvi) **Markup.** This is the ratio of Gross Profit to Cost of sales express as a percentage.

vii) **GROSS PROFIT.** It’s the excess of selling price over cost price or the excess of net sales/turn over, over cost of sales i.e.  $\text{Gross profit} = \text{sales / turn over} - \text{Cost of Sales}$

xviii) **NET PROFIT.** This is the actual profits of a business after subtracting all expenses from the gross profits. i.e. **Net profit = Gross profit – Expenses**

**OR.**

It is the difference between the Gross income of the business and operating expenses.

**Note:** Net profit is added on to capital of the business in the balance sheet because it increases capital

xix) **NET LOSS.** It's where the business expenses exceed the gross profit. It's subtracted from capital in the balance sheet. i.e. **Capital – Net Loss**

**NOTE:** Gross and Net profit shall be discussed and calculated later in the chapter

xx) **Expenses.** These are costs incurred to keep the business operating e.g Rent, Electricity bills, transport, salaries and wages, insurance premiums, advertising costs, postage and stationery, bad debts, depreciation on fixed assets, carriage on sales etc.

xxi) **Debtors.** It refers to a person or firm that owes the business money i.e a person or firm supposed to pay business money. e.g. a person to whom the business has supplied goods on credit.

**Note:** Debtors are a current asset to the business.

xxii) **Creditors.** This is a person or firm to whom the business owes money. i.e a person or firm that is supposed to be paid by the business. E.g. a supplier of goods to the business on credit.

**Note:** creditors are a current liability to the business.

xxiii) **Drawings.** It refers to money or goods taken from the business by the owner for personal or private use. Drawings are subtracted from capital because they reduce the capital of the business. i.e capital – drawings

xxiv) **Solvency.** This is an economic state where the business has more assets than liabilities and therefore capable of paying its debts from its own sources.

xxv) **Insolvency.** This is an economic situation where the business has more liabilities than it assets and the business is unable to meet its debts from its own sources. This implies that the business cannot pay its debts even if it sells off its assets.

**N.B:** insolvency is not same as bankruptcy. A business may be insolvent and may still continue trading and may even be able to wipe off the deficiency. But once it is declared bankrupt, it must cease functioning, sell off its assets and distribute the proceeds among creditors in ratio of their debts

xxvi) **Bankruptcy.** This is an economic situation where the business has excessive liabilities or debts and it cannot even pay them.

xxvii) **Capital.** This is the money or physical items such as machinery invested in the business with the aim of making profits

xxviii) **Working capital.** This is the amount of money needed for daily running of the business.

**OR:** Is the excess of current assets over current liabilities of a business (Net Current Assets).It is given by

xxix) **Working Capital = Current Assets – Current Liabilities**

**NOTE:** when the current liabilities exceed current assets, the business is said to be Deficient of working capital and this situation is called **Deficiency**.

Xxx **Liquid capital.** It refers to current assets that can easily convert and quickly be converted into cash. I.e Quick assets. They include cash at hand. Cash at bank and debtors.

**NOTE.** Closing stock is excluded because it takes a little bit of time to be sold on credit first and later cash is collected after a given credit period

**N.B.** liquid funds means =**cash at hand** and **cash at bank** only.

### **Capital employed.**

This refers to the total assets used in the business or summation of fixed assets and working capital.

Xxxi **Borrowed capital.** This is the amount of money borrowed by the business and it's to be paid back after a long period e.g. Bank loan, Debenture and Mortgage

xxxii) **Circulating capital.** These are total current assets whose value keeps on changing.  
= **Summation of Current Assets.**

xxxii) **BALANCE SHEET.** It's a financial statement prepared to show the financial position of a business at a given date/ period of time

### **OR;**

It is a financial statement that shows the value of assets, liabilities and capital of a business as a particular date

xxxiii) **LIABILITIES.** These are debts or financial obligations of a business to the outsider, i.e. debts that must be paid by the business to the owner or outsiders.

### **Liabilities are of two categories:-**

a) **Long term liabilities.** These are claims or debts of a business payable over a long period of time i.e. over one year. E.g. loans, debentures, capital, creditors.

b) **Current / short term liabilities.** These are debts of a business payable within a short period of time not exceeding one year. E.g. creditors, bank overdraft, accrued, unpaid expenses, incomes received in advance, Expenses due, arrears.

xxxiv) **ASSETS.** These are properties of value owned and used by a business to generate income. They are categorized into two i.e. current assets and fixed assets.

a)**Fixed assets (Non-current assets).** These are properties of value acquired by a business for use over a long period of time i.e. more than one year and are not for resale e.g. buildings, machinery, furniture, motor vehicle, fixtures and fittings, equipment, tools, textbooks, Good will etc.

b) **Current assets.** These are properties of value owned by a business for a short period of time i.e. not exceeding one year. E.g. not exceeding one year. E.g. closing stock, debtors, cash in hand, prepaid expenses, income earned but not yet received etc. some of

them are used in the day to day running of the business while others are for resale like stock.

**CAPITALIZATION.** Refers to how the business has financed its assets i.e. (private finance or borrowed finance).

**N.B: Under capitalization.** This is where a business invests most of its capital or money in fixed assets than current assets hence making it less profitable.

**Note.** This means that the business will constantly borrow from outside to get working capital.

**xxxvii) Bad debt.** This refers to a debt that cannot be recovered by the business i.e it is an irrecoverable debt.

### **IMPORTANCES OF INTERPRETTING FINANCIAL RATIOS.**

- i. They help in comparison of a firm's performance over time i.e. current and past accounting periods to tell whether the business is declining or doing well.
- ii. Financial ratios also help investors in evaluating a business and its shares especially those selling shares to the public through stock exchange.
- iii. They help in evaluating the financial position and performance of the business.
- iv. They help an entrepreneur to make future business policies and plans to achieve set goals.
- v. They provide a basis to the entrepreneur for management of a business for making future plans, preparing budgets e.t.c
- vi. They help to determine whether a business has enough cash to meet its financial requirements like paying off short term debts at the right time.
- vii. They help the business to get financial assistance in form of loans from financial institutions.
- viii. They help to compare the performance of two or more businesses dealing in similar products.
- ix. They are used by tax authorities to assess the amount of tax to be paid by different businesses
- x. They facilitate decision making e.g. Investment decision.

### **TYPES OF FINANCIAL RATIOS**

These can be classified into four major categories

- ✓ Profitability ratios/revenue ratios
- ✓ Liquidity Ratios
- ✓ Efficiency Ratios
- ✓ Leverage Ratio/Gearing Ratio.

**They can be explained as below;**

#### **a) PROFITABILITY RATIOS /REVENUE RATIOS**

These ratios determine the level of returns that a business man an entrepreneur is getting on sales or capital that has been invested i.e they determine if the business was able to generate sufficient its continuity in operation or not.

These show how profitability the activity and assets of the business are. These include;

i) **Gross profit ratio/Gross profit margin** .This refers to the Gross profit expressed as a percentage of net sales.

$$\text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

$$= \dots\dots\dots\%$$

**For example if the final answer is 30%, this means that out of 100 shillings of goods sold shs30 is gross profit. A highest percentage implies better performance of the business**

The higher the ratio, the better.

i) **Net profit ratio**. This refers to net profit expressed as a percentage of Net Sales.

It can also be called **Net profit Margin** or Net profit expressed as a percentage of **Net sales**.

$$\text{ii) Net profit ratio} = \frac{\text{Net profit}}{\text{Net sales}} \times 100$$

$$= \dots\dots\dots\%$$

**For example if the final answer is 80%, this means that out of 100 shillings of goods sold, shs 80 is net profit.**

**The higher the ratio the better.**

iii) **Return on share holder's ratio**. This shows how much money is returned to the owners as a percentage of the money they have invested or retained in the company. The higher the percentage, the more money is being returned to investors.

$$\text{Return on shareholders' ratio} = \frac{\text{Net profit after tax and interest}}{\text{Owner's equity}} \times 100$$

$$= \dots\dots\dots\%$$

iv) **Rate of Return on Capital Employed**. This refers to net profit expressed as a percentage of Capital employed.

$$\text{Rate of return on capital employed} = \frac{\text{Net profit}}{\text{Capital employed}} \times 100$$

$$= \dots\dots\dots\%$$

For example if the final answer is 60% this means for every 100 shillings of capital

employed, shs.60 is net profit.

- v) **Rate of return on capital invested.** This refers to the net profit expressed as a percentage of the capital invested at the beginning of the trading period.

$$= \frac{\text{Net profit}}{\text{Capital Invested}} \times 100$$
$$= \dots\dots\dots\%$$

For example if the final answer is 50%, this that out of 100 shillings of capital invested shillings 50 is net profit.

b). **LIQUIDITY RATIOS;** These are ratios that show/determine the cash position of the business and hence its ability to pay its liabilities when they are due. They show whether the business has sufficient funds to pay its short term debts as they become due. Examples of Liquidity ratios include;

**i) Current ratio /working capital ratio**

This refer to the ratio of current assets to current liabilities. It shows the rate to which the business can pay its current liabilities using it current assets.

$$\text{Working capital ratio} = \frac{\text{Current assets}}{\text{Current Liabilities}} = \dots\dots\dots\text{times.}$$

**Example: It can be computed in times or proportions E.g. 2:1 or 2times**

A business had total cash of shs 56,000 and current liabilities of shs.25, 000.

Calculate the current ratio. Assets

$$\text{Current Ratio} = \frac{\text{current Assets}}{\text{Current Liabilities}}$$
$$= \frac{56000}{25000}$$
$$= 1.24 \text{ times}$$

**Interpretation.** The business is able to pay its current liabilities as they become due 2.24 times using its current assets in a given trading period.

**ii) Quick assets/acid test ratio/liquid ratios.**

These show the extent to which the business can meet its current liabilities using liquid assets.

It measures the business's ability to pay its current liabilities when they become due using its quick assets.

$$\text{Acid Test ratio} = \frac{\text{Current assets}-\text{Closing stock}}{\text{Current Liabilities}}$$

= .....times

**NB:** Quick assets are those that can easily be converted into cash with minimum loss.

**For example if the final answer is 2:1, this means that the business is able to pay its current liabilities using its quick assets 2 times.**

### c) EFFICIENCY/ACTIVITY/ASSETS RATIO

This shows how efficiently management uses its resources to generate revenue for the business.

**i) Rate of stock turn over/inventory turnover/Rate of stock turn over/Stock turn over.** This shows the number of times stock has been acquired or replaced to generate revenue for the business in a given period of time.

$$\text{i) Rate of stock turn over} = \frac{\text{Cost of sales}}{\text{Average stock}} = \dots\dots\dots\text{times}$$

**For example if the final answer is 5 times, this means that the business has replaced its stock 5 times to generate revenue in a given trading period.**

### Measures employed to increase the rate of turn over

- ✓ Reducing prices of goods
- ✓ Intensive advertising
- ✓ Offering credit facilities to credit worthy customers
- ✓ Offering free gifts and sample to customers
- ✓ Employing loss leader policy
- ✓ Using installment selling method

**ii) Stock turn over period.** This refers to the number of days stock is held or kept before it is being sold in a given period of time

$$\text{Stock turnover period} = \frac{\text{Average stock}}{\text{Cost of sale}} \times \text{Number of days in a year}$$

.....days.

$$\text{Or Stock turn over period} = \frac{\text{Average stock}}{\text{cost of sales}} \times \text{number of weeks in a year (52 wks)}$$

$$\text{Or Stock turn over period} = \frac{\text{Average stock}}{\text{cost of sales}} \times \text{number of months in a year (12 months)}$$

For example if the final answer is 150 days, this means that the business's stock is kept 150 days in a given trading period before it is being sold out. A longer period is bad as it may lead to the expiry of stock and the business may run out of working capital.



iii) **Debtors turnover turn over period/Average collection period/Debtors collection period.** This refers to the number days or months or period a business takes to collect all its debts from business debtors in a given period of time.

$$\text{Average collection period} = \frac{\text{Total debtors}}{\text{Net sales}} \times \text{Number of days in a year}$$

.....days

**For example if the final answer is 120 days, it means the business is taking 120 days to collect all its debts from its customers.**

**N.B:** A longer period is dangerous to the business because it may make to run out of working capita.

**N.B:** It can also be computed in months or weeks.

iv) **Creditors payment Period/Creditors turn over period.** This refers to the number of days /months a business takes to pay its creditors in a given period of time.

$$= \frac{\text{Total creditors}}{\text{Net purchases}} \times \text{Number of days in a year.}$$

= .....days/months.

**For example if the final answer is 100 days, this means that the business takes 100 days to pay all its creditors in a given trading period.**

v) **Fixed Asset Turn over.** This shows how the fixed assets capacity is used to generate or contribute /to revenue .i.e. This ratio shows the contribution of fixed assets in raising business revenue.

$$= \frac{\text{Net Sales}}{\text{Total Fixed Assets}} \times 100$$

=.....%

**For example if the Assets Turnover Ratio is 70%, this means that out of 100 shillings of sales made, fixed assets contribution to them is 70shillings. This means that the business is efficiently using its fixed assets to generate revenue.**

vi) **Total Assets turn over .**This shows both fixed and current assets have been used in generating returns.

$$= \frac{\text{Net Sales}}{\text{Total assets}} \times 100$$

= .....%

**vii)Expense turnover ratio /percentage of expense turnover.** Refers to the ratio / percentage of expenses to net sales / turn over.

$$\text{Rate / percentage of expenses to turnover} = \frac{\text{Total expenses}}{\text{Net sales}} \times 100$$

**Note: the lower the ratio / percentage, the better**

**Or Economy on expense ratio.** This is total expenses expressed as a percentage of turnover. It shows how economical a businessman was in his expenses. The lower, the better

$$\text{Economy on expense ratio} = \frac{\text{total expenses}}{\text{turnover}} \times 100$$

For example. If the expense turnover ratio is 30%, then this means that out of 100 shillings of sales made, shillings 30 goes to expenses.

#### **d) GEARING/LEVERAGE RATIO**

These show the ability of the firm to meet its long term obligation/debts and hence be able to survive in the long run.

**i) Equity ratio.** This refers to a financial ratio indicating the relative proportion of equity used to finance a company's assets without using borrowed funds.

The results represent the amount of the assets on which shareholders have residual claim.

$$\begin{aligned} \text{Equity ratio} &= \frac{\text{Shareholder's funds}}{\text{Total assets}} \times 100 \\ &= \dots\dots\dots\% \end{aligned}$$

**ii) Fixed Assets to Proprietor's ratio.** This ratio establishes the relationship between the fixed assets and shareholder funds.

$$= \text{Fixed assets to proprietor's ratio} = \frac{\text{Net fixed assets}}{\text{Shareholder's funds}}$$

It can be computed in times or percentages.

**For example if the answer is 10% as for fixed assets to proprietor's, then this means that 10% of proprietors funds have been invested in fixed assets.**

**iii) Current assets to proprietors ratio;** this ratio establishes the relationship between the current assets and shareholders' funds expressed as a percentage.

$$\begin{aligned} = \text{Current assets to proprietor's ratio} &= \frac{\text{Current Assets}}{\text{Shareholder's funds}} \times 100 \\ &= \dots\dots\dots\% \end{aligned}$$

For example if the answer is 20% as for current assets to proprietors, then this means that 20% of proprietor's funds have been invested in current assets.

iv) **Debt- to -equity ratio/ Leverage ratio.** This is a financial ratio indicating the relative proportion of share holders e equity and debt used to finance company's assets.

v) **Debt to equity ratio.** It shows the extent to which borrowed funds can be covered by the owner's funds

**Or;**

Indicates the relative uses of debt and equity as sources of capital to finance the company's assets, evaluated using book values of the capital sources:

$$\text{Debt to equity ratio} = \frac{\text{Long term debts/liabilities}}{\text{Total equity/capital owned}}$$

$$\text{Or debt to equity ratio} = \frac{\text{Long term debts/liabilities}}{\text{Total equity/capital owned}} \times 100$$

$$\text{Debt to equity ratio} = \frac{\text{Long term liabilities}}{\text{Owner's equity}}$$

vi) **Debt Ratio.** This refers to a financial ratio that indicates the percentage of a company's assets that are provided through debt.

$$\begin{aligned} 1. \text{ Debt ratio/solvency ratio} &= \frac{\text{Total liabilities}}{\text{Total assets}} \times 100 \\ &= \dots\dots\dots\% \end{aligned}$$

For example a company with shs.2000000 in total assets and shs.500000 in total liabilities.

Then debt ratio is 25%

$$\text{vii). Interest Cover} = \frac{\text{Net profit before Interest and tax}}{\text{Interest expense for the year}}$$

It is computed in times.

### **NOTE: TREATMENT OF ADJUSTMENTS;**

i) **Prepaid Expenses/Expenses paid in advances.** These are expenses that an entrepreneur may pay but they are meant to be paid in future. Such expenses are treated as current assets in the balance sheet and they are subtracted from the current expense paid in the income statement under profit and loss account.

Examples of prepaid expenses include; prepaid insurance, prepaid rent, prepaid electricity etc.

**ii) Prepaid Incomes/Incomes received in Advance;** these are incomes that an entrepreneur may claim for and receive it but they were meant to be received in the future.

Examples include; Rent received in advance.

**iii) Outstanding expenses / Expenses accrued / Expenses due / Unpaid expenses / Expenses owing / due.** These are expenses that an entrepreneur has not yet paid but they were meant to be paid in a previous trading period. Such expenses appear as current liabilities in the balance sheet but in the income statement they are added on the expenses being paid in the current trading period.

Examples include; rent due, Electricity outstanding, Water bills due, Salaries owing e.t.c

**iv) Incomes due/Incomes** not yet received Incomes outstanding e.t.c.

These are incomes that are not yet received but they were meant to be paid in the previous trading period.

They appear as current assets in the balance sheet and in the income statement added to the current on the current income that is meant to be paid in that current trading period.

**Bad debts.** These are expenses which the business debtors may stubbornly refuse to pay them back.

They are treated as expenses, however if they appear outside the trial balance, they are subtracted from the value of the debtors in the balance sheet.

**Provision for bad debts.** This money set aside to cater for unpaid debts. They are subtracted from the value of debtors in the balance sheet.

## EXAMPLES OF COMPUTED RATIOS

1. **The following information was extracted from the books of Pallovi Enterprises for the year ended 31<sup>st</sup> December 2016.**

Details	Amount (shs)
Opening stock	150,000
Purchases	1,800,000
Sales	2,500,000
Returns inwards	50,000

Return outwards	40,000
Closing stock	60,000
Insurance	20,000
Rent	60,000
Wages and salaries	40,000
Discount allowed	10,000
Advertisement	25,000

Calculate:-

- i) Net sales
- ii) Net purchases
- iii) Goods available for sale
- iv) Cost of sales
- v) Average stock
- vi) Gross profit
- vii) Net profit

**a) Net sales**

$$\begin{aligned}
 \text{Net sales} &= \text{Sales} - \text{return's inwards} \\
 &= 2,500,000 - 50,000 \\
 &= \text{shs } 2,450,000
 \end{aligned}$$

**b) Net purchases.**

$$\begin{aligned}
 \text{Net purchases} &= \text{Purchases} - \text{returns Outwards} \\
 &= 1,800,000 - 40,000 \\
 &= 1,760,000 \text{ shillings}
 \end{aligned}$$

**c) Goods available for sale.**

$$\begin{aligned}
 \text{Goods available for sale} &= \text{Opening stock} + \text{Net purchases} \\
 &= 150,000 + 1,760,000 \\
 &= \text{shs } 1,910,000
 \end{aligned}$$

**d) Cost of sales**

$$\begin{aligned}
 \text{Cost of sales} &= \text{Goods available for sale} - \text{Closing stock} \\
 &= 1,910,000 - 60,000 \\
 &= \text{shs } 1,850,000
 \end{aligned}$$

**e) Average stock**

$$\begin{aligned} \text{A.S} &= \frac{\text{Opening stock} + \text{Closing stock}}{2} \\ &= \frac{150,000 + 60,000}{2} \\ &= \frac{210,000}{2} \\ &= \text{shs } 105,000 \end{aligned}$$

**f) Gross profit**

$$\begin{aligned} \text{Gross profit} &= \text{Net sales} - \text{Cost of sales} \\ &= 2,450,00 - 1,850,000 \\ &= \text{shs } 600,000 \end{aligned}$$

**g) Net profit**

$$\begin{aligned} \text{Net profit} &= \text{Gross profit} - \text{Operating expenses} \\ \text{Operating expenses} &= 20,000 + 60,000 + 40,000 + 10,000 + 25,000 \\ &= 155,000 \\ &= 600,000 - 155,000 \\ &= \text{shs } 445,000 \end{aligned}$$

**Example 2**

The following information trial balance was extracted from the books of JAK stationery shop as at 28 February 2017.

Details	Dr	Cr
Sale		128,000
Purchases	90,000	
Returns	6,000	5,000
Carriage inwards	10,000	
Opening stock	28,000	
Rent	4,000	
Advertising	8,000	
Premises	122,000	
Machinery	75,000	
Debtors	18,000	
Creditors		31,000
Bank loan		60,000
Cash at hand	14,000	
Cash at bank	27,000	
Drawing	10,000	
Discount allowed	5,000	
Discount received		6,000
Commission receivable		20,000
Capital		190,000
Carriage outwards	8,000	
Wages and salaries	15,000	
	440,000	440,000

**Required:**

Prepare income statement for JAK stationery shop for the year ended 28 Feb. 2017 and balance sheet as at 28 February 2017.

**JAK STATIONERY SHOP'S**  
Income statement  
For the year ended 28 February 2017

Particulars	Shs	Shs	Shs
Sale		128,000	
Less: sales return		6,000	122,000
Less cost of sales			
Opening stock		28,000	
Add: purchases	90,000		
Add : carriage	10,000		
Purchases before returns	100,000		
Less: purchase returns	5,000		
<b>NET PURCHASES</b>		<b>95,000</b>	
Goods available for sale		123,000	
Less: closing stock		48,000	
Cost of sales			75,000
<b>GROSS PROFIT</b>			<b>47,000</b>
Add: discount allowed		6,000	
Commission receivable		20,000	
Gross income			26,000
<b>LESS: OPERATING</b>			73,000
Rent	4,000		
Advertising	8,000		
Discount allowed	5,000		
Carriage outward	8,000		
Wages and salaries	15,000		
Total operating expenses			40,000
<b>NET PROFIT</b>			<b>33,000</b>

# JAK STATIONERY SHOP`S

Balance sheet

As at 28 February 2017

DETAILS	SHS	SHS	SHS
<b>FIXED</b>			
Premises		122,000	
Machinery		75,000	197,000
<b>Current assets</b>			
Stock	48,000		
Debtors	18,000		
Cash at bank	27,000		
Cash in hands	14,000	107,000	
<b>Less: current liabilities</b>			
Creditors		31,000	
Working capital			76,000
<b>CAPITAL EMPLOYED</b>			<b>273,000</b>
<b>FINANCED BY</b>			
Capital		190,000	
Add::net profit		33,000	
Less: drawings		10,000	227,000
Add :Bank loan			60,000
<b>NET CAPITAL EMPLOYED</b>			<b>273,000</b>



## EXAMPLE 2

The following relates to the trial balance extracted from salt traders for the year ended 31 December 2015.

Particulars	Dr shs	Cr shs
Cash in hand	42,000	
Cash at bank	80,000	
Stock 1.1.2015	100,000	
Creditors		100,000
Returns inwards	15,000	
Sales		560,000
Purchases	315,000	
Salaries	40,000	
Water bills	6,000	
Postage	2,000	
Drawings	89,000	
Return outwards		10,000
Furniture	750,000	
Motor van	350,000	
Loan		300,000
Rent income		12,000
Carriage inwards	7,000	
Carriage outward	10,000	
Capital		824,000
Closing stock	13,500	
	<b>1,806,000</b>	<b>1,806,000</b>

### Required:-

- Prepare an income statement
- Present a balance sheet.

**SALT TRADERS`**  
**INCOME STATEMENT**

For the year ended 31 December 2015.

PARTICULARS	SHS	SHS	SHS
Sales			560,000
Less: returns inwards			15,000
<b>Net sales</b>			545,000
<b>Less cost of sales</b>			
Opening stock		100,000	
Add: purchases	315,000		
Add :carriage inwards	7,000		
Purchases before returns	322,000		
Less :returns outward	10,000		
<b>Net purchases</b>		312,000	
Goods available for sale		412,000	
Less closing stock		13,500	
<b>COST OF SALE</b>			398,500
<b>Gross profit</b>			146,500
Add: rent income			12,000
<b>Gross income</b>			158,500
<b>LESS OPERATING COSTS</b>			
Salaries		40,000	
Water bills		6,000	
Postage		2,000	
Carriage outwards		10,000	
Total expenses			58,000
<b>NET PROFITS</b>			100,500

**SALT TRADERS`**  
Balance sheet  
As at 31 December 2015

Details	shs	Shs	shs
<b>ASSETS</b>			
Fixed assets			
Furniture		750,000	
Motor van		350,000	1,100,000
<b>Current assets</b>			
Cash in hands	42,000		
Cash at bank	80,000		
Closing stock	13,500	135,500	
<b>LESS: CURRENT LIABILITIES</b>			
Creditors		100,000	
Working capital			35,500
<b>CAPITAL EMPLOYED</b>			<b>1,135,500</b>
<b>FINANCED BY:</b>			
Capital		824,000	
Add: net profit		100,500	
Capital before drawings			924,500
Less: drawings			89,000
Capital worth			835,500
Add long term liabilities			300,000
<b>NET WORTH</b>			<b>1,135,500</b>

- i) **Rate of Return on capital.** It is two categories ie rate of return on capital invested and rate of return on capital employed

### **EXAMPLE 3**

#### **1. Given the following information**

Opening stock	shs	12,000,000
Purchases	shs	8,000,000
Returns inwards	shs	28,000
Returns outwards	shs	32,000
Stock at close	shs	20,000,000
Rent	shs	30,000
Salaries	shs	100,000
Electricity	shs	20,000
Repairs	shs	10,000
Transport	shs	10,000

**From the above information calculate the following:**

- i) Net purchase
- ii) Goods available for sale
- iii) Cost of sales
- iv) Average stock
- v) Rate of stock turnover
- vi) Gross profit
- vii) Net profit
- viii) Gross profit margin / Gross profit ratio
- ix) Net profit margin / net profit ratio / net margin ratio

#### **Solutions:-**

i) **Net purchases** = Total purchases – purchases returns (return outwards)  
 $= 8,000,000 - 32,000$   
Net purchases = shs 7,968,000

ii) **Goods available for sale** = Opening stock + Net Purchases  
 $12,000,000 + 7,968,000$   
Goods available for sale = shs 19,968,000

iii) **Cost of sales** = (opening Stock + Net Purchases) – Closing stock  
 $= (12,000,000 + 7,968,000) - 200,000$   
 $= 19,968,000 - 200,000$   
**Cost of sales** = shs 19,768,000

iv) **Average stock** =  $\frac{\text{opening stock} + \text{closing stock}}{2}$   
 $= \frac{12,000,000 + 200,000}{2} = \text{shs } 6,100,000$

v) **Rate of stock turn** =  $\frac{\text{Cost of sales}}{\text{Average stock at cost}} = \frac{19,768,000}{6,100,000}$

Rate of stock turn = 3.2 times or approx. 3times

**Interpretation.** The business turned its stock into sales approximately 3 times during the trading year.

i) Gross profits = Net sales – Cost Of Sales

$$\begin{aligned}\text{But Net sales} &= \text{Total Sales} - \text{Sales Return (Return Inwards)} \\ &= 20,000,000 - 28,000 = \text{shs } 19,972,000 \\ \text{Gross Profits} &= 19,972,000 - 19,768,000 \\ \text{Gross Profit} &= \text{shs } 204,000\end{aligned}$$

ii) Net profit = Gross Profit – Operating Expenses

$$\begin{aligned}\text{But operating expenses} &= (\text{salaries} + \text{rent} + \text{electricity} + \text{repair} + \text{transport}) \\ &= 100,000 + 30,000 + 20,000 + 10,000 + 20,000 \\ &= \text{shs } 180,000 \\ \text{Net profit} &= 204,000 - 180,000 \\ &= \text{shs } 24,000\end{aligned}$$

$$\text{iii) Mark Up} = \frac{\text{Gross Profit}}{\text{Cost of sales}} \times 100 = \frac{204,000}{19,768,000} \times 100 = 1.03\%$$

**Interpretation.** The business adds 1.03% on the cost price of a product to determine the selling price. Or For every 100 shillings of goods sold shs.1.03 is cost of sales.

$$\begin{aligned}\text{iv) Margin / Gross Profit ratio} &= \frac{\text{Gross Profits}}{\text{Net Sales}} \times 100 = \frac{204,000}{19,972,000} \times 100 \\ \text{Margin} &= 1.02\%\end{aligned}$$

**Interpretation.** For every shs 100 of net sale, the business earned approximately shs 1 as net sales in the trading period

#### **EXAMPLE 4**

The following financial statements relates to melon enterprises LTD

#### **MELON ENTERPRISES LTD**

Income statement for the year ended 30 June 2017

	<b>Shs</b>
Sales	850,000,000
Less cost of sales	610,000,000
<b>Gross profit</b>	<b>240,000,000</b>
Less operating expenses	
Administrative costs	72,000,000
Selling and distribution costs	50,000,000
Other costs	18,000,000
Total costs	140,000,000
Profits before tax	100,000,000
Less taxation 30%	30,000,000
<b>Profit after tax</b>	<b>70,000,000</b>

**MELON ENTERPRISES LTD****Balance sheet**

As at 30 June 20117

NET FIXED	SHS
Motor vehicles	120,500,000
Land and premises	100,000,000
Furniture and fittings	80,400,000
Equipment	<b>361,000,000</b>
Current assets	
Inventory	35,500,000
Debtors	64,900,000
Prepayments	6,200,000
Bank	45,400,000
Total current assets	152,000,000
<b>Total assets</b>	<b>513,000,000</b>
Capital and liabilities	
Capital	
Owner`s equity	200,500,000
Liabilities	
5year loan	130,000,000
Creditors	152,500,000
Unpaid taxes	30,000,000
<b>Total capital and liabilities</b>	<b>513,000,000</b>

**Required;**

- Compute the following ratios
- Gross profit margin
- Net profit margin
- Profit on total asset ratio
- Current ratio
- Acid test ratio
- Fixed asset turn over
- Debtor`s turnover

**b)The enterprise apply for loan of shs 40,000,000 repayable within six months.**

**Give reasons why the bank Should accept or reject the application basing on the current ratio in a(e) above.**

**SOLUTION:**

$$\text{Gross profit margin} = \frac{\text{gross profit}}{\text{net sales}} \times 100 = \frac{240,000,000}{850,000,000} = 28.24\% \text{ or } 28\%$$

$$\text{Net profit margin} = \frac{\text{net profit}}{\text{net sale}} \times 100 = \frac{70,000,000}{850,000,000} = 8.24\% \text{ or } 8\%$$

$$\text{Profit on total asset ratio} = \frac{\text{net profits}}{\text{total assets}} = \frac{70,000,000}{513,000,000} = 70:513 \text{ or } 0.14:1$$

**Or**

$$\text{Profit on total assets ratio} = \frac{\text{net profit}}{\text{total assets}} \times 100 = \frac{70,000,000}{513,000,000} \times 100 = 13.64\% \text{ or } 14\%$$

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

$$\begin{aligned} \text{But current liabilities} &= \text{creditors} + \text{unpaid tax} \\ &= 152,500,000 + 30,000,000 = 182,500,000 \end{aligned}$$

$$\text{Therefore current ratio} = \frac{152,000,000}{182,500,000} = 0.83:1$$

**Or**

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}} \times 100 = \frac{152,000,000}{182,500,000} \times 100 = 83\%$$

$$\text{Acid test ratio} = \frac{\text{current assets} - \text{inventory}}{\text{current liabilities}} = \frac{152,000,000 - 35,500,000}{182,500,000} = \frac{116,500,000}{182,500,000} = 0.6:1$$

**Or**

$$\text{Acid test ratio} = \frac{\text{current asset} - \text{inventory}}{\text{current liabilities}} \times 100 = \frac{152,000,000 - 35,500,000}{182,500,000} \times 100$$

$$\frac{116,500,000}{182,500,000} \times 100 = 64\%$$

$$\text{Fixed asset turn over} = \frac{\text{net sales}}{\text{fixed assets}} \times 100 = \frac{850,000,000}{361,000,000} \times 100 = 235.46\%$$

**Or**

$$\text{Fixed asset turn over} = \frac{\text{net sales}}{\text{fixed assets}} = \frac{850,000,000}{361,000,000} = 2.35:1$$

$$\text{Debtors turn over} = \frac{\text{net sales}}{\text{debtors}} \times 100 = 1309.7\%$$

**Or**

$$\text{Debtors turn over} = \frac{\text{net sales}}{\text{debtors}} = \frac{850,000,000}{361,000,000} = 13.1:1$$

The Bank should reject the loan application

The reason is that the business's current assets are less than the current liabilities

**Or**

The current asset ratio is below the standard ratio of 2:1

**EXAMPLE 5:**

The following balance was extracted from the final statements of JAK'S business at the end of the 2015

	Shs
Sales	288,000,000
Total fixed assets	65,500,000
Average debtors	90,000,000
Opening stock	40,200,000
Closing stock	50,400,000
Cost of sales	201,600,000
Total current assets	36,100,000
Equity capital	68,400,000
Total current liabilities	16,800,000
Net profit before interest and tax	40,600,000
Long term liabilities	38,500,000
Interest expenses for the year	5,700,000

**Required;**

Compute the following ratios;

1. Gross profit margin
2. Stock turn over
3. Debtor's collection days
4. Leverage ratio
5. Interest Cover
6. Working capital ratio
7. Net profit margin

**SOLUTION:**

$$a) \text{ Gross profit margin} = \frac{\text{gross profit}}{\text{Net sales}} \times 100$$

But gross profit = Net sales – cost of sales

$$\text{Shs } 288,000,000 - 201,600,000 = 86,400,000 = \frac{86,400,000}{288,000,000} = 30\%$$

$$b) \text{ Stock turn over} = \frac{\text{cost of sales}}{\text{average stock}}$$

$$\text{But average cost} = \frac{\text{opening stock} + \text{closing stock}}{2}$$

$$\frac{40,200,000 + 50,400,000}{2} = 45,300,000 = \frac{201,600,000}{45,300,000} = 4.45 \text{ times}$$

$$c) \text{ Debtors collection days} = \frac{\text{average debtors} \times \text{number of days in a year}}{\text{sales}} = \frac{90,000,000}{288,000,000} \times 365 \text{ days} \\ = 114 \text{ days}$$

$$d) \text{ Leverage ratio} = \frac{\text{debt}}{\text{equity}} \times 100 = \frac{38,500,000}{68,400,000} \times 100 = 56.3\%$$



$$\text{e) Interest cover} = \frac{\text{net profit before interest and tax}}{\text{interest expenses}} = \frac{40,600,000}{5700,000} = 7.12 \text{ times}$$

$$\text{f) Working capital ratio} = \frac{\text{current assets}}{\text{current liabilities}} = \frac{36,100,000}{16,800,000} = 2.15:1$$

$$\text{g) Net profit margin} = \frac{\text{Net profit after tax and interest}}{\text{Net sales}} \times 100 = \frac{40600,000 - 5700,000}{288,000,000} \times 100$$

$$\frac{34,900,000}{288,000,000} \times 100 = 12.11\%$$

### **Example 6**

The following balances were extracted from BAM SHOPPING's books of account on 31 12 2017.

