



LOWER SECONDARY

ENTREPRENEURSHIP

TEACHER'S GUIDE

3

Ronald Jaggwe
Victor Tukamuhebwa

VISION GROUP[®]
NATIONAL PRIDE • GLOBAL EXCELLENCE

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TABLE OF CONTENTS

GENERAL INTRODUCTION TO THE TEACHER'S GUIDE	i
INTRODUCTION	i
RATIONALE OF TEACHING ENTREPRENEURSHIP IN LOWER SECONDARY SCHOOL	ii
ICT INTEGRATION IN THE TEACHING-LEARNING PROCESS.....	iii
GENERIC SKILLS AND CROSS CUTTING ISSUES.....	iv
ASSESSMENT	iv
TRIANGULATION.....	v
ACTIVITY OF INTEGRATION.....	v
Sample Activity of Integration	vi
ASSESSMENT GRID	vii
SCHEME OF WORK	x
LESSON PLANNING.....	xi
SAMPLE LESSON PLAN	xi
LESSON DEVELOPMENT:.....	xiii
MAKING AND LOCATING INSTRUCTIONAL MATERIALS IN ENTREPRENEURSHIP.....	xiii
HOW TO TEACH USING THIS BOOK.....	xv

THEME: BUSINESS PLANNING

CHAPTER 1: Business Planning.....	1
1.1.0 Introduction.....	3
1.1.1 Purpose of a Business Plan	3
1.1.2 Stakeholders or Users or Interested Parties in a Business Plan	22
1.1.3 Networking in Business	27
1.1.4 Benefits of Networking in Business	29
1.2.0 Introduction	34
1.2.1 Preparing a Business Plan	34
1.2.2 Cash Flow in Processing and Manufacturing Business.....	37
1.3.0 Introduction	47
1.3.1 Preparing an Action Plan.....	47
1.3.2 Importance of Action Plans	55
1.4.0 Introduction	58
1.4.1 The Concept of Business Ethics.....	58
1.4.2 Principles of Good Business Ethics.....	61
1.4.3 Ethical Issues in Relation to Business Development	64
1.4.4 Common Unethical Practises in Business.....	68
1.4.5 Ethics Charter or Code of Ethics.....	73
1.4.6 Acceptable Business Behaviour Towards Stakeholders	76

1.4.7 Customer Attraction, Care and Retention	79
---	----

THEME: BUSINESS MANAGEMENT

CHAPTER 2: Introduction to Principles of Accounting.....89

2.1.0 Introduction.....	91
2.1.1 Bookkeeping and Related Accounts	93
2.1.2 Books of Accounts.....	115
2.1.3 Importance of Bookkeeping.....	119
2.1.4 Use of Spreadsheets in Accounting.....	121
2.2.0 Introduction.....	129
2.2.1 Source Documents Used in Bookkeeping.....	129
2.3.0 Introduction.....	145
2.3.1 Concept of Books of Original Entry	145
2.3.2 Types of Books of Original Entry.....	146
2.4.0 Introduction.....	188
2.4.1 Meaning of a Ledger	188
2.5.0 Introduction.....	211
2.5.1 Concept of a Trial Balance	212
2.5.2 Recording Information into the Trial Balance	215
2.5.3 Preparing a Trial Balance from Ledger Accounts.....	221
2.5.4 Identifying and Correcting Errors in the Trial Balance.....	231
2.6.0 Introduction.....	246
2.6.1 Statement of Profit or Loss and other comprehensive income	246
2.6.2 Methods of Presenting the Income Statement.....	250
2.6.3 The Income Statement and Business Growth	261
2.7.0 Introduction.....	264
2.7.1 Concept of a Balance Sheet.....	265
2.7.2 The Basic Accounting Equation.....	270

THEME: BUSINESS MANAGEMENT

CHAPTER 3: Tax Administration in Uganda.....293

3.1.0 Introduction	294
3.1.1 The of Tax Administration	295
3.1.2 Role of URA in Tax Collection in Uganda.....	298
3.1.3 Non-Tax Revenue.....	304

Glossary.....	311
---------------	-----

References.....	316
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GENERAL INTRODUCTION TO THE TEACHER'S GUIDE

Dear Teacher,

A successful Teacher's Guide is one that effectively aids and supports you to engage learners in a manner that makes the teaching/learning experience joyful and enjoyable to the learners. The purpose of this Teacher's Guide, therefore, is to demonstrate and make suggestions to you on how best you can interpret the Learner's Book and the curriculum to effectively support the learners to get the best out of the Learner's book.

INTRODUCTION

From the experience of Senior One and Two, our conviction is that you are now very familiar with the Revised Lower Secondary Curriculum and its tenets. We trust that you have fully embraced the shift from '**knowledge transmission mode**' to the '**active learning**' approach in which learners are challenged to think for themselves, draw conclusions, solve problems, and make their own judgments.

To that end, your main duty as a teacher in the revised lower secondary school curriculum is to produce a secondary school graduate who is competent in the 21st century skills; exhibits positive values and attitudes; an effective and skilled life-long learner with the potential to positively impact his/her community and the wider world in a range of ways.

As the learners advance to Senior Three, the goal of this competence-based curriculum is still the same: the acquisition of the skills to **discover, explore, and analyse** so that they can use their knowledge (**application**) to solve real-life problems in the communities where they live.

The revised curriculum takes care of two profiles of the learners – one: those who may for different reasons drop off along the way before completing s.4, those who may complete but do not continue after Senior Four and to those who continue with education after Senior Four.