<b>PARTICULARS</b>	<b>SHS</b>
Net sales	20,000,000
Net purchases	11,000,000
Goods available for sale	16,000,000
Stock on 1.Jan 2017	5,000,000
Stock on 31 Dec 2017	4,000,000
Total operating expenses	6,000,000
Total fixed assets	8,000,000
Debtors	1,500,000
Creditors	3,000,000
Cash	900,000
Outstanding rent	1,000,000
Bank	1,600,000

### ***Required:***

Calculate and interpret the following ratios;

- Inventory turnover ratio
- Credit payment period
- Rate of return on capital employed
- Stock turnover period
- Cash ratio
- Profit mark up

### **SOLUTION:**

$$\text{Inventory turnover} = \frac{\text{cost of sales}}{\text{average stock}}$$

But cost of sales = goods available for sale – closing stock

$$\frac{16,000,000 - 4,000,000}{5,000,000 + 4,000,000 / 2}$$

$$\frac{12,000,000}{4,500,000} = 2.3 \text{ or } 3 \text{ times}$$

Interpretation the business sells and replaces its stock 3 times in the trading period.

$$\text{b) Credit payment period} = \frac{\text{creditors}}{\text{net purchases}} \times \text{number of days in a year}$$

$$\frac{3,000,000}{11,000,000} \times 365 \text{ days} = 99.5 \text{ days}$$

Interpretation on average the business takes 100days to pay its creditors.

$$\text{iii) Rate of returns on capital employed} = \frac{\text{Net profits}}{\text{employed capital}} \times 100$$

But net profit = (net sales – cost of sales) - expenses

$$\frac{(20,000,000 - 12,000,000) - 6,000,000}{8,000,000 + (8,000,000 - 4,000,000)} \times 100 = 16.7\%$$

Interpretation; for 100 shs of capital employed, the business gets shs 16.7 as net profits.

$$\text{iv) Stock turn over period} = \frac{\text{avarage stock}}{\text{cost of sales}} \times \text{number of days in a year}$$

$$\frac{4,500,000}{12,000,000} \times 365 \text{ days} = 137 \text{ days}$$

Interpretation: the business holds stock for 137 days before it's sold.

$$\text{Cash ratio} = \frac{\text{abosute liquid assets}}{\text{current liabilities}} = \frac{\text{cash+Bank}}{\text{creditors+outstanding rent}} \frac{\text{shs } 900,000+1,600,000}{3,000,000+1,000,000}$$

$$\frac{2,500,000}{4,000,000} = 0.625:1$$

Interpretation: the business can clear 0.6 of its current liabilities using its absolute liquid assets

$$\text{v) Profit margin} = \frac{\text{gross profit}}{\text{cost of sales}} \times 100 = \frac{8,000,000}{12,000,000} \times 100 = 66.6\% \text{ or } 67\%$$

Interpretation: for every shs 100 of cost of sales the business generates shs 67 as gross profits.

### **EXAMPLE 7**

The following information was extracted from the records of Promela traders for the period ended 31/12/2016.

	Shs
Inventory 01/01/2016	6,000,000
Inventory 31/12/2016	5,000,000
Inventory turnover ratio	3 times
Turnover	30,500,000
Net profit ratio	20%
Delivery van	1,800,000
Fixtures and fittings	1,000,000
Debtors	1,650,000
Creditors	2,500,000
Insurance due	1,500,000
Equipment	250,000
Bank balance	750,000
Cash balance	600,000

Required to;

Calculate;

- a) Cost of sales
- b) Net purchases
- c) Goods available for sale
- d) Total operating expenses

#### **b) Compute and interpret**

- i) Current ratio
- ii) Quick asset ratio
- iii) Credit collection period in weeks
- iv) Fixed asset turnover ratio

### **SOLUTION:**

a) **Cost of sales** = stock turn over x average stock

$$\text{But average stock} = \frac{\text{opening stock} + \text{closing stock}}{2} = \frac{6,000,000 + 5,000,000}{2} = \text{shs } 5,500,000$$

$$\text{Hence cost of sales} = 3 \times 5,500,000 = \text{shs } 16,500,000$$

b) **Net purchases** = cost of sales + closing stock - opening stock

$$= \text{shs } 16,500,000 + 5,000,000 - 6,000,000$$

$$= \text{shs } 21,500,000 - 6,000,000 = \text{Shs } 15,500,000$$

c) **Goods available for sale** = Opening inventory + net purchases

$$= 6,000,000 + 15,500,000 = \text{Shs } 21,500,000$$

d) **Total operating expenses** = gross profit – net profit.

$$\begin{aligned} \text{But gross profit} &= \text{turn over} - \text{cost of sales} = \text{shs } 30,500,000 - 16,500,000 = \\ &= \text{shs } 14,000,000 \end{aligned}$$

$$\text{Also net profit} = \text{net profit ratio} \times \text{turn over} = \frac{20}{100} \times 30,500,000 = \text{shs } 6,100,000$$

Hence total operating expenses = 14,000,000 – 6,100,000 = **shs 7,900,000**

b) i) **Current ratio** =  $\frac{\text{total current assets}}{\text{total current liabilities}}$

but current assets = stock + debtors + Bank balance + cash balance

Shs 5,000,000 + 1650,000 + 750,000 = 8,000,000

Also current liabilities = creditors + insurance due

2,500,000 + 1,500,000 = Shs 4,000,000

Current ratio =  $\frac{8,000,000}{4,000,000} = 2:1$

**Interpretation:** the business is in position to pay its current liabilities 2 times using its current assets

ii) **Quick ratio** =  $\frac{\text{current assets} - \text{closing inventory}}{\text{current liabilities}} = \frac{8,000,000 - 5,000,000}{4,000,000} = \frac{3,000,000}{4,000,000}$

= 3:4 **or** 0.75: 1

Interpretation: the business does not have enough quick assets to clear its current liabilities since the ratio is below the standard ratio.

**Fixed asset turnover ratio** =  $\frac{\text{net sales}}{\text{fixed assets}} = \frac{30,500,000}{3,050,000} = 10:1$

iv) Interpretation: for every 1 shs invested in business it generates shs 10 as sales revenue

### **EXAMPLE 8**

The following balances were extracted from MUKENE'S books of accounts on 31/12/2015.

	Shs (000)
Net sales	20,000
Net purchases	11,000
Goods available for sale	16,000
Stock (01.01.2015)	5,000
Stock (31.12.2015)	4,000
Total operating expenses	6,000
Total fixed assets	8,000
Debtors	1,500
Creditors	3,000
Cash	900
Accrued rent	1,000
Bank	1,600

### **Required:**

Calculate and interpret;

- Inventory turnover ratio
- Credit payment period
- Rate of return on employed capital
- Stock turnover period
- Cash ratio
- Profit mark-up

## **SOLUTION:**

### **i) Inventory turnover (ratio)/Rate of stock turn/ stock turnover**

$$= \frac{\text{cost of sales}}{\text{Average stock}}$$

$$\begin{aligned}\text{Cost of sales} &= \text{Goods available for sale} - \text{Closing stock} \\ &= 16,000,000 - 4,000,000 = \text{Shs } 12,000,000\end{aligned}$$

$$\begin{aligned}\text{Average stock} &= \frac{\text{opening stock} + \text{closing stock}}{2} \\ &= \frac{5,000,000 + 4,000,000}{2} = \text{Shs } 4,500,000\end{aligned}$$

$$\begin{aligned}\text{Inventory turnover ratio} &= \frac{12,000,000}{4,500,000} \\ &= 2.7 \\ &= 3 \text{ times / turns}\end{aligned}$$

**Interpretation:** The business sells and replaces its stock approximately 3 times in a trading period.

$$\begin{aligned}\text{(ii) Credit payment period} &= \frac{\text{creditors}}{\text{Net purchases}} \times \text{Number of days / weeks/ months in a year} \\ &= \frac{\text{creditors}}{\text{Net purchases}} \times \text{Number of days in a year} \\ &= \frac{3,000,000}{11,000,000} \times 365 \\ &= 99.5 \\ &= 100 \text{ days}\end{aligned}$$

**Interpretation:** On average the business takes 100 days to pay its creditors suppliers

### **(iii) Rate of return on employed capital**

$$= \frac{\text{Net profit}}{\text{Employed capital}} \times 100$$

$$\begin{aligned}\text{Net profit} &= \text{Gross profit} - \text{Total operating expenses} \\ &= \text{Net sales} - \text{Cost of sales} - 6,000,000 \\ &= (20,000,000 - 12,000,000) - 6,000,000 \\ &= 8,000,000 - 6,000,000 \\ &= \text{Shs } 2,000,000\end{aligned}$$

Employed capital = Total fixed assets / fixed assets + working capital

But working capital = Total current assets – Total current liabilities.

$$\begin{aligned}\text{Total current assets} &= \text{Closing stock} = \text{Debtors} = \text{Cash} + \text{Bank} \\ &= 3,000,000 = 1,000,000 \\ &= \text{shs } 4,000,000\end{aligned}$$

Working capital = 8,000,000 – 4,000,000  
= shs4, 000,000

Employed capital = 8,000,000 + 4,000,000  
Shs 12,000,000

Rate of return on employed capital =  $\frac{2,000,000}{12,000,000} \times 100$   
= 16.7%

### **EXAMPLE 9:**

The following are records of KK TRADERS for the period ended 31<sup>st</sup> /12/2015.

#### **KK INCOME STATEMENT FOR THE YEAR ENDED 31/12/2015**

	SHS	SHS	SHS
Sales		1,010,000	
Less sales returns		<u>(10,000)</u>	
Turnover			1,000,000
Less <u>cost of sales</u>			
Opening stock		200,000	
Purchases	700,000		
Add carriage inwards	<u>5,000</u>		
	705,000		
Less purchase returns	<u>(20,000)</u>		
Net purchases		685,000	
Goods available for sale		<u>885,000</u>	
Less closing stock		<u>(190,000)</u>	
Cost of sales			<u>(695,000)</u>
Gross profit			305,000
Less <u>operating expenses</u>			
Carriage on sales		80,000	
Interest		10,000	
Advertising		17,000	
Salaries		73,000	
Depreciation		5,000	
General expenses		<u>20,000</u>	
Total expenses			<u>(205,000)</u>
Net profit			<u>100,000</u>

**KK**  
**BALANCE SHEET**  
**AS AT 31/12/2015**

	SHS	SHS	SHS
<b>FIXED ASSETS</b>			
Land and buildings	800,000	-	800,000
Furniture	300,000	-	<u>300,000</u>
Total fixed assets			1,100,000
<b>CURRENT ASSETS</b>			
Stock	190,000		
Debtors	92,000		
Less provision for bad debts	(2000)		
Cash at hand	30,000		
Prepaid expenses	<u>10,000</u>		
Total current assets		320,000	
<b>LESS CURRENT LIABILITIES</b>			
Creditors	100,000	<u>(100,000)</u>	
Working capital			220,000
Capital employed			<u>1,320,000</u>
<b>Financed by</b>			
Capital			1,210,000
Net profit			100,000
			1,310,000
Less drawings			(10,000)
			1,300,000
Add <u>long term liabilities</u>			20,000
Bank loan			1,320,000

Calculate

i. Gross profit margin

$$\begin{aligned}\text{Gross profit margin} &= \frac{\text{Gross profit}}{\text{Net sales}} \times 100 \\ &= \frac{305,000}{1,000,000} \times 100 = 30.5\%\end{aligned}$$

ii. **Mark up**

$$\begin{aligned}\text{Mark up} &= \frac{\text{Gross profit}}{\text{Cost sales}} \times 100 \\ &= \frac{305,000}{695,000} \times 100 = 43.9\%\end{aligned}$$

iii. **Net profit margin**

$$\begin{aligned}\text{Net profit margin} &= \frac{\text{Net profit}}{\text{Net sales}} \times 100 \\ &= \frac{100,000}{1,000,000} \times 100 \\ &= 10\%\end{aligned}$$

**iv. Average stock**

$$\begin{aligned}\text{Average stock} &= \frac{\text{Openign stock} + \text{Closing stock}}{2} \\ &= \frac{200,000 + 190,000}{2} \\ &= 195,000 \text{ shillings}\end{aligned}$$

**v. Rate of stock turn**

$$\begin{aligned}\text{Rate of stock turn} &= \frac{\text{Cost of sales}}{\text{average stock}} \\ &= \frac{695,000}{195,000} \\ &= 3.56 \text{ times}\end{aligned}$$

**vi. Stock turnover period in weeks**

$$\begin{aligned}\text{Stock turnover period in weeks} &= \frac{\text{Average stock}}{\text{Cost of sales}} \times 52 \text{ weeks} \\ &= \frac{195,000}{695,000} \times 52 \\ &= 14.6 \text{ weeks}\end{aligned}$$

**vii. Rate of debtors turnover**

$$\begin{aligned}\text{Rate of debtors turnover} &= \frac{\text{Net sales}}{\text{Total debtors}} \\ &= \frac{1,000,000}{92,000} \\ &= 10.87 \text{ times}\end{aligned}$$

**viii. Average debt collection period**

$$\begin{aligned}\text{Average debt collection period} &= \frac{\text{Total debtors}}{\text{Net sales}} \times 52 \text{ Weeks} \\ &= \frac{92,000}{1,000,000} \times 52 \\ &= 4.78 \text{ weeks}\end{aligned}$$

**ix. Rate of credit turn over**

$$\begin{aligned}\text{Rate of credit turn over} &= \frac{\text{Net purchases}}{\text{Total creditors}} \\ &= \frac{685,000}{100,000} \\ &= 6.85 \text{ times}\end{aligned}$$

On average, the business purchased goods on credit 6.85 times in a year.

**x. Average payment period**

$$\begin{aligned}\text{Average payment period} &= \frac{\text{Total creditors}}{\text{Net purchases}} \times 365 \\ &= \frac{92,000}{1,000,000} \times 365 \\ &= 53.28 \text{ days}\end{aligned}$$



**xi. Fixed assets turnover**

$$\begin{aligned}\text{Fixed assets turnover} &= \frac{\text{Net sales}}{\text{Fixed assets}} \times 100 \\ &= \frac{1,000,000}{1,000,000} \times 100 \\ &= 90.91\%\end{aligned}$$

**xii. Total assets turnover**

$$\begin{aligned}\text{Total assets turnover} &= \frac{\text{Net sales}}{\text{Total assets}} \times 100 \\ &= \frac{1,000,000}{(1,100,000+320,000)} \times 100 \\ &= \frac{1,000,000}{1,420,000} \times 100 \\ &= 70.42\%\end{aligned}$$

**xiii. Percentage of expenses to turnover**

$$\begin{aligned}\text{Percentage of expenses to turnover} &= \frac{\text{Total expenses}}{\text{Net sales}} \times 100 \\ &= \frac{205,000}{1,000,000} \times 100 \\ &= 2.05\%\end{aligned}$$

**EXAMPLE 10:**

The following information was extracted from the books of MASIKINI ENTERPRISES LTD on 31<sup>st</sup>.12.15.

	Shs
Stock (01.01.2015)	2,400,000
Stock (31.12.2015)	2,000,000
Rate of stock turn	4 times
Gross profit mark-up	20%
Debtors	600,000
Cash balance	700,000
Bank overdraft	400,000
Net profit	800,000
Drawings	300,000
Creditors	640,000
Capital	2,200,000
Provision for bad debts	100,000

**(a) Determine;**

- i) Average stock
- ii) Cost of sales
- iii) Purchases
- iv) Sales

**b) Compute and interpret the following;**

- i) Gross profit to sales
- ii) Current ratio
- iii) Net profit margin
- iv) Acid-test ratio
- v) Average collection period for debts in weeks.

**Solution:**

➤ (i) average stock

$$\begin{aligned}\text{Average stock} &= \frac{\text{opening stock} + \text{closing stock}}{2} \\ &= \frac{2,400,000 + 2,000,000}{2} \\ &= \text{shs } 2,200,000\end{aligned}$$

$$\begin{aligned}\text{(ii) Cost of sales} &= \text{Rate of stock turn over} \times \text{Average stock or (opening stock + Net purchases) - closing stock} \\ &= 4 \times 2,200,000 \\ &= \text{shs } 8,800,000\end{aligned}$$

$$\begin{aligned}\text{(iii) Purchases} &= \text{Cost of sales} + \text{closing stock} - \text{opening stock} \\ &= 8,800,000 + 2,000,000 - 2,400,000 \\ &= \text{shs } 8,400,000\end{aligned}$$

$$\begin{aligned}\text{(iv) Sales} &= \text{cost of sales} + \text{Gross profit} \\ &= 8,800,000 + 1,760,000 \\ &= \text{shs } 10,560,000\end{aligned}$$

$$\begin{aligned}\text{(v) Gross profit to sales/margin} &= \frac{\text{Gross profit}}{\text{Sales}} \times 100 \\ &= \frac{1,760,000}{10,560,000} \times 100 \\ &= 16.7\%\end{aligned}$$

**Interpretation;** For every shs 100 of (net) sales made, the business gets /generates/earns shs 16.7 as gross profit.

$$\text{(i) Current ratio /working capital ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$\begin{aligned}\text{Current assets} &= (\text{Debtors} - \text{provision for bad debts}) + \text{cash balance} \\ &= (600,000 - 100,000) + 700,000 + 2,000,000 \\ &= 500,000 + 700,000 + 2,000,000 \\ &= \text{shs } 3,200,000\end{aligned}$$

$$\begin{aligned}\text{Current Liabilities} &= \text{Bank overdraft} + \text{Creditors} \\ &= 400,000 + 640,000 \\ &= \text{shs } 1,040,000\end{aligned}$$

$$\begin{aligned}\text{Current ratio} &= \frac{\text{Current assets}}{\text{Current liabilities}} \\ &= \frac{3,200,000}{1,040,000} \\ &= 3.1:1\end{aligned}$$

**Interpretation;** The current assets are able to clear / pay off current liabilities by 3.1 times as they fall due **or** the business clears its current liabilities 3.1:1 times using its current assets.

$$\begin{aligned}
 \text{(iii) Net profit margin} &= \frac{\text{Net profit}}{\text{Sales}} \times 100 \\
 &= \frac{800,000}{10,560,000} \times 100 \\
 &= 7.6\%
 \end{aligned}$$

**Interpretation;** for every shs 100 of sales made, the business gets/earns/generates shs 7.6 as net profit.

$$\begin{aligned}
 \text{(iv) Acid – test ratio} &= \frac{\text{Quick assets}}{\text{Current liabilities}} \\
 \text{OR} & \\
 &= \frac{\text{Current assets} - \text{stock at close}}{\text{Current liabilities}} \\
 &= \frac{3,200,000 - 2,000,000}{1,040,000} \\
 &= \frac{1,200,000}{1,040,000} \\
 &= 1.2:1
 \end{aligned}$$

**Interpretation;** the business is able to clear its current liabilities using the quick assets 1.2 times.

$$\begin{aligned}
 \text{(v). Average collection period for debts} &= \frac{\text{Total debtors}}{\text{Sales}} \times \text{Number of weeks in a year} \\
 &= \frac{\text{Debtors} - \text{Provision for bad debts}}{\text{Sales}} \times 52 \text{ weeks} \\
 &= \frac{600,000 - 100,000}{10,560,000} \times 52 \text{ weeks} \\
 &= \frac{500,000}{10,560,000} \times 52 \text{ weeks} \\
 &= 2.5 \\
 &= 3 \text{ weeks.}
 \end{aligned}$$

**Interpretation:** The business takes an average of 3 weeks to collect money from the debtors.

### **ASSIGNMENT 1:**

The following is a trial balance of KYENGERA GROCERY.

Details	Debit	Credit
Capital		800,000
Sales		3000,000
Purchases	2,250,000	
Cash in hand	18,000	
Cash at hand	542,000	
Insurance	10,000	
Telephone and postage	135,000	
Printing and stationary	4000	
Salaries and wages	150,000	
Stock at start	460,000	
Debtors	299,000	
Creditors		68,000
<b>Total</b>		

**Required;** a) Prepare an income statement,  
b) Balance Sheet.

### **ASSIGNMENT 2:**

Below is a list of balances of books of BONANZA business enterprises for the year ended **31<sup>st</sup>** December 2019.

Land	4,100
Buildings	50,000
Motor van	40,000
Sales	70,000
Purchases	60,000
Purchases returns	1800
Wages	1000
Salaries	3000
Carriage on sales	2800
Electricity	2500
Bad debts	1400
Drawings	7000
Capita	100,000
Stock at start	6000
Stock at close	3000
Rent Income	300
Commission received	200
Debtors	6500
Creditors	5,500
Cash at hand	2000
Bank Overdraft	8500

**Required:-**

- Extract a trial balance.
- Prepare Trading, profit and loss account.
- Balance sheet.

**ASSIGNMENT 3:**

Below is trial balance of ZAM ZAM traders.

DETAILS	DEBIT	CREDIT
Capital		1200,000
10 years loan		300,000
5 years loan		150,000
Land	900,000	
Buildings	700,000	
Purchases/Sales	350,000	530,000
Returns	3000	4000
Wages	5000	
Carriages inwards	4500	
Carriage outwards	4000	120,000
Bank overdraft		
Debtors/Creditors	90,000	750,000
Stock at start	15,000	
Cash at hand	160,000	
Cash at bank	180,000	
Rent income		10,000
Discounts	6000	8,000
Salaries	8,500	500
Interest on deposit		
Insurance	5,500	
Furniture	240,000	
Commission received		4500
Repairs	3500	
Stationary	9000	
Electricity	15000	
Motor expenses	600,000	
General expenses	6500	
Water bills	2500	906,000s
7 years loan		
	<b>3,303,8000</b>	<b>3,308,000</b>

**Additional information:-**

- Stock at close 12000
- Shs.400 is still due for the wages
- Interest of shs. 50 is due but not yet received

- Salaries include 2000 was paid in advance
- Rent income received in advance in 2500
- Shs.1000 on insurance is unpaid
- Commission of shs 600 is still unpaid.
- Stock of unused stationary was valued at shs. 1500.
- Shs.1200 on repair is still outstanding.
- Shs.800 was pre-paid for water.
- Electricity bill paid in advance. 1800

***Required:-***

Prepare an income statement and a balance sheet.

**ASSIGNMENT 4:**

A firm had the following records as at 31<sup>st</sup> December 2010

Capital	shs 700,000
Equipment	shs 280,000
Stock	shs 150,000
Creditors	shs 200,000
Debtors	shs 100,000
Land	shs 500,000
Bank loan	shs 200,000
Bank overdraft	shs 100,000
Buildings	shs 300,000
Debenture	shs 300,000
Net profit	shs 400,000
Drawings	shs 100,000
Stock	shs 150,000
Cash at hand	shs 350,000

**Calculate the following:-**

- i) Owner's equity
- ii) Fixed capital
- iii) Working capital
- iv) Borrowed capital
- v) Rate of return on capital

**b) . Below is a list of assets, Liabilities and capital of JOJO traders as at 31<sup>st</sup> December 2000.**

Capital .....

7 Years loan	200,000
Plant and Machinery	70,000
Furniture	150,000
Buildings	100,000
Land	80,000
4Years loan	50,000
Creditors	10,000
Bank Overdraft	20,000
Debtors	90,000
Stock	40,000
Cash at hand	60,000
Cash at bank	55,000
Motor Van	120,000
Equipment	15,000

**Required:**

**Prepare a balance sheet as at that date.**

**NOTE:** When the Value of Capital is not given, get a difference between total Assets and Total Liabilities. **That difference gives you Capital**

**c). The following balances are owed by Trina Traders as at 31<sup>st</sup> Dec. 2019.**

Capital	1,000,000
Premises	400,000
10 years loan	500,000
Fittings	250,000
Motor van	150,000
Stock	150,000
Debtors	470,000
Cash	350,000
Un paid taxes	100,000
Bank overdraft	80,000
Creditors	120,000
Machinery	350,000
6 years loan	500,000

**Required:**

- a) Prepare a balance sheet
- b) Determine
  - i) Capital employed
  - ii) Borrowed capital
  - iii) Liquid capital
  - iv) Trading capital

### **ASSIGNMENT 5:**

a) Distinguish between Insolvency and Bankruptcy.

The following balances of Assets and liabilities were obtained from books of;

<b>MAMA Traders as at 31st Dec 2009</b>	<b>Shs</b>
Buildings	750,000
Furniture	200,000
Motor Van	280,000
Capital	1,270,000
5 years loan	900,000
7 years loan	700000
Creditors	700,000
Salary dues	650,000
Stock at close	840,000
Debtors	390,000
Cash at bank	540,000
Cash at hand	40,000

#### **Calculate:-**

- i) Capital owned
- ii) Working capital
- iii) Net capital employed
- iv) Fixed capital

### **ASSIGNMENT 6:**

(a) The following balances were extracted from the financial records of MUJE enterprises Ltd for the year ended 31<sup>st</sup> December 2015:

	<b>Shs</b>
Sales	4,000,000
Purchases	6,600,000
Bank	660,000
Land	1,520,000
Debtors	400,000
Loan	2,680,000
Computer	800,000
Gross profit	1,000,000
Cash	350,000
Creditors	480,000
Drawings	200,000
Capital	2,000,000
Equipment	600,000
Expenses	200,000
Bank overdraft	200,000
Stock 1st Jan 2015	400,000
Furniture and fittings	400,000
Stock 31 <sup>st</sup> December 2015	600,000

Required to;



**Calculate and interpret:-**

- i. Working capital ratio
- ii. Rate of stock turn
- iii. Gross profit margin
- iv. Net profit margin
- v. Acid test ratio
- vi. Rate of return on capital employed
- vii. Average credit period
- viii. Average collection period for debts

**ASSIGNMENT 7:**

The following information was extracted was extracted from records of SMART TRADERS.

Inventory at start	6000,000
Inventory at close	5000,000
Inventory turnover ratio	3 times
Turn over	30,500,000
Net Profit ratio	20%
Delivery Van	1,800,000
Fixtures and Fittings	18,00,000
Debtors	100,000
Creditors	1,650,000
Insurance due	2,500,000
Equipment	1,500,000
Bank balance	750,000
Cash balance	600,000

**Required;****a) Calculate:-**

- i) Cost sales
- ii) Net purchases
- iii) Goods available for sale
- iv) Total Operating Expenses

**b) Compute and interpret**

- i) Current ratio
- ii) Quick asset ratio
- iv) Credit collection period in weeks
- v) Fixed assets turnover ratio.

**ASSIGNMENT 8:**

The following are records of STAR TRADERS for the period ending 31<sup>st</sup> December 2017.

<b>Particulars</b>	<b>Amount</b>
Net purchases	26,356,000
Net Sales	48,012,000
Opening inventory	8,644,000
Cost of goods sold	35,050,000
Closing inventory	1,100,000
Total profit for the year	14,112,000
Cash expenses for the year	3,120,000
Discount allowed	580,000
Capital	32,810,000
Furniture	9,277,000
Buildings	31,977,000
Accounts payable	5,800,000
Bank overdraft	6,900,000
Short term loans	1,020,000
Accounts Receivable	8,700,000
Cash balance	8,300,000
Good Will	2,690,000
Patent Rights	2,610,000
Bank loan	3,932,000
Debenture	3,780,000

**Required;**

a) **Prepare a balance sheet for Star Traders**

b) **Calculate:-**

- i) Working profit ratio
- ii) Acid test ratio
- ii) Stock turnover period.

c) **Compute and interpret:-**

- i) Debt to Equity ratio
- ii) Average collection period

**ASSIGNMENT 9:**

a) The following information was obtained from the books of Collins as at 31.12.2013

<b>Particulars</b>	<b>Shs</b>
Capital	21,000,000
Purchases	30,500,000
Sales	48,000,000
Return outwards	1,600,000
Stock (Jan 1st 2013)	5,000,000
Electricity	700,000
Salaries and wages	2,000,000
Returns inwards	1,200,000
Rent	300,000
Discount allowed	600,000

Furniture at cost	3,000,000
Building	20,000,000
Debtors	9,000,000
Creditors	5,200,000
Carriage on purchases	200,000
Bank overdraft	4,000,000
Cash	8,000,000
Commission received	1,000,000
Stock 31 <sup>st</sup> -12-2013	1,000,000

**Calculate the following:-**

- (i) Cost of goods sold
- (ii) Turn over
- (iii) Gross profits
- (iv) Net profits
- (v) Fixed capital
- (vi) Working capital
- (vii) Capital owned
- (viii) Current ratio
- (ix) Rate of return on capital employed
- (x) Current ratio
- (xi) Rate of stock turn
- (xii) Average payment period
- (xiii) Average collection period for debtors in month
- (xiv) Debit ratio

**ASSIGNMENT 10:**

**The following balances were extracted from the financial statement of Nalufenya Enterprises at the end of 2016.**

<b>Particulars</b>	<b>Shs</b>
Cash	2,010,000
Bank	(600,000)
Sales	35,000,000
Purchases	9,500,000
Average stock	4,000,000
Rate of stock turn	5 times
Fixed Assets	5,000,000
Accounts payable	450,000
Closing stock	2,500,000
Accounts receivable	6,590,000
Total operating expenses	8,750,000
Interest receivable due	50,000

**Required to;-**

- a) Calculate;-
  - (i) Cost of sales
  - (ii) Gross profit
  - (iii) Net profit
  - (iv) Opening stock
  - (v) Net profit ratio

(vi) Working capital

**b) Compute and interpret:-**

- (i) Stock/ Holding period in weeks
- (ii) Rate of creditor's turnover
- (iii) Quick Asset ratio

5. Debtors collection period in days.

**ASSIGNMENT 11:**

The following financial statements relate to Kabo enterprises ltd.

***Kabo enterprises ltd***  
***Income statement for the year ended 31st Dec. 2016***

Details	Shs	Shs
Sales		850,000,000
<b>Less</b> cost of sales		610,000,000
Gross profit		240,000,000
<b>Less</b> operating costs		
Administrative costs	72,000,000	
Selling and distribution costs	50,000,000	
Other costs	18,000,000	<b>140,000,000</b>
Profit before tax		100,000,000
Less taxation 30%		30,000,000
Profit after tax		70,000,000

***Kabo enterprises ltd***  
***Statement financial position (balance sheet)***  
***As at 31st December. 2016***

<b>Fixed assets (net)</b>	
Motor vehicles	120,000,000
Land and premises	100,000,000
Furniture and fittings	80,400,000
Equipment	60,100,000
<b>Total fixed assets</b>	<b>361,000,000</b>
Current assets	
Inventory	35,500,000
Debtors	64,900,000
Prepayments	6,200,000
Bank	45,400,000
Total current assets	152,000,000
Total assets	<b>513,000,000</b>
Capital and liabilities	
Capital	
Owners – equity	200,500,000
Liabilities	
Five-year (loan)	130,000,000
Creditors	152,500,000
Unpaid tax	30,000,000
Total capital and liabilities	<b>513,000,000</b>

***Required:-***

**(i) Compute the following ratios:-**

- a) Gross profit margin
  - i. Net profit margin
  - ii. Profit on total assets ratio
  - iii. Current ratio
  - iv. Acid test ratio
  - v. Fixed asset turnover
  - vi. Debtors turnover

**4. Kabo enterprises has applied for a short term bank loan of shs 40,000,000 repayable within six months.**

***Required:-***

Give reasons why the bank should accept or reject the application basing on the current ratio in 2 (a) (iv) above.

**ASSIGNMENT 12:**

**The following information was availed by books of SUUBI enterprises for the year 2019.**

ITEMS	AMOUNT(SHS)
Opening stock	3500,000
Closing stock	3,230,000
Sales	10,500,000
Purchases	5,400,000
Debtors	2,100,000
Creditors	1420,000
Carriage in wards	340,000
Motor van	8,200,000
Equipment	1945,0000
Return inwards	234,000
Return out wards	170,000
Rent and Rates	543,000
Postage	190,0000
Insurance	690,000
Motor expenses	200,000
Capital	3,000,000
Drawings	1,250,000

**Additional information:-**

Rent prepared was worth	45,000
Postage arrears amounted to	20,000
Insurance owing was	45,000

Calculate:-

- a) Cost of sales,
- b) Gross profit.

- c) Net profit
- d) Net profit ratio
- e) Working capital ratio
- f) Mark up

**Compute and interpret:-**

- a) Creditors payment period in days,
- b) Debt to Owners equity.

## **TOPIC 7**

### **BUSINESSPLANNING PREPARATION AND POLICY DOCUMENTS**

A business plan is written document that summaries the operational and financial objectives of a business and contains the detailed plans and budget showing how the objectives are to be realized

**Steps involved in preparing a business plan:-**

- ✓ Selecting a business opportunity or type of business to engage in. this involves scanning the environment to generate many business ideas to choose from.
- ✓ Conducting market survey for the selected type of business. This involves checking whether the entrepreneur's chosen business idea can be developed into a profitable business in terms of fulfilling the market needs.
- ✓ Collecting all the relevant data concerning the different aspects of business and establish the costs of different items like machinery and equipment, raw materials, transport etc.
- ✓ Drafting the business plan to be discussed with experienced people. This business plan enables the entrepreneur to know how the business will be organized, establish the amount of money needed to start and run the business before starting it.
- ✓ Discussing the drafted business plan with technical / knowledgeable or experienced people in similar business.
- ✓ Making a final business planning after having discussion with knowledgeable people.
- ✓ Finalizing the business planning process by preparing an action plan for implementation of the planned activities

### **ELEMENTS / COMPONENTS OF A BUSINESS PLAN**

**Executive summary-**

- ✓ General description of the business
- ✓ Statement of mission, goals and objectives
- ✓ The marketing plan
- ✓ The production plan
- ✓ The Organizational plan/ administrative/ management plan
- ✓ The financial plan
- ✓ The action plan

### **EXECUTIVE SUMMARY**

This is an over view which summaries the key points of the business plan.

**Example:**

You have mobilized savings and establish business making gift bags. Develop its executive summary.

Example

You are the general manager of Zam Zam hardware.

Draft a profile of the business

**ZAMZAM HARD WARE**  
**P.O BOX 910 KYENGERA**  
**TEL: 0704911227**

### **BUSINESS PROFILE**

- i. Name of the business.** The business name is ZAMZAM hardware located in Kyengera trading center opposite shell station
- ii. It deals in all construction materials and equipments like cement, iron sheets etc.**
- iii. Back ground of the business.** It has been in existence for the last 10 years. It started as a small business but it is growing steadily.
- iv. Marketing strategies.** It markets its products through issuing business cards, fliers and brochures to customers. It also offers its products at a reduced price compared to other business competitors.
- v. Mode of ownership.** It is a sole proprietorship business owned by Sempala Mark assisted by his wife and other family members.
- vi. Business vision.** To be the most reliable and preferred Hardware providing the best Hardware products in Uganda through offering high quality products / services and at affordable rates”
- vii. Business mission.** “To distributed the best hardware products at affordable prices”.

### **Assignment:**

**In your senior six vacations you have mobilized small savings and set up a business making gift bags.**

- a)** Present its profile
- b)** Present an organizational chart for the business
- c)** Present its production plan.

**Example:**



You have mobilized savings and set up a small bakery prepare

- i. General description
- ii. Business mission and vision statement

**VISION STATEMENT**

This outlines the dream of a company. It streamlines what the business is aiming to achieve in future.

**Vision statement:**

KJS BAKERY (U) LIMITED  
P.O BOX 2223, KAMPALA  
Email: [kjsbakery@yahoo.com](mailto:kjsbakery@yahoo.com)  
Tel: 0756990077  
Vision statement

“To be the leading producer and supplier of quality bakery products in Uganda through offering quality product at affordable rates”

**Mission statement**

Mission statement, this is a brief statement that indicates the purpose of the business.  
Mission statement for KJS mineral water bottling company

KJS BAKERY (U) LIMITED  
P.O BOX 2223, KAMPALA  
Email: [kjsbakery@yahoo.com](mailto:kjsbakery@yahoo.com)  
Tel: 0756990077  
Mission statement

**“To improve on the customers diet by producing high quality products at a price which is affordable”**

**Goals.** A goal is something (target) that one intends to achieve in a given period of time using a given amount of resources. They are achieved with in a year and above

KJS BAKERY (U) LIMITED  
P.O BOX 2223, KAMPALA  
Email: [kjsbakery@yahoo.com](mailto:kjsbakery@yahoo.com)  
Tel: 0756990077  
Goals statement

- ✓ To control 60% of the market share in five years
- ✓ To increase sales by 30% in two years
- ✓ To realize an increase in profit of 20% within two years of operation.
- ✓ To open another branch in six years

**OBJECTIVES THE BUSINESS**

Objectives are specific targets that must be achieved in a specific period of time. They happen within a year.

KJS BAKERY (U) LIMITED  
P.O BOX 2223, KAMPALA  
Email: [kjsbakeryl@yahoo.com](mailto:kjsbakeryl@yahoo.com)  
Tel: 0756990077

### OBJECTIVES STATEMENT

- ✓ To increase output levels by 20% in six months
- ✓ To increase sales by 10% in six months
- ✓ To expand the market share after 2 months of operation
- ✓ To improve on the distribution channel within one year of operation
- ✓ To reduce cost of production by 5% in nine months

### Marketing plan

This is an analysis of the possible position and opportunities of a business being planned in the present market situation

### EXAMPLE

You are the general manager of one of the fast growing bakeries. Prepare

- i. **A marketing plan**
- ii. **Production plan**
- iii. **Organizational plan**

**KJS BAKERY (U) LIMITED**  
**P.O BOX 2223, KAMPALA**  
**Email: [kjsbakery@yahoo.com](mailto:kjsbakery@yahoo.com)**  
**Tel: 0756990077**

### MARKETING PLAN

**Target customers:** the main customers are super markets, restaurants, wholesalers, small scale retailers, schools and households across the country

**Product offered:** Products dealt in are breads, buns, cookies, doughnuts, daddies e.t.c.

**Position of business competitors:** The direct competitors of KJS Bakery are M products, Kiddawalime, Denovo bakery. Their strength lies in having large capital base and their weakness are poor products distribution and high price.

**Expected sales:** The business aims at selling products not less than 200,000,000 shillings by the end of every accounting period of the year.

**Pricing of products.** The retail prices for the different products of KJS bakery compared to those of the competitors are as follows:-

Product	Our price (shs)	Competitors price (shs)	Difference (shs)
---------	-----------------	-------------------------	------------------

Breads (family)	4,500	5,000	500
Doughnuts	3,500	4,500	1,000
Daddies	2,000	3,000	1,000
Cakes	5,000	4,500	500

**Distribution strategy:** Products are directly sold to customers from the business premises using motor vehicles to reach most customers directly and through intermediate where they are readily available especially wholesalers and retailers.

**Promotion and advertising strategy:** The business products are promoted and advertised through selling high quality bakery products, and advertising on television for example NTV.

**Projected marketing expenses:** The business sales for the shop and snacks shs 200,000,000, expenses shs 40,000,000, expenses for adverts, sign post, business cards, commission on sales men shs 80,000,000

**Pricing strategies.** Products are priced basing on competitors price and demand.

**Terms and conditions for selling products.** The bakery products are usually sold on cash basis to avoid bad debts. However those who buy in large quantities have credit worthy i.e. supermarkets and some wholesalers are given credit facilities with a cash discount of 5% on payment.

### **ASSIGNMENT:**

**You have mobilized some savings and opened up a restaurant, prepare its marketing plan.**

### **PRODUCTION PLAN**

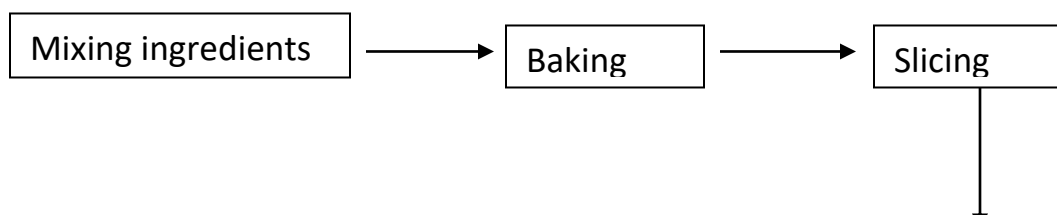
It is an analysis of the projected need for producing (manufacturing) the proposed goods or services (product).

KJS Bakery  
Tel: **P.O BOX 2223, KAMPALA**  
Email: [kjsbakery@yahoo.com](mailto:kjsbakery@yahoo.com)  
Tel: **0756990077**

### **PRODUCTION PLAN**

- i. **Business premises and location.** The business is located in Gangu Wakiso district near the tax park. The site is accessible and it is near the taxi park therefore there is a ready market. The premises are rented at a cost of shs 1,000,000 per year with dimensions 120 meters length by 70 meters width.
- ii. **Products offered:** Products dealt in are breads, bans, cookies, doughnuts, daddies etc.
- iii. **Manufacturing process and flow and layout.** KJS Bakery produces high quality breads and doughnuts nuts. Basing on projected demand it produces 5000 small breads of 200 shillings, medium breads of shs 500, 1500 breads of 500g each of shs 1800 and 1000 breads of 1 kg of shs 3600.

**The process flow is as below:-**



- iv. **Choice of machinery and equipment.** The business uses both power driven and hand driven machines and they are purchased from local suppliers of Katwe trading centre and others are imported from UK and UAE.

**Summary costs for machinery and equipment**

No.	Details of Description	Unit cost (shs)	Total (shs)
1	Generator	1,000,000	1,000,000
2	Micro wave	5,000,000	5,000,000
3	Slicing machine	500,000	500,000
4	Baking machine	2,500,000	2,500,000
	<b>Total cost</b>		<b>9,000,000</b>

- (v) **Raw materials and consumables.** The main raw materials include wheat, salt, sugar, yeast, fats and water. These are estimated at shs 72,600,000 for the first month of operation and are purchased from Kikubo shopping centre at reduced prices.

Type of raw materials	quality	Unit cost (shs)	Total (shs)
Wheat	10,000 kg	4,000	40,000,000
Salt	5,000kg	800	4,000,000
Sugar	8,000kg	3,000	24,000,000
Yeast	3,000kg	1,200	3,600,000
Fats	1,000kg	1,000	1,000,000
<b>Total</b>			<b>72,600,000</b>

- (vi) **Production standards** and quality objectives to be maintained during production process, the business follows its limit of deviation from set standards and the prescribed quality standards of Uganda National Bureau of Standards to as to minimize deviations from the required production and quality standards.
- (vii) **Labour requirements.** The bakery employs 2 technicians with bachelor degree of food science and technology, 2 technical assistances with Diploma in pastry and bakery and 4 casual workers with A level certificate.

Position /post	No.	Wages /salaries (shs)	Total amount (shs)
Technicians	2	500,000	1,000,000
Assistant technicians	2	300,000	600,000
casual	4	100,000	400,000
<b>Total labour cost</b>			<b>2,000,000</b>

- (viii) **Power and utilities.** The bakery uses electricity, diesel for a stand by generator and water for deigning purpose. Electricity charge per month is estimated at shs 600,000. Diesel at shs 350,000 and water at shs 200,000 per month.
- (ix) **Transport requirement.** The factory hires a vehicle to move the raw materials from source of supply and finished products to the market. The monthly transport cost on raw material is estimated at shs 600,000 and finished goods at shs 120,000
- (x) **Purchasing and re-order level plans.** The factory buys raw materials in bulk so as to obtain discounts arising from bulk purchases and reduce transportation costs. The re – order level for wheat flour is 1500kg, salt 1200kg, sugar 1300kg, yeast 100kg, fats 50g.
- (xi) **Waste disposal.** The bakery has waste products like burnt breads. These are sold to piggy farmers to feed their pigs
- (xii) **Production control requirement.** The business uses two tanks for storing water, office equipment like office chairs for seating on by workers and relaxation, tables, computers for storing data and lockers for storing written information.
- (xiii) **Packaging.** The products are packaged in polythene bags and boxes.

#### **Packaging material cost (per month)**

Type of material required	Quantity	Unit cost (shs)	Total amount (shs)
Boxes	10,000	100	1,000,000
Polythene bags	250,000	30	750,000
<b>Total</b>			<b>1,750,000</b>

#### **ASSIGNMENT:**

**You are the production manager of Ice Soft Drinks. Develop its production plan.**

#### **ORGINISATION PLAN**

This a frame work a round which machines and labour are put together to have a moving organization.

**An example of an organization chart.**

#### **ORGANISATIONAL PLAN / ADMINISTRATION PLAN**

KJS BAKERY (U) LIMITED  
P.O BOX 2223, KAMPALA  
Email: [kjsbakeryl@yahoo.com](mailto:kjsbakeryl@yahoo.com)  
Tel: 0756990077

#### **ORGANIZATIONAL PLAN / ADMINISTRATIVE PLAN**

- i. **Nature of workers employed.** It employees both skilled and semi-skilled workers .Five (5) workers are employed in the packing section, five (5) workers are employed in the labeling section and ten (10) workers are employed in packaging section, six (6) are employed in the dispatch section. These are semi-skilled. Each section is headed

by a departmental manager who supervises all the workers under his / her chain of command and these are skilled ones.

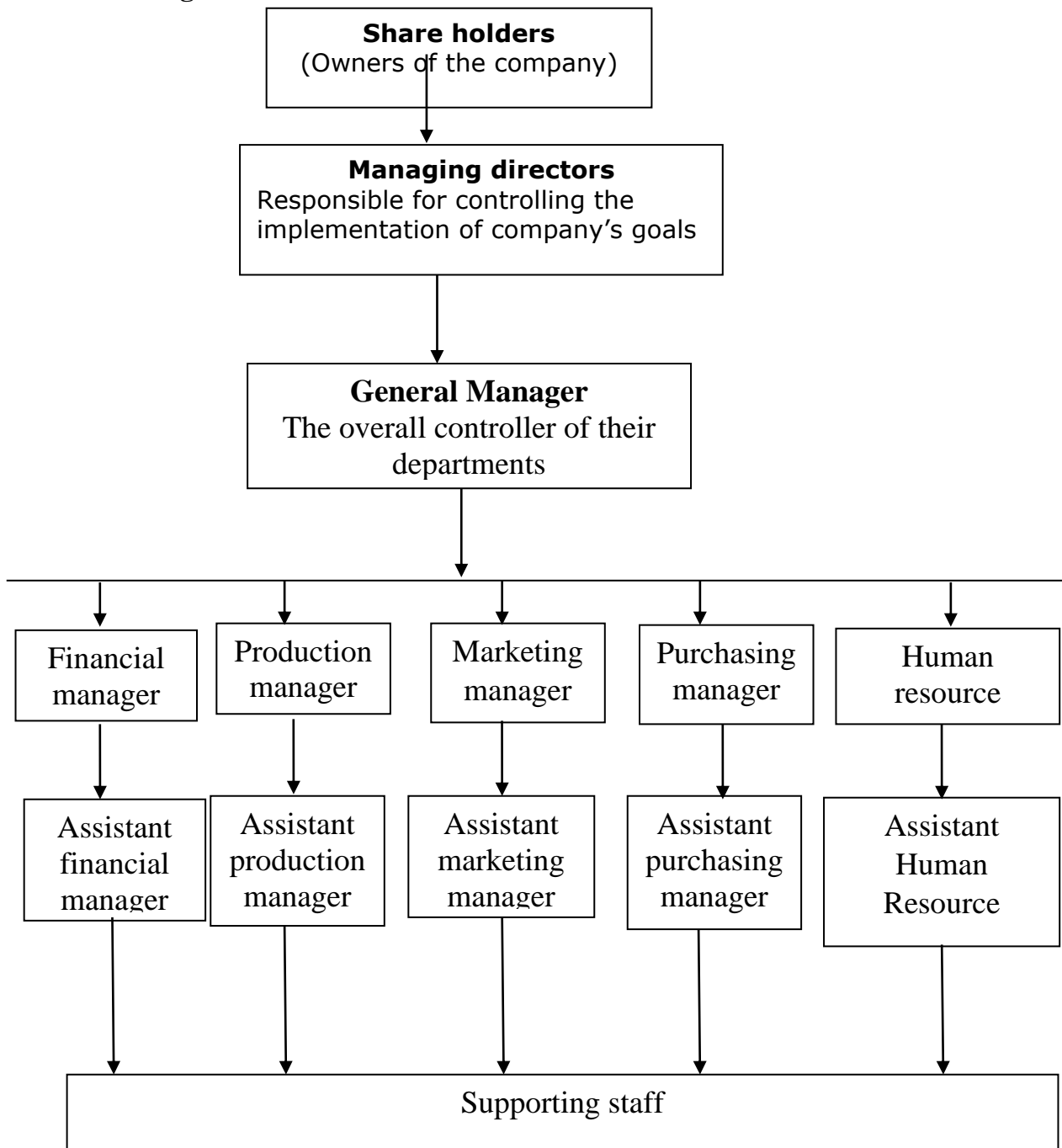
- ii. **Workers qualification, Skilled and knowledge.** The five directors of the company are holders of degrees in business administration while the departmental managers are holders of bachelor's degrees in their respective fields. Their assistants are diploma holders while the casual workers are just semi-skilled with O level certificates.
- iii. **Tasks, duties and responsibilities of workers.** The general manager oversees the work of other departmental managers. The Human resource manager is in charge of inspection of production for quality, the marketing manager is in charge of recruiting, training and development of workers. The casual worker package, carry the products to the store or truck for selling and distribution.
- iv. **Worker's remuneration / pay and other benefits.** Payments are made on every 30<sup>th</sup> day of each current month of work through individual bank accounts of workers. Each category of workers is paid differently as illustrated.

s/No	Position	Number of workers	Salary (shs)	Amount (shs)
1.	Directors	5	1,200,000	6,000,000
2.	General managers	1	900,000	900,000
3.	Departmental managers	4	700,000	2,800,000
4.	Assistant heads	4	500,000	2,000,000
5.	Casual workers	21	200,000	4,200,000
	Total	35		15,900,000

In addition to salary, all workers are entitled to free breakfast, lunch and medical care. The general manager gets all the above as well as free accommodation and airtime.

- v. **Hierarchy of authority.** Below is an organization chart/structure that shows the **flow of authority**.

**An organizational chart for the business**



**Assignment:**

You own a small restaurant in one of the city suburbs.

- a) Develop its general description.
- b) Prepare its;
  - (i) Production plan
  - (ii) Marketing plan
  - (iii) Organizational plan



## **FINANCIAL PLAN**

This covers the financial requirements of the proposed business.

### **FINANCIAL NEEDS OF A POTENTIAL BUSINESS**

The success of every business depends on proper identification of business needs. Like human beings have needs such as food security is the same case with business. The business needs include;

### **INVESTMENT NEEDS**

These are need that an entrepreneur invests in order to get a return. These needs are either capital investment need or working capital needs.

#### **Capital investment needs include**

- a) Acquisition of land
- b) Site preparation
- c) Buildings
- d) Machinery and equipment
- e) Installation of fixtures and fittings
- f) Furniture

### **WORKING CAPITAL NEEDS**

This refers items needed to facilitate day to day activities of the business. These include;

- i. Purchase of raw materials
- ii. Payments of labour
- iii. Payment of utilities(water, power, telephone)
- iv. Transport costs
- v. Packaging materials
- vi. Payment of tax
- vii. Machinery repairs
- viii. Stationery and postage
- ix. Payment of Interest on loans

### **PRE OPERATING NEEDS**

These are business needs that the entrepreneur meets before commencement of business. They include;

- Business registration
- Trading license
- Market research
- Installation expenses
- Advertising
- Administrative costs
- Legal fees
- Supervision expenses
- Initial rent
- Consultation expenses.

### An illustration of a financial plan.

#### Example one:

You own a juice processing company and you have obtained funds worth 4,000,000 from Stanbic Bank. Prepare a financial plan.

STAR JUICE PARKERS  
PO BOX 3342, KAMPALA UGANDA  
TEL: +2564317889900  
**FINANCIAL PLAN**

Requirements	Unit cost (shs)	Amount (shs)
<b>iv. Fixed capital requirements</b>		
– Purchase of land	1,000,000	
– Construction of building	200,000	
– Purchase of business vehicle	500,000	
– Purchase of tools and equipment	200,000	
– Purchase of computers	100,000	
– Purchase of furniture	80,000	2,080,000
Total fixed capital requirements		
<b>v. Startup expenses</b>		
– Registering the business	20,000	
– Trading license expenses	30,000	
– Recruiting employees	20,000	
– Carrying out market research survey	10,000	
– Promotional expenses	10,000	
– Installation of utilities	30,000	120,000
Total startup expenses		
<b>vi. Working capital requirements</b>	400,000	
– Payment of labour	500,000	
– Raw material costs	50,000	
– Advertisement expenses	40,000	
– Transport expenses		1,800,000
Total working capital requirements		4,000,000
<b>Total financial requirements</b>		

vii. Financing of the business

Source of funds	Amount (shs)	Cost implication % interest
Loan from Stanbic Bank	4,000,000	400,000
<b>Total</b>	<b>4,000,000</b>	<b>400,000</b>

- viii. Expected sales: Star juice packers expect sales revenue of shs 5,000,000 in one year's time.
- ix. Profitability of the business. Star juice packers expect a rate of return on investment of shs 1,000,000 at the end of the first year.
- x. Break even sale of the business. Star juice packers expects a break even sales of 5,000 bottles of juice at shs 100 each bottle.

Prepared by



Kato Sam

ENTREPRENEUR

Approved by

Sign.....

Name.....

Title .....

### **N.B**

Fixed capital requirements should consume more amount than others

### **TYPES OF BUDGETS**

- Fixed capital budget

#### **TOOTO DECORATORS**

P.O. Box170 Mbale

Fixed capital budget

<b>Fixed capital requirements</b>	<b>shs</b>
Acquisition	100,000
Purchase of machines tools	100,000
Construction of business premises	400,000
Purchase of furniture	500,000
Truck	200,000
<b>Total</b>	<b>1,300,000</b>

#### **Pre operating budget**

#### **METHA HONEY MILLERS**

P.O Box 120 Mbale

#### **Pre-operating budget**

<b>Requirements</b>	<b>shs</b>
Business requisition	1,000,000
Trading license	1,000,000
Market research	1,000,000
Installations expenses	3,000,000
Advertising	1,000,000
Administrative costs	2,000,000
Initial rent	1,000,000
<b>Total</b>	<b>10,000,000</b>

### **Working capital budget.**

#### **METHAT MEAT PROCESSOR**

P.O. Box 39 Mbale

#### **Working capital budget**

<b>Requirement</b>	<b>shs</b>
Purchase of materials	1000,000
Payment of labour	1000,000
Payment of utilities water power telephone	1000,000
Transport costs	1000,000
Packaging materials	1000,000
Payment of tax	1000,000
<b>Total</b>	<b>6000,000</b>

### **OTHER BUDGETS**

- ✓ Marketing budget
- ✓ Production budget
- ✓ Organizational budget

### **ACTION PLAN / IMPLEMENTATION PLAN**

This is a layout of the sequenced steps towards achieving a business goal. It helps in implementing the business plan.

An action plan is very important business component because it will guide an entrepreneur on the different activities to be undertaken, one after another and the duration that each activity will take, sometimes plus the responsible parties or personnel to pioneer each activity.

**Example one:**

You have obtained enough funds from Stanbic Bank (loan) to run a plastic manufacturing business. You are required to prepare / draft a one year action plan for your firm.

No	Activity	Time frame
01	Carrying out market research / market survey	January
02	loan/ trade credit application	February
03	selection of business site and other formalities	March
	acquiring work premises / construction	
04	ordering for fixed assets	April
05	selection of the required personnel	May
06	installation of machinery and equipment	June
07	application / acquiring of utilities	July
08	acquisition of raw materials	August
09	carrying out production trial	September
10	carrying out market assessment	October
11	training and development	November
12	publicity and inauguration / launching	December
13	mass production	December

**Example two:**

Your bakery has taken off and would like to establish a new branch. Prepare an Action plan for implementing the planned business activities.

**Action plan or implementation plan**

**Name of the business and address**

<b>Activity</b>	<b>Time frame (2016)</b>	<b>Persons responsible</b>	<b>Resources needed</b>	<b>Indicators of success</b>
	4 <sup>th</sup> -10 <sup>th</sup> oct	Tonny Juma	– Money – This column must be filled in stationery	Availability of money
Preliminary market survey.				
Mobilizing financial resources.				
Acquisition of land				
Construction of building.				
Acquisition of machines, tools and equipment.				
Installation of machinery, tools and equipment.				
Installation of utilities i.e. water and electricity.				
Recruiting of staff				
Registration of the business.				
Purchase of raw materials e.g. wheat flour.				
Production trial				
Carrying out publicity				
Starting commercial production.				
Official opening / launching				

**N.B:**

- ✓ Activities should be presented in present continuous tense
- ✓ Chronological order should be observed when presenting the work

**Assignment:**

You are planning to open up a new branch of your juice processing Company in order to meet the increasing demand.

**Prepare the action Plan.**

## TOPIC 8:


### PRODUCTION MANAGEMENT DOCUMENTS AND POLICY GUIDELINESS.

**Production management** is the process of planning for production and ensuring your production plans are put into efficient operation.

### PROGRAM FOR PURCHASING BUSINESS REQUIREMENTS

**Example:**

Your bakery has taken off and would like to establish a new branch/ Design a programme for purchasing business requirements.

<b>CHRIST THE KING BAKERY</b> <b>P.O BOX 444, KAMPALA</b> <b>TEL: 0786737374</b>			
<b>PROGRAMME FOR PURCHASING BUSINESS REQUIREMENT</b>			
DATE	ACTIVITY	PERSONS RESPONSIBLE	REMARKS
Use future dates	Determining the business needs	This column must be filled in	This column must be left blank
This column must be filled in	Identifying potential suppliers Contacting the suppliers Selecting the best supplier Ordering for the goods Checking the goods on arrival Cross checking for the correctness of the invoice Paying for the goods		
Designed / prepared by:		Approved by :	
 Signature .....			
Nswa katoName .....			
PURCHASES MANAGER		Tittle .....	



## PLANT LAY OUT

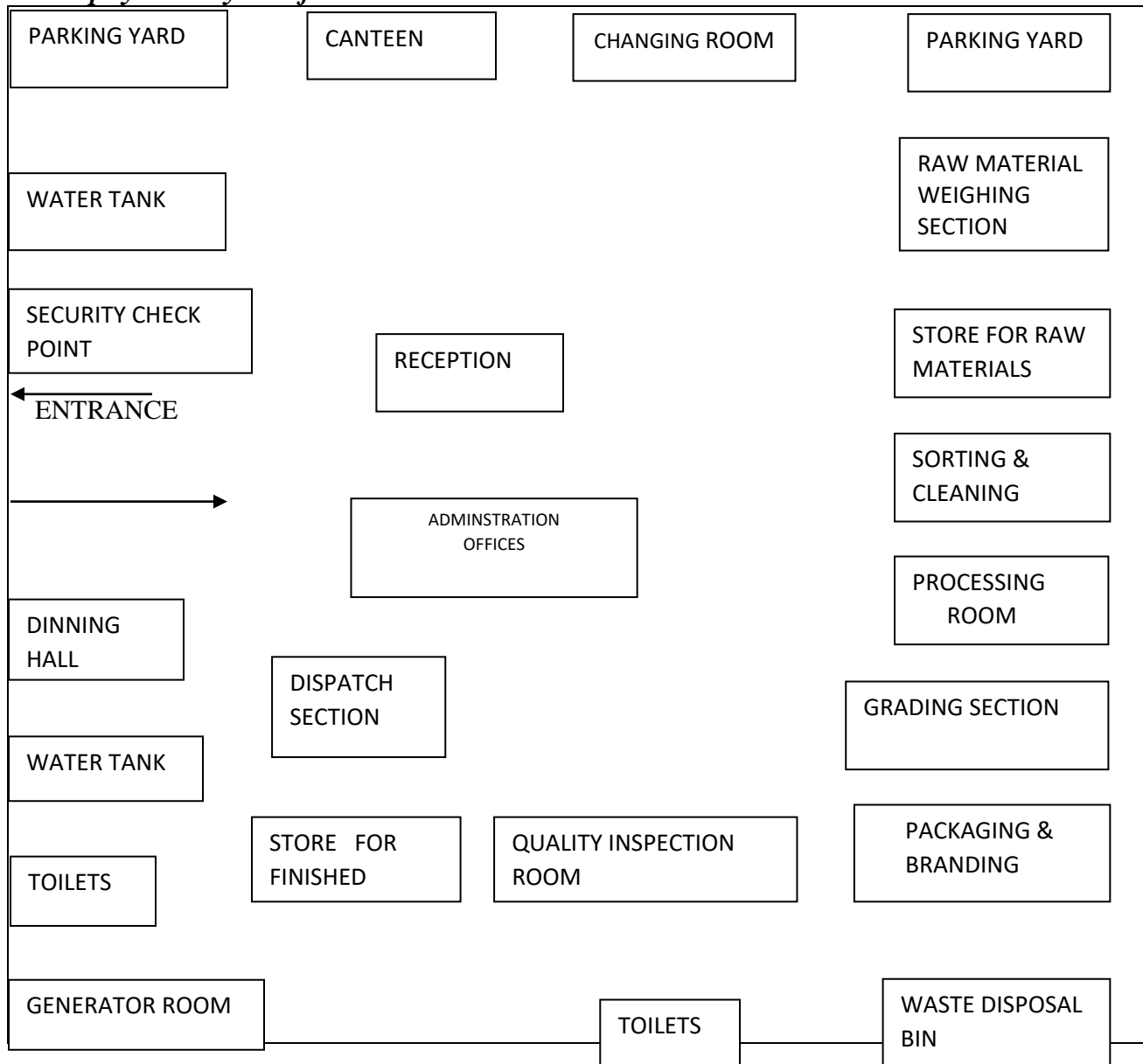
This is a technique of locating machines, processes and plant services within the factory so as to achieve the right quality of output at the lowest possible cost of manufacturing. Layouts should contain a parking yard, machinery arranged in order of process, warehouse, inspection section, maintenance section, employee facilities, receiving a dispatch section, disposal unit and security room.

### Example one:

You are operating a bakery business. Design a plant layout for your business.

***KJS Bakery  
Po box 444, Kawempe  
Plant lay out***

***The physical layout of the business visited***



### ***DESCRIPTION OF THE LAYOUT***

- ✓ **Security Section:** area where security guards operate from and it's near the gate for the premises.
- ✓ **Parking Yard:** where company trucks and employees or visitors of the company park their vehicles.
- ✓ **Receiving and Dispatching Section:** area for receiving the firm's raw materials and where goods to be sold are delivered from.
- ✓ **Ware House Section:** a place where finished goods or raw materials for production are kept before use or selling them.
- ✓ **Machinery or Processing Section:** This where the production machinery is assembled to form the production process.
- ✓ **Maintenance Section:** an area where repair, cleaning and general maintenance of the company vehicles is done from.
- ✓ **Emergency Section:** an area for emergency exit by the workers in case of any fire outbreak in the business.
- ✓ **Production Section:** This is an area where the actual production for goods takes place.
- ✓ **Welfare Facilities:** this where workers dress from, have lunch and breakfast from, toilets, plus where workers can rest from in case one is not feeling well.
- ✓ **Generator Room:** is a good ventilated room for generator plus a generator on standby in case power goes off so as to enable continuous production.
- ✓ **Waste Disposal Section:** is an area where to dispose off the remains and unused parts in production. This need to be well kept and maintained.
- ✓ Reception, where customers and visitors get first assistance or direction
- ✓ Walk ways/ space, for easy movement within the business premises

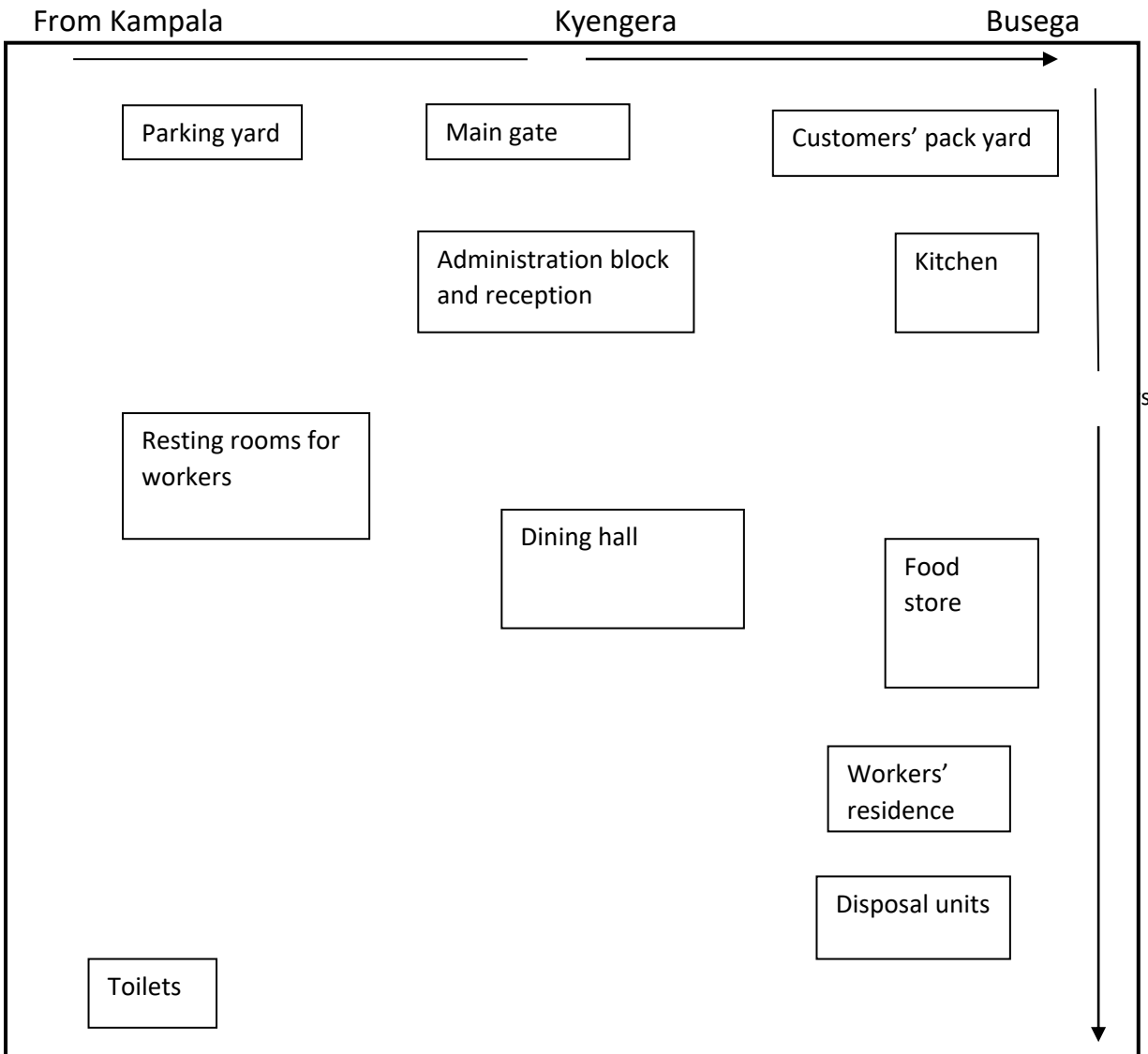
### **Assignment:**

**You own a milling plant which is growing rapidly and expanding.**

- a) Draw a plant lay out for your milling plant.
- b) Prepare a program to be followed when purchasing raw materials.

## SITE PLAN

It shares features with a plant lay out but a site plan shares additional features like compass direction of routes to the site, dimensions of the premises etc.



## PRODUCT LABEL

**A LABEL** refers to an indication of what is contained in a specific container and it portrays the raw materials which they use to make the finished product. It normally shows the raw materials that are used in producing finished products.

Labeling is part of packaging and it consists of printed information appearing on or within the package

Product labeling is important because of;



- ✓ It provides details of health and safety instructions on a particular product.
- ✓ It offers the first impression of the product to customers.
- ✓ It provides with the necessary information concerning a product.
- ✓ It facilitates smooth operations in business like self-service in super markets it possible with all its advantages.

### AN EXAMPLE

You are engaged in the production and packaging of liquid soap in your town.


a) Design a brand label that is to be placed on one of your packaging materials.

**A brand label should bring out:**

<b>QUICK STAR SUPER SOAP MAKERS</b>		<div style="border: 1px solid black; padding: 5px; display: inline-block;">Logo</div>
<b>PO BOX 909</b>		
<b>KAMPALA</b>		
<b>TEL: 0775676767</b>		
<b>Email: kampi@yahoo.com</b>		
Direction for use (Filled in) ..... ..... .....		UNBS SYMBOL
<b>Dealers in all kinds of liquid soap</b>		
Ingredients Sulphuric acid  Sodium carbonate	manufacturing date (filled in) Expiry Date 22/19/2021	
Location: Kibiri, Gangu opposite shell petro station The business has other branches in Kampala, Gulu, Masaka among others		
<b><i>YOUR NUMBER ONE CLEANSING SOAP</i></b>		
Cautions <ul style="list-style-type: none"><li>– Keep out of reach for children</li><li>– Keep away from direct sunshine</li></ul>		
<b><i>Dispose of after use</i></b>		

### EXAMPLE 2:

You are the new brand manager of quality chemicals Uganda limited, you have been asked to design a label to be put on a new tablet packets and bottles, show the design.

<b>FAST RELIEF</b>	
<b>COUGH AND FLU</b>	
<b>TABLETS</b>	
For feverish feeling	*TAKE AS PRESCRIBED BY A DOCTOR
Rhinitis	* NET WEIGHT 100 GMS
Influenza	
Headache	*Mfd Date .....
Nosal congestion	* Exp. Date .....
<b>KEEP AWAY FROM EASY ACCESS TO HEAT AND CHILDREN</b>	
<b>FAST RELIEF</b>	

**Assignment:**

In your senior six vacations you have mobilized small savings to set up a project making re-usable sanitary pads. Design a package label to be placed on your product.