Let us look at this in a different way: supposing that for whatever reasons (God forbid!) Some of your learners did not continue with school after Senior Two or dropped out at any other level. Do you think they are empowered enough with the requisite skills, competences, values, and attitudes to make use of what they have learnt in school to do something for themselves to earn a living?

If your response to the above is YES, it means you did well. Therefore, this new class is another opportunity for you to consolidate the gains your learners have so far made in the earlier classes.

If your response is NO or doubtful in any way, then this is another opportunity to ensure that you apply your talents and skills to make the teaching-learning

process a rewarding and enjoyable experience. When you effectively put the learner at the centre of the learning process so that he/she is actively involved and not just a passive receiver of knowledge, you are bound to graduate a learner with attributes that render him/her either employable in today's rapidly evolving society or adequately prepared for further academic studies. Your core duty is to ensure that everyone who partakes of this curriculum by attending your lessons will gain the generic skills that empower him/her to be able to participate in his/her own development and the development of the country.

Needless to mention, competence-based is about the need to use knowledge creatively: the ability to use knowledge rather than to just acquire it. This Teacher's Guide is an effective tool in helping the learners to enjoy the learning experience and consequently learn more, faster and better. This Guide shall equip you with guidance and suggestions so that you can create successful lesson plans that help the learners to acquire the requisite competences, as well as achieve the respective learning outcomes, knowledge, understanding, skills, values, and attitudes. It is for this reason that we present a step-by-step outline on how to work through every lesson.

Several suggestions have been made to assist you create a dynamic classroom environment. In addition to what has been provided in the Learner's book, look out for locally made stimulus material, that build on learner's experience, problem solving, investigation, group activities, exploration, experiments, field work, etc.

RATIONALE OF TEACHING ENTREPRENEURSHIP IN LOWER SECONDARY SCHOOL

Uganda's Vision 2040 and the National Development Plan emphasizes the importance of developing our ability to use the technologies available to us – both emerging and traditional – to build our society. This syllabus emphasises that the learner should be able to understand and use these technologies, and also know how to extract value from them. This means that the learner must have strong skills and should develop competences to contribute to creating employment opportunities for self and for others.

Uganda has abundant resources which are either unutilised, under utilised or misutilised. Entrepreneurship Education will help build the abilities of learners to identify these resources and put them to proper use to make a productive living. This helps to increase the standards of living of the people

This will go a long way in preparing learners to be self-reliant and productive in the society to meet the demands of the competitive market.

Entrepreneurship education will also help to utilise and apply the skills from other subjects in order to produce goods and services. Entrepreneurship

Education is designed to introduce the learner to the importance of scanning the environment for opportunities and resources, identifying viable business ventures, starting-up a business, managing a business and utilising support services to run a business effectively and successfully.

ICT INTEGRATION IN THE TEACHING-LEARNING PROCESS

The 21st century is digital! You as a teacher need to keep abreast with the best methods and tools to facilitate the teaching-learning process. There are numerous ways to integrate computers, radios, the Internet, cell phones (including smartphones), telephones and many other digital devices to facilitate teaching and learning of Entrepreneurship so as to produce learners who can thrive in the 21st century.

The table below summarises the approaches you can adopt to gainfully make use of ICTs.

Field trips	Encourage and help learners to take photos, record videos and voices and draw business lay outs.
Class Presentations	Encourage and guide learners to use presentation applications such as Microsoft PowerPoint®.
Keywords and definitions/meanings	Encourage learners to search for keywords from dictionaries installed on smartphones and computers.
Drawings, graphics, and pictures	Encourage and guide learners to use computer-based drawing software such as Microsoft Word, Adobe suite, and Microsoft Publisher.
Role play, narrations	Encourage learners to record videos and audios.
Demonstrations	Use video and audio recordings. Introduce them to online computer simulations for the various experiments and scenarios.
Presenting findings in graphics and written format	Encourage learners to use word processing software such as Microsoft Word. Guide them accordingly.
Showing information on charts and graphs	Encourage learners to use spreadsheets such as Microsoft Excel to make beautiful graphs.
Searching for extra reading material/research	Encourage learners to search for content from the internet. They can download books, text, or videos Encourage and guide learners to use online and offline encyclopaedias such as Encarta®, Britannica®, Wikipedia® and other education resources.

Writing equations and formulas	Introduce learners to equation-writing applications such as Microsoft Equation and MathType®.
Sharing/Remote learning with people across the world	Encourage learners to form online learning social networks, blogs, social media, emails, applications such as Zoom, Microsoft Teams, etc.

GENERIC SKILLS AND CROSS CUTTING ISSUES

Generic skills enable the learner to access and deepen learning. These are the skills that are sought by employers, and which will unlock the whole world of work.

The fundamental generic skills are:

- 1 Critical thinking and problem-solving
- 2 Creativity and innovation
- 3 Co-operation and self-directed learning
- 4 Mathematical computing and ICT proficiency
- 5 Communication

Cross-cutting issues cannot be confined to one chapter, topic, lesson or even subject. The learner gets to know about them throughout the entire duration of learning. Cross-cutting issues develop learners' understanding of the connections between the subject and other contemporary topics and activities.

The curriculum identifies the following cross-cutting issues:

- Environmental awareness
- Health awareness
- Life skills
- Mixed abilities and involvement
- Socio-economic challenges
- Citizenship and patriotism

ASSESSMENT

Assessment: is a measure of the extent to which established learning outcomes have been attained by the learner. Forms of assessment include Assessment for learning, Assessment of learning and Assessment as learning.