A PACKAGING SHEET FOR GOODS TO BE SENT TO A CUSTOMER OF  
MUKWANO COSMETICS LIMITED

<b>MUKWANO COSMETICS LTD</b> <b>P.O BOX 23, MITYANA</b> <b>TEL: 0313332211</b>					
<b>Package sheet No. 07</b>	<div style="border: 1px solid black; display: inline-block; padding: 5px 20px;"><b>PACKAGE SHEET</b></div>	<b>Date. 28/09/2012</b>			
<b>TO. MAPENZI AND SONS LTD</b> <b>P.O BOX 61, MUBENDE</b>					
This package contains the following items					
No.	Description	Quantity			
1	Lotions	5 boxes			
2	Jellies	6 boxes			
3	Medicated soap	50 pieces			
4	Bangles	25 pieces			
5	Perfumes	3 boxes			
<table style="width: 100%; border: none;"> <tr> <td style="width: 33%; border: none;">           Packaged by            .....            Ndiga paul         </td> <td style="width: 33%; border: none;">           Checked by            .....            Mbuzi Teo         </td> <td style="width: 33%; border: none;">           Entered in ledger folio 6/9            .....         </td> </tr> </table>			Packaged by ..... Ndiga paul	Checked by ..... Mbuzi Teo	Entered in ledger folio 6/9 .....
Packaged by ..... Ndiga paul	Checked by ..... Mbuzi Teo	Entered in ledger folio 6/9 .....			

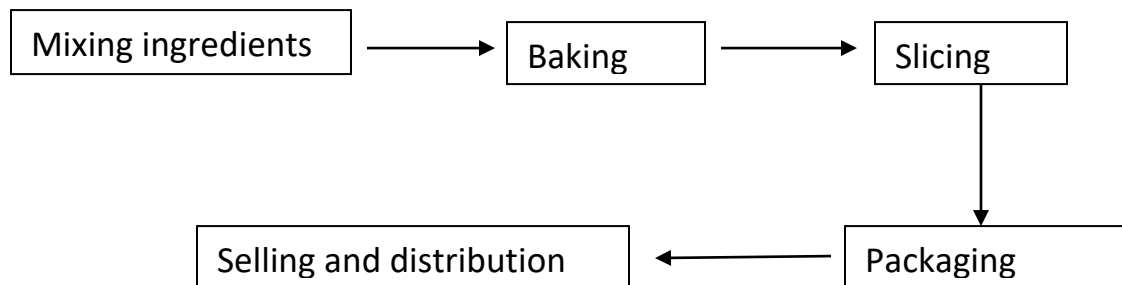
### PROCESS FLOW CHART

This shows the procedure followed to produce goods. It shows the stages followed to produce a given product.

**You are operating a bakery business. Draw a process flow chart for your products**

**KITONE QUALITY BAKERY PRODUCTS  
P.O BOX 4455, MUKONO  
TEL: 0320223344**

**Process flow chart**



### **MACHINERY LAY OUT**

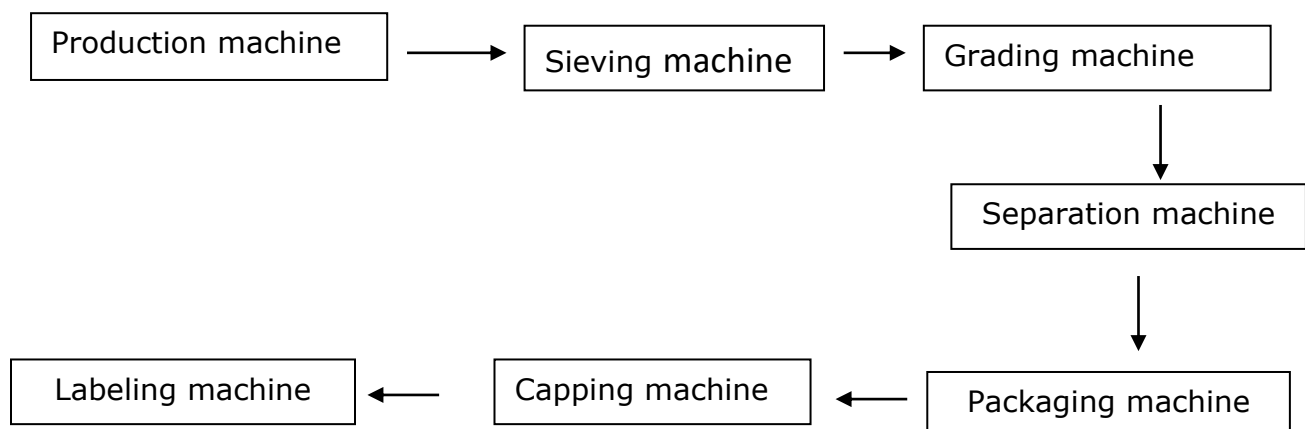
This shows the arrangement of machinery within the business premises.

#### **Example:**

You are operating a beverage processing factory. Draw a machine layout for your business.

A machinery layout for MUSONO BEVERAGE PROCESSING FACTORY.

**MASONO BEVERAGE PROCESSING FACTORY  
P.O BOX 456, KAMPALA  
TEL: 0753778899  
PROCESS FLOW CHART**



### **WORK SCHEDULE / TIME SHEET**

Refers to a document which act as a time table for the workers with the execution of their duties.

**CLASSIC MAIZE MILLERS**  
**P.O BOX 111, BUGEMBE JINJA (U)**  
**PLOT 33-22 NAWENDA RD**  
**TEL: +256789000000**  
**EMAIL: [classicmaizemiller@yahoo.com](mailto:classicmaizemiller@yahoo.com)**

**WEEK'S WORK SCHEDULE / TIME SHEET**

day	Employee's	Employee's	activities	Start	End	Employee	Supervisor
	names	number		time	time	sign	sign

Designed by.....  
 Sign.....  
 Name.....  
 Title.....

**Format of a work order form.**

Date	Name	Description of work	Employee no.	Start time	End time	Work order no.

**Format of work schedule**

Date	Activity / description of work	Worker	Supervisor	Start time	End time	remarks



## **STOCK REQUISITION FORM**

This is a document prepared by the user department to the stores department requesting for the items in question. This is very important because the stores department gets to know the value of goods moving out/ issued so as to account for them in the bin card and stores ledger card.

There is no specific format of this document, it depends on the firm, however there are unique features on it like dates, title, the user department, details of goods, who prepares it, who approves it etc.

**MATYAMA SECRETARIAL BUREAU  
P.O BOX 200, BUGIRI  
TEL: 0776-66-00-23**

**STOCK REQUISITION FORM**

<b>Date</b>	
<b>No.</b>	<b>2256</b>

Department: .....

Please avail us with the following:

Description of materials	Quantity	Rate	Value
		(shs)	(shs)
Total			

Supplied from Bin No. ....

Requisitioned by: ..... Authorized by: ..... Received by: .....

Signature: ..... Signature ..... Signature

.....

Name: ..... Name: ..... Name:

.....

Title: ..... Title: ..... Title:

.....

Date: ..... Date: ..... Date:

.....

**Design a stock card to be used in business**

**N.B. Stock card** is a document that records the status of goods held in a stock room.

It helps to keep a track of inventory in the store.

**MATYAMA SECRETARIAL BUREAU  
P.O BOX 200, BUGIRI  
TEL: 0776-66-00-23**

**STOCK CARD**

**Name of item:** ..... **Item code No.** .....  
**Maximum stock level:** ..... **Minimum stock level:** .....  
**Re-order level:** .....

Date	Qty	Date of	Qty	Issued to	Issued by	Authorized	Balance	of
Received	Received	Issue	issued			by	stock	

Remarks

**Assignment:**

**You are the Stores Manager of a grocery business project.**

a) Prepare a stock card to acknowledge goods issued in and out of the store.

## INVENTORY MANAGEMENT

### GUIDELINES TO ENSURE PROPER MANAGEMENT OF INVENTORY

**Inventory** refers to raw materials, goods in the production process, finished goods and office supplies. These guidelines ensure that they are well handled to avoid losses. **Example:-**

**You are the general manager of M Product bakery. Prepare guidelines to ensure proper inventory management**

**M PRODUCT BAKERY  
P.O BOX 333, MAKINDYE  
TEL: +256754878307**

**Guidelines to ensure proper management of inventory**

- ✍ All inventory received and issued out shall be properly documented in order to ensure accurate flow of the business stock.
- ✍ Timely replenishment / replacement of raw material shall be done.
- ✍ Stock records shall be regularly documented in order to ensure proper records of the business stock.
- ✍ Materials shall be obtained from suppliers with a shorter lead time in order to minimize production shortages.
- ✍ The re –order level shall not be too high to reduce tying up much investment in inventory and to reduce storage costs.
- ✍ Overstocking and under stocking shall not be carried out/done in order to minimize stock losses.
  - An experienced store keeper shall be employed to ensure proper custody of inventory of inventory.
  - Monitoring and supervision of staff working in the store shall be done to minimize pilferage of inventory (expiry of inventories)
- ✍ Physical stock taking shall be conducted periodically (e.g. weekly) in the Bakery in order to minimize stock losses.
- ✍ The working capital for the bakery per month shall be 5,000,000 to ensure a availability of enough working capital.
- ✍ The maximum stock level for bakery products shall be 1 tonne every month so as to meet the market demand.
- ✍ Proper stock cards shall be maintained by all bakery departments for recording stock movement.

## **POLICY GUIDELINES TO ENSURE LOW PRODUCTION COSTS**

These are ways through which an entrepreneur can keep his production costs as low as he can.

### **An example:**

You are operating a maize milling project in your home town

- a. Develop policy guidelines on how to ensure that production costs are low

**SAASA MAIZE MILLERS**  
**P.O BOX 201, SEGUUKU ENTEBBE (U)**  
**PLOT 21-24, KYAMAGWA rd.**  
**TEL: +256777123465**  
**EMAIL: Saasa maize [millers@yahoo.com](mailto:millers@yahoo.com)**  
For quality products

## **POLICY GUIDELINES TO ENSURE LOW PRODUCTION COSTS**

- i. The business shall purchase high quality but low priced raw materials as a way of minimizing production costs and increasing profitability of the business.
- ii. The business shall use modern and efficient technology in the production process as to minimize in the wastages in terms of damages to the business products as a way of minimizing production costs.
- iii. The business shall fix standards for all operations like time standard that is to say minimum and maximum time.
- iv. The business shall ensure constant supervision of workers by a supervisors so as to ensure smooth flow of production activities.
- v. The business shall train its personnel so as to equip them with the necessary skills which would be minimizing wastage in terms of damage due to the inadequate in skills by the workers.
- vi. The business shall spell out duties and responsibilities of a worker in a business so as to avoid idleness of workers.
- vii. The business shall specify and study the lead time of the supplier so as to avoid production stoppage which may increase production costs through emergence supply.
- viii. The business shall employ, specialized and skilled workers only who are efficient and this in turn shall minimize production costs.
- ix. The business shall ensure proper end efficient handling of machines so as to ensure that they have a long lasting life span so as to minimize cost of production
- x. Redundant workers shall be laid off and part time workers shall be employed to cut down cost of maintaining employees.

**Prepared by**

**Sign .....**

**Name .....**

**Tittle .....**

## **POLICY GUIDELINESS TO BE FOLLOWED TO ENSURE PROPER HYGIEN AND CLEANINESS AT THE WORK PLACE**

- i. Employees shall regularly wash their hands with soap before handling and touching customer products.
- ii. All employees who litter dust in the business premises shall be penalized in order to ensure cleanliness of the business premises.
- iii. Dust bins shall be installed in all corners of the business premises to avoid littering
- iv. Moping shall be done on a daily basis to ensure cleanliness.
- v. Slashing of the of compound shall be conducted regularly to ensure cleanliness of the compound.
- vi. Fumigation shall be regularly conducted in order to avoid to a void dirty insects like cobweb.

## **GUIDELINES FOLLOWED ON RECIEPT OF ITEMS FROM SUPPLIERS**

### **Example:**

You are the stoke keeper of Emporium high school in charge of stock control.  
Formulate guidelines to be followed on receipt of items from suppliers.

**EMPORIUM HIGH SCHOOL  
P.O BOX 45, KIBIRI GANGU  
TEL: 07245545471**

### **Guidelines to be followed by the store keeper on receipt of items from suppliers.**

- ✍ The quantity of goods delivered shall be checked against the order in order to ensure correct quantities are received.
- ✍ The delivery documents shall be checked against the order in order to ensure that correct items are delivered.
- ✍ Damages shall be checked to ensure that those damaged in transit are returned.
- ✍ Deliveries which do not correspond with the order shall be rejected such that the invoices are updated.
- ✍ The goods received note shall be signed along with the delivery note
- ✍ All received goods shall be entered in the stock ledger card under receipts

## **GUIDELINES FOR EFFECTIVE TIME MANAGEMENT SHOULD INCLUDE THE FOLLOWING**

- ✍ Title which must include the business name and address and the document, name i.e. “Rule for effective time management.”
- ✍ Periodical targets / goals shall be set to all workers of the business.
- ✍ Deadlines for achieving set targets shall be set. In order to ensure finishing of work on time.
- ✍ Workers shall arrive at the work place at e.g. 7:00am and leave at 5:00pm in order to ensure punctuality.
- ✍ Workers shall be recognized for achieving the set targets in time.
- ✍ Annual work plans shall be drawn/ made at the beginning of the year
- ✍ Work schedules / time tables (e.g. on department basis) shall be made and strictly followed.
- ✍ Periodical evaluation of workers in regard to the set targets shall be observed in order to check on the workers performance.
- ✍ No private work shall be done during working hours or using business property.
- ✍ Warning bells shall be used for the different programmes/activities.
- ✍ Workers shall be strictly monitored and serviced during working hours to avoid time wastage.
- ✍ Time rate system shall be used in order to ensure effective time management.
- ✍ Proper plant layout shall be observed, emphasized to minimize wasting of time through unnecessary movements.
- ✍ Offices shall be portioned to allow workers to concentrate when carrying out work.
- ✍ Personal visitors shall be attended to only during breaks to minimize wastage of time through unnecessary conversation.
- ✍ Personal matters such as phone calls, gossiping, twitter, Facebook, What Sapp etc. shall be prohibited in order to allow enough concentration.
- ✍ Good / reporting relationships shall be ensured at all times.
- ✍ Workers shall avoid being perfectionists.
- ✍ Paper work shall be minimized through use of computers.
- ✍ Meetings shall be briefly conducted to minimize wastage of time through lengthy meetings.
- ✍ Delegation of work shall be done in share work load and ensure timely completion of tasks.

## **GUIDELINESS TO ENSURE QUALITY PRODUCTION**

- i. Skilled workers shall be employed in order to ensure quality production.
- ii. Better packaging materials shall be used when packing business products to minimize possibilities of product damage.
- iii. Better machines shall be used to ensure production of high quality goods.
- iv. Appropriate distribution channel shall be used when distributing business products so as to minimize product damage.
- v. Better raw materials shall be used when carrying out production to ensure better quality goods produced.
- vi. Market research shall be conducted in order to identify quality needs from customer prospects.

## **MANAGING RISKS AND SAFETY GUIDELINESS IN THE BUSINESS**

Risk management involves the various ways in which the business is able to prevent what may cause a potential loss. The ways include:

- ✍ Employing experienced personal i.e. those that can predict a risky situation
- ✍ Maintaining and upgrading technology so as to change with change in customer taste.
- ✍ Extensive training of workers, more especially on risk causing factors this helps the enterprise to minimize risks.
- ✍ Maintaining adequate security e.g. by employing security guards,
- ✍ Installation of fire extinguishers,
- ✍ Using strong pad locks, fences, strong doors etc.
- ✍ Taking insurance policy to cover against various risks e.g. accidents, diseases, fire etc.
- ✍ Acquiring emergency equipment e.g. standby generator
- ✍ Putting switches in visible places etc.

10. Providing writing (warnings) to every corner of the enterprise e.g. along the walk ways, building

### **Question:**

You are involved in a business that is dealing in producing and exporting of meat products and it has come to your notice that there is increasing losses in the business:

- (a) Develop security guidelines to be observed by all workers in your enterprise.
- (b) Develop safety guidelines to be followed by drivers of the enterprise vehicles.

**N.B:** When providing guidelines, one should maintain, or use simple tense or use the word shall

## **PERRY BEEF PROCESSING INDUSTRY P.O. Box 78 KAMPALA SECURITY GUIDELINES**

- ✍ All workers shall be trained on how to use fire extinguishers.
- ✍ Every visitor shall be thoroughly checked at the entry by the company security personnel.
- ✍ All workers shall arrive at 8.00 a.m. and departure is at 5:p.m. every day.
- ✍ No worker shall be allowed to carry his or her bag beyond rest room etc.
- ✍ All workers` activities shall be assigned by the supervisor and every worker is to report to his/her supervisor.
- ✍ Workers shall be trained and retrained on security guidelines such as use of protective gears.
- ✍ All workers shall wear business uniform that have their names and work title.



**PERRY BEEF PROCESSING INDUSTRY**  
**P.O. Box 78 KAMPALA**  
**SAFETY GUIDELINES FOR DRIVERS**

- ✓ No company driver shall be allowed to drive company car under the influence of alcohol.
- ✓ No driver shall be allowed to use a company car unless authorized by the person in charge of transport.
- ✓ No driver shall be allowed to drive over the recommended speed limits.
- ✓ Every driver shall be encouraged to use the seat belts whenever he/she is driving.
- ✓ Before the company van is on the road, it shall first be serviced.
- ✓ All company vehicles shall always be inspected from time to time to ensure that they are in good condition.
- ✓ Every driver shall observe the road signs and instruction, whenever he/she is driving.

**PERRY BEEF PROCESSING PROJECT**  
**P.O. Box 622 KAMPALA**

**SAFETY GUIDELINES FOR BUSINESS FUNDS**

- ✓ One shall ensure proper documentation of all cash received and paid out so as to monitor movement of business cash in and out of the business.
- ✓ Banking daily cash received from sales and from other sources shall be made daily or regularly.
- ✓ One shall keep the remaining cash at the business premises safely locked up in the money safes and also locking the doors to the cash safe rooms.
- ✓ Authorized business workers like the accountants shall receive cash receipts and record all cash received in the cash receipts and other relevant books.
- ✓ One shall ensure that all cash expenditures are requested for through the heads of department and then approved by an authorized business official.
- ✓ There shall be prohibiting of any cash drawings from the business but if allowed then restricting the amount and charging interest on the amount withdrawn.
- ✓ Timely collection of debts shall be ensured within one month or as soon as they are incurred so as to avoid losing money due to bad debts.
- ✓ One shall buy business items from a nearby reliable and cheap supplier in order to minimize high expenditure due to high transport costs.
- ✓ Obtaining the bank statement of the business on a daily basis on working days shall be done to ensure that the accountants reconcile these statements with the cash book of the business.
- ✓ There shall be employing of certified auditors to check the accounts records for error and fraud.

**PROGRAMME FOR MINIMISING BUSINESS RISK**

**HOT QUALITY ENTERPRISE (U) LTD**

**P.O BOX 334, KATWE**

**TEL: 0721-00-00-00**

**PROGRAMME FOR MINIMIZING BUSINESS RISKS**

<b>DATE</b>	<b>ACTIVITY</b>	<b>PERSON IN CHARGE</b>	<b>REMARKS</b>
16/03/17	- Assessing the risk	JOHN	
18/03/	Establishing the potential loss involved in choosing a particular alternative	JOHN	
20/03/17	- Determining goals and objectives in relation to the company	JOHN	
22/03/17	-Surveying various alternatives.	PAUL	
24/03/17	- Gathering information and weighing the various alternatives	PAUL	
26/03/17	Selecting the best alternative	PAUL	
30/03/17	Minimizing the risk	PAUL	

## **TOPIC 9:**

### **MARKETING MANAGEMENT**

Is the performance of activities that are necessary to get the goods or services from the producer to the customers resulting into customer satisfaction and realization of profits on the part of the entrepreneur.

**This topic majorly covers marketing documents, illustrations, activities and policy guidelines. They include the following;**

- ✍ **1. SWOT ANALYSIS GUIDE.** This is a document prepared in the process of analyzing SWOT analysis.

#### **AN EXAMPLE OF SWOT ANALYSIS GUIDE**

In your senior 6 vocation you have opened up a small shop dealing in selling beauty products

Develop a SWOT analysis guide for your business.

#### **SWOT ANALYSIS GUIDE FOR KARUNGI BEAUTY CENTER**

**KARUNGI BEAUTY CENTER**

**PO BOX 444, WANDEGEYA**

**TEL: +256435667788**

**Dealers in all beauty products like lotions, perfumes, bathing soap, Vaseline etc.**

#### **SWOT ANALYSIS GUIDE**

##### **Strength**

- Selling quality products
- Ability to attract many customers since prices charged are pocket friendly
- Strategic location of the business i.e. it is just near Makerere University
- Good and trained marketing staff who properly handle customers

##### **Weakness**

- Failure to sell variety due to limited market
- Poor handling of business customers
- Being new in market

##### **Opportunities**

- Increasing number of customers most especially female ones
- Changes in tastes and fashions of customers in favour of the products of NKWATAKO beauty center.
- Being charged with low taxes
- Having few competitors dealing in similar products

### Threats

- Increasing number of competitors e.g KAMUKAMU beauty center
- Growing bargaining power of customers
- Raising sales of substitutes
- Increasing in taxes charged
- Increase in the cost of rent where the business is operating from.
- Increased insecurity in the area.

### Prepared by

Signature: .....

KWASA

Sales manager

### ✍ 2.MARKET FLOW CHART / DISTRIBUTION / SUPPLY CHART

This shows the paths goods take to reach the final consumers. Imported goods flow from importer while domestically produced goods flow from the producer.

#### Example:

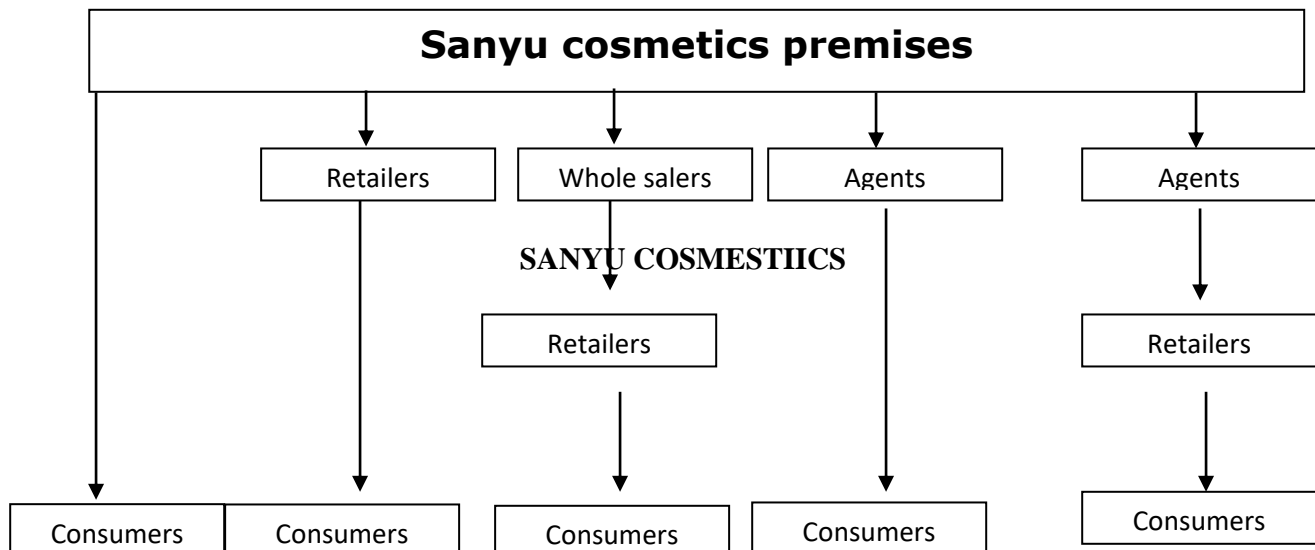
You are employed as a marketing manager in a cosmetics factory. Design a market flow chart for your business

A market flow chart for products of **Sanyu cosmetics PO Box 15 Kampala**

**P.O BOX 15, KAMPALA**

**TEL: 0756220203**

#### **MARKET FLOW CHART**




### ➤ 3.DISTRIBUTION SCHEDULE

This shows the days on which products should be distributed in different areas.

#### AN EXAMPLE OF A DISTRIBUTION SCHEDULE.

You are the marketing manager of one of the fast growing bakeries in a city suburb.

TUWEREZA BAKERY PO BOX 334, KAMPILINGISA TEL; 0754-88-12-34					
Dealers in production of high quality bakery products such as bread, bans, doughnuts and cakes					
Distribution schedule					
Days	Products to be delivered	Place of distribution	Person in charge	remarks	
Monday	Break, cakes, doughnuts	- Kyengera - Buddo - Nsangi	Sales manager		
Tuesday	Bread, cakes, cookies	- Natere - Kibuye - Kawempe	Sales manager		
Wednesday	Bread, doughnuts	- Mukono - Kampala	Sales manager		
Thursday	Bread, cakes, bans	- Massajja - Ntinda	Sales manager		
Friday	Bread, cakes bans	- Mutundwe - kamokya	Sales manager		
Saturday and Sunday	Resting				
Prepared by					
					
NAMISANGO VIOLAH SALES MANAGER					

Develop a distribution schedule to be followed when distributing products to customers.

#### Assignment:

You are sales manager of T and T juice packers. Design a distribution to be followed when distributing your juice.

- **4.BUSINESS CARD.** This is a business document used to promote business products. It is usually issued out to business customers in order to get detailed information about the business such as products offered, business location and contacts e.tc.

<p><b>SMILE QUALITY BAKERY</b> Managing Director <b>P.O BOX 218, K.La</b> <b>Located in Kyengera trading center.</b> <b>Tel.070491127.</b> <b>Dealers in production of high quality bakery products</b> <b>Like cakes,bread,cookies,doughnuts e.t.c</b></p>
---

**ASSIGNMENT:**

- You are a marketing manager of a newly started juice processing company
- Design a business card for your company to be issued out to customers.

**i) PROPOSED GUIDELINES FOR ENSURING GOOD CUSTOMER CARE**

These are followed by business employees when handling business customers.

**N.B:** We use shall when developing guidelines.

**SANYU COSMETICS**  
**PO BOX 15, Kampala**  
**TEL: 0752818204**

**GUIDELINE FOR PROMOTING GOOD CUSTOMER CARE**

- ✓ Customers' complaints shall be carefully attended to so as to improve customer relations
- ✓ Workers shall tell customers the truth about business products including prices to bring about honesty
- ✓ Workers shall perform the job with pleasantness to give a good reception to customers.
- ✓ Proper care and attention shall be given to customers to instill confidence.
- ✓ Customers shall be served promptly and immediately to avoid unnecessary delays
- ✓ Good business language and impressing speaking style shall be used to encourage customers to continue buying from the business.

- ✓ Workers shall possess sound knowledge on the product being sold in order to properly inform customers.
- ✓ Workers shall be tactfully when handling difficult situations to avoid disappointment customers.
- ✓ Workers shall ensure availability to the business premises in order to assist customers timely.

## ☞ 5.CUSTOMER SATISFACTION SURVEY TOOL

This checks on customers satisfaction on goods bought.

### Example:

You and your friend have mobilized some savings and set up a partnership Business dealing in production of wine. Design a customer satisfaction tool.

<b>T &amp; T TASTY WINE</b> <b>P.O BOX 7787, KAMOKYA</b> <b>TEL: +256785446677</b> <b>Dealers in production of high quality wine.</b>	
<p>Greetings from T and T Tasty wine suppliers of quality wine. We are on a campaign of establishing customers' level of satisfaction of our products. You are requested to fill this form to help us obtain this information.</p>	
i.	Name ..... sex .....
ii.	Customer location and address .....
iii.	How regular do you buy T & T tasty wine? .....
iv.	Did the salesperson attend to you in the way you wanted? .....
v.	Are you satisfied with the quality of the business products? .....
vi.	Are you satisfied with prices charged? .....
vii.	Is the distribution favouring customers' location? .....
viii.	Are you satisfied with the packaging? .....
ix.	How do you compare our wine with that of the competitors? .....
<p>Thank you very much for supporting our business and thank you for taking you time responding to the above questions.</p>	
Prepared by .....	Approved by .....

### ASSIGNMENT:

You have mobilized some savings and set up a bakery business project.

**Qn. Design a customer satisfaction survey tool.**

## ➤ 6. MARKET SURVEY GUIDE

This is a document that is designed in order to support collection of customer feed back, perceptions and opinions in the process of carrying out market survey or research.

It can also be called a **questionnaire**.

### AN EXAMPLE OF A MARKET SURVEY GUIDE

#### Market survey guide of SUPER quality SNACKS

##### SUPER QUALITY SNACKS

P.O BOX 01 KIBIRI, GANGU

TEL: 0752818204

Dealers in production of quality snacks like chapattis, mandazi, daddies, half cakes and mummies  
“For quality snacks ever”

#### Objectives of the survey:

To identify the market gaps which need to be covered and other customers’ needs which are to be addressed.

However all the information given shall be taken in a way which is maximally confidential.

#### Questions:

- a) What is your name.....Marital status .....
- b) Age....., sex.....
- ii) Are you satisfied with the quality, and packaging of our products? If not where do you need the improvement.....
- iii) How can you respond to our prices?
- High ☐ fair ☐ very cheap ☐
- (iv) How did you get to know about our business products?
- Through media ☐ Agent ☐
- v) Where do you often buy our business products from?
- Retailers ☐ wholesalers ☐
- vi) How do you compare the product to other competitors?
- Best ☐ Better ☐ Good ☐
- vii) Write any remark on areas for improvement or any general view or recommendations regarding the product.
- .....
- .....
- Prepared by.....

**Thank you for your time**

**N.B:** Questions on the market survey guide should rotate on the elements of marketing of marketing mix and they should bare questions at the end.

#### Assignment:

➤ 7. You have taken over a declining soap making business. Your are planning to introduce a new brand of liquid soap on the market to make customers satisfied.

Prepare a market survey guide to be used in the process of collecting market information before a new product is put on market.



## STEPS TAKEN IN CARRYING OUT MARKET RESEARCH / SURVEY

- ✓ Defining the research problem i.e. setting objectives to be achieved.
- ✓ Designing / planning the research i.e. the strategy to be employed when collecting data
- ✓ Collecting information. This involves gathering relevant information needed to make rational marketing decisions using the selected technique.
- ✓ Presenting the research report. This involves writing a final report about the research findings and making recommendations after analyzing data


**3K RESTAURANT**  
**P.O BOX 19**  
**BAKULI-NANKULABYE**  
**TEL: 0731663314**  
[2krestaurant@yahoo.com](mailto:2krestaurant@yahoo.com)

**Our Ref; 2K/ADM/2020**  
**Your Ref:**

**MENU**  
We offer all types of food and drinks at relatively affordable prices at all convenient prices and tunes. We offer breakfast, lunch and supper. We have local and international dishes.

<b>Breakfast</b>	<b>Prices</b>
Bread with margarine + coffee	8,000=
Chapati + coffee	5,000=
Milk	3,000=
Dry tea	1,000
<b>Lunch</b>	
Fish + Matooke	10,000=
Chips + chicken	8,000=
Rice + meat	9,000=
Matooke + beans	7,000=
Rice + G. nuts	6,000=
<b>Supper</b>	
Chips + chicken	7,000=
Beef + chips	6,000=
Liver + chips	1,000=
<b>Dinks</b>	
Mineral water	2,000=
Soda	3,000=
Juice	1,800=
	1,500=

*"A customer is our Boss"*



## 7. MENU CARD.

This refers to a designed paper which contains all the food and beverages sold in the restaurant and is place on the table for people to make an order of what to eat or drink.

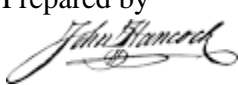
## AN EXAMPLE OF MENU CARD

### ✍ 8 .PROGRAM FOR CONDUCTING PERSONAL SELLING.

This is usually prepared in the process of conducting personal selling .i.e. door to door selling. We develop this program from the steps carried out when conducting personal selling.

### PREPARE A PROGRAM FOR CARRYING OUT PERSONAL SELLING

A program for carrying out personal selling of Sanyu cosmetics products.

<b>SANYU COSMETICS</b> <b>PO BOX 15 Kampala</b> <b>TEL: 0752818204</b> <b>PROGRAMME FOR CARRYING OUT PERSONAL SELLING</b>			
Date	Activity	Person in charge	Remarks
	Pre-customer contact		
	Prospecting		
	Initial contact		
	Presentation of merchandise		
	Handling objections		
	Closing the sales		
	Suggestion selling		
	Sales follow up		
 Prepared by  Nabukalu Deborah SALES MANAGER		 Approved by.....  Name ..... Tittle .....	

### ASSIGNMENT:

**8. You have taken over a declining soap making business. You're planning to a new marketing strategy of door to door selling.**

**Qn.** Prepare a personal selling program.

### ➡ 9.PREPARATION OF NEWS PAPER A DVERT

This is prepared when an entrepreneur is intending to place an advert in the news papers in order to advertise business products.

**An example of a news paper Advert.**

You are dealing in the production of bakery products. Draft a news paper advert to promote products of your business.

**A NEWS PAPER ADVERT TO PUBLICIZE BIWOOMA BAKERY**

**BIWOMA BAKERY**

**P.O. BOX 641 KAMPALA (U)**

**TEL: 0412414189**

DEALERS IN PRODUCTION AND SUPPLY OF BAKERY PRODUCTS BREAD, BANS, CAKES, COOKIES ETC

We manufacture breads of 2kgs, 1kg,  $\frac{1}{2}$  kg, and small bans of shs 200@, cakes of shs 600@, 1,000@ and 400@, doughnuts of shs 500@ and 300@ and daddies of shs 1,500@ packet.

LOCATED IN KYENGERA ALONG KAMPALA MASAKA ROAD

FOR BETTER QUALITY PRODUCTS,

**ASSIGNMENT:**

You have established a tailoring project in your home area. As the general you want to improve the general operations and the market share of the project.

**Qn. Prepare an advert to be placed in news papers.**

**➡ 9 BUSINESS SLOGAN**

This refers to a catching phrase or small group of words that are combined in a special way to identify a product or company.

**An example:**

You have just opened up a new bakery in home area, develop its business slogan.

**MS BAKERY.**

**Dealers in high quality bakery products.**

**P.O. Box 234 Kampala.**

*‘For Quality Bread’.*

## ➤ 11.BUSINESS LOGOS

A business Logo is a distinctive name, symbol or trade mark of a company designed for easy recognition. Therefore different businesses have different logos to make their businesses unique from others and also attract customers to their products. See different logos below from different businesses.

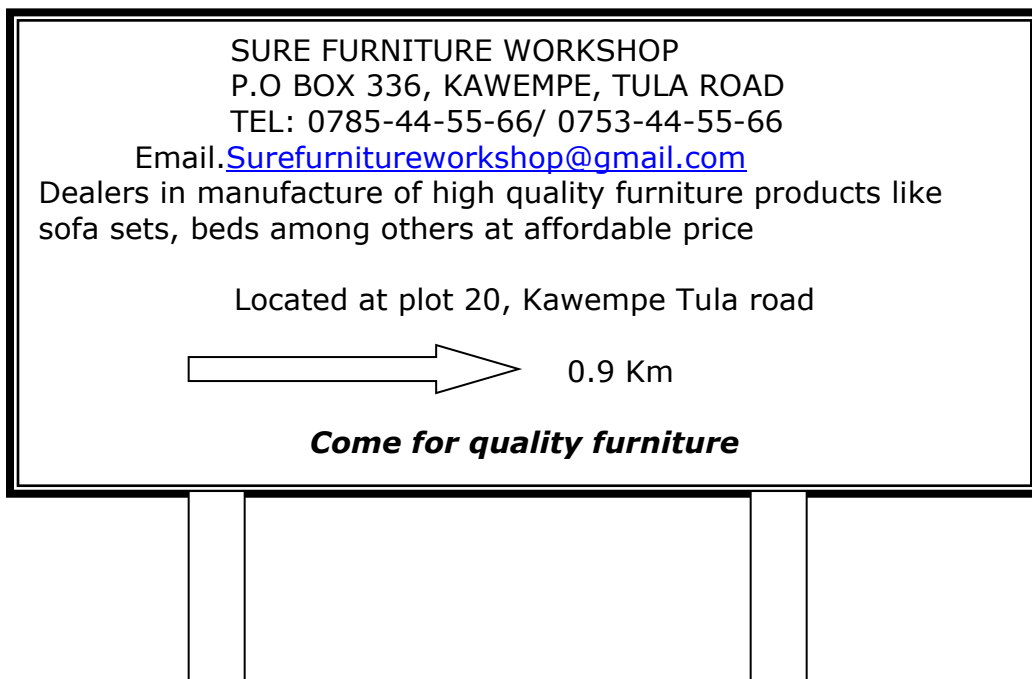


## ➤ 12.SIGNPOST

This shows direction of the business premises business products It offers.

### AN EXAMPLE OF SIGN POST

You are operating carpentry workshop producing variety of furniture products. Design a sign post for advertising your products.



#### **iv. POSTERS**

**Poster.** This is printed on piece of paper but contains the same advertising information. It mainly contains information intended to the general public. However a poster does not carry stands as it is a case with the sign post.

It contains:-

- ✓ name of the business
- ✓ address of the business
- ✓ location of the business
- ✓ line of business / what the business deals with
- ✓ attractive or appealing

#### **Assignment:**

You are planning to launch your new factory dealing in production of plastic materials. Design a poster inviting the general public for launch.

You are an entrepreneur dealing in commercial farming, specializing in fruit growing. Due to low prices of your produce and other challenges, you have decided to set up a factory to process your produce into finished products. Design a newspaper advert to advertise your new products.

#### **v. BILL BOARDS.**

These are similar to sign posts but the only difference is that they appear bigger than normal sign posts and they are placed in very busy centers like cities and towns. The information contain on a bill board includes

- ✓ business name
- ✓ contact and address
- ✓ business location
- ✓ products offered
- ✓ Related illustrations like logos, diagrams etc.
- ✓ a catching statement

#### **CONTRACTORS BILL BOARD.**

This is basically used by construction companies which have got contracts to carryout construction of roads or buildings.

#### **An example:**

Your newly construction company has got a tender to construct a construction company.

**Qn.** Draw a contractor's board to show details of the project you are undertaking  
Contractor's board showing the details of the project to be undertaken by Lucky Health education

<b>PROJECT:</b> CONSTRUCTION OF A HEALTH FACILITY
<b>NATURE OF WORK:</b> GRADING, CONSTRUCTION AND FURNISHING
<b>CONTRACTOR:</b> KAGEZI CONSTRUCTORS
<b>ARCHITECT:</b> KAYONGO CHALRES NKADDA
<b>CONTRACTEE:</b> LUCKY HEALTH FOUNDATION
<b>FUNDED BY:</b> WORLD HEALTH ORGANISATION
<b>CONTRACT DURATION:</b> 4 YEARS
<b>PROJECT SUM:</b> 700 MILLION
<b>PROJECT: SUPERVISOR:</b> ENGINEER KCCA

- i. **BIDDING NOTICE.** This is a document that is essentially sent to the suppliers for procurement of goods and services required on large scale.

## **AN EXAMPLE OF A BIDDING NOTICE.**

### **(a) Preparation of a bid notice/tender**

**MINISTRY OF LOCAL GOVERNMENT  
PROCUREMENT DISPOSAL UNIT  
P.O.BOX 3798  
KAMPALA-UGANDA  
Tel: 356100/356500  
Email: [ps.molocgovt@locogovt.co.ug](mailto:ps.molocgovt@locogovt.co.ug)**

### **INVITATION TO BID FOR PROCUREMENT OF STATIONERY**

**Rota-trim reams of paper, Nice Clear pens, ink pads, manila charts, and markers  
MOLG/SUPLS/23-27/00159.**

1. The Ministry of Local Government has allocated funds to be used for the acquisition of stationery in the forthcoming Local Council (L.C.) 1 general elections.
2. The Ministry, therefore, calls upon the general public to submit their sealed bids for the supply of the above mentioned throughout the election exercise.
3. Bidding will be conducted in accordance with the open domestic bidding procedures contained in the Government of Uganda's Public Procurement and Disposal of Public Assets Act, 2003
4. A complete set of bidding documents in English may be purchased by interested bidders on the submission of a written application to the address below upon payment of non-refundable fee of UGX 50,000 (fifty thousand Uganda shillings)
5. The method of payment shall be by bank payment advice forms (BPAFS) issued at the address below and payments made to URA Office at Diamond Trust Bank, Kampala-Road.
6. Bidders will only be issued with bidding documents upon presentation of an original receipt of payment at the address below.
7. Further information may be obtained from the Ministry of Local Government head office in Kampala at the address below in No.9 from Monday to Friday from 08:00 to 12:45 and 14:00-17:00 hours
8. Bids must be delivered to the address below in No.9 (a) at or before 11.00am.  
Note: Late bids shall be rejected.
9. Bid documents may be inspected and issued at the Head of Procurement and Disposal Unit, Ministry of Local Government, Kampala-Uganda, P.O.BOX 3798, Kampala-Uganda. Telephone: 0414-565361/354. Facsimile number: 0414-222-813/565-120  
Electronic mail address: [molocgovt.pdu@locogovte.co.ug](mailto:molocgovt.pdu@locogovte.co.ug)
10. Bids must be delivered to the address given in No. 7(a) and bid opening shall take place at the same address at 11:30am. Bidder's representatives who choose to attend will be allowed.

11. Addressed and sealed bids must be delivered to The Head of Procurement and Disposal Unit, Ministry of Local Government. P.O.BOX 3798, Kampala-Uganda, Telephone: 0414-565-361/354, Facsimile number: 0414-222-813/565-120  
Electronic mail address: [molocogovt.pdu@locogovt.co.ug](mailto:molocogovt.pdu@locogovt.co.ug)
12. Please inform us, upon receipt that you have received the invitation letter and whether that you will submit your quotation or not.
13. The planned procurement activity schedule (subject to changes) is as given below:

ACTIVITY	DATE
Bid issuing date	September 3, 2017
Advertising date	September 7, 2017
Pre-bid meeting	N/A
Bid closing date/time	September 24, 2017 at 11.00am (30 days)
Bid evaluation process	October 1 – 30, 2017
Display of best evaluated bid notice	November 1 – 7, 2017
Contract award notification	November 12, 2017
Contract agreement signing	Upon approval by the Solicitor General

**The Ministry of Local Government reserves the right to accept or reject any bid**

.....

**DDEMBE FRANCIS XAVIER**

**For: Permanent Secretary**

#### **GUIDELINESS TO BE FOLLOWED WHEN SELLING GOODS ON CREDIT.**

These are set by the business entrepreneurs to be used as a yard stick before offering goods on credit.

#### **An example:**

You are operating a business that deals in growing mushrooms amidst many competitors. Develop the policy guidelines to be followed when selling goods on credit.

#### **GODS GRACE INVESTMENTS.**

**Dealers in supplying high quality mushrooms.**

**P.o box 210 K'la.**



## **GUIDELINESS TO BE FOLLOWED WHEN SELLING GOODS ON CREDIT**

- i. Credit facilities shall only be offered to daily customers who frequently visit business premises in order to minimize cases of bad debt
- ii. Credit facilities shall attract a cash discount of 5% in case a customer makes prompt payment.
- iii. The credit period shall not exceed two weeks from the time of getting credit in order to ensure a shorter average collection period.
- iv. A legal step shall be taken in case there is a case for any defaulter. This will reduce cases of bad debtors.
- v. All credit facilities shall be properly documented to avoid disputes.
- vi. The maximum amount shall be shs.100,000 to any credit customer in order to save the business from running out of working capital.
- vii. Invoices shall be issued out to credit customers in order to acknowledge the credit transaction made.
- viii. An agreement shall be signed between the business and the credit customer before giving him/her goods on credit.

### **ASSIGNMENT:**

You are operating a Bakery Business with Six Friends as a partnership.

- a) Develop a credit policy for your business project.
- b) Develop the product distribution policy for your business products.

## **TOPIC 10: TAXATION**

### **BASIC TERMS USED IN TAXATION 1 BASIC COMPUTATION OF TAXES**

#### **i. VALUE ADDED TAX (VAT)**

This is a tax levied on consumption of goods and services. It is levied on the value added at every stage in a chain of production or distribution of goods and services.

#### ***Main Features of VAT***

- a) Is abroad – based tax charged and collected at all stages in the chain of distribution. I.e. its multi stage
- ✓ Is an indirect form of tax i.e. the one paying is the one who incurs the tax burden
  - ✓ It is charged on expenditure (consumption) and not income
  - ✓ Is charged on value added
  - ✓ It is ultimately borne by the final consumer
  - ✓ The VAT rate is 18%
  - ✓ Credit mechanism (VAT on inputs credited against taxes on output)

**Example 1:**

Assuming that there are three levels in the chain of production as follows:-

- (a) **Stage I.** Importation of goods with a taxable value of 10,000 shillings.
- (b) **Stage II.** Sale of goods by the importer to a retailer at shs 15,000
- (c) **Stage III.** Sale of goods to a final consumer by the retailer at shs 25,000 Calculate the total VAT payable

**Stage I.** VAT will be charged on importation price

VAT Rate = 18%

VAT Payable = VAT Rate X initial cost

$$\frac{18}{100} \times 10,000 = \text{shs } 1,800$$

**Stage II.**

VAT payable = Value added X VAT rate

Value added = 15,000 – 10,000 = 5,000

Vat payable =  $\frac{18}{100} \times 5,000$   
= shs 900

**Stage III**

VAT payable = Value Added X VAT Rate

Value added = 25,000 – 15,000

Vat payable =  $10,000 \times \frac{18}{100}$   
= shs 1,800

**N.B:** Total VAT payable from the 3 stages is 4,500 shillings.

From the above, it is clear that though VAT is collected from the three stages, the one who bears the burden is the final consumer

**EXAMPLE 2**

Tracy a business trader imported goods worth 10,000shs.shs later sold them to the wholesaler at shs.120,000 who later sold them to retailer at shs 15,000.however a retailer finally sold them to the final shs 20,000 with VAT exclusive.

**Required:**

- a) Compute VAT paid at each stage of distribution.
- b) Determine the amount of price at which the consumer bought the goods with VAT inclusive.
- c) Compute VAT paid to URA.

VAT= VAT rate x value added.

**Stage i)** import stage =  $\frac{18}{100} \times 10,000$   
= 18,000 shillings

**Stage ii** Wholesale stage =  $\frac{18}{100} \times 2000$   
= 360 shillings

$$\begin{aligned}\text{Stage iv} \quad \text{Retailer} &= 18/100 \times 3000 \\ &= 540 \text{ shillings}\end{aligned}$$

$$\begin{aligned}\text{Stage v} \quad \text{Consumer} &= 18/100 \times 5000 \\ &= 900 \text{ shillings}\end{aligned}$$

$$\begin{aligned}\text{b) } 20,000 + 3600 \text{ shillings} \\ = 23600 \text{ shillings.}\end{aligned}$$

Therefore the Consumer bought the product at shs.23600 with VAT inclusive.

### **Example three**

Stage	Activity	Purchase price	Selling price
1	Imported at customs	20,000,000	20,000,000
2	Importer/Local distributor	20,000,000	24,000,000
3	Wholesaler	24,000,000	30,000,000
4	Retailer	30,000,000	40,000,000
5	Consumer	40,000,000	

Given the VAT rate as 18%. Calculate the VAT payable at each stage in the above table.

$$\begin{aligned}\text{Stage 1: Value added} &= \text{shs } 20,000,000 \\ \text{VAT payable} &= \frac{18}{100} \times 20,000,000 \\ &= 3,600,000 \text{ shillings}\end{aligned}$$

$$\begin{aligned}\text{Stage 2: Value added} &= 24,000,000 - 20,000,000 \\ &= \text{shs } 4,000,000\end{aligned}$$

$$\text{VAT payable} = \frac{18}{100} \times 4,000,000$$

$$\text{Stage 3: Value added} = 6,000,000 \text{ shillings}$$

$$\begin{aligned}\text{VAT payable} &= \frac{18}{100} \times 6,000,000 \\ &= 1,080,000 \text{ shillings}\end{aligned}$$

$$\text{Stage 4: Value added} = 10,000,000 \text{ shillings}$$

$$\begin{aligned}\text{VAT payable} &= \frac{18}{100} \times 10,000,000 \\ &= \text{shs } 1,800,000\end{aligned}$$

$$\begin{aligned}
\text{Stage 5: VAT added} &= \text{shs } 40,000,000 \\
\text{VAT liability} &= \frac{18}{100} \times 40,000,000 \\
&= \text{shs } 7,200,000
\end{aligned}$$

**Example four:**

K.K the producer sold goods to the wholesaler at shs 50m. The wholesale sold them to the retailer at shs 60,000,000. The retailer sold them to the final consumer at 70m, VAT exclusive.

- i) Calculate the VAT chargeable at each stage.
- ii) How much would the retailer have charged VAT inclusive?

**Stage I:** Producer

$$\begin{aligned}
\text{Value added} &= 50,000,000 \\
\text{VAT payable} &= \frac{18}{100} \times 50,000,000 \\
&= \text{shs } 9,000,000
\end{aligned}$$

**Stage 2:** Wholesaler

$$\begin{aligned}
\text{Value added} &= \text{shs } 10,000,000 \\
\text{VAT payable} &= \frac{18}{100} \times 10,000,000 \\
&= 1,800,000 \text{ shillings}
\end{aligned}$$

**Stage 3:** Retailer

$$\begin{aligned}
\text{Value added} &= \text{shs } 10,000,000 \\
\text{VAT payable} &= 1,800,000 \text{ shillings}
\end{aligned}$$

**Stage 4:** Consumer

$$\begin{aligned}
\text{Value added} &= \text{shs } 70,000,000 \\
\text{VAT payable} &= \frac{18}{100} \times 70,000,000 \\
&= \text{shs } 12,600,000
\end{aligned}$$

$$\begin{aligned}
\text{ii) Retailer} &= \text{shs } 1,800,000 \times \frac{18}{118} \times 1,800,000 + 70,000,000 \\
&= 71,800,000 \text{ shs.}
\end{aligned}$$

**EXAMPLE FIVE:**

The following VAT exclusive transactions were availed to you by VAT registered business in your town for the month of December 2016

- ✓ Rachael bought goods worth shs 80,000,000
- ✓ Rachael sold the same goods to Penrose for shs 90,000,000
- ✓ Penrose sold the same goods to Deborah a retailer for shs 100,000,000
- ✓ Deborah sold the same goods to the final consumer for shs 120,000,000

**Required:-**

Using the VAT Rate of 18%;

1. Compute for the entrepreneurs the VAT chargeable for the value added at each stage
2. Advise Deborah on the gross value for her goods to the final consumer

**Solution:****Stage 1**

$$\begin{aligned}\text{VAT Payable} &= \text{initial cost} \times \text{VAT Rate} \\ &= 80,000,000 \times \frac{18}{100} = 14,400,000 \text{ shillings}\end{aligned}$$

**Stage 2**

$$\begin{aligned}\text{VAT Payable} &= \text{Value Added} \times \text{VAT Rate} \\ \text{Value added} &= (90,000,000 - 80,000,000) = 10,000,000 \text{ shillings} \\ \text{VAT Payable} &= 10,000,000 \times \frac{18}{100} = \text{shillings } 1,800,000\end{aligned}$$

**Stage 3**

$$\begin{aligned}\text{VAT Payable} &= \text{Value Added} \times \text{VAT Rate} \\ \text{Value Added} &= (100,000,000 - 90,000,000) = 10,000,000 \text{ shillings} \\ \text{VAT Payable} &= 10,000,000 \times \frac{18}{100} = 1,800,000 \text{ shillings}\end{aligned}$$

**Stage 4**

$$\begin{aligned}\text{VAT Payable} &= \text{value Added} \times \text{VAT Rate} \\ \text{Value Added} &= (120,000,000 - 100,000,000) = 20,000,000 \\ \text{VAT Payable} &= 20,000,000 \times \frac{18}{100} = 3,600,000 \text{ shillings}\end{aligned}$$

(ii) Gross sales Value = selling price X VAT chargeable

$$\begin{aligned}&\text{Shs } 120,000,000 + \frac{18}{100} \times 120,000,000 \\ \text{Gross value} &= 120,000,000 + 21,600,000 = \text{shs } 141,600,000\end{aligned}$$

Deborah would be advised on the gross value as follows;

- ✓ Deborah should include VAT chargeable in her selling price / determining her selling price
- ✓ Deborah should have sold her goods to the final consumer at shs 141,600,000 inclusive of VAT

**EXAMPLE SIX:**

a) The following VAT exclusive transactions were availed to you by VAT registered businesses in your community for the month of January 2016.

- ➡ Kagezi bought goods worth shs 60,000,000
- ➡ Kagezi sold the same goods to Kadoma for shs 79,000,000
- ➡ Kadoma sold the same goods to Murefu the retailer for shs 90,000,000
- ➡ Murefu sold goods to the final consumer for shs 120,000,000.

**Required;**

- ➡ Compute for the entrepreneurs the VAT chargeable for the value added at each stage.
- ➡ Explain five reasons for the low tax compliance in your country.

**Solution:**

$$\text{➡ VAT chargeable} = \text{VAT rate} \times \text{value added}$$

$$\begin{aligned} \text{Stage 1: VAT chargeable} &= \frac{18}{100} \times 60,000,000 \\ &= \text{shs } 10,800,000 \end{aligned}$$

$$\begin{aligned} \text{Stage II: VAT chargeable} &= \frac{18}{100} (79,000,000 - 60,000,000) \\ &= \frac{18}{100} \times 19,000,000 \\ &= \text{shs } 3,420,000 \end{aligned}$$

$$\begin{aligned} \text{Stage III: VAT chargeable} &= \frac{18}{100} (90,000,000 - 79,000,000) \\ &= \frac{18}{100} \times 11,000,000 \\ &= \text{shs } 1,980,000 \end{aligned}$$

$$\begin{aligned} \text{Stage IV: VAT chargeable} &= \frac{18}{100} \times (120,000,000 - 90,000,000) \\ &= \frac{18}{100} \times 30,000,000 \\ &= \text{shs } 5,400,000 \end{aligned}$$

**ASSIGNMENT ONE:**

a) You are an entrepreneur employing five workers who are entitled to allowances.  
List four examples of taxable employment allowances for your employees.

b) In the month of July 2014, Joseph Mali had VAT exclusive transactions with VAT registered enterprises as follows:

Purchases	shs 1,800,000
Sales	shs 2,400,000

Calculate:

- a) VAT paid to Uganda Revenue Authority by Joseph Mali (use 18% as VAT rate)
- b) Total purchase price (VAT inclusive) paid by Joseph Mali

### **ASSIGNMENT TWO:**

The following VAT exclusive transactions were availed to you by VAT registered businesses in your town for the month of May 2015,

- (i) Masanso bought goods worth shs 60,000,000
- (ii) Masanso sold the same goods to Kibooko for shs 88,000,000
- (iii) Kibooko sold the same goods to Onzita a retailer for shs 96,000,000
- (iv) Onzita sold goods to the final consumer for shs 120,000,000

### **Required:**

Assuming the VAT rate is 18%;

- a) Compute for the entrepreneur VAT chargeable for value added at each stage and advice Onzita on the gross sales value for his goods to the final consume

### **ASSIGNMENT THREE**

KAMWESIGYE is a trader in Ntinda. His business is VAT registered. The following transactions appeared in her books for the Months of January 2016.

No.	PRODUCTS	PURCHASES (Shs)VAT Exclusive	SALES (Shs) VAT
1	Apples	4,000,000	9,000,000
2	Pineapples	4,500,000	6,500,000
3	Pawpaw	9,000,000	14,000,000
4	Mangoes	8,000,000	12,000,000
5	Oranges	12,000,000	18,000,000
		<b>37,500,000</b>	<b>59,500,000</b>

- Use 18% as VAT rate. Calculate
- VAT paid by KAMWESIGYE on each type of product.
- Compute VAT paid to URA.

b) The following VAT exclusive transactions were availed to you by VAT registered businesses in your community for the month of July 2014

- ✓ Musa bought goods worth shs 40,000,000
- ✓ Musa sold the same goods to Suba shs 58,000,000
- ✓ Suba sold the same goods to Mweso the retailer for shs 70,000,000
- ✓ Mweso sold the goods to the final consumer for shs 84,000,000

### **Required:**

Using the VAT rate of 18%;

- Compute for the entrepreneurs the VAT chargeable for the value added at each stage.
- Advise Mweso on the gross sales value for his goods to the consumer.

## VAT MECHANISM

### Output Tax

This is the VAT a taxable person charges upon making taxable supplies i.e. tax charged upon selling taxable goods and services.

### Input Tax

This is the VAT a taxable person is charged on taxable purchases and expenses incurred for business purposes. The purchases could be from local sources or imported.

This involves three items i.e.

- i) VAT on purchase and expenses which is called input Tax
- ii) VAT on sale which is called output Tax
- iii) VAT liability which is output Tax – input Tax
- iv) VAT refund which is input tax – output tax

**NB:** Where output Tax exceeds input Tax the tax payer pays the difference as VAT to URA, but where the input tax exceeds the output tax, the tax payer claims the difference as VAT Refund from URA

### EXAMPLE:

Ms. Nabuuma Oliver is a reknown retailer in Kikubo; she mainly deals in trading sugar from Kakira Sugar Uganda Ltd. In the month of February 2016 she bought 100 bags at shs 5,000,000 and resold all of them at shs 7,500,000

Calculate her input tax, output tax and VAT liability;

(i) Input tax =  $\frac{18}{100} \times 5,000,000 = \text{shs } 900,000$

(ii) Output tax =  $\frac{18}{100} \times 7,500,000 = \text{shs } 1,350,000$

(iii) Tax liability = Output Tax – Input Tax  
 $1,350,000 - 900,000$

**Tax liability = shs 450,000**

## VAT REFUND

**VAT REFUND.** This means that the total sales made are less than the total purchases. In simple terms it means you sold less compared to was purchased.

### EXAMPLE 1

In January Mzee Ssenkubuge bought the same quantity of sugar, at the same price, but due to credit crunch, he only sold 50 bags at a total of shs 3,750,000. Calculate his estimated VAT refund payable as at January 2016



**Solution:**

$$\text{Input Tax} = \frac{18}{100} \times 5,000,000 = \text{shs } 900,000$$

$$\text{Output Tax} = \frac{18}{100} \times 3,750,000 = \text{shs } 675,000$$

$$\text{VAT Refund} = \text{input Tax} - \text{Output Tax} \\ \text{Shs } 900,000 - \text{shs. } 675,000$$

$$\text{VAT Refund} = \text{shs } 225,000$$

**EXAMPLE 2**

In the month of July 2004. John Maria had VAT exclusive transactions with VAT registered enterprises as follow;

- ✓ Purchase 28,000,000
- ii) Sales 3,400,000

Calculate his Vat paid to URA

i.  $\text{Input Tax} = \text{Taxable value on purchases} \times \text{VAT rate}$   
 $28,000,000 \times ??$

$$\text{Input tax} = \text{shs } 5,040,000$$

ii)  $\text{Output Tax} = \text{Taxable value on sales} \times \text{VAT rate}$   
 $3,400,000 \times ??$

$$\text{Output Tax} = \text{shs } 612,000$$

$$\text{VAT refund} = \text{input Tax} - \text{Output Tax} \\ 5,040,000 - 612,000$$

$$\text{VAT refund} = \text{shs } 4,428,000$$

**Circumstances under which VAT is refundable**

- ✓ When input is greater than output tax. For instance if for a given period the input tax is shs 10,000,000 and the output tax is shs 4,000,000, then the difference of shs 6,000,000 would be refunded to the tax payer.
- ✓ When a taxpayer pays more than what was supposed to be paid, the excess is refunded. For example if one is supposed to pay shs 5,000,000 and it is discovered that the true tax was supposed to be shs 3,000,000, then the excess of shs 2,000,000 is refunded.
- ✓ When there is a proven bad debt. A bad debt for VAT refund considers the following
  - Should have been outstanding for a period of at-least two years
  - There should be proof that all necessary steps were taken to recover the money but no avail.
- ✓ When one loses the stock through fire, burglary and any other proven methods.

**NOTE; WHEN THE VAT IS EXCLUSIVE**

This means that the items given in the question they don't carry VAT.

**Example:**

**VAT INCLUSIVE.** This means that the items given already carry VAT.

**EXAMPLE ONE**

Allan a wholesaler trader in Nakasero market made his purchases and sales during the month of September 2009 and it is as follows

No.	Items	Purchases (VAT exclusive)	Sales (VAT exclusive)
1.	150 bags of sugar	7,500,000	9,000,000
2.	10 boxes of soap	500,000	6,000,000
3.	300 carton of cooking oil	40,000,000	50,000,000
4.	100 bags of salt	2,000,000	3,000,000
<b>Total</b>		<b>54,500,000</b>	<b>68,000,000</b>

**Required:-**

Calculate Allan's VAT liability

VAT liability = Output – Input Tax

Output Tax = Taxable Value on sale x VAT Rate  
 $= 68,000,000 \times \frac{18}{100}$

Output Tax = shs 12,240,000

Input Tax = Taxable value of purchases x VAT Rate  
 $= 54,500,000 \times \frac{18}{100}$

Input Tax = shs 9,810,000

VAT liability = Output Tax – Input Tax  
 $= 12,240,000 - 9,810,000$

VAT liability = shs 2,430,000

**b) When VAT Inclusive given by the formula:**

$\frac{r}{r+100}$

Where r is the VAT rate.

**Illustration**

If the rate of tax (r) = 18% then the tax fraction =  $\frac{18}{18+100} =$

$\frac{18}{118}$ . For example if the consideration (VAT inclusive) is Shs. 20,000, then VAT =  $20,000 \times \frac{18}{118} = \text{Shs. } 3,051$ .

### **EXAMPLE TWO**

Buikwe Investments Ltd, a dealer in electronics made the following transactions during the month of December, 2017.

Goods	Purchases shs VAT inclusive	Sales shs VAT inclusive
<b>Refrigerators</b>	<b>30,000,000</b>	<b>50,000,000</b>
<b>Water pumps</b>	<b>25,000,000</b>	<b>29,500,000</b>
<b>Hot plates</b>	<b>20,000,000</b>	<b>26,300,000</b>
<b>Photocopiers</b>	<b>40,700,000</b>	<b>45,500,000</b>

- ✓ Using VAT output and VAT input approach, calculate Buikwe Investment's VAT liability for each good.
- ✓ Calculate the total VAT liability.
- ✓ VAT liability for each good

$$\text{VAT liability} = (\text{Output} - \text{Input VAT}) \times \frac{18}{118}$$

$$\text{Refrigerators} = (50,000,000 - 30,000,000) \times \frac{18}{118} = \text{shs } \underline{3,050,848}$$

$$\text{Water pumps} = (29,500,000 - 25,000,000) \times \frac{18}{118} = \text{shs. } \underline{686,441}$$

$$\text{Hot plates} = (26,300,000 - 20,000,000) \times \frac{18}{118} = \text{shs. } \underline{961,017}$$

$$\text{Photocopies} = (45,500,000 - 40,700,000) \times \frac{18}{118} = \text{shs. } \underline{732,203}$$

$$\begin{aligned} \text{✓ Total VAT Liability} &= 3,050,848 + 686,441 + 961,017 + 732,203 \\ &= \text{Shs. } \underline{5,430,509} \end{aligned}$$

### **EXAMPLE THREE:**

Given the following table;

Item	Purchases VAT inclusive	Sales VAT exclusive
Sugar	7,850,000	9,000,000
Soap	5,900,000	6,000,000
Oil	47,200,000	50,000,000
Salt	2,300,000	3,000,000
<b>Total</b>	<b>64,310,000</b>	<b>68,000,000</b>

VAT payable = Output – Input VAT

$$\text{Output VAT} = \frac{18}{100} \times 68,000,000$$

$$\begin{aligned}\text{Input VAT} &= \frac{18}{118} \times 64,310,000 \\ &= \text{shs } 9,810,000\end{aligned}$$

$$\begin{aligned}\text{VAT payable} &= 12,240,000 - 9,810,000 \\ &= \text{shs } 2,430,000\end{aligned}$$

**EXAMPLE FOUR:**

TONNY who deals in steel and hard ware his transaction during the month of August 2009.

No	Items	Purchases (VAT inclusive)	Sales (VAT inclusive)
1	Ms. plate	50,000,000	70,000,000
2	Iron bar	70,000,000	130,000,000
3	Angle bar	30,000,000	50,000,000
4	Hollow Section	80,000,000	150,000,000
Total		230,000,000	400,000,000

Calculate the Vat liability.

$$\text{VAT inclusive} = \frac{\text{VAT RATE}}{\text{VAT}+100} \times \text{VAT inclusive value}$$

$$\text{Inputs} = \frac{18}{118} \times 230,000,000 = \text{shs } 35,084,746$$

$$\text{Output} = \frac{18}{118} \times 400,000,000 = \text{shs } 61,016,949$$

$$\begin{aligned}\text{VAT liability} &= \text{output} - \text{input} \\ &= 61,016,949 - 35,084,746 \\ &= \text{Shs } 25,932,203\end{aligned}$$

**ILLUSTRATION:**

Stage	Activity	Purchase price	Selling price
1	Imported at customs	20,000,000	20,000,000
2	Importer/Local distributor	20,000,000	24,000,000
3	Wholesaler	24,000,000	30,000,000
4	Retailer	30,000,000	40,000,000
5	Consumer	40,000,000	

Given the VAT rate as 18%. Calculate the VAT payable at each stage in the above table.

**Stage 1:** Valued added = shs 20,000,000

$$\begin{aligned}\text{VAT payable} &= \frac{18}{100} \times 20,000,000 \\ &= 3,600,000 \text{ shillings}\end{aligned}$$

**Stage 2:** Value added = 24,000,000 – 20,000,000  
= shs 4,000,000

$$\text{VAT payable} = \frac{18}{100} \times 4,000,000$$

**Stage 3:** Value added = 6,000,000 shillings

$$\begin{aligned}\text{VAT payable} &= \frac{18}{100} \times 6,000,000 \\ &= \underline{1,080,000 \text{ shillings}}\end{aligned}$$

**Stage 4:** Value added = 10,000,000 shillings

$$\begin{aligned}\text{VAT payable} &= \frac{18}{100} \times 10,000,000 \\ &= \underline{\text{shs } 1,800,000}\end{aligned}$$

**Stage 5:** VAT added = shs 40,000,000

$$\begin{aligned}\text{VAT liability} &= \frac{18}{100} \times 40,000,000 \\ &= \underline{\text{shs } 7,200,000}\end{aligned}$$

## **ILLUSTRATION**

**Study the table below and answer questions that follow.**

Tax Payer	Taxable income (shs)	Tax liability (shs)
<b>Okello Joseph</b>	<b>25,000,000</b>	<b>3,500,000</b>
<b>Akena Moses</b>	<b>30,000,000</b>	<b>6,300,000</b>
<b>Odong Charles</b>	<b>25,500,000</b>	<b>5,250,000</b>

**Qn:** Calculate the tax rate for each payer.

Tax rate for each payer

### **Akello Joseph**

$$\begin{aligned}\text{Tax rate} &= \frac{\text{Tax Liability}}{\text{Taxable income}} \times 100 \\ &= \frac{3,500,000}{25,000,000} \times 100 \\ &= \underline{14\%}\end{aligned}$$

### **Akena Moses**

$$\begin{aligned}\text{Tax rate} &= \frac{\text{Tax Liability}}{\text{Taxable income}} \times 100 \\ &= \frac{6,300,000}{30,000,000} \times 100 \\ &= \underline{21\%}\end{aligned}$$

### **Odongo Charles**

$$\begin{aligned}\text{Tax rate} &= \frac{\text{Tax Liability}}{\text{Taxable income}} \times 100 \\ &= \frac{5,250,000}{25,500,000} \times 100 \\ &= \underline{20.6\%}\end{aligned}$$

## **INDIVIDUAL INCOME TAX**

**Individual income tax;** This tax is imposed on the chargeable income of an individual. Chargeable income is derived from gross income.

Gross income: there are three sources of income under the Income Tax Act.

- i) Business income
- ii) Employment income
- iii) Property income

**Business income.** Is any income derived by a person from carrying on a business and also includes a gain on disposal of a business asset.

**Employment income is** income earned by an employee from any employment and includes wages, salary, leave pay, payment in lieu of leave, overtime pay, commission, gratuity, bonus or the amount of any travelling, entertainment, utilities, cost of living, housing, medical or other allowance and the value of benefits granted.

**Property income** includes any dividends, interests, annuity, natural resources payments, rents, royalties and any other payments derived by a person from the provision, use, or exploitation of property.

The sum of the income from all the three sources above is referred to as gross income. This excludes income that is exempt from tax.

## **INCOME TAX**

Is direct tax imposed on a person's income at specific rates for a given period of time. It is charged on every person who has chargeable income for each year of income.

Chargeable income of a person for a year of income is the gross income of the person for the year of income less total allowable deductions.

### **Computation of chargeable income**

Employment income	Shs
Basic salary	xxx
<b>Add other allowance</b>	
Bonus pay	xxx
Loan benefit	xxx
Transport allowance	xxx
Medical allowance	xxx
Chargeable employment income	xxx

### **Example 1:**

IVAN is a resident individual. He earned the following income during the year ended 2015.

Property income shs 120,000,000

Employment income shs 80,000,000

Business income from his whole sale shop in Kawanda shs. 250,000,000

### **Required:**

Compute Ivan's **gross income**

### **Solution:**

Property income	120,000,000
Employment income	80,000,000
Business income	250,000,000
<b>Gross income</b>	<b>450,000,000</b>

### **EXAMPLE 2:**

Ms. Kirabo Susan a resident of Lungala earned income from different sources in the year 2008 as indicated below.