Assessment for learning: is formative and continuous. It is done during the learning process, by the teacher and learners. Learners understand exactly what they are to learn, what is expected of them and are given feedback and advice on how to improve their work. You can use assessment for learning in many ways such as forming small groups.

Assessment of learning: is summative because you need to give feedback to learners, administrators, and parents. It is done by the teacher.

Assessment as learning: looks at the external forces and sees that every learner is comfortable in class. The teacher puts in consideration the student's abilities versus the learning environment.

TRIANGULATION

This is a process by which you collect evidence about learners' learning. The evidence is collected from three different sources, namely; Conversations, Observations and Products. Your conversations with learners or between learners should be intentional.

During the conversations, look out for generic skills in learners which will come out as the products. You can document or capture the products in a video or recorder for future reference.

ACTIVITY OF INTEGRATION

To integrate 'knowledge' and 'know-how' is to apply them in a practical way in daily-life situations. The motive is to allow the learner an opportunity to transfer his/her knowledge from a classroom context to a daily life context, consequently achieving the shift from theory to practice. The activity of integration, therefore, is an end of chapter assessment aimed at finding out the level of competency a learner has attained. It evaluates whether the learner has achieved the competency as stated in the chapter introduction. It serves to assess the learner's use (integration) of the resources acquired in the chapter (knowledge, understanding, skills and behaviour) to solve a real-life problem.

It is critical for you not to confuse integration with revision! Revision serves to aid the learner to recall knowledge, yet integration enables the learner to use the knowledge and put into practice to face and effectively handle new situations in life or during their studies.

An activity of integration is comprised of:

- Context/problem/scenario/situation (an imagination of a situation or context that could possibly occur in real life. It should be rich in knowledge and information).
- Support (additional information to clarify the scenario; for example, pictures and graphics. It is about what is going to be used to accomplish the task. It is provided by you, the teacher).
- Resources (materials that a learner needs to accomplish the task. They can be learning experiences which the learner can use in the daily life).
- An instruction/expected outcome/task (a societal problem that needs to be addressed by the learners. It must be clear).

Sample Activity of Integration

CHAPTER: TAX ADMINISTRATION IN UGANDA

Sample Activity of Integration

Kagezi Anna is a trader dealing in foodstuffs. He was contacted one time by a friend to supply maize flour to a government school and he agreed. The school retained some money which it called withholding tax and explained to her buts he did not believe it. She told them that he knew very well that it was only the Uganda Revenue Authority (URA) that collects taxes and not the school.

The school is now insisting that she either agrees to the terms or risks termination of the contract. She has consulted some of his fellow traders who agree that the school does not have authority to retain the money for this is the work of URA only and NOT the school or any other institution.

A seminar has been arranged to address the traders on the role of URA and the different taxes collected by URA and other agencies. You have been approached as an expert in taxation to address them.



Task:

Prepare a written speech that you will use to address the traders.

ASSESSMENT GRID

Dimensions of grid assessing activity are:

R – Relevancy

C – Coherence

A – Accuracy

E – Excellence

Relevancy: It should be connected, correct and suitable for the issue at hand.

Accuracy: Does it carefully conform to the facts and truth about the issue? It looks at accurate units, measurements and application of knowledge.

Coherence: The teacher must see that the ideas presented connect to each other smoothly, logically in choice of words in a way that gives meaning to the issue, It looks for the logical reasoning, flow of facts, clarity of ideas and logical order.

Excellence: It is an exceptional relevant response unsolicited in the instructions. It is an exceptional response beyond expectations of a teacher. It takes one point.

The maximum score for relevancy, accuracy and coherence is 3 in each.

The minimum score for a learner is 1 from each case of relevancy, accuracy and coherence.

A learner can only earn the score for excellence if he/she performs outstandingly under relevancy, accuracy and coherence, and then go on to offer a unique/outstanding response that is relevant.

Assessment grid is only for activity of integration

Sample assessment grid for activity of integration given earlier

Task

Prepare a speech that you will use to address the two disagreeing parties.

Assessment Grid

OUTPUT	Basis of Evaluation (A)	CRITERION 1 Relevance	CRITERION 2 Accuracy	CRITERION 3 Coherence	CRITERION 4 Excellence
Speech	Roles of URA and other agencies in tax administration <ul style="list-style-type: none"> • Assessment of tax • Collection of taxes • Registration of taxpayers. • Advising the Minister of Finance, Planning and Economic Development on policy matters relating to taxation. • Tax advisory services • Facilitating trade and investment. • Providing relevant and accurate data to other government agencies such as Bank of Uganda, UIA • Tax education 	Learner scores 3 if he/she gives at least 5 roles of URA and other agencies in tax administration. Learner scores 2 if he/she gives 3 to 4 roles of URA and other agencies in tax administration. Learner scores 1 if he/she gives less than 3 roles of URA and other agencies in tax administration	Learner scores 3 if he/she gives at least 5 well explained roles of URA and other agencies in tax administration. Learner scores 2 if he/she gives well explained 3 to 4 roles of URA and other agencies in tax administration. Learner scores 1 if he/she gives less than 3 well explained roles of URA and other agencies in tax administration	Learner scores 3 if he/she gives at least 5 roles of URA and other agencies in tax administration that are in order. Learner scores 2 if he/she mixes up 3 to 4 roles of URA and other agencies in tax administration. Learner scores 1 if he/she mixes up less than 3 roles of URA and other agencies in tax administration.	Learner scores 1 if he/ she gives exceptional point regarding to roles of URA and other agencies in tax administration or taxes collected by URA and those of local authorities