Business income shs 1,000,000, employment income shs 2,400,000, property income shs 500,000, In addition, he incurred expenses totaling to 1,200,000 shs to earn the income, shs 150,000 is exempted from tax. Determine Ms Kirabo's gross income and her chargeable income

**Solution:**

(i) Gross Income = Total Income – Tax exempted income

But Total income = Business income + employment income + property income  
1,000,000 + 2,400,000 + 500,000

Gross income = 3,900,000 – 150,000 = **shs 3,750,000**

(ii) Chargeable income = Gross Income Expense

3,750,000 - 1,200,000

Chargeable income = **shs 2,550,000**

**EXAMPLE 3:**

Marvin earned income from different sources for the year 2013

**Business income shs 2,000,000**

**Employment income shs 4,800,000**

**Property income shs 100,000**

In addition, he incurred expenses and losses amounting to shs 2,400,000. A total of shs 300,000 out of the income is tax exempt

**Required:** Determine Marvin's Gross Income and Chargeable income

(i) Gross Income = Total Income – Tax exempted income

But Total income = Business income + employment income + property income  
Shs 2,000,000 + shs 4,800,000 + shs 100,000

Total income = shs 6,900,000

Gross Income = shs 6,900,000 – shs 300,000

Gross income = **shs 6,600,000**

(ii) Chargeable income = Gross Income – Expense

Shs 6,600,000 – shs 2,400,000

Chargeable income = **shs 4,200,000**

**EXAMPLE 4:**

i) SID earned income from the following sources for the year 2015.

Business income shs 1,000,000

Employment income shs 2,400,000

Property income shs 500,000

In addition he incurred shs 1,200,000 as expenses and loss.

Tax exempt amounted to shs 150,000



Calculate:-

- i) SID's gross income
- ii) SID's chargeable income
- iii) SID's tax liability

a) Gross income = Total income – Tax exempt income  
Business income + Employment income + Property income

$$\begin{aligned}\text{Total income} &= 1,000,000 + 2,400,000 + 500,000 \\ &= \text{Shs } 3,900,00\end{aligned}$$

$$\begin{aligned}\text{Gross income} &= 3,900,000 - 150,000 \\ &= \text{shs } 3,750,000\end{aligned}$$

b) Chargeable income = Gross income – Expenses & Losses

$$\begin{aligned}&= 3,750,000 - 1,200,000 \\ &= \text{shs } 2,550,000\end{aligned}$$

$$\begin{aligned}\text{Monthly chargeable income} &= \frac{2,550,000}{12} \\ &= 212,500 \text{ shillings}\end{aligned}$$

c) Tax liability = Nil

### **EMPLOYEES RELIEF / EXEMPT EMPLOYMENT INCOME**

This refers to gains or income that is not included in chargeable income and therefore not taxable. Such income include;

- Pension; pension is tax exempt
- Medical expenses or discharge
- Life insurance
- Meals and refreshment ( if provided in equal terms to all employees)
- NSSF contributions
- Services of security guards
- Allowances paid to a member of parliament except salary
- Terminal benefit for a worker who has provided services for a period of ten years
- Non cash benefit whose value is below 10,000

### **Taxable benefits for a tax payer;**

These are benefits that are subjected to taxation. They include the following;

- Housing / accommodation allowance
- Transport allowance
- Medical allowance
- Holiday allowance / leave allowance
- Entertainment allowance
- Training allowance
- Bonus pay
- Interest benefit
- Motor vehicle benefit

- Loan benefit
- House keeper allowance
- ✓ Etc ( make more research)

### **Computation of chargeable income**

Employment income	Shs	Tax Treatment
Basic salary	xxx	Taxable
<b>Add other allowance</b>		
Bonus pay	xxx	Taxable
Loan benefit	xxx	Taxable
Transport allowance	xxx	Taxable
Medical allowance	xxx	Taxable
Chargeable employment income	xxx	

### **ASSIGNMENT 1:**

**TONNY** earned income from different sources for the year 2017 as shown below.

Business income	Shs.2000,000
Employment income	Shs.4800,000
Property income	Shs.1000,000

In addition, he incurred expenses and losses amounting to shs.2400,000 a total of shs.300,000 out of gross income was tax exempt.

**Required;** Calculate his;

1. Gross income
2. Chargeable income
3. Tax liability.

### **ASSIGNMENT 2:**

**TRINNA** earned income from different sources for the year 2018

- Business income 100,000
- Property income 500,000

In addition she incurred expenses and losses amounting to shs 12,000. shs.150,000 out of that income is tax exempt.

**Required;**

- i) Gross income of the year
- ii) Chargeable income.

### **PAY AS YOU EARN-(PAYE) AS AN INDIVIDUAL TAX**

This is a form of Income tax charged from individual's monthly income such as salary.

There are prescribed rates set by U.R.A depending on the amount of money earned monthly.

**THE TABLE BELOW SHOWS PAYE TAX RATES AS PRESCRIBED BY U.R.A.**

	<b>Chargeable monthly Income</b>	<b>Tax rate</b>
1	Not exceeding shs 235,000	Nil
2	Exceeding shs 235,000 but not exceeding shs 335,000	10% of the amount by which chargeable income exceeds shs 235,000
3	Exceeding shs 335,000 but not exceeding shs 410,000	Shs 10,000 plus 20% of the amount by which chargeable income exceeds shs 335,000
4	Exceeding shs 410,000	Shs 25,000 plus 30% of the amount by which chargeable income exceeds shs 410,000

***Required:***

**EXAMPLE 1:**

MK earns shs 335,000 per month as gross pay. Calculate

✍ Chargeable income/Taxable income

✍ Income tax liability

✍ Chargeable income = Monthly chargeable income-Threshold.

Taxable income = Chargeable income– Threshold

= 335,000 – 235,000

= 100,000 shillings

✍ Income tax liability =  $\frac{10}{100} \times 100,000$

= 10,000 shillings

**EXAMPLE 2:**

Alex is employed as a security guard and earns shs 419,000

Determine the **P.A.Y.E**

Tax payable = Tax rate x Taxable income

= 25,000 +  $\frac{30}{100}(419,000 - 410,000)$

= 25,000 +  $\frac{20}{100}(65,000)$

= 100 + 13,000

= shs 23,000

### **EXAMPLE 3**

- i) SARAH has an annual income of shs 9,600,000 Calculate the total income remittance by the employer to URA on behalf of the employee.

Tax payable for SARAH= Tax rate x Taxable income

$$\text{Total income} = \frac{9,600,000}{12}$$

$$= \text{shs } 800,000$$

$$\text{Tax payable} = 25,000 + \frac{30}{100} (800,000 - 410,000)$$

$$= 25,000 + \frac{30}{100} (390,000)$$

$$= 25,000 + 117,000$$

$$= \text{shs } 142,000$$

$$\therefore \text{Total remittance} = 142,000$$

### **EXAMPLE 4**

2. a) The table below shows the monthly PAYE tax rates in Uganda.

Monthly income	Tax rate/liability
Not exceeding shs 235,000	Nil (zero)
Exceeding shs 235,000 but not exceeding shs 335,000	10% of the amount by which chargeable income exceeds shs 235,000
Exceeding shs 335,000 but not exceeding shs 410,000	Shs 10,000 + 20% of the amount by which chargeable income exceeds shs 335,000.
Exceeding shs 410,000	<ul style="list-style-type: none"><li>➤ Shs 25,000 + 30% of the amount by which chargeable income exceeds shs 410,000.</li><li>➤ Where chargeable income exceeds shs 10,000,000, an additional 10% is charged on incomes exceeding shs 10,000,000.</li></ul>

Calculate the monthly PAYE payable by the following employees who earned the following incomes in the month of March 2017.

- Malaika shs 235,000
- Madaraka shs 400,000
- Mkubwa shs 600,000
- Mkuu shs 11,000,000

**Solution:**

➤ **Monthly PAYE payable**

➤ Malaika = NIL. This is because his salary does not exceed the threshold.

$$\begin{aligned}\text{➤ Madraka} &= 10,000 + \frac{20}{100} (400,000 - 335,000) \\ &= 10,000 + \frac{20}{100} \times 65,000 \\ &= 10,000 + 13,000 \\ &= \text{shs } 23,000\end{aligned}$$

$$\begin{aligned}\text{➤ Mkubwa} &= 25,000 + \frac{30}{100} (600,000 - 410,000) \\ &= 25,000 + \frac{30}{100} \times 190,000 \\ &= 25,000 + 57,000 \\ &= \text{shs } 82,000\end{aligned}$$

$$\begin{aligned}\text{➤ Mkuu} &= 25,000 + \frac{30}{100} (11,000,000 - 410,000) + \frac{10}{100} \times 1,000,000 \\ &= 25,000 + 3,177,000 + 100,000 \\ &= \text{shs } 3,302,000\end{aligned}$$

**EXAMPLE FIVE:**

✍ The following VAT exclusive transactions were availed to you from the records of VAT registered business dealing in electrical appliances.

✍ Bob electrical bought goods at shs 10,000,000

✍ Bob electrical sold the same goods to MK electrical, a wholesaler at shs 11,500,000

✍ MK electrical sold the goods to mercy electronics a retailer at shs 13,300,000

✍ Mercy electronics sold the same goods to Kafuko a final consumer at shs 14,500,000

**Required:**

i. Compute the VAT at each stage

Stage (i) 18% of 10,000,000

$$\begin{aligned}&= \frac{18}{100} \times 10,000,000 \\ &= \text{shs } 1,800,000\end{aligned}$$

Stage (ii) 18% of (11,500,000 – 10,000,000)

$$\begin{aligned}&= \frac{18}{100} \times 1,500,000 \\ &= \text{shs } 270,000\end{aligned}$$

Stage (iii) 18% of (13,300,000 – 11,500,000)

$$= \frac{18}{100} \times 1,800,000$$

$$= \text{shs } 324,000$$

Stage (iv) 18% of (14,500,000 – 13,300,000)

$$= \frac{18}{100} \times 1,200,000$$

$$= \text{shs } 216,000$$

- j. Assuming a business VAT on sales shs 2,600,000 and VAT on purchase shs. 3,000,000.

Calculate and comment on the VAT liability

VAT liabilities = Output – Input VAT

$$= 2,600,000 - 3,000,000$$

$$= (\text{shs } 400,000)$$

∴ URA paid back shs 400,000 to the business.

### **ASSIGNMENT ONE**

The following are employees of **Mukwano Group of Companies** with their respective salaries.

Employee Name	Salary
Sharon	150,000
Stella	280,000
Sandra	380,000
Shiba	600, 000

2. a) **The table below shows the monthly PAYE tax rates in Uganda.**

Monthly income	Tax rate/liability
Not exceeding shs 235,000	Nil (zero)
Exceeding shs 235,000 but not exceeding shs 335,000	10% of the amount by which chargeable income exceeds shs 235,000
Exceeding shs 335,000 but not exceeding shs 410,000	Shs 10,000 + 20% of the amount by which chargeable income exceeds shs 335,000.
Exceeding shs 410,000	<del>✗</del> Shs 25,000 + 30% of the amount by which chargeable income exceeds shs 410,000. <del>✗</del> Where chargeable income exceeds shs 10,000,000, an additional 10% is charged on incomes exceeding shs 10,000,000.

- a) Compute the amount of monthly P.A.Y.E Paid by the above employees.
- b) Determine Shiiba's Annual P.A.Y.E.

### **ASSIGNMENT TWO**

MELISA is an employee of SMILE TRADERS where she earns total gross salary of shs.8400,000 per year. This means that MELISA earnings fall under the 4<sup>th</sup> income bracket as indicated below.

4 <sup>th</sup> income tax bracket	Tax rate per month
Shs 410,000 per month and above	Shs 25,000 +30% of a mount exceeding shs.410,000.

#### ***Required:***

Calculate the amount of PAYE paid by MELISA for the year

### **ASSIGNMENT THREE**

#### **On**

- a) NAMUSOKE is an employee of an NGO and she earns Shs 8,000,000 per year. The company uses monthly pay tax rates below to calculate PAYE deductions.

<b>MONTHLY INCOME (Shs)</b>	<b>CHARGEABLE</b>	<b>RATE OF TAX</b>
0 – 235,000		NIL
235,000 – 335,000		10% of the amount by which chargeable income exceeds Shs 235,000
335,000 – 410,000		Shs 10,000 plus 20% of the amount by which chargeable income exceeds Shs 335,000
410,000 – 10,000,000		1. Shs 25,000 plus 30% of the amount by which chargeable income exceeds shs 410,000 2. Above Shs 10,000,000, charge additional 10%

Calculate NAMUSOKE's monthly PAYE deductions.

- b) Obama is an employee of Ozana Traders .He earns the following monthly income; a salary of shs.7000,000, travelling allowance of shs.1200,0000 and medical allowance ,Security shs 500,000 .

Compute PAYE tax liability.

- c).Mention any three limitations of P A YE

## **ASSIGNMENT FOUR**

Equity Holding Limited employs Martha, Eric, Francis and Dianah earning on annual salary of shs 2,400,000, shs 2,820,000, shs 3,360,000 and shs 4,800,000 respectively. In addition, the company pays each employee shs 60,000 and shs 40,000 per month as transport and medical allowance respectively.

Given the income (PAYE) tax rates as follows

**Calculate the monthly P.A.Y.E. for each employee.**

## **ASSIGNMENT FIVE**

**Mukasa** is an operations manager of AZAM beverages. In the month of October 2020 he earned a basic salary of shs.10, 000,000. In addition he received a monthly medical allowance of shs.2,000,000, transport allowance of shs.1000,000.

**Below is the income tax bracket.**

4 <sup>th</sup> income tax bracket	Tax rate per month
Shs 410,000 per month and above	Shs 25,000 +30% of a mount exceeding shs.410,000.

- i) Compute; i) Mukasa's gross income
- ii) Tax liability for the month of October.

b) Having completed his dream project Mukisa now earns shs.80,000,000 annually from Mukisa apartments. Given 20% as provision for expenses and losses, shs.2820,000 as tax free allowance and 20% as rental tax.

Compute: i) Net Chargeable income

ii) Rental tax Payable

c) What measures can be taken to encourage tax compliance in the country.

## **TAXATION OF PROPERTY INCOME**

**RENTAL TAX;** This is a form of direct tax charged on immovable property like land, buildings e.t.c

Rental income is defined as income earned by a person from letting out property on commercial terms.

Rent means payment including a premium or like amount, made as consideration for use or occupation of, or the right to use or occupy, land or buildings

Sources of rental income

- i) Commercial buildings
- ii) Land (plots, gardens or swamps)
- iii) Royalties (murram, minerals, stones, rocks, etc)



## **Treatment of rental income tax of an individual and a company**

The difference in tax treatment of rental income earned by an individual and company as follows;

- = An individual enjoys a threshold of shs 2,820,000 whereas a company enjoy no threshold
- = Rental income earned by individual is subjected to 20% tax rate whereas for a company it is subjected to 30% tax rate.
- i. An individual is granted 20% of gross rental income as allowable deductions whereas a company is entitled to deductions on actual basis, that is allowable expenses incurred.

### **COMPUTATION OF RENTAL TAX**

#### **NOTE THE FOLLOWING WHEN COMPUTING RENTAL TAXES.**

- i) Rental tax is only charged on immoveable property i.e. land and buildings.
- ii) Rental tax is charged on property within Uganda.
- iii) 20% of annual rental income is subtracted representing expenses and losses incurred to earn the rental income.

All other expenses and losses incurred are ignored.

- i) Rental tax is calculated on an annual basis.
- ii) The threshold for rental tax is 2,820,000
- iii) The tax rate for rental tax is 20% of chargeable rental income in excess of the threshold.
- i)  $\text{Rental income} = \frac{20}{100} (\text{Chargeable rental income} - \text{Threshold})$
- ii)  $\text{Chargeable annual} = \text{Annual Gross Rental Income} - \text{Expenses \& losses}$
- iii)  $\text{Expenses \& losses} = \frac{20}{100} (\text{Annual Gross Rent income})$

#### **N.B: In computing the rental tax, the following are considered.**

- ✓ Gross of all rent earned during the year.
- ✓ Deduct 20% statutory expenses on the gross rent(Provision for expenditure and loss)
- ✓ Deduct interest expense if it was incurred in respect of the mortgage for acquiring or constructing the building.
- ✓ Deduct tax free allowance of shs.2,820,000(Threshold a mount)
- ✓ Apply rate of 20% on the chargeable income to get the tax.

#### **EXAMPLE ONE**

Jane earned annual rent of shs.2500,000 from a house in Kisaasi ,shs.900,000 from house in Jinja and Shs.600,000 from house in Masaka.

**Determine the Rental tax paid.**

**Gross rental income** = summation of all incomes

$$= 2500,000 + 900,000 + 600,000 = 4000,000.$$

Less provision for expenditure and loss  $20\% \times 4000,000 = 8000,000$

**Chargeable rental income** =  $4000,000 - 8000,000 = 3200,000$ .

**Net chargeable rental income** = Chargeable rental income – threshold.

$$3200,000 - 2820,000 = 380,000$$

Rental tax = Rental tax rate X Net chargeable

$$= 380,000 \times 20\%$$

$$= \mathbf{76,000 \text{ Shillings}}$$

- (i) Peter earned shs 2,500,000 as annual rent income from his house. Calculate his rental tax

$$\text{Rent tax} = \frac{20}{100} (\text{Chargeable rental income} - \text{Threshold})$$

But chargeable rental income = Annual Gross rent income – expenses

$$\text{But expenses \& losses} = \frac{20}{100} (\text{Annual Gross Rent income})$$

$$= \frac{20}{100} (2,500,000)$$

$$= 500,000$$

$$\text{Chargeable income} = 2,500,000 - 500,000$$

$$= \text{shs } 2,000,000$$

Rental tax = Nil.

- (ii) A land lord earned shs 6 million from his buildings shs. 2 million from his taxis and he spent shs 500,000 to paint the buildings during the year. Calculate the rental tax payable.

$$\text{Rent tax payable} = \frac{20}{100} (\text{Chargeable income} - \text{Threshold})$$

But chargeable income Annual gross rental income – expenses & losses

$$\text{But expenses \& losses} = 6,000,000 \times \frac{20}{100}$$

$$= \text{shs } 1,200,000$$

$$\text{Chargeable income} = 6,000,000 - 1,200,000$$

$$= \text{shs } 4,800,000$$

$$\text{Rental tax payable} = \frac{20}{100} (4,800,000 - 2,820,000)$$

$$= \frac{20}{100} (1,980,000)$$

$$= \text{shs } 396,000$$

## **EXAMPLE TWO**

- (iii) Francis is land lord with study tenants and earned rental incomes from his house below for the year ended 31<sup>st</sup> December 2015.

Location	Monthly rent (shs)	Monthly expenses (shs)
Banda	8,300,000	250,000
Mutungo	9,400,000	360,000
Kireka	7,200,000	630,000

$$\begin{aligned}\text{Annual gross income} &= 83,000,000 + 112,800,000 + 84,400,000 \\ &= \text{shs } 282,200,000\end{aligned}$$

$$\begin{aligned}\text{Expenses} &= 282,200,000 \times \frac{20}{100} \\ &= 56,440,000 \text{ shillings}\end{aligned}$$

$$\begin{aligned}\text{Total chargeable income} &= \text{Annual gross income} - \text{expenses} \\ &= 282,200,000 - 56,440,000 \\ &= \text{shs } 225,760,000\end{aligned}$$

$$\begin{aligned}\text{Rental tax payable} &= \frac{20}{100} (\text{Chargeable} - \text{Threshold}) \\ &= \frac{20}{100} (225,760,000 - 2,820,000) \\ &= \text{shs } 44,588,000\end{aligned}$$

## **EXAMPLE THREE**

Ms. Nyaketcho Martin and Ms Logose Delilah own a building in Busega that belonged to their late brother Muganga Anthony; they earn 4,500,000 shs as rental income from this building. The tax rate for rental tax is 20% of the chargeable rental in excess of the threshold which is shs 2,820,000

Calculate their rental tax payable.

### **Solution**

Rental income	shs 4,500,000
Less provision for loss 20% X 4,500,000 =	shs 900,000
<b>Chargeable income = (4,500,000 – 900,000) =</b>	<b>shs 3,600,000</b>
<b>Less threshold</b>	<b>shs 2,820,000</b>
Chargeable income	Shs 780,000
Rental tax payable (20% X 780,000)	shs 156,000

#### **EXAMPLE FOUR:**

Musoke earned shs 6,500,000 as rental income from his house located in Kampala. Compute his rental tax.

Rental income	shs 6,500,000
Less provision for loss $20\% \times 6,500,000 =$	shs 1,300,000
Chargeable income $(6,500,000 - 1,300,000)$	shs 5,200,000
Less threshold	shs 2,820,000
Taxable rental income	Shs 2,380,000
Rental tax $(20\% \times 2,380,000)$	shs 476,000

#### **Question**

- a) Alpha, a resident individual operates rental properties in the financial year ended December 2018. He received shs 17,500,000 as rent revenue

#### **Required:**

Using allowable deductions and tax rate below

- i) Gross rental income
- ii) Taxation rental income
- iii) Tax liability for the year 2018

#### **Allowable deductions:**

- i) 20% as statutory expenses in gross income
- ii) Shs 2,820,000 as tax free allowance

#### **Solutions:**

Rental income	shs 17,500,000
Less provision for loss $20\% \times 17,500,000 =$	shs 3,500,000
Chargeable income $(17,500,000 - 3,500,000)$	shs 14,000,000
Chargeable income	shs 14,000,000
Less threshold	shs 2,820,000
Taxable rental income	Shs 11,180,000
Tax liability	
Rental tax $(20\% \times 11,180,000)$	
Tax liability	shs 2,236,000

$10,000,000 - 2,000,000 = \text{shs } 8,000,000$  Therefore balance =  $(10,000,000 - 2,000,000) = \text{shs } 8,000,000$

#### **Step 3:** deduct Threshold (2,820,000)

$8,000,000 - 2,820,000 = \text{shs } 5,180,000$

#### **Step 4:** determine rental tax at 20%

$20\% \times 5,180,000 = \text{shs } 1,036,000$

## **Rental tax for companies**

**Step 1:** Determine the total annual gross rents from all sources of the company.  
Say shs 120,000,000

**Step 2 :** Deduct all expenses incurred in the production of the rental income, say  
expenses = shs 65,000,000

Therefore;

Chargeable rental income = 120,000,000 – 65,000,000 = shs 55,000,000

**Step 3:** Determine rental tax at 30%

(i)  $30\% \times 55,000,000 = \text{shs } 16,500,000$

## **ASSIGNMENT ONE**

Mr. Mukasa is a land lord SABA SABA shopping mall in Kampala. He earns annual rental income of shs.3000,000. Use 20% as the rental tax rate and 20% for losses and expenses.

**Threshold amount is 2820,000**

**Required:** Determine rental tax.

## **ASSIGNMENT TWO**

TINA earns shs.5000,000 as rental income from her house located from Kyengera. Compute her rental tax.

## **ASSIGNMENT THREE**

Lucy has a flat in Kampala city, where she earns shs 72,000,000 as rental income a year. Given that the rental tax rate is 20% provision for 20% and threshold is shs 2,820,000. Calculate:- (i) **Lucy's rental tax** (ii) **Net rental income**

## **ASSIGNMENT FOUR**

QN.BUKIRWA owns a house in Kamwokya town where she earns rental income of Shs 28,000,000 a year.

-Use 20% as provision for expenses and losses of the total rental income

-Use Shs 1,560,000 as Tax Threshold

-Use 20% as rental income tax rate.

Calculate:-

i) Chargeable rental income.

ii) Rental income tax.

iii) Net rental income.

## NON TAX REVENUE

Non tax revenue in Uganda collected by URA includes stamp duty and other government non- tax revenue.

**Stamp duty.** This is a duty payable on all the instrument of the schedule of stamps executed or signed in Uganda. Such instruments include transfer of land, Mortgages and agreements.

Stamp duty chargeable is transfer of land of 1.5 % of the value of land. The value of land is determined by the chief valuer of government in the ministry of lands. Stamp duty on mortgages is 0.5% of the value while stamp duty on agreement, letter of credit, caveat etc. is at a fixed rate of shs 10,000 i.e. it doesn't vary with the amount in the agreements and others.

### EXAMPLE ONE

Ms Nabunya purchased land at plot 25 Kampala Road for shs 5,000,000. The land has been valued by the chief government valuer at shs 7,500,000. You are required to compute the stamp duty payable

**Solution:**

Stamp duty payable =  $1.5\% \times 7,500,000$

**Stamp duty payable = shs 112,500**

**Example two:**

Ms Nalwoga Rachael and Ms Batambuliza Doris have signed a mortgage with Stanbic Bank Ltd for shs 10,000,000 they borrowed, calculate their stamp duty

**Solution:**

Stamp duty =  $0.5\% \times 10,000,000$

**Stamp duty = shs 50,000**

**Import duty**

## INTERNATIONAL TAXES

On entering Uganda, goods are declared on the entry which is issued by URA on a prescribed format.

The assessment process would involve the following

- ✓ Determination of the customs value. This is based on cost insurance and freight value (CIF)
- ✓ Determination of tax payable using the tax rates as designed in the customs tariffs contained in the Customs External Tariffs (CEF)
- ✓ Examination of the goods and if satisfied with the valuer and documentation, the goods are released

Imported goods normally pay the following

- ✓ Import duty
- ✓ Excise duty
- ✓ Value added tax
- ✓ Withholding tax

In January 2005 Uganda a member of EAC, a regional economic body referred to as the customs union comprising of Uganda, Kenya, Tanzania and today Rwanda. The EAC agreed to establish a common external tariff (CEF) for all goods and services outside the region and this has three tax bonds i.e. 25%, 10% and 0%

**Example One:**

Mr. Lwanga Hamza imports goods from Dubai at a CIF value of 100 US dollars, attracting an import duty of 10% in order to derive the custom duty, its necessary to convert US Dollars into Ugandan shillings by applying the current exchange rate. Assuming the current exchange rate is 1 US Dollar = 2,250

(i) assuming the trader had to pay VAT 18%, an excise duty 60% and withholding tax 6%.

Calculate the total amount payable.

**Step 1**

Convert CIF value in US \$ to Uganda shillings

Custom value = CIF X exchange rate

Custom value = 100 US \$ X 2,250

Custom value = shs 225,000

**Step 2**

Deriving import duty

Duty rate = 10 % of custom value

Import duty =  $\frac{10}{100} \times 225,000$

Import duty = shs 22,500

**Step 3 Excise duty**

Excise duty value = custom value + import duty

Excise duty value = 225,000 + 22,500

Excise duty value = shs 247,500

Excise duty = 60% Of excise duty value

Excise duty =  $\frac{60}{100} \times 247,500$

Excise duty = shs 148,500

**Step 4** Value Added Tax (VAT)

Vat rate = 18%

VAT value = custom value + import duty + excise duty

VAT value = 225,000 + 22,500 + 148,500

VAT value = shs 396,000

$VAT = \frac{18}{100} \times 396,000$

VAT = shs 71,280

**Step 5** withholding tax

Withholding Tax = 6% of custom value

$Withholding\ Tax = \frac{6}{100} \times 225,000$

Withholding Tax = shs 13,500

Total Tax payable = import duty + excise duty + VAT + withholding Tax

Total Tax payable = 22,500 + 148,500 + 71,280 + 13,500

Total Tax payable = shs 255,780

**Example two:**

Mr. Tugume imported a car from South Africa at USD 1,200 (the car is 6 years old). Freight charges to Mombasa were USD 800. Insurance to Mombasa was USD 200. Compute the taxes and duties payable by the owner (use rate 1 USD = 3,650 shs). Where import duty is 25%, Vat is 18% and withholding tax is 6%, environmental levy is 35%.

**Solution:**

Determination

CIF to Mombasa

Cost (1,200 X 3,650)	4,380,000
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Freight (800 X 3,650)	2,920,000
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Insurance (200 X 3,650)	730,000
-------------------------	---------

CIF	8,030,000
-----	-----------

**Taxes payable**

Import Duty (25% of CIF) = 25% X 8,030,000	2,007,500
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VAT (18%) (8,030,000 + 2,007,500) X 18%	1,806,750
---	-----------

Environmental levy (35% X 8,030,000)	2,810,500
--------------------------------------	-----------

WHT (6%) (6% X 8,030,000)	481,000
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Total taxes	7,106,550
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**NOTE:**

**a) Infrastructural Levy.** This is a levy imposed by the East African Community member States to finance and maintain infrastructural development. It is charged at rate of 1.5% of the C.I.F Value.



### **b)Environment Levy**

This is a levy imposed to limit the importation of used cars as a way of protecting the environment. The rate varies depending on the years of manufacture. Passenger Vehicles that are above nine years since manufacture pay environmental levy of 20%. All vehicles pay infrastructural levy except specialized vehicles such as road drilling and fire fighting vehicles.

#### **EXAMPLE:**

If you imported a car worth 2000 dollars, paid 200 dollars for insurance and 300 dollars for freight charges up to Mombasa and the exchange rate is 1 dollar=3700shillings. Given the tax rate as;

Import duty = 25%, VAT = 18%, Withholding Tax=6%. Determine the relevant taxes.

#### **Step 1**

Customs Value=Cost +Insurance+ Freight

$$= 2000 + 200 + 300$$

Shs = 2500

#### **Step II**

Customs Value = Customs Value x exchange rate

$$= 2500 \times 3,700$$

$$= 9,250,000 \text{ shillings.}$$

#### **Step III**

Determine the Taxes

Import Duty = 25% of 9,250,000

$$= 25/100 \times 9,250,000$$

**Shs. 2, 312,500**

**VAT** = 18% of (Customs Value + Import Duty)

$$= 18\% \text{ of } (9,250,000 + 2, 312,500)$$

$$= 18/100 \times 11,562,500$$

$$= \text{Shs.} 2,081,250.$$

**WHT** = 6% of Customs value

$$= 6/100 \times 9,250,000$$

$$\text{Shs.} 555,000$$

**INFRASTRUCTURAL LEVY**=1.5% Customs Value

$$= 1.5/100 \times 9,250,000$$

$$= \text{Shs.} 138,750.$$

#### **N.B:**

If the car is a passenger Vehicle above nine years since the date of manufacture, you need to compute environmental levy of 50%.

**ENVIRONMENTAL LEVY**

= 50% of Customs value  
= 50% x 9250,000  
= 4,625,000

b) If the Car is a goods Vehicle above nine years since the date of manufacture, you need to compute environmental levy at 20%

**ENVIRONMENTAL LEVY**

= 20% of Customs Value  
= 20% x 9,250,000  
= 1,850,000

**TOTAL TAXES For the passengers Vehicle above nine years since manufacture**

= Import duty + VAT + WHT + Infrastructural Levy + Environmental Levy.  
= 2,312,500 + 2,081,250 + 555,000 + 138,750 + 4,625,000  
= **Shs. 9,712,500.**

**TOTAL TAXES for the goods Vehicle above nine years since manufacture.**

Import duty + VAT + WHT + Infrastructural Levy + Environmental Levy.  
= 2,312,500 + 2,081,250 + 555,000 + 138,750 + 1,850,000  
= **Shs. 6,937,500**

**N.B.** Vehicles manufactured 15 years ago are prohibited.

**ASSIGNMENT ONE**

**Mr. Mukasa** imported a used motor van from Japan in the month of June 2013 and it is a goods vehicle. The motor van (FOB) was a Land Cruiser model 2000 invoiced at USD 12,000 free on Board (FOB) Tokyo, Japan. Shipment costs from Japan to Mombasa were USD 1,000 and insurance of USD 500 on board Mombasa.

***The additional information relating to the transaction includes***

- ✓ The ruling exchange rate as per Uganda Revenue Authority of 1 USD = shs 2,540.
- ✓ Import duty fee rate at 25%
- ✓ Environmental levy at 20% for used vehicles older than 8 years from the date of manufacture.
- ✓ VAT is 18%
- ✓ WHT is 6%

**Required; Determine the relevant Customs taxes**

**Question TWO**

Kyagulanyi and Sons Ltd deals in the importation, resell and sometimes export of sugar. During the month of December 2011, the company imported 1,000 bags of sugar from UAE of 50kgs per bag. The cost of the sugar was USD 35,714. The cost of transporting sugar from UAE to Mombasa was USD 4,000 and insurance costs of USD 400 from

Dubai to Mombasa, Kenya and USD 200 from Mombasa to Kampala. The import rates of sugar were as follows

- ✓ Import duty – 75%
- ✓ Excise duty shs 25 per kg
- ✓ VAT – 18%
- ✓ Withholding tax – 6%. The company is exempted from WHT 6% on imports
- ✓ URA imports exchange rate for December 2011 was 1USD = 2,800 Uganda shillings

Tax is computed based on cost, insurance and freight (CIF) value. The freight value considered is up to Mombasa.

**Required:**

- a) Using the above information, compute the tax payable by Kyagulanyi and sons ltd to URA customs
- b) Uganda is a member of the East African community customs Union and common market. Currently, goods produced within any member state enjoy 0% import duty rate on importation. Suppose the sugar is imported by Kyagulanyi and sons limited was manufactured in Kenya, compute the tax that would be paid by Kyagulanyi and sons ltd on importation

**QUESTION THREE**

Assuming Adyebo imports soda from south Africa at C.F.F value US dollar 1000 attracting 25%,**import** duty,60% excise duty, VAT of 18% and withholding tax 6%.The exchange rate is Ug shs.2500shillings.

**Required:- Compute all the relevant taxes.**

**Question four:**

Malcolm Industries are manufacturers of drinking Straws. They import an item called high quality density polythene as their raw materials. The C.I.F value for raw materials is U.S dollars 2000.High density polythene is 0% import duty, 18% VAT and exempted from withholding tax. The exchange rate is shs.2800 to 1 US dollar.

Required;

Determine all the relevant taxes.

**NON -TAX REVENUES**

This is the income earned by the government from other sources other than taxes.

This is the revenue collected by U.R.A On behalf of other government agencies like stamp duty, passport duty and work permit fees, traffic fines etc.

They include the following:-

- a) **Stamp Duty.** This is a charge for legalizing transactions or documents. For example upon purchase of land.
- b) **Fines and penalties.** These are imposed on any person who has broken the law like traffic offences, court fines.
- c) **Passport fees.** This is revenue received from individuals who apply for passports.
- d) **Permit fees.** This is a fee imposed to allow an individual /entity transacts a business. For example trading license, animal transit permit and work permit.
- e) **Gifts and donations.** These are voluntary contributions made by individuals and organisations to the government.
- f) **Borrowing.** This refers to loans obtained by the from within or outside the country.
- g) **Earnings from the government enterprises.** These are profits earned by the government from the sale of goods or provision of services.
- h) **Rent and rates.** This is the money charged by the government on buildings or premises leased by individuals or organisations.
- i) **Road and bridge tolls.** These refer to revenue collected from users of roads to enable the government to maintain these facilities

#### **TAXES AND DUTIES COLLECTED BY LOCAL AUTHORITIES.**

Local Government Authorities are responsible for the assessment and collection of local government revenue to be used within the locality.

They include the Districts, City Councils and Municipalities, town councils, among others. These local authorities collect revenue such as;

- i) **Property Tax.** This is the tax levied on income derived by a person from the provision, use or exploitation of property.
- ii) **Hotel Tax;** This tax charged on hotels and paid monthly by the hotel owner to local authorities.
- iii) **Local Service Tax.** This is a tax levied on wealth and incomes of all persons in gainful employment, self employment and practicing professionals, self artisans, businessmen/women and commercial farmers.
- iv) **Trading Licence Fee.** This is a fee paid to allow person carry out a specified business in a given area for a period of time usually one year.
- v) **Permit Fees.** This a fee imposed to allow tax payer transact business. For example, trading permit, animal transit permit etc.
- vi) **Registration Fee.** This a fee charged for approval of construction plans and urban plans.
- vii) **Market Dues;** These are charges made to allow an individual to trade in the market.
- viii) **Plan fees.** This a fee charged for approval of construction and urban plans.
- ix) **Street parking fees.** This is fee payable for use of parking space in urban areas.
- x) **Land fees.** This is a fee payable for land transactions.
- xi) **Advertising /Billboard fees.** These are fees charged to allow one to put up adverts like sign posts.

**N.B. The above are both tax and non tax revenues.**

## **TOPIC 11**

### **MANAGING PERSONNEL/HUMAN RESOURCE MANAGEMENT DOCUMENTS AND POLICY GUIDELINESS.**

#### **Example 1.CODE OF CONDUCT FOR THE STAFF TO PROMOTEDISCIPLINE**

This refers to the art of managing workers at any place of work by the human resource

**BUWOMA ENTERPRISES  
P.O BOX 333, KAMPALA  
TEL: 0798-22-33-44**

#### **CODE OF CONDUCT FOR STAFF MEMBERS TO PROMOTE DISCIPLINE**

- ✓ The dressing code shall be descent for both male and female employees through putting on long sleeved shirts for men and skirts go beyond knees for ladies
- ✓ Drunkard-ness shall not be tolerated

There shall be no trade union activities in the business in order to minimize cases of strikes and demonstrations among employees. manager.

- ✓
- ✓ Resignation from services shall be communicated three months in advance
- ✓ Unbecoming behaviors in interpersonal relations like fighting use of abusive language etc. shall not be tolerated at all times.
- ✓ There shall be no missing of work without permission from authority in order to ensure regularity among employees.
- ✓ Repeated offense shall lead to dismissal
- ✓ The arrival time shall be 7:30 am and the departure time shall be 5:30 Pm

#### **STRATEGIES FOR RETENTION OF EMPLOYEE AT ANY PLACE OF WORK SHOULD INCLUDE;**

-Title, name & address of the business.

- Offering prompt and reasonable salaries.
- Recognizing workers for exemplary work done /awarding / appreciating exemplary work.
- Offering fringe benefits such as medical allowance, transport.
- Training workers.
- Promoting good interpersonal relations.
- Having a clear promotion criteria/ promoting workers on merit.
- Proper management of discipline.
- Involving workers in decision making.
- Using performance appraisal.
- Ensuring good working environment/conditions e.g. favourable /convenient hours of work good sanitation.
- Handling workers' grievances fairly.
- Showing concern for workers' problems.
- Promotion of teamwork
- Worker optimization
- Bonus payment for extra work done
- Involving workers in profit sharing schemes.
- Clear job description /duty allocation to avoid conflicts
- Ensuring job security i.e. through giving workers appointment letters

## **PROCEDURES FOR DISCIPLINING EMPLOYEES**

### **-Title i.e. BUSINESS NAME AND ADDRESS PROCEDURES FOR DISCIPLINING EMPLOYEES**

- Documenting/documentation of the indiscipline /offense
- Undertaking preliminary action by the immediate supervisor/ talking to the indisciplined employee.
- Writing/giving /issuing a warning letter to the employee if he/she does not change.
- Forwarding the undisciplined employee to the disciplinary committee.
- Meeting the undisciplined worker and giving him/her fair hearing to defend himself/herself.
- Recommending and taking disciplinary action against the indisciplined worker depending on the seriousness of the offence e.g. suspending the worker for a specified period, demotion of the worker, making a pay cut on the worker's payment, terminating/dismissing the worker etc.

**NB:** The procedures should be in chronological order.

## **PROCEDURES FOR HANDLING IN DISCIPLINED STAFF.**

- Documenting the details of the indiscipline.
- Verbal discussions and counseling by the immediate supervisor.

- Giving written warnings about indiscipline by the immediate supervisor.
- Failure to reform, meet the disciplinary committee to enable the employee defend himself or herself.
- Suspension for a prescribed period e.g. one month.
- Failure to reform –demotion with reduction in salary and benefits.
- Termination of the employee / dismissal.

**NB.** Use present continuous tense or should or action verbs.

The candidate must present the procedure in a chronological order.

## **POLICY FOR REMUNERATION STRUCTURE OF EMPLOYEES BUSINESS NAME AND ADDRESS**

- ✓ Highly educated workers shall be paid highly compared to less educated employees i.e. graduates shall be paid a higher salary compared to diploma and certificate holder.
- ✓ Salary payment shall be made according to number of hours /days worked. The payment per hour /day shall be (shs) 230,000 and shall be adjusted according to the prevailing economic conditions.
- ✓ The salaries paid shall be slightly higher (e.g. 5% higher than those paid by rival firms/ competitors).
- ✓ Salaries shall be paid according to the amount of work done e.g. number of fish ponds
- ✓ Workers' salaries shall be increased whenever the demand and prices for business products increase.
- ✓ Highly skilled workers that are not easily substituted shall be paid highly than the unskilled workers.
- ✓ More experienced workers shall be paid highly compared to less experienced workers.
- ✓ Workers' salaries shall be increased 10% every year.
- ✓ All workers shall be entitled to fringe benefits such as accommodation, medical allowance and lunch.
- ✓ The salary paid shall be in line with government wage/salary structure.
- ✓ Risky/more complex tasks shall attract higher pay compared to tasks that are not more complex.
- ✓ Workers employed on contract basis shall earn a higher pay compared to those on permanent basis.
- ✓ All work that is contracted shall be for two years, only renewable upon satisfactory performance.
- ✓ Bonus payment shall be paid to workers in order to encourage them work hard.

**NOTE.** All the above policy documents should be presented with the business address and document title. They can also be framed.

## **ASSIGNMENT**

You have been hired as a Human Resource Manager of Blessed Restaurant which is experiencing high labour turnover.

- a) Develop the new remuneration policy structure for your employee.
- b) Present the guidelines to be followed by the business employees to promote discipline at any place of work.

## **PAYROLL**

**Payroll:** This is a record used by financial controllers when paying business employees (workers) their respective salaries, allowances and other monthly deductions.

### **Example:**

You are the chief cashier of KULIKA AND SONS. Prepare a payroll used when paying business employees.

## **PAYROLL FOR THE MONTH OF SEPTEMBER 2012 FOR KULIKA AND SONS**

KULIKA AND SONS LIMITED  
P.O BOX 30 MUKONO  
TEL: 0777272727

### **WORKERS PAYROLL FOR SEPTEMBER 2012**

Employees Name	Employee number	Basic Pay	Allowances		Gross Pay	Deductions		Net pay
			housing	Transport		Taxes	Advance	
Katungulu	001	400,000	40,000	30,000	470,000	60,000	-	410,000
Bugulu	002	500,000	60,000	40,000	600,000	30,000	40,000	530,000
Matu Tom	003	360,000	30,000	20,000	410,000	40,000	-	370,000
Buuso	004	280,000	20,000	10,000	310,000	30,000	60,000	220,000
Namunswa	005	170,000	-	-	170,000	-	70,000	100,000
<b>Total</b>								

Prepared by ..... Approved by ..... Date: 28/09/2012  
Musota Snake Busangwa Position  
**Cashier General Manager**

**N.B.** Gross pay = Basic pay + Allowances

**Net pay** = Gross Pay – deductions = Net pay.

### **Assignment:**

You are involved in the production of juice products. Prepare workers payroll for the month that has just started.



## EMPLOYEE RECORD CARD

This is a document which contains all the detailed employee record such as level of qualification history, name of the employee, job experience etc.

## AN EXAMPLE OF EMPLOYEE CARD

<b>MATYAMA SECRETARIAL BUREAU</b>	
<b>P.O BOX 200, BUGIRI</b>	
<b>TEL: 0776-66-00-23</b>	
<b>EMPLOYEE RECORD CARD</b>	
Name: .....	Sex: .....
.....	
Address:.....	Date of birth.....
Position:.....	Department: .....
.....	
Marital status: .....	Date of appointment: .....
Salary: .....	NSSF.NO.....
.....	
Qualification: .....	University /institution.....
Number of days absent.....	Reason:.....
.....	

## EMPLOYEE PAY SLIP

This is a document provided to an employee, outlining details such as the amount to be paid as salary, deductions to be made like taxes and other allowances and remuneration benefits which are subjected to an employee.

## AN EXAMPLE OF EMPLOYEE PAY SLIP

**MATYAMA SECRETARIAL BUREAU**  
**P.O BOX 200, BUGIRI**  
**TEL: 0776-66-00-23**

### EMPLOYEE PAY SLIP

Name : .....

Title : .....

Department : .....

Account number: .....

Month : .....

Year

:.....

Basic pay	Allowance		Gross pay	Deduction		Net pay
	Transport	Housing		NSSF	PAYE	
(shs)	(shs)	(shs)	(shs)	(shs)	(shs)	(shs)

Prepared by

.....

James Kato

Finance officer

## CERTIFICATE OF APPRECIATION


It is a special document which is designed by companies, institutions or individuals to show and display appreciation for support or work they have done or accorded the respective subjects.

This is usually issued out to business employees when they are being appreciated.

## AN EXAMPLE OF CERTIFICATE OF APPRECIATION

You are the general manager of Buyinza Bakery. Write an appreciation certificate to one of the employees for good performance.

**Certificate of appreciation to one of the committed and most hard working employee of Buyinza bakery.**

<b>SMILE BAKERY</b> <b>P.O BOX 12, KAMPALA</b> <b>TEL: 0788889977</b>	
This is to certify that <b>MUKISA</b>	
Has been awarded in appreciation of his distinguished services rendered to the success of the above Company as a <b>CASHIER</b>	
From the year 2012 to date <b>Blessed are those who work hard for they will get what to eat</b>	
 <b>MAGEZI DAVID</b> <b>MANAGING DIRECTOR</b>	..... <b>MUKASA TRUST</b> <b>FINANCIAL MANAGER</b>

**ASSIGNMENT:**

1. You are the human resource Manager of FANG FANG Restaurant.

**Design a certificate of appreciation to your receptionist**

**CALLER'S BOOK**

This captures brief information about a visitor who has visited the business premises.

**You own a medium sized bakery project. Design a caller's book for business use.**

### AN EXAMPLE OF A CALLERS BOOK

<b>MATENDO BAKERY</b> <b>PO BOX 555, KAMPALA</b> <b>TEL: 0821-21-21-21</b>							
<div style="border: 1px solid black; padding: 5px; text-align: center;"><b>CALLER'S BOOK</b></div>							
<b>Serial No. ....</b>							
<b>Date</b>	<b>Visitor's name</b>	<b>Address</b>	<b>Tel. No</b>	<b>Reason</b>	<b>Arrival time</b>	<b>Departure time</b>	<b>sign</b>
<b>Signed by .....</b> <b>Receptionist</b>							

#### ASSIGNMENT:

- a) You have opened up a new carpentry workshop.
- b) Design a caller's book to cater for visitors visiting the business premises.

#### PETTY CASH VOUCHER

This is usually a small form that is used to document a disbursement/payment from a petty cash fund. It can be called petty cash receipts.

## AN EXAMPLE OF A PETTY CASH VOUCHER

**MATYAMA SECRETARIAL BUREAU  
P.O BOX 200, BUGIRI  
TEL: 0776-66-00-23**

### PETTY CASH VOUCHER

<b>Date</b>	
<b>No.</b>	<b>2239</b>

To: ..... Account:

Particulars	Amount (shs)
Total	

Amount in words:

Prepared by: ..... Authorized by: ..... Received by: .....  
 Signature: ..... Signature ..... Signature .....  
 Name: ..... Name: ..... Name: .....  
 Title: ..... Title: ..... Title: .....  
 Date: ..... Date: ..... Date: .....

### ASSIGNMENT:

- You are a petty cashier of a fast growing bakery.
- Prepare a petty cash voucher for the petty cash expenses made.

## AN INTERVIEW SCHEDULE

Is refers to a document designed / prepared by the business showing the place, time and the type of interviewee to appear a group of people (interviewer) to test their understanding of their aspects related to their job of application

### Example of an interview guide

**CLASSIC MAIZE MILLERS**  
**P.O BOX 111, BUGEMBE JINJA (U)**  
**PLOT 33-22 NAWENDA RD**  
**TEL: +256789000000**  
**EMAIL: [classicmaizemiller@yahoo.com](mailto:classicmaizemiller@yahoo.com)**

**AN INTERVIEW SCHEDULE**

Date and time	Interview Panel number	List of names of the panel members	Type candidate	Venue

Designed by .....

Signed by .....

Title .....

## PROGRAMME FOR INTERVIEW GUIDE

This shows the steps to be followed in the process of conducting interviews.

As the head of entrepreneurship department in your school, you have been requested by the senior staff to prepare a programme to be followed when conducting interviews for the new school Matron and chief cook.

**Prepare a program to be followed when conducting interviews.**

## SHARE CERTIFICATE

This refers to a document which is issued by a company evidencing that a person named in such certificate is the owner of shares of a company as stated in a share certificate. It acknowledges ownership of shares in a company.

An example of share certificate.

<b>BUDDO DISTILLERS LIMITED</b>		
<b>P.O BOX 3444, Kampala UGANDA</b>		
No .....	<b>SHARE CERTIFICATE</b>	DATE.....
This is to certify that;		
Name .....		
Address .....		
Is a registered holder of ..... (No. of shares) ordinary shares of .....shillings each, fully paid in the above named company, subject to the memorandum and articles of association thereof		
DATE .....		
TRANSFER No. ....		
No OF SHARES .....		
For and on behalf Of BUDDO distillers limited		
.....	.....	
Chairman		company seal

## JOB ADVERT

This is an announcement that informs the people that a certain job position is available. It is usually placed in news papers or any other platform.

### EXAMPLE 1:

Your juice company has expanded and you plan to recruit more employees.



**Write a job advertisement for the post of production manager**

**ASSIGNMENT:**

- a) You plan to start a money lending project in your home area.
- b) Prepare a job advert for the post of a loan's officer.

## **EXAMPLE 2 OF A JOB ADVERT**

JOB advert for the post of financial manager.

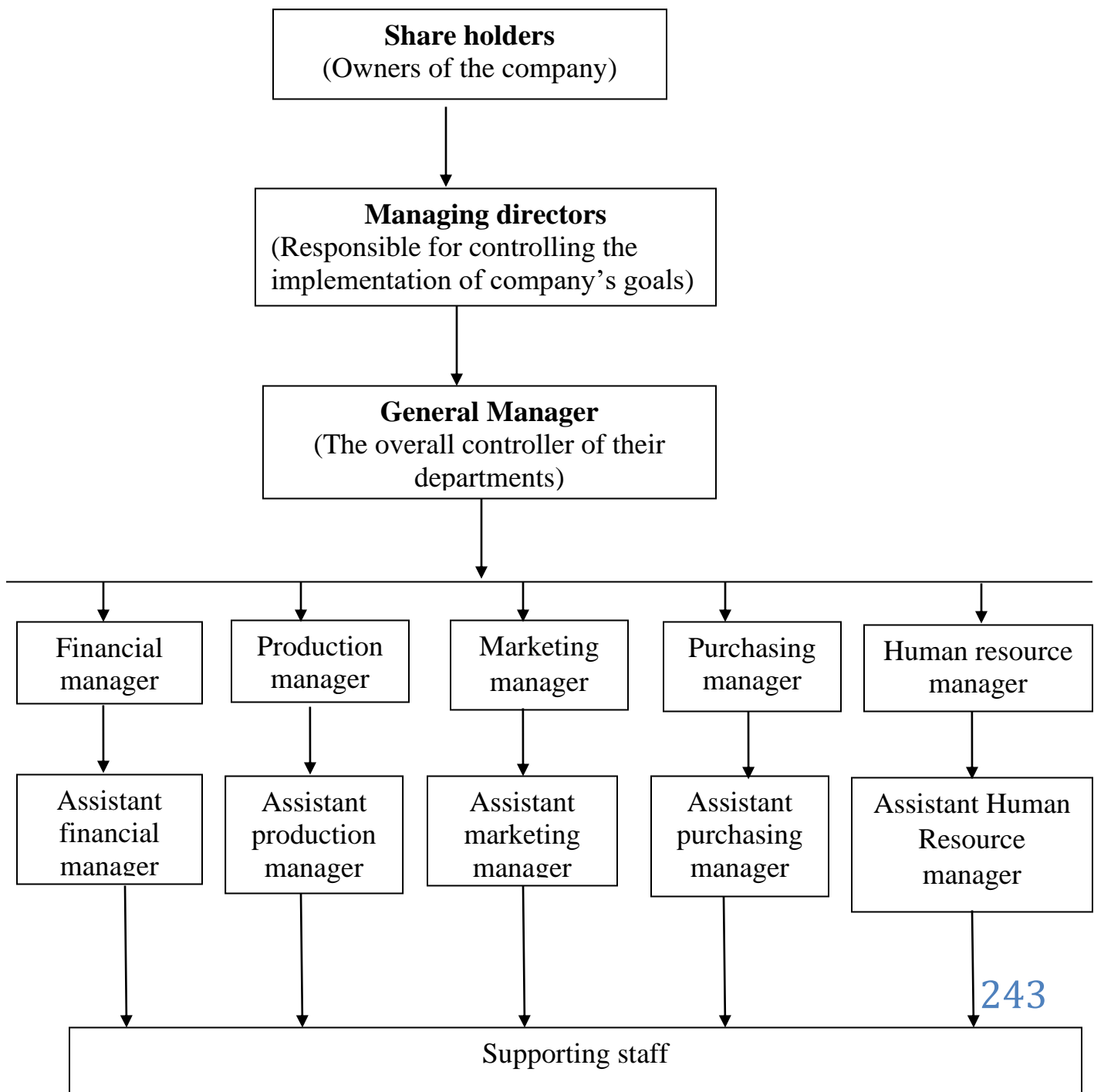
### a) AN ORGANISATION CHART

This refers to a graphic representation of the structure of business organization showing the relationships of the positions or jobs within it.

It conveys the company's internal structure by detailing the roles, responsibilities, and relationships within an entity.

### AN EXAMPLE OF ORGANISATION CHART

#### ORGANISATIONAL CHART



## ASSIGNMENT

During your Senior Six Vacation, you have mobilized some funds and set up a snack production business.

**Design an organization chart as a company director.**

## JOB DESCRIPTION

This is a broad statement of the purpose, scope, duties and responsibilities of a particular job to be done. Job description should be written or prepared under the following headings:-

- ✓ Title of the job
- ✓ Location of the job / department
- ✓ Duties and responsibilities of the job
- ✓ Supervision
- ✓ Job relationships to the job
- ✓ Working conditions
- ✓ Office equipment
- ✓ Salary structure / scale
- ✓ Terms of employment
- ✓ Reporting relations e.g. to the General Manager.

### An example:

You are general manager of one of the leading restaurants in a city suburb and you are planning to recruit a sales manager prepare a job description.

**STEP BY STEP RESTAURANT  
AND TAKE AWAY  
P.O BOX 041, TEL 0777777777**

Dealers in all types of foods like local dishes, meat, chicken and soft drinks  
We are looking for a hardworking, dynamic and self-motivated person to join our working team

**JOB DESCRIPTION**

JOB TITLE: Sales Manager **Department; Sales** Manager

**DUTIES AND RESPONSIBILITIES**

- Identifying suitable advertising media
- Selecting appropriate way of increasing sales
- Motivating the sales team
- Receiving customer orders

Reporting to: Human Resource Manager

Working conditions: Normal working conditions

Relationship with other jobs: to ensure all departments perform to the required standards.

-Salary scale;10000,000 million shillings.

-Office equipment; One computer with free internet.

Prepared by

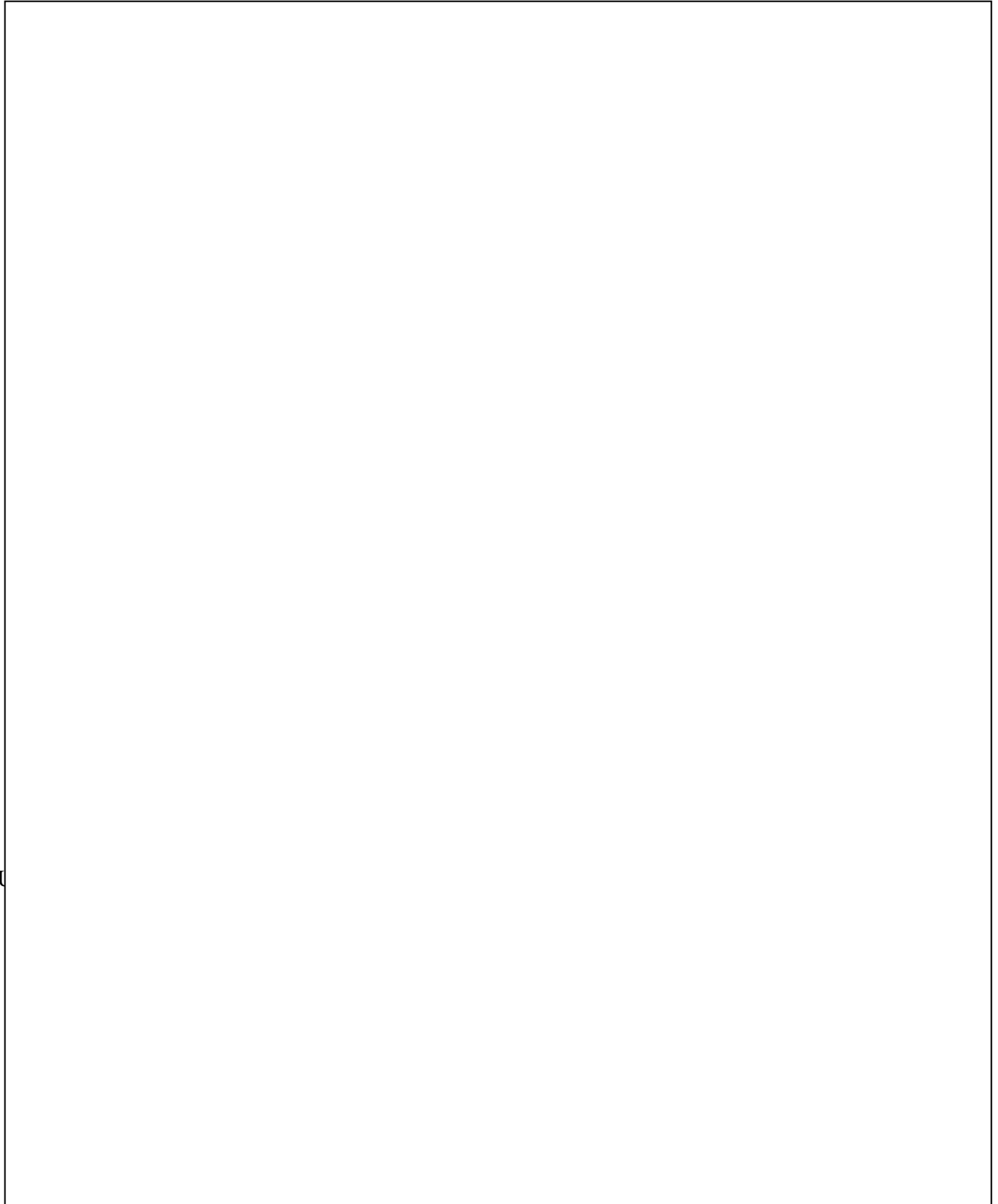


OFWONO MESSE

## **JOB SPECIFICATION**

It refers to a detailed statement of the physical and mental activities involved in doing the job. It defines the desired human requirements needed for a given job e.g. knowledge, experience, skills, physical requirements like health etc.

## **AN EXAMPLE OF A JOB SPECIFICATION**

A large, empty rectangular box with a thin black border, occupying the lower half of the page. It is intended for an example of a job specification.

## EXERCISE

You have established juice processing plant in your home are and you are planning to recruit young self-motivated marketing manager.

Prepare: i) Job description

ii) Job specification of newly recruited marketing manager.

## PERFORMANCE APPRAISAL

This refers to the continuous process of assessing and providing employees' feedback about how well or how poorly they are doing their work for the organization. They are different methods of performance appraisal. For example;

**Rating scale.** This method consists of a list of personal characteristics of factors against each of which is a scale up to 5 points for the manager to base his assessment of workers e.g. better performance are given excellent and worst performance are given poor.

An example of performance appraisal

You are human resource manager of a business dealing in machinery and equipment.

Write a performance appraisal for your accountant.

BYONNA TWALA ENTERPRISE  
P.O BOX 3333, Kampala, UGANDA  
TEL: 0725556677

DATE.....

### PERFORMANCE APPRAISAL FORM

Name of the employee: .....

Job title; Accountant

Evaluation period: 1 Month

Method: Rating Scale Method

#### KEY ASPECTS

Details	Excellent	Good	Fair	Average	Poor	Points
Quality of work	•					100
Beating deadline		•				70
punctuality				•		50
smartness	•					100
Social interaction			•			50
Team player					•	10
Total						380

Weight of comments

Excellent – 100, Good – 70, Fair - 50, Average – 40, Poor – 10

Comment: quite good employee and deserves a certificate of merit

Recommendation: more improvement should be made on punctuality in order to enable the organization achieve its goals and objectives

Prepared by .....

Approved by.....

### **ASSIGNMENT**

- a) You have been hired as a human resource manager of JAKANA enterprise that deals in supplying electronics but it is experiencing decline in sales.
- b) Prepare performance appraisal of sales Manager.

### **INDUCTION TRAINING/OREIENTATION PROGRAMME**

In human resource development, induction training is a form of introduction for new employees in order to enable them to do their work in a new profession or job role within an organization. It helps the worker to get familiar to the new job where he has been recruited.

### **AN EXAMPLE**

Draft a one week induction programme for new employees.

**KATWE GENERAL MERCHANDISE LIMITED**  
**P.O BOX 334, KAWEMPE**  
**TEL: 0756334455**

One week induction programme for employees

<b>DATE USE FUTURE DATES</b>	<b>ACTIVITY</b>	<b>PERSONS RESPONSIBLE</b>	<b>REMARKS</b>
Should be filled in	Arrival and registration of new workers / submission of personnel documents	Use names	Should be left blank
	Singing national anthems and saying opening prayer		
	Giving welcome remarks		
	Briefing new employees about business vision, mission, goals and objectives		
	Giving new workers general information		
	Taking new workers around the business premises / touring		
	Issuing and signing terms and conditions		
	New employees meeting different managers and heads of departments		
	Explaining business policies and standards ie safety and health awareness, capacity building and development		
	Handing over offices, tools, equipment, keys, files to new workers		
	Closing remarks		



Drafted by:

Approved By



Signature .....

MULUNGI ANNIE

Name .....

HUMAN RESOURCE MANAGER

Title .....

**NB. Activities should be presented in present continuous tense**

**ASSIGNMENT:**

You are the Human Manager of a company dealing in exporting skins and hides;


a) Prepare an induction programme of a newly recruited employee.

**TRAINNING PROGRAMME**

**This refers to the process of identifying and developing the necessary knowledge for doing a job professionally.**

A training programme for new employees should bring out the following

**Business name and address.**

Date	Activity	Persons responsible	Remarks
3/4/17	Observing / identifying organizational objectives	Malunda peter	
6/4/17	Identifying training needs	Malunda peter	
9/4/17	Selecting the trainees	Malunda peter	
10/4/17	Selecting the trainers	Tracy K	
11/4/17	Selecting training methods	Kato C	
18/4/17	Administering the training	Tom Ellyn	
20/4/17	Evaluating the training	Tracy C	
Designed by			
Signature 		Approved by	
Name : Malunda peter		.....	
Title : HRM manager		.....	

## **POLICY GUIDELINESS TO MOTIVATE BUSINESS EMPLOYEES AT ANY PLACE OF WORK.**

### **EXAMPLE:**

**STATIONERYS**

**P.O BOX 446, MANAFWA**

**TEL: 0724-33-66-00**

### **GUIDELINES FOR MOTIVATING EMPLOYEES**

- All workers shall be treated with genuine respect at all times while at work place.
- Employees shall be paid their salaries timely at the month
- Employees shall be supervised kindly at all times while they are at work
- The business shall be provided with our job training in order to promote skills.
- The business shall put in place good working conditions in form better houses.
- The business shall provide job security to the employees in form of issuing out appointment letters.
- Employees' contributions shall be recognized and appreciated
- Employees shall be assured of promotions based on merit and good performance
- There shall be transparent and open management in the business through open communication.
- Employees shall be allowed to participant in decision making when promoting policies
- Employees shall be given fringe benefits in form of transport and meals.
- Employees discipline shall be properly and fairly managed through carrying out employee performance appraisal
- Employees shall be provided with appropriate counseling whenever necessary in order to over come emotional break down and set backs that may be experienced while at place of work.
- Get together parties shall be thrown to employees

### **Language used;**

- i) Shall
- ii) Shall be
- iii) Is / are
- iv) Must with a condition

### **ASSIGNMENT:**

You have been hired to help COSMOK limited to improve its declining performance as a consultant;

Develop the guidelines to promote the employee morale

## JOB APPLICATION FORM

This is filled by the applicant applying for a job in a given business enterprise

### Example:

You have been appointed as a human resource manager in a fast growing fruit juice processing company which plans to recruit more workers;

- a) Design a job application form for your business
- b) Application form should bring the following.

### TRACY JIUCE PROCESSING BUSINESS

PO BOX 7777

KISORO

### JOB APPLICATION FORM

Fill in the triplicate and submit it to the Human Resource using the above address;

1 a) Post applied for .....

b) Post or job reference number .....

Personal details

2 i) Name: .....

(ii) Date of birth .....

(iii) Home address .....

(iv) Sex: Male ☐ Female ☐ tick accordingly

1. Martial status: (please tick respective status)

Married ☐ single ☐ widow / widower ☐

(vi) Parents / guardians name .....

i) Schools attempted

Name of school	Year		Qualifications	Grade
	From	To		

ii) Responsibilities held at school

Name of school	Year		Responsibilities
	From	To	

iii) Hobbies : .....

iv) Employment record:

Name of the business	Year		Post
	From	To	

v) When would you be available for appointment if selected: .....

vi) Have you ever convicted of a criminal offence? Yes ☐ No ☐

If so give details including sentence imposed: .....

vii) Referees

I. Name .....Signature .....Contact .....

II. Name .....Signature .....Contact .....

viii) I ..... Hereby declare to the best of my knowledge and believe that the particulars given in this application form are true and complete in all aspects.

Signature ..... Date .....

### **FOR OFFICIAL USE ONLY**

**Comments** about the suitability of the candidate for the post applied

**For** .....

Official stamp

Signature .....

Name .....

Title .....

### **Guidelines for ensuring safety and security of employees at the work place**

#### **NAME AND ADDRESS OF THE BUSINESS**

#### **GUIDELINES FOR ENSURING SAFETY AND SECURITY OF EMPLOYEES**

- ✓ All workers shall wear, project/ business uniforms at all times while at the work place.
- ✓ All visitors and staff shall register at the gate and all people / both visitors and employees shall be searched while entering and leaving the premises.
- ✓ First aid kits and trained staff shall be provided to cater for workers in case of accidents.
- ✓ All workers shall be entitled to medical services/care in case of any sickness free of charge.
- ✓ All workers shall use protective gear such as gloves while at the workplace in order to save workers from sustaining injuries while at work.
- ✓ Armed well trained security guards shall be employed to provide adequate security at all times.
- ✓ Fire extinguishers shall be installed to minimize fire accidents at place of work.
- ✓ Smoking, drug abuse and taking alcohol shall be prohibited.
- ✓ Unauthorized persons shall not be allowed in the project premises.
- ✓ Safety instructions /labels shall be installed in strategic places (where all people can be able to access).
- ✓ Unauthorized persons shall not be allowed in the project premises.
- ✓ All workers shall be trained on how to handle/operate fire extinguishers.

- ✓ No visitors or staff shall be allowed in the premises before 7:00am and beyond 6:00 pm.
- ✓ CTV cameras shall be installed in strategic places in order to monitor and supervise employee movements while they are at work.
- ✓ Security lights shall be installed in all corners / strategic places.
- ✓ A security committee shall be instituted.
- ✓ All visitors shall be given identification tags.
- ✓ All workers shall be insured against any risk that they sustain while at work.
- ✓ All workers shall be sensitized to be security conscious while at work all times.
- ✓ Proper disposal units/grounds for waste products shall be put in place.
- ✓ Construction of a wall fence / perimeter fence shall be constructed to avoid intruders accessing the business premises.

A title is a must

Must use "shall" or present simple tense

### **VISTORS BOOK**

This is used by visitors who may visit business premises. It accommodates the details of visitors visited the business premises.

### **AN EXAMPLE OF A VISTORS BOOK.**

**VISTORS' BOOK  
SUN JUICE PROCESSING FACTORY  
P.O BOX 122, KABALE  
TEL: 0788-00-00-00**

VISITORS' BOOK								
Date	Visitor's name	Address	Occupation	reason	Vehicle no	Time in	Time out	sign

### **LABOUR TURN OVER**

Refers to the ratio of the number of employees that leave a company through attrition, dismissal or resignation during a period to the number of employees on payroll during the same period.

Or refers to the number of employees moving in and out of the business

### **Causes of the high labour turnover in Uganda**

- i) Inadequate wages leading to workers moving to competitors
- ii) Sexual harassment of workers by bosses
- iii) Low levels of motivation/poor morale
- iv) Promotion prospects in other businesses
- v) Recruiting and selecting of wrong employees
- vi) Delayed payment of workers' salaries
- vii) Communication gaps which leads to poor relationship between employees and employers
- viii) Disrespect of employees by bosses
- ix) Transfers caused by marriage
- x) Excessive work load to workers

### **Costs of labour turn over**

- ✓ It leads to additional recruitment costs
- ✓ Low productivity
- ✓ Increased costs of training and replacement of workers
- ✓ It lowers business's performance
- ✓ Loss of know-how and customer good will
- ✓ Potential loss of sales due to high turnover in the scale force
- ✓ Damage the morale and productivity to those workers remain in the enterprise
- ✓ Hiring costs
- ✓ Higher accident rates
- ✓ Underutilization of production facilities
- ✓ High rate of scrap and waste
- ✓ Over time pay is increased
- ✓ It lowers reputation of the enterprise which may make the business to lose its potential customers

### **Benefits of labour turn over**

- i) New employees bring new skills, ideas, enthusiasm and contacts with them
- ii) New employees are resistant to changes in most cases
- iii) New employees are willing to accept lower pay rates
- iv) New employees are excited about their new jobs and work harder to please management and clients
- v) Employee turnover allows for flexibility in the way the organisation is to run
- vi) It allows management the opportunity to restructure departments and functions

### **Strategies to minimize employee turn over**

- ✓ **Engaging employees.** This involves engaging, retaining and optimizing the value of employees to motivate them to stay in the organisation
- ✓ **Increasing knowledge accessibility.** The extent of the organization's collaborativeness and its capacity for making knowledge and ideas widely available to

employees to stay in the organisation. Sharing information should be made at all levels of management

- ✓ **Optimizing workforce.** This can be done through establishing essential processes for getting work done, providing good working conditions establishing accountability and many good hiring choices would retain employees in their organization
- ✓ **Empowering of employees.** Superiors empowering subordinates by delegating responsibilities to them leads to subordinates who are more satisfied with their leader and consider them to be fair and in turn to perform up to the superior's expectations
- ✓ **Ensuring job involvement.** This involves an individual's ego involvement with work and indicates the extent to which an individual identifies psychologically with his / her job. Workers who have greater variety of tasks tend to stay in the job
- ✓ **Employee training and development.** Staff training and development refers to the process programs and activities through which or organization develops, enhances and improves the skills, competencies and overall performance of its employees and workers.