OUTPUT	Basis of Evaluation (B)	CRITERION 1 Relevance	CRITERION 2 Accuracy	CRITERION 3 Coherence	CRITERION 4 Excellence
Speech	Taxes collected by URA: <ul style="list-style-type: none">• Income tax (PAYE)• VAT (Value Added Tax)• Excise duty• Rental tax• Gaming and pooling tax• Corporation tax• Import duty• Export duty• Withholding tax• Octroi tax• Environmental tax	Learner scores 3 if he/she gives at least five taxes collected by URA and 5 collected by local authority and other agencies	Learner scores 3 if he/she gives correctly at least 5 taxes collected by URA and those of local authorities and agencies	Learner scores 3 if he/she gives without mix up at least 5 taxes collected by URA and those of other agencies	
	Taxes collected by other agencies <ul style="list-style-type: none">• Ground rates and property tax• Fees and dues• Local service tax• Road toll fees• Passport fees• ID replacement fees• Fines	Learner scores 2 if he/she gives 3 to 4 taxes collected by URA and those collected by Local authorities and agencies	Learner scores 2 if he/she gives correctly 3 to 4 taxes collected by URA and those of other local authorities	Learner scores 2 if he/she mixes up 3 to 4 taxes collected by URA with those collected by local authorities and other agencies	
		Learner scores 1 if he/she gives less than 3 taxes collected by URA and those of local authorities and other agencies.	Learner scores 1 if he/she gives correctly only less than 3 taxes collected by URA and other agencies	Learner scores 1 if he/she mixes up less than 3 taxes collected by URA with those collected by local authorities and other agencies	

SCHEME OF WORK

A scheme of work is the systematic and logical breakdown of the school syllabus into manageable teachable units for a specific period (a term or a year). It is a teacher prepared document that shows how the school syllabus has been broken down into manageable units for a specific period. It answers the question: what will you teach throughout the term?

A scheme of work contains the following aspects: title, class, year, name of teacher, week, period, topic, sub-topic, competences, learning outcomes, methods, activities, life skills and values, instructional materials, references, and remarks.

Sample scheme of work for Business planning. A sub topic; A business plan

SAMPLE SCHEME OF WORK FOR A COMPETENCY BASED CURRICULUM

School: KIRABO PARENTS SECONDARY SCHOOL

Name of Teacher: MALE TADEO

Class: FORM THREE

Subject: ENTREPRENEURSHIP SKILLS

Term: ONE

WEEK	PERIOD	THEME/TOPIC	COMPETENCY	LEARNING OUTCOMES	TEACHING/ LEARNING RESOURCES	METHODOLOGY	REFERENCES	Remarks
1 (8th -12th February 2021)	8	• Business planning • A business plan	The learner prepares a business plan for a selected business	<ul style="list-style-type: none"> Understand the purpose of a business plan Use a business plan to plan a business and share with different stakeholders Use the internet purposefully to browse relevant information about a business plan 	<ul style="list-style-type: none"> Text books and business journals. ICT to help in browsing business plans and use word and excel to draw one with spreadsheets for some elements Rulers for drawing lines. Calculators for making accurate figures 	<p>Learner centered method through the following techniques:</p> <ul style="list-style-type: none"> Guided Group work will be used to develop communication, cooperation, good listening skills, Discussion will help in critical thinking skills Field trips to collect information from various businesses for proper comparisons. Think pair share to develop the art of listening to another ones opinion, critical thinking, <p>Activities are focused on:</p> <ul style="list-style-type: none"> Discovery Explanatory Analysis and application 	<ul style="list-style-type: none"> Lower secondary entrepreneurship Learners book Teachers guide Internet Business encyclopedia 2020 	

LESSON PLANNING

Lesson planning is an important skill for you. A lesson plan is a framework for lessons. A good lesson plan elucidates the structure of the lesson and holds all the elements together by showing you where to start and where to finish and the route to take to get there.

Lesson planning important because:

- It helps the teacher to stay on track and make the most of class time.
- It allows us to anticipate and solve problems before they happen.
- It provides a useful record of what has been covered. This is useful for future reference

SAMPLE LESSON PLAN

School:	KIRABO SECONDARY SCHOOL	Date:	10TH FEB 2021
Subject:	ENTREPRENEURSHIP	Time:	8:00Am – 8:40Am
Teacher:	MALE TADEO	Duration:	40 minutes
Class:	FORM THREE	Number of pupils:	Boys: 15
Term:	ONE		Girls: 20

Theme:	BUSINESS PLANNING
Topic:	BUSINESS PLANNING
Competency:	THE LEARNER PREPARES A BUSINESS PLAN FOR A SELECTED BUSINESS
Learning Outcome(s):	<ul style="list-style-type: none">Understand the purpose of a business plan
Generic skill(s):	<ul style="list-style-type: none">Communication through field tripsCritical thinking and problem solving by making business plan for a selected businessCreativity and innovation through working in groups to produce better business plansCooperation and self direction through brainstormingMathematical computation and computer proficiency through browsing internet for business plan extracts

Value(s):	<ul style="list-style-type: none"> • Creativity and innovativeness • Social responsibility • Patriotism in democratic group leadership
Cross cutting issue(s):	<ul style="list-style-type: none"> • Environmental awareness by scanning it for better business plans • Health awareness by selecting responsible people in collecting data • Life skills like communicating with traders in the community • Socio economic challenges by seeking financial assistance during formulation • Citizenship and patriotism by carrying out research from local firms
Key Learning Outcome(s):	<ul style="list-style-type: none"> • Self assured individuals through learning to develop own plans • Responsible and patriotic citizens by involving them in rotational group leadership • Life long learning by engaging in planning for current and future businesses • Positive contributors to society through engaging in preparation of plans for productive businesses while observing business ethics

Pre- Requisite Knowledge: Learners already have knowledge of businesses in Uganda and some about ownership and management from learners book two and due to exposure.

Learning materials: calculators, rulers, cameras and recording devices for field data collection.

References: Lower Secondary Curriculum syllabus, learner's textbook, teacher's guide, business.com(google search).

LESSON DEVELOPMENT:

Time per phase	Teacher Activity: Observation, Conversation, Product (tick as appropriate to the lesson)	Learners' Activity: Discovery, Explanatory, Analysis and Application (tick as appropriate to the lesson)
2 MINUTES	ROLL CALL	RESPONSE TO ROLL CALL
5	Introduction and review of the previous activities	Responding to questions given
30 minutes	<ul style="list-style-type: none">Observing how learners discuss the purpose of a business plan	<ul style="list-style-type: none">Discussing and explaining the purpose of a business planResponding to instructions by the teacher
3minutes	Wrap up of the lesson	<ul style="list-style-type: none">Reminds the teacher of what they have coveredAgree on whether the lesson was successful or

Teacher Self-Assessment:

The lesson was successful and all the learning outcomes were achieved

Teacher Reflection: This represents what you think worked, what did not work, where you need improvement and why. It gives you an insight into practice; and hopefully helps adjustment and modify where necessary for other lessons.

MAKING AND LOCATING INSTRUCTIONAL MATERIALS IN ENTREPRENEURSHIP

Making and locating Entrepreneurship instructional materials

Instructional materials are objects, things, and people used to promote the teaching/learning process of Entrepreneurship. They can be audio/visual equipment or tools that can be used to facilitate teaching and learning activities. They help you teach with ease and learn without stress. They must be appealing to the senses of seeing, touching, smelling, feeling and hearing.

Instructional materials can be categorised as below:

Reading materials: Chalkboard, bulletin board, posters, and flannel boards;

Audio-visual materials: Television sets, radios, and projectors (opaquely/overhead), slide/strip (film), computers, tape recorders, and DVD players;

Community resources: This in the community such as wells, markets, roads, gardens, forests, banks, exhibition centres, businesses and many others.

Human resources: Entrepreneurs, Public speakers, community model people, doctors, nurses, mathematicians, statisticians, politicians, and many others.

Learner's Book

The Learners Book outlines and maps out the logical flow of content; from one chapter or sub-topic to another. It maps out the consistent arrangement of key concepts in the book that makes it easy for you to follow. Get acquainted with the learner's book plan to help you easily navigate and plan for teaching using both the Learner's Book and this Guide.

The New Entrepreneurship for Senior Three Book Plan

Section	Description
Theme	Similar topics are grouped into themes
Topic	Major areas of study as stipulated by the curriculum.
Competence	This is what learners are expected to be able to do efficiently by the end of a topic.
Learning Outcome	This is what learners will actually learn during duration of the Topic. Outcomes are focused on learning (What will they learn in that specific time span)
Keywords	These are the major words and terms on which the topic revolves. Learners are expected to be well acquainted with these terms.
Introduction	An adapted competence that triggers and piques the learner's interest in the topic. It contextualises the topic in terms of what the learner already knows. This enables him/her to build on his/her experiences/knowledge and discover more about the topic and achieve the learning outcomes and gain the requisite competency in the topic.
Sub-topic	This is the breakdown of the topic into its constituent areas in order to achieve the learning outcomes and competency.

Section	Description
Activity	This is a guided engagement that tasks the learner to learner by doing, seeing, touching and experiencing.

Other sections in the Book

Did you know	This is a factual information that is most likely known to the learner, but unique in some way.
ICT Corner	This section brings to the learner's attention the ways he/she can use computers and other ICTs to solve problems or do things neatly and more accurately.
Entrepreneurship corner	This section talks about the prominent scientists who invented or pioneered particular concepts and theories.

HOW TO TEACH USING THIS BOOK

Section	Description	Teaching Procedure
Topic	This is a major area of study as stipulated in the curriculum. In the new competence-based curriculum, language concepts and skills shall be learnt in the context of four major themes, namely; creating entrepreneurial awareness, scanning the environment, start-up process, business management and business support.	Prepare your lessons and instructional materials to reflect a specific topic so that learning Entrepreneurship in context can be achieved, for example, under tax administration you can prepare URA brochures, income tax Act booklets, local service tax documents etc.
Generic picture	This is a thoughtful picture that introduces the topic and stimulates debate and discussion. Generic pictures are always refreshing as visual icebreakers. It may be amusing, entertaining and can liven up the class.	Call the learners attention to the picture. Allow them to study it and relate it to the topic. Do they find it relevant/suitable? Allow them to share their opinions of the picture. How familiar is it and does it in any way relate or reflect their own lives/ contexts in real life?