### ***METHOD OF CALCULATING LABOUR TURNOVER***

**Separation method.** This method takes into account those workers who have left during a particular period. Its formula is

$$\frac{\text{number of separation}}{\text{average number of workers during the period}} \times 100$$

**Replacement method.** This method takes into account only those workers who have joined in place of those who have left. The formula

$$\frac{\text{number of replacement}}{\text{average number of workers during the period}} \times 100$$

**Flux method.** This shows the total change in the composition of labour force due to separations and replacement of workers. Its formula is

$$\frac{\text{number of replacement} + \text{number of separation (left)}}{\text{average number of workers during the period}} \times 100$$

**Additional method.** Under this method, number of employees added during a particular period is taken into consideration for computing the labor turnover. The method of computing is as follows.

$$\frac{\text{number of additions}}{\text{average number of workers during the period}} \times 100$$

During October 2007, the following information is obtained from the personnel department of a manufacturing company

Labour force at the beginning of the month 1,900 and at the end of the month 2100.

During the month, 25 people left while 40 persons were discharged. 280 workers were engaged out of which only 30 were appointed in the vacancy created by the number of workers separated and the rest on account of expansion scheme. Calculate the labour turnover by different methods.

**Solution:**

Additional method

$$\frac{\text{number of additions}}{\text{average number of workers during the period}} \times 100$$

$$\text{Average number of workers} = \frac{1900 + 2100}{2} = 2,000$$

$$\frac{280}{2,000} \times 100 = 14\%$$

Separation method

$$\frac{\text{number of separation}}{\text{average number of workers during the period}} \times 100$$

$$\frac{20+45}{2,000} \times 100 = 3.25\%$$

Replacement method

$$\frac{\text{number of replacement}}{\text{average number of workers during the period}} \times 100$$

$$\frac{30}{2,000} \times 100 = 1.5\%$$

**Example two.**

From the following information, calculate labour turn over using the following methods

- ✓ Separation method
- ✓ Replacement method
- ✓ Flux method

Number of workers at the beginning 800

Number of workers at the end 1,700

During the year, 12 workers left and 89 workers were discharged. The company recruited 1,000 workers and of these 70 were to fill the vacancies of those leaving, while the rest were engaged for an expansion scheme.

$$\text{Average number of workers} = \frac{800+1,700}{2} = 1,250$$

**Separation method:**

$$\frac{\text{number of separation}}{\text{average number of workers during the period}} \times 100$$

$$\frac{12+89}{1,250} \times 100 = 8.08\%$$



Replacement method

$$\frac{\text{number of replacement}}{\text{average number of workers during the period}} \times 100$$

$$\frac{70}{1,260} \times 100 = 15.6\%$$

**CODE OF CONDUCT TO BE OBSERVED BY THE EMPLOYEES AT ANY PLACE OF WORK.**

- ✓ Workers shall observe the administrative levels / channels for proper flow of information
- ✓ Workers shall accord respect to each other for harmonious stay
- ✓ Time shall be observed by all workers that is arrival time is 7am and departure time is 5pm
- ✓ Workers shall respect organization property entrusted in the hands
- ✓ Workers shall observe descent and acceptable dress code while at work
- ✓ All workers shall be loyal to organizational goals and objectives
- ✓ All workers shall meet deadlines set in their respective departments for proper management
- ✓ Workers shall accept responsibilities when delegated
- ✓ All employees shall portray a good image of the organization in the public
- ✓ Workers shall portray acceptable behavior at the workplace i.e. no smoking, no use of alcoholic drinks.
- ✓ Fraudulent activities and theft shall be highly prohibited
- ✓ Workers shall keep company secrets for proper management
- ✓ Employees shall not use gadgets like phones, radios etc. at the work place
- ✓ Absenteeism without permission shall not be tolerated
- ✓ All employees shall have meals from the dining hall / the official eating place shall be the dining hall
- ✓ Sexual relationships or harassment shall not be tolerated at the work place
- ✓ Conflict of interest of any form shall not be tolerated at the work place.

***Employees contract policy include***

- i.*** Payment terms
- ii.*** Salary amount
- iii.*** Duration terms
- iv.*** Duties to perform
- v.*** Termination terms
- vi.*** Methods of handling disagreement
- vii.*** Code of conduct
- viii.*** Reporting terms

**N.B. Use shall when writing them.**

## **ASSIGNMENT:**

- a) You are the newly recruited Human resource manager of a construction company.
- b) Design guidelines to minimize labour turnover as a strategy to improve on the business performance.

## **TOPIC12: SOCIAL ENTREPRENEURSHIP**

This is the creation of innovative enterprises to make positive and sustainable impact on society.

Social entrepreneurs recognize social problems / social concerns and use entrepreneurial principles to organize, create and manage a venture to make a social change/ impact.

Examples of social problems / social concerns upon social entrepreneurs emerge.

- ✓ Deforestation and bush burning
- ✓ Diseases like Malaria and HIV/AIDS
- ✓ Illiteracy and disempowerment
- ✓ High levels of unemployment
- ✓ Poverty
- ✓ Social discrimination
- ✓ Improper waste disposal
- ✓ Poor hygiene / poor sanitation
- ✓ Insecurity etc.

## **ADVOCACY SKILLS**

**Advocacy** is the verbal, written or symbolic actions to promote a mission or cause. Social entrepreneurs are skilled advocates of their vision and social innovations. They aim to maximize the positive impact of their work

Advocacy is about speaking and writing to others to spread ideas, innovative strategies and recruit support

### **The GEPIC structure for advocacy**

**Greet:** who are you? Recognize of give thanks and state your purpose of speaking or writing

**Engage:** get the audience's attention with a "quote" statistics, say a story with shocking facts. This should make the topic interesting to the audience

**Problem / opportunity:** express the problem / opportunity in clear facts without your opinion. Explain how seriously or wide spread the problem is, the nature of the opportunity, or details about the current reality

**Inform:** explain your perspective on the opportunity and purpose your innovation / vision. Tell what you think should be done

**Call to action:** call the audience to take action to support you. Make the action something specific so that you will be able to follow up with them and find out whether or not they have done it

### **Example one of GEPIC structure**

You have decided to establish a social enterprise aimed at reducing unemployment in your locality. Draft a GEPIC structure for advocacy for promoting your social mission.

**FFENA TUKOLE ENTERPRISE  
P.O BOX 30, KATWE, KAMPALA UGANDA  
TEL: +2567554433**

### **GEPIC STRUCTURE FOR ADVOCACY**

**Greet:** thank you every one for coming to listen to me today. As a student in our community, I care deeply about our collective future and the problem of severe unemployment which affects not only you and me, but also affects your children, my friends, brothers and sisters and every one's opportunities.

**Engage:** last year, my dad showed me a story in the newspaper of man who died by falling out of a cargo air plane. When I asked Dad why this man sneaked onto the plane, he said "he was a man looking for work in another country"

**Problem:** today, Uganda graduates about 36,000 men and women a year from different universities. Of these 36,000, only 20% find employment. Near 40% are the first in their families or entire village to go to university. Yet all those jobless graduates return home like a man who died in the aero-plane, with no hope.

**Inform:** many people talk about the need for more job creators rather than job seekers. But they stop at talking what we need is more action and for youth like me and your children to start creating projects and jobs now.

**Call to action / challenge:** I am here today to challenge you to become part of the solution to this major problem. I want you to stop talking and join us by investing in our poultry project, by supporting us, you helping to change Uganda.

## Example 2:

You have decided to establish a social enterprise aimed at promoting environmental forum. Draft a GEPIC structure for advocacy for promoting your social mission.

**KWAGALANA ENVIRONMENTAL PROTECTION FORUM**  
**P.O BOX 333, KAMPALA UGANDA**  
**TEL: 0753818204**

### **GEPIC STRUCTURE FOR ADVOCACY FOR INSPIRED ENVIRONMENT FORUM**

**Greet:** thank you everyone for coming to listen to me today. Good morning to you all in the name of almighty GOD

**Engage:** last week, my dad showed me a picture of a man who was cutting a tree near a lake which had a crocodile, a lion was at the lake shores, a snake on the tree. When I asked what it meant, he replied that all others trees were cleared now all animals have hope in this remaining one which the man is cutting too. So they are waiting to eat him up

**Problem:** today, the changes in seasons are a result of deforestation, the wild animals that have encroached people's homestead are as a result of deforestation, famine, poverty and the drop in our country's tourism industry all also attributed to deforestation and environmental abuse

**Inform:** many people talk about the need for protecting environment but they only stop on mentioning the statement, we need more actions than words to solve the problem of environmental degradation

**Challenge / call to action:** so, I am here today to challenge you to become part of the solution to this major problem. Let us go-greet by planting down trees and stop cutting the existing ones. By so doing we would have support agriculture, tourism and the bio diversity and thus have made this world a better place to live in

### **Assignment:**

Your electronic shop is experiencing declining sales due to a greater decrease in number of customers.

- a) Develop a root cause analysis for the declining sales.
- b) Develop an environmental impact assessment policy for the business.

### **EXAMPLE 3:**

You have noticed a challenge of poor disposal wastes in your home area and you have come up with a project to overcome that. Prepare a GEPIC structure.

Draft a GEPIC structure for advocacy for promoting your mission.

Business name and address

#### **GEPIC STRUCTURE FOR ADVOCACY FOR PROMOTING HEALTH**

**Greeting:** our chief guest, invited guests and community members I greet you all

**Engage:** last week I went to Mulago Hospital and I was informed that roughly five people per week have been dying of poor hygiene and sanitation related diseases such as dysentery, diarrhea, among others. This shows that our hygiene and sanitation are still lacking but remember health is wealth

**Problem:** from the analysis, we have come to realize that poor health is as a result of poor garbage disposal

**Inform:** as concerned community members, we have come up with a project to fight the poor health in our community. We have put up public rubbish pits in the community to eradicate the disposal of rubbish everywhere.

**Call for action:** we kindly request for your co-operation as we work towards saving the lives of people thank you

### **EXAMPLE 4:**

You own a waste recycling factory that recycles plastics and other waste, as a social enterprise to keep the environment and also create jobs. Develop a GEPIC structure for the advocacy for promoting your own mission.

**UNIQUE WASTE RECYCLES FACTORY**

**P.O BOX 22, MBALE**

**TEL: 0756-88-88-88**

#### **GEPIC STRUCTURE FOR ADVOCACY FOR PROMOTING BUSINESS MISSION**

**Greet:** the chief guest, invited guests and community members present, I greet you all in the name of the almighty God. I am called Ssenoga Moses, the owner of unique waste recycler's factory in Mbale.

**Engage:** last year (2016) the statistics at the municipal council offices showed that 10 died in various parts of the district due to disease related to dirty environments.

**Problem:** from the analysis made, it is clear that the people health/ disease outbreak especially cholera is as a result of poor waste disposal

**Inform:** As concerned community members, we have come up with a project to fight against poor waste disposal egg sensitizing community members to use the dustbins appropriately, gazetted rubbish collection centers etc.

**Call for action:** We kindly request for your co-operation as we work towards saving the lives of people in Mbale district. Thank you.

## **ENVIRONMENTAL IMPACT ASSESSMENT.**

**Develop an environmental impact assessment policy for the business.**

**UNIQUE WASTE RECYCLES FACTORY  
P.O BOX 22, MBALE  
TEL: 0756-88-88-88**

### **ENVIRONMENTAL IMPACT ASSESSMENT POLICY**

- ✓ Proper waste treatment and disposal shall be ensured
- ✓ Business operations shall be supervised to ensure that they comply with the set standards / regulations
- ✓ Protective equipment shall be provided to the workers
- ✓ Appropriate warning signs / labels shall be put near harmful / dangerous items/area/zones
- ✓ The already used products shall be recycled to avoid wastes
- ✓ Proper packaging materials (e.g. Bio- degradable packaging materials) shall be used.
- ✓ Alternative source of energy shall be used
- ✓ Silencers on noisy machines / tools / equipment shall be used
- ✓ Environmental education shall be promoted or emphasized
- ✓ The business shall contribute funds towards the environmental protection programme.

### **ASSIGNMENT:**

You plan to start a plastic and waste management project in your community.


- a) Prepare a GEPIC Structure Advocacy of the community.

## PROGRAMME FOR BECOMING A SOCIAL ENTREPRENEUR

This is composed of the steps for one to become a social entrepreneur.

Design a programme for becoming a social entrepreneur

### AN EXAMPLE

<b>KWAGALANA ENVIRONMENTAL PROTECTION FORUM</b> <b>P.O BOX 333, KAMPALA UGANDA</b> <b>TEL: 0753818204</b>			
<b>Programme for becoming a social entrepreneur</b>			
<b>Date</b>	<b>Activity</b>	<b>Persons responsible</b>	<b>Remarks</b>
<b>3/4/17</b>	Developing an idea for becoming a social entrepreneur	<b>Malunda peter</b>	
<b>6/4/17</b>	Discovering the vision, mission and skills	<b>Malunda peter</b>	
<b>9/4/17</b>	Identifying opportunities in the community	<b>Malunda peter</b>	
<b>10/4/17</b>	Matching the vision with the community opportunities	<b>Tracy K</b>	
<b>11/4/17</b>	Acting and spreading change	<b>Kato C</b>	
<b>18/4/17</b>	Mobilizing resources	<b>Tom Ellyn</b>	
<b>20/4/17</b>	Constructing needed buildings	<b>Tracy C</b>	
<b>22/4/17</b>	Recruiting workers	<b>Kudu Fred</b>	
<b>23/4/17</b>	Launching the enterprise	<b>Ali Tom</b>	
<b>25/4/17</b>	Starting operation of the enterprise	<b>Ali tom</b>	
Designed by		Approved by	
Signature 		.....	
Name : Malunda peter		.....	
Title : Operational manager		.....	

## **HOW IS YOUR BUSINESS SOCIALLY RESPONSIBLE?**

**The business is socially responsible in the following ways**

- ✓ Creation of employment opportunities to the people
- ✓ Developing existing infrastructures
- ✓ Conservation of the environment through planting trees
- ✓ Creation of market for the raw materials from the community ie Hides and skins
- ✓ Bringing services and products nearer to the people
- ✓ Utilization of the idle resources
- ✓ Raising capital at low market rates
- ✓ Empowering individuals to make a positive impact in their communities and societies
- ✓ Offering new ways of contributing to solving worlds social and environmental problems.
  - i) Selling of goods and services of the tree project like wood at affordable prices to generate income for operating the project.
  - ii) Budgeting well for proper allocation of resources like funds to finance the activities of the tree project.
  - iii) Adapting good saving culture to accumulate funds for maintaining and expanding the trees.

## **PROGRAMME FOR THE BRIDGE THE GAP APPROACH (VISIONARY APPROACH)**

This is made using the 10 steps of visionary approach

These steps include

- ✓ Defining the vision
- ✓ Examining the current reality
- ✓ Identifying and acknowledge the gap
- ✓ Setting action steps to close the gap
- ✓ Identifying resources required
- ✓ Setting priorities
- ✓ Choosing who is accountable for what
- ✓ Getting commitment from the concerned people
- ✓ Agreeing on the start and the end time.

**Note.** These should be filled in the column of activity.

## **ROOT CAUSE ANALYSIS**

This is aimed at establishing the primary cause of the problem so as to get/ provide solution.

- ✓ Introduction statement is root cause for (identification a social problem e.g robbery, drug abuse, prostitution, malaria etc)
- ✓ Stating the statement of problem e.g. rampant prostitution in the community
- ✓ A possible cause is caused by / due to (state the cause by a string, why?)




- ✓ Root cause (major / cardinal cause of the problem)
- ✓ Action steps to take in order to correct the main cause (solutions)
- ✓ Implementing the best solutions to solve the problem
- ✓ Prepared by .....
- ✓ Approved by .....

**Example one:**

You are operating a business which deals in sale of cosmetics. It was reported that your workers lack good customer care, no wonder you have noted gradual decline in sales.

a) Develop a root cause analysis for the declining sales

<b>QUALITY COSMETICS</b> <b>P.O BOX 15 KAMPALA</b> <b>TEL: 0745334455</b>	
Statement of the problem declining sales This is caused by:                      Reduction in the flow of customers This is because:                        There is no good customer care This is because:                        Employees are not motivated This is due to:                            Getting low salaries This is because:                        The business has inadequate capital Root cause:                                Inadequate capital	
Necessary action: <ul style="list-style-type: none"> <li>✓ Borrowing more money</li> <li>✓ Paying adequate salaries / increasing salaries</li> <li>✓ Motivating employees</li> <li>✓ Carrying out promotional activities</li> </ul>	
<b>Prepared by</b> <div style="text-align: center;">             .....  <b>MATAMA MARK</b>  <b>SALES MANAGER</b> </div>	<b>Approved by</b> <div style="text-align: center; margin-top: 100px;"> <b>MAGULU SARAH</b>  <b>GENERAL MANAGER</b> </div>

### **EXAMPLE TWO:**

You have established a social enterprise to fight excessive cutting down of tree in your locality. Develop a root cause analysis for deforestation.

**UNIQUE SOCIAL ENTERPRISE  
PO BOX 100 MUKONO  
TEL: 0774556677  
Root cause analysis for deforestation**

Statement of the problem: deforestation

This is caused by:                      overcutting of trees

This is due to:                      - need for land for cultivation  
   - Need for timber  
   - Need for firewood

Root cause: lack of alternative solutions to the above needs.

Necessary action steps to be taken

- Planting trees where others have been out
- Putting in place strong restrictions on cutting down trees / forests

### **EXAMPLE 3:**

You have established a social enterprise aimed at minimizing child labour in your community.

a) Develop a root cause analysis tool for child labour.

#### **Root causes analysis tool for child labour.**

**MUKONO CHILD CARE INITIATIVE  
P.O BOX 4972, MUKONO  
TEL: 0757813668**

ROOT CAUSE ANALYSIS FOR CHILD LABOUR

PROBLEM: THE PERSISTENT CHILD LABOUR IN MUKONO  
MUNICIPALITY

**Why?** Due to high School dropout,

**Why?** This is due to lack of scholastic materials to use at school

**Why?** This is due to ignorance of parents on the value of education

**Why?** This is due to failure of parents to access basic education

**Why?** This is due to high levels of Poverty especially in households.

**Root causes is:** Poverty among the households whereby many families receive less than a dollar per day that cannot enable parents to meet the basic requirements of their children.

**Necessary action steps;**

- a) Provision of employment
- b) Increasing access to education.
- ✍ Sensitization of parents about the value for education

**ASSIGNMENT:**

- a) You are operating a medical center as a profit making enterprise .Your research has proved that your community has had a prolonged malaria out break.  
Draw a root cause analysis to establish the cause of malaria.

**THEORY OF CHANGE**

This refers to an articulation of how stake holders think changes emerge and the relationships between actions and hoped results. It involves a process of identifying the end goal and working backwards to accomplish the goal.

**AN EXAMPLE OF THEORY OF CHANGE**

You have established a social enterprise dealing in manufacturing of furniture using less timber so as to fight deforestation. Present a theory of change for your business.

***ENTEBBE SUPER SOCIAL ENTERPRISE***

***PO BOX 100 MUKONO***

***TEL: 0782212121***

**Vision:** To be the top manufacturer of high quality furniture in Uganda.

**Impact:** Manufacturing of high quality furniture reduces the need for replacement of damaged furniture as well as using less timber since some parts are done using metals to avoid deforestation.

**Outcomes.** The number of desks, tablets and other furniture items in the surrounding schools and homesteads.

**Activities:** sourcing for high quality timber and metals, planning and smoothening timber, ensuring quality finishing and varnishing, carrying out proper display and storage.

**Input:** these include timber, machinery, Human resource (people), financial resources (money) and information resources (knowledge).

## **EXAMPLE 2:**

- a) You are a general manager of a poultry farm operating as a social enterprise
- b) You plan to expand your market share as well as improve on general management.

**Write a theory of change of the enterprise.**

### **THEORY OF CHANGE FOR KAMMA POULTRY FARM**

**P.O BOX 16, KAMPALA**

**Vision:** To be number one poultry farmers in Uganda

**Impact:** Producing high quality eggs and chicken

**Outcome:** Improved health of the people

**Activity:** Buying chicks, feeding, vaccination cleaning Utensils and troughs, deworming, de-beaking and medication

**Inputs:** chicks, Buildings, drugs, feeds, water, money, information resources (knowledge)

### **A PROGRAMM FOR ENSURING PROFITABILITY OF THE BUSINESS**

**Business name, address and Contact.**

Date	Activity	Person in Charge	Remarks.
Fill in	-Deciding on the nature of the business. -Choosing location -Estimating Sales -Estimating costs -Estimating Profits	Fill in names or titles	

Prepared by

.....

TONA LALA

GENERAL MANAGER

Approved by

.....

NAME.....

Title.....

## BUSINESS IDEA AND OPPORTUNITY IDENTIFICATION

Program for turning a business idea into product.

A program designed when turning a business idea into a business opportunity.

## BUSINESS NAME AND ADDRESS

DATE	ACTIVITY	PERSON IN CHARGE	REMARKS
1/2/17	Documenting the invention	Deborah Nabukalu	
3/2/17	Researching	Deborah Nabukalu	
7/2/17	Making a pro-type	Deborah Nabukalu	
10/2/17	patent	Deborah Nabukalu	
12/2/17	Marketing your invention	Deborah Nabukalu	

Prepare by.....

Date.....

**NB.** A frame is a must.

Activity should be in present continuous tense (ing).

## TOPIC 13

### LEGAL DOCUMENTS AND CONTRACTUAL POLICY DOCUMENTS

This covers majorly all the contractual documents prepared during the process of carrying out business transactions.

It also looks at terms and conditions of sale set by the business entrepreneurs.

### AN EXAMPLE OF RULES AND REGULATIONS

**You own a secondary school in your home area. Write rules and regulations to govern your school.**

**BUYINZA SECONDARY SCHOOL**

**P.O BOX 567, KABOJJA**

**TEL: 0752818205**

**Email. [buyinzasecondaryschool@gmail.com](mailto:buyinzasecondaryschool@gmail.com)**

**RULES AND REGULATIONS**

- ✓ All students shall put on school uniforms all the time while at school and a casual wear after school
- ✓ School meals shall be compulsory and this shall include Posho and beans
- ✓ Plaiting of hair, nails and fancy cuts shall not be allowed
- ✓ All school programs both academic and co-curricular activities shall be compulsory
- ✓ Leaving school compulsory shall be granted after requested for permission from authority
- ✓ Students shall not be allowed to own mobile phones while at school once found it will attract indefinite suspension
- ✓ Imported cooked food shall not be allowed in school
- ✓ Students shall not possess or use narcotics d
- ✓ No student shall be allowed to dodge any lesson or school activity unless he/she is sick.

**Note:-**

- i) It is advisable to prepare policy guidelines in form of documents by including
- ii) Business name and address
- iii) Location
- iv) What the business deals in
- v) Prepared by
- vi) Approved by

**AN EXAMPLE OF TERMS AND CONDITIONS OF SALE**

**You are considering selling cattle to a butcher in your home town on contract;**

- a) Discuss the terms and conditions that should be considered in the contract
- b) Explain the implications of the contract prepared in (a) above
- c) Under what circumstances may this contact be terminated?

**a) Terms and conditions that should be considered in a contract to sell cattle to a butcher in my home town**

- ✓ The number of cattle to be supplied to the butcher at a given time would be included in the contract i.e. 20.
- ✓ The price at which the cattle is to be supplied will be included in the contract.
- ✓ The quality of the cattle to be supplied would be included in the contract i.e. fresian, Ankole cattle etc.
- ✓ The possible discount to be offered during the transactions and under what circumstances would be included in the contract i.e. trade or cash discount.
- ✓ The terms of payment would be included in the contract i.e. cheque or cash.
- ✓ The mode of delivery of the cattle would be included in the contract i.e. lorry.
- ✓ The place where the cattle is to be delivered would be indicated in the contract.
- ✓ In case of credit facilities, the credit period to be given to the butcher would clearly be indicated in the contract.
- ✓ The lead time would clearly be indicated.
- ✓ Include what happen in case I fall to supply, the cattle or when the butcher fails to effect payments.
- ✓ The duration or time period of the contract would be included i.e. for one year.

**b) Implications of the contract;**

- (i) The contract serves to indicate that business operations are legally binding and must be observed
- (ii) Contract serves to indicate that there is a legal relationship between the buyer and the seller
- (iii) Contract implies that breach of any clause will lead to undesirable consequences to the party breaking the contract
- (iv) There will be no disagreement on payments since the price has been clearly indicated in the contract
- (v) The butcher will be assured of getting good quality cattle since the quality of the cattle has been clearly specified
- (vi) Cattle would be delivered on time since the place of delivery and lead time is clearly agreed upon in the contract
- (vii) It ensures that I will supply the right amount of cattle since the number of the cattle to be supplied in a particular time is agreed upon
- (viii) The contract makes it easy to solve misunderstanding in case it a rises.

**c) Circumstances under which a contract be terminated:-**

- ✓ In case of mutual agreement.
- ✓ In case of breach of contract.
- ✓ By performance.
- ✓ Destruction of the subject matter.
- ✓ Death of one party.
- ✓ Lapse of time of the contract.
- ✓ If a person is a minor.

✓ Through operation of the law.

You are running maize milling firm and you have won a contract to supply maize flour to Buddo secondary school.

a) Develop terms and conditions to be included in your contract with the school.

A contract between TATS maize millers and Buddo SS

TATS MAIZE MILLERS  
P.O BOX 223, KATWE (U)  
TEL: 0412-77-77-77

**TATS MAIZE MILLERS' CONTRACT WITH BUDDO SS FOR THE SUPPLY OF MAIZE**

**Products in the contract.** The products shall be maize flour of grade one and grade two for making posho and porridge respectively.

**Quality of products.** The maize flour shall not be contaminated with dust or any other impurities and each sack shall be weighing 50Kg

**Price of the product.** Each 50kg sack of grade one maize flour shall cost shillings thirty five thousand only (35,000) and shilling thirty thousand (30,000) for grade two sack. A discount shall be allowed for purchases exceeding 50 sacks of maize flour.

**Lead-time of supplies.** The maize flour shall be delivered to BUDDO SEC SCH after six days from the time the school places an order.

**Place of delivery.** The maize flour shall be delivered by TATS maize millers at the premises of Buddo secondary school.

**Mode of payment.** Buddo ss school shall pay by cheque in the names of TATS maize millers for the flour within 17 days of receiving the suppliers.

**Contractual obligations for the parties.** TATS maize millers shall be expected to supply and deliver the right quantity and quality of maize flour to Buddo s.s while Buddo sec shall be expected to pay the supplies ordered for in 17 days of receipt of supplies.

**Limitations of liability.** The buyer (BUDDO SS) shall not be responsible (liable) for the maize flour damaged while in transit and on the other hand, TATS maize millers shall not be liable for losses met on the maize flour in the hands of the buyer.



**Means of settling disputes / disagreement by the parties.** In case of disagreement, the parties shall first use dialogue to resolve it and assistance from a mediator may only be used later.

**Provisions of termination of the contract.** This contract shall be terminated by either party only if one of the parties dies, court makes an order, lapse of time of two years and by disagreement between both parties to it.

**Penalty for breach of contract.** Any party that breaches the provision of this contract shall be ordered to pay a fine not exceeding shillings six hundred thousand at the discretion of the injured party or courts of law

**Duration of the contract.** The contract shall run for a period of two (2) years and may be renewed after negotiations between the school and the supplier of maize.

**ASSIGNMENT:**

- a) You have started processing juice during your vacation. However your former school has given you a contract of one year to supply them with juice at the school canteen. Develop the terms and conditions to be put in your contract.

**SALE OF GOODS CONTRACT.**

This is a legal binding agreement between a buyer and a seller.

**AN EXAMPLE OF A SALES CONTRACT**

You are running a shop that deals in trading of sports equipment, you have received a new customer and you have agreed to carry out transactions both cash and credit. Draft sale of goods contract you are to follow.

## ***SALE OF GOODS CONTRACT***

***KK SPORTS CENTRE LIMITED  
Traders of all sports equipment  
PO BOX 334, KAMPALA KIKUUBO LANE  
TEL: 0414-55-66-77***

REF: 0045  
05/03/2017

### **SALE OF GOODS CONTRACT**

DATE:

BETWEEN AB. ENTERPRISES  
AND  
K.K SPORT CENTRE

The two parties here in the contract have generally agreed to carry out transactions under the following conditions.

- KK enterprises shall offer credit facilities as may be requested by the second party
- AB shall always effect payment in two weeks' time, unless otherwise
- KK sports shall offer an agreed discount if paid promptly or before time.
- The two parties shall at all times abide by the terms and conditions as agreed in the contract.
- Failure for any of the party to abide by the set terms and conditions, the aggrieved party shall take legal action.
- The goods shall always be delivered by the supplier if cash is paid by the buyer
- Goods to be supplied shall always be delivered, checked and shall be accepted if in good conditions and as ordered.



GENERAL MANAGER  
FOR A.B ENTERPRISES  
12/03/2018



MANAGING DIRECTOR  
FOR KK SPORTS CENTRE  
12/03/2018

### **ASSIGNMENT:**

1. 1 You have opened up a business project dealing in supply and production of rice. You have made a contract with your former school to start supplying them with food. Develop the terms and conditions to be included in your contract.
2. You have opened up a juice processing company in your home area. You are in the process of recruiting new business employees.

*Design employee contract policy of newly recruited employee.*

*Employees contract policy include*

- i) Payment terms*
- ii) Salary amount*
- iii) Duration terms*
- iv) Duties to perform*
- v) Termination terms*
- vi) Methods of handling disagreement*
- vii) Code of conduct*
- viii) Reporting terms*

## **PROSPECTUS**

This is a document issued out by the public limited company to invite the public to subscribe for shares.

### **AN EXAMPLE OF A PROSPECTUS**

#### **A PROSPECTUS INVITING MEMBERS OF THE PUBLIC TO SUBSCRIBE FOR SHARES IN BIFUNA BISCUITS LIMITED**

**MUKISA CONSTRUCTION COMPANY LIMITED**

**P.O BOX 50, Kampala**

**TEL: 0783 – 456789**

#### **PROSPECTUS**

**Date: 28<sup>th</sup> /09/ 2013**

Mukisa Construction Company Limited invites the public to subscribe to 10,000 shares at a value of shs 200 per share

History of the company. It has been in operation for 5 years and it has 10,000 shares of which 6,000 will be ordinary and the balance – preference shares

Future plans of the company. It intends to have 6,000 ordinary shares and hopes to provide them other products like bonds and debentures

Products the company deals in. it deals in ordinary and preference shares and bonds

Risks faced in operations. Limited capital for expansion

Purpose of additional capital. To meet the minimum requested capital of shs 2,000,000

Dividends shares in the past. Past dividends were at a value of shs 300 per share

**Signed by .....**

**NB.** A prospectus is mainly used to invite the members of the public to contribute capital to the company through subscribing / buying shares.

### **PARTNERSHIP DEED/PARTNERSHIP AGREEMENT**

This refers to a written agreement prepared by partners before entering into a partnership business. It outlines the terms and conditions under which the business would be conducted hence acting as a reference in case of any misunderstanding that may arise at a future date.

**For example:-**

You and any three friends have mobilized and set up a joint business dealing in honey production.

- a) Present the partnership deed for your business project.

**GOD’S GRACE HONEY DEPOT**  
**P.O. BOX 910 KAMPALA**  
**Dealers in Production of tasty honey**


### **PARTNERSHIP DEED**

The name of the business. It is called GOD’S GRACE HONEY DEPOT.

- Business location and address: It is located in Kyengera town, along Kampala Masaka road opposite Shell Petrol station P.O. BOX 910 Kampala, Tel: 0704911227, 0774380388.
- Name of the business partners. These include;
  - Tracy Nassimbwa
  - Trina Nakamatte.
  - Tonny Sekamatte
  - Travor Male
- The type of partner
  - Tracy Nassimbwa is an active partner
  - Trina is a dormant partner

- Travor is an active partner
- The amount of capital contributed by each partner
  - Tracy contributed shs.800,000
  - Trina contributed shs.400,000
  - Travor contributed shs.600,000
- The ratio in which profits and losses are to be shared  
Profits and losses are to be shared in the ratio of 2:2:2:2.
- Rights and duties of partners. Every partner shall have a right to access books of the business.
  - Every partner shall have a right to enjoy business profits.
  - Every partner shall have a right to attend company meetings.
- Duties of each partner
  - Every partner shall have a duty to participate in all project activities.
- The duration of a partnership. It shall last for a period of 10 years and thereafter it shall dissolve.
- Methods of handling disagreements  
Any disagreements shall be amicably handled by a special arbitrator appointed by the business.
- The salary allowed to active partners.  
An active partner shall be given a salary of shs.500, 000 every month.

Prepared by;

  
**TRACY NASSIMBWA**  
 Production Manager

Approved by;

Sign: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

Witnessed by;

  
**STELLA NAMUKASA**

**Assignment:**

During your vacation you have mobilised funds with any two of your former school mates and set up a restaurant.

Prepare a partnership agreement for your business project.

## **TOPIC 14**

### **SCHEDULES**

These act as time tables when implementing business activities.

#### **Examples of schedules.**

#### **WEEKLY WORK SCHEDULE**

This specifies activities to be performed by employees as per week.

#### **Example:**

You are the production manager of a newly established bakery design its work weekly schedule.

#### **SMILE BAKERY** **P.O. BOX 281** **Dealers in Production of Bakery Produces** **Work weekly schedule**

Date/day	Employee name	Employee no.	Description of work/activity factory	Time		Remarks
				In	out	
Monday	Mukasa	001	- Cleaning premises	7:00am	1:00pm	
	Musoke	002	- Delivering raw materials			
	Mubiru	003	- Sorting out raw materials			
Tuesday	Tina	004	- Carrying out production	8:00am	4:00pm	
	Tonny	005				
	Trina	006				
Wednesday	Sarah	007	- Carrying out packaging	8:00am	4:00pm	

	Serah	008				
	Shirah	009				
Thursday	Opio	010	- Receiving visitors	9:00am	4:00pm	
Friday	Okello	011	- Servicing company machines	10:00am	3:00pm	
	Opoka	012				
Saturday and Sunday			- Resting			

Prepared by;



OLONYA .R.

PRODUCTION MANAGER

Approved by;

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Assignment: You own a water processing plant. Prepare a weekly work schedule.**

### Importance of work schedules

- It enables the completion of the work on time.
- It enables one to meet customer orders in time.
- It facilitates sequencing of time as certain jobs need to be completed.
- It reduces duplication of tasks among employees.
- It promotes coordination of work among employees.
- It reduces time at place of work.
- It facilitates easy supervision and monitoring of work. This leads to efficiency.

### IN OR ORDER FORM

This is used to keep an accurate record of customers' orders and allocate the work to the appropriate workers.

Work order form acts as a contract when accepted by both parties and it should therefore be prepared carefully.

It has the following contents;-

- The date of the work order
- The name and address of the customer
- The project starting and finishing dates of the job
- The work order number
- A description of the work with its different activities

- The names of those who will do the work
- The estimated time required in doing the job
- The cost of the job including taxes
- If the item to be worked on is registered, the serial number would be necessary

END

***THE STRUGGLE CONTINUES.***