Section	Description	Teaching Procedure
Competency	<p>It is the summary of all the learning outcomes. This is what learners are expected to be able to do efficiently by the end of a topic.</p>	<p>At the start of any theme or topic, keenly study what the competency suggests and for every activity henceforth, keep revisiting it to ascertain that you are in line with it. Your teaching aids, activities and activities of integration should aim at guiding the learner to attain the competency.</p>
Keywords	<p>These are the major words and terms on which the topic revolves. This is what learners will actually learn in the topic. They build the vocabulary of the learners and focus their learning on discovering.</p>	<p>Call the attention of the learners to the keywords at the beginning of every topic, choose a learner to read them out as the rest of the class try to trap and infer their meanings. Provide opportunities for learners to use the keywords in sentences in context with the topic/theme.</p>
Learning Outcomes	<p>Learners are expected to be well acquainted with what the topic will comprise. These are the building blocks that make up the chapter competency. They break down the areas that should be explored to achieve that goal.</p>	<p>Call the learners to attention of the learning outcomes and allow them to read and internalise them. Prepare all the lessons and activities geared towards the achievement of all or most of them. At the end of every topic, ascertain if they have been achieved.</p>
Learning from Each other/Introduction	<p>This is what encourages the learner to explore own knowledge and experiences and share experiences with other learners. The 'learning from each other' is based upon the fact that the new curriculum encourages interacting and learning in groups hence sharing knowledge.</p>	<p>Draw learners' attention to that corner. It should be introduced early enough since it is part of introductory remarks. Encourage learners to read and internalise the message in that corner. As you teach, encourage groups and individuals to discuss and share knowledge with each other.</p>
Activity	<p>This is a guided engagement that tasks the learner to engage by speaking, listening, reading and writing. It is a tool that facilitates the teacher to continuously ascertain if learning is taking place.</p>	<p>After ensuring that learning outcomes have been achieved, assign several activities to the learners in groups or individually and assess them Routinely. Use the activities to assess learners and give feedback to aid improvement.</p>

Section	Description	Teaching Procedure
Learning with ICT	This purposes the learner to deliberately seek and acquaint the self with the application of ICT devices with which self-development can happen. The ease of using ICT material constitutes the competences required of a 21st century learner. It facilitates research skills and general computer proficiency.	For those students that can afford send them to the computer laboratories after instructing them on what to do. You may supervise the activity in the lab or wait for them to bring the task. Your camera, phone, etc can also help.
Reading and Comprehension	This introduces the learners to the diversity of language, opinion and opens them up to the skill of problem solving. Participating in group work builds a sense of team work, patience and a comradeship associated with 21st century learner.	Group the learners and apportion them rotational roles of reading the case study, introductions, activities etc. Each group representative writes the new words and explains on the notice board and the class uses a dictionary to find their meanings. They can use the new words in sentences of their own, apply them in speech etc.
Activity of Integration	This is a real-life situation that requires the learner to think about and apply all or most of the resources acquired from the topic to find solutions to the challenges at hand. The tasks have been taken from a large scope of themes ranging from: business planning, business management, business support and be able to solve societal problems using the knowledge, understanding values and skills acquired.	After learners have grasped the concepts of a topic, prepare an appropriate activity of integration in which learners must mobilise the resources to solve a real-life problem Assess the task using the score grid and remind them that their score will be cumulative and part of their overall UCE score after four years.
End of Chapter Summary	This is a wrap-up of what the learner has learnt in the entire topic. This will put the learner in charge of their own learning and get into the habit of continuously seeking improvement. It is presented on a table to enable learners tick or cross where they think they have achieved particular learning outcomes or not, respectively.	After every topic, provide learners with the opportunity to conclude if they have achieved all or some of the learning outcomes They can tick on the areas where they feel they have achieved or put an (X) where they have not achieved as expected. A table has been provided for this purpose.

Section	Description	Teaching Procedure
Glossary	This list of terms at the end of every topic serves the purpose of improving the learners' knowledge of important terms. It can serve the role of a mini-dictionary that provides understandable explanations for the words and expressions used.	At the end of every topic, take learners through a list of words that may be unfamiliar to ease their understanding of the message.
Did you know?	This is a discovery section. The section that brings learner's attention to particular concepts or information which they may already know but is very crucial in advancing their knowledge and skills in that specific concept.	Ask one learner to read the message in that corner. Share the information with the rest of the class and see if they have learnt or got the message.

THEME: BUSINESS PLANNING

Business Planning

Number of periods: 48



Chapter Overview

Uganda was ranked as the world's most entrepreneurial country by Global Entrepreneurship Monitor (GEM) in 2017, recording the highest youth entrepreneurs with 55.6% of the youth population involved in new or established businesses, but many of those do not live to celebrate their first anniversary. It is most attributed to lack of guidance and direction during the initial stages. When one gets money, he/she usually starts a business without following any laid-down plan. Whenever you are starting a business or expanding the existing one, you need to have a business plan which will guide your intentions and decisions.

1.1: A Business Plan

Number of periods: 8

page 2 of the Learner's Book



Keywords

- browse
- business plan
- etiquette
- marketing plan
- market opportunities
- mission
- networking
- organisational plan
- pricing strategy
- production plan
- remuneration
- stakeholders
- target market
- vision
- feasibility

After studying and practising the activities in this section, you will be able to:

- understand the purpose of a business plan
- use a business plan to plan a business and share with different stakeholders
- use the internet purposefully to browse relevant information about business plans
- carry out networking on business development and the related etiquette

1.1.0 Introduction

Introduce this by asking the learners motivating questions that will elicit critical thinking and reasoning from them. It is said that ‘success loves preparation’ Ask learners: What comes into your mind when you read the statement? In business, when you plan your things well, it is easy to put them into action. Before you start, clearly set out how you are going to start and operate your business. This is **business planning**, the written down document in this case is called a **business plan**.

In this subtopic, you will guide learners to:

- 1 Understand the purpose of a business plan;
- 2 Use a business plan to plan a business and share with different shareholders;
- 3 Use internet purposely to **browse** relevant information about business plans; and
- 4 Carry out **networking** on business development and the related **etiquette**.

Points to keep in mind

- Key features of an effective business plan.
- **Stakeholders** and examples of business plan.
- Uses and users of business plan.
- Benefits of networking in business.

Definition of keywords

Let learners explain keywords in their own words (Business plan, stakeholders, networking, etiquette, **remuneration**, **necessities**, **stock levels**, **pricing strategy**, **target market** and **distribution strategy**). Guide them where necessary to come up with correct definitions.

1.1.1 Purpose of a Business Plan

Let learners imagine a situation of walking in a dark room in which they had never been before. Ask them to share the experience. Let learners know that starting a business without a business plan is similar to one walking in a dark room or while eyes are closed. It is too risky. So, in which ways it is important to have a business plan.

Pair up learners to study Figure 1.1 on page 3 of the Learner’s Book. Allow them to share what they think is taking place. Let them share their views with the other member.



Figure 1.1 Members brainstorming about business planning

A good business plan will guide you on how to successfully set up the business and run it. It is also a road map that will guide the progress of your business operations. Therefore, for a business that is starting or expanding, a business plan is important. A business plan spells out a business future and strategies of achieving them. In Case study 1.1 on page 4 of the Learner's Book, guide learners to discover the purpose of preparing a business plan.

Case study 1.1 Understanding the purpose of preparing a business plan

Methods: Demonstration, discussion, brainstorming, explanation, think pair share

Skills: Discussion, discovery, critical thinking, collaboration, research.

Resources to use: Pen, notebook, internet access where possible, entrepreneurship textbooks.

In groups, read the following case study and carry out the tasks that follow.

At 28 years old, Okwi employs people older than him. He was encouraged by his Entrepreneurship teacher to draft a business plan for his proposed business.

The business plan showed him what he would like to achieve and how to achieve it. It helped him to identify sensitive areas that required special attention.

He started his business in 2012 with limited resources like finance, skills, etc. He was able however, to identify and analyse **market opportunities**. He noted down everything he encountered during the business establishment phase. This helped him to overcome challenges as he progressed. He had received cash worth UGX 3,000,000 on his graduation as part of the presents. It is this money which he used to start and run the business initially.

He took personal responsibility and set concrete goals which were neither too high nor too low to achieve. He developed a strong internal commitment and involvement with the goals and sought help from business experts to overcome personal limitations. Focusing on high quality output to capture a large market share and evaluating business opportunities are Okwi's priorities.

He studies production orders and level of sales to ascertain the market trend. He ensures that the workplace and storage facilities are cleaned regularly and are well organised. He observes flow of customers and cash to project performance of the business. His major role in the enterprise is monitoring and supervision to ensure that high quality inputs and packaging materials are used and technical specifications regarding quality and quantity are followed.

He keenly observes the number and strength of competitors as well as the price charged. He also ensures that appropriate technology and skills are employed to produce output conforming to customers' needs in order to have an upper hand in the market.

Okwi has managed to expand his business following the information laid down in his business plan.



Tasks:

- 1 Identify and explain the purpose of developing a business plan from the case study.
- 2 As pointed out in the case study 1.1, discuss how important a business plan is to any starting business.
- 3 From your responses in (1) and (2), list the parties that are likely to use these business plans.
- 4 Using Okwi's idea of making money by producing a leaflet which a bank might use to urge businesses, develop a business plan for his business.
- 5 Present your findings before the class for comparison and further discussions.

Instructions to the teacher

- Step 1: Put learners in manageable groups balancing gender and students with special needs, and mixed abilities.
- Step 2: Guide them to brainstorm on what business planning is all about.
- Step 3: Ask them to ready and internalise the case study 1.1
- Step 4: Let each member in the group think individually and later share with the rest of the group members.
- Step 5: Task them to identify and explain the purpose of developing a business plan from the case study.
- Step 6: Guide them to base their responses on above case study.
- Step 7: As pointed out in the case study 1.1, guide learners to discuss on how important is a business plan to any starting business.
- Step 8: Observe how well learners creatively explain points and involve as many learners as possible.
- Step 9: Encourage learners to use internet or any other research resource where they find difficulty.
- Step 10: Ask learners to use responses 1) and 2), to list the parties that are likely to use these business plans.
- Step 11: Encourage them to work with one another so that they can progress at a same pace.
- Step 12: Guide learners to use Okwi's idea of making money by producing a leaflet which a bank might use to urge businesses to develop a business plan.
- Step 13: Ask them to make a report about their findings and present in a class discussion.
- Step 14: Let them compare their findings with those of other groups and agree on the correct one.

Expected responses

Task 1: Major purpose of business plan include:

- To guide the running of business activities. A business plan acts as a basis for implementing most of the activities of the business. It therefore gives the business shape and direction.
- To secure financing. A well written business plan can be presented to financial institutions to secure loans and overdraft required for business start expansion.

- To prove the feasibility of business ideas. A business plan helps to show the entrepreneur whether the business opportunity undertaken can easily be implemented using the available resources or not.
- To test the viability of the business idea. Writing a business plan helps you to weigh the possibility of earning profit after implementing the business idea.
- To attract investors. A well written business plan guides and directs potential investors who may wish to buy shares in your business. The plan shows the potential profitability and how long the business is likely to take to earn profit.
- To reduce business risks. Business planning helps to identify risks and the potential loss arising from such risks. This helps you to lay strategies of reducing the risks.
- To monitor the progress of business activities. The business plan provides goals and objectives to be achieved after a given period of time.

Task 2: The following are importance of a business plan to;

a) **Entrepreneurs:**

- 1 A business plan encourages an entrepreneur to think through his/her business thoroughly in a systematic way, this makes the entrepreneur to get prepared for any area that have been identified as being sensitive and require special attention.
- 2 It helps an entrepreneur to define the specific goals and objectives to be achieved, this serves as a standard to measure for the progress of the business.
- 3 It facilitates the monitoring of the business performance on the set goals and objectives; these set goals act as standard measurement such that any deviation from the plan can be detected in time.
- 4 It helps an entrepreneur to remain focused, this is by way of thinking about the business he or she is in now and what business he/she wants to be in future.
- 5 It helps an entrepreneur to implement the business idea; an action plan is used as a time table for implementing the planned business activities.
- 6 It provides information to the entrepreneurs about where the business is going and the role of the owner, this is through looking at the goals of the business and the nature of product to be produced.
- 7 It helps an entrepreneur to access finances from money lending institutions, this is because any financier is interested in how the business is to generate its cash and how it will be used.

- 8 It helps an entrepreneur to attract investors into the business, this is because always investors look for business plans that are competitive and achievable.
- 9 It helps an entrepreneur to establish and ascertain the amount of tax to pay, this is improving the chances of the business not to be disturbed by government e.g., demanding accumulated tax arrears.

b) To employees:

- 1 It helps employees to understand the business they are in. This increases their efficiency and commitment.
- 2 It assists employees to understand who the customers are and how to serve them better. This increases the ability of the business to out compete other business for customers.
- 3 It helps employees to establish their duties and responsibility into the business, the personnel plan is used to achieve this, because it describes in detail what a worker is to perform and how to do it.
- 4 It helps employees to set their targets. E.g., production targets, sales targets, and develop ways of how to achieve the desired outcome.
- 5 It helps workers to establish the reporting line, that is to say person to whom to report to and this minimises conflicts amongst employees.

Task 3: Parties that are likely to use a business plan include: Employees, business management, shareholders, suppliers, financial institutions, competitors, government and general public.

Task 4: The leaflet should have importance and purpose of preparing a business plan.

Did you know!

A business plan tells a story of what your company plans to do, who your company plans to help, where you plan to do it from and how.

Tell learners that: A business plan helps an entrepreneur to identify possible opportunities and challenges. It helps to show clearly what kind of help you need. It is also the primary guide for how you will structure and allocate your resources.

And when you plan to approach investors or a bank for a loan, a business plan is indispensable as they will need to look at it to determine business **feasibility** as well as assess your need. But even more importantly, a business plan is a

plan of action. By laying out specific targets, you lay out your course of action in the short, medium and long term.

"The best business plans are straight forward documents that spell out the who, what, where, why and how much"

Panda Nelson.

Features of a business plan

Let learners know that, despite the preferences by different entrepreneurs, all business plans have some common features, which potential investors and stakeholders expect to find.

In Activity 1.1 on page 6 of the Learner's Book, guide learners to review a series of business plans and identify key features of a good plan.



Activity 1.1 Identifying key features of a business plan

Methods: Discussion, explanation, brainstorming, guided discovery

Skills: Critical thinking, observation and interpretation.

Resources to use: Pen, notebook, internet access where possible, business plan samples

In groups:

- 1 Study the business plans provided by your teacher or sourced from www.bplans.com and list down all the features in each.
- 2 Compare these features you have listed for each plan and identify what the business plans have in common and where they differ.
- 3 From your findings above, make a list of the key features of a good business plan.
- 4 Choose a group secretary to record your findings and present them before the class for comparison and further discussions.

Instructions to the teacher

- Step 1: Group learners and guide them on what features of a business plan is about.
- Step 2: Provide learners with business plans samples or help them to download from www.bplans.com to use in Activity 1.2.
- Step 3: Let learners identify features that make up a business plan.

- Step 4: Task them to compare these features they have listed for each plan and identify which parts the business plans have in common and where they differ.
- Step 5: From their findings, ask them to make a list of key features of an effective plan.
- Step 6: Guide them whenever they find difficulty and encourage learners to use the internet for more information.
- Step 7: Let the group secretary record their findings and present in a class discussion.
- Step 8: Ask them to compare their answers and agree on the correct one.
- Step 9: Observe how well learners creatively explain points and involve as many learners as possible.
- Step 10: Encourage them to work with one another so that they can progress at a same pace.

Expected responses

Common features of a business plan include:

1 Executive summary

This is a section of the business plan that sets out the future business. It covers only the core activities of the business to set the scene. It points out to your prospective investors because your business will attain success within a short period of time.

Elements of the executive summary

- The background of the business: This includes the name of the business, the date and the industry in which the business is engaged.
- The objectives of the business: This refers to the reason of establishing the business both short and long terms.
- The key products or services the business is to offer: Here you describe your products the business intend to produce, especially the core ones.
- An overview of the market for the product: This refers to the description of the market you are going to serve and the key players in the market.
- The competitive advantage of the business: These are the factors that make your business be able to compete favourably with already existing well established businesses. The competitive advantage may be in terms of strategic location of the business, well experienced workers, quality products, timely delivery of goods or services and customer care.

- The projected growth of the business: This refers to the anticipated expansion and growth of the business in terms of the market, sales among others.
- The key members of the business: These are the stakeholders.
- Funding requirements of the business: This refers to the sources where your business is to derive its cash to finance the operations including the implication of the source to the business.

2 General description

This section of the business plan describes in detail what the business is all about.

Elements of the general description

- The name and address of the business: This describes what the business is, where it's found, and the postal address.
- Business location: This refers to the physical area where the business is to be established.
- Background: This highlights the business owners, the nature of business itself, the scale of operation and date for commencement.
- Business **vision, mission** and objectives.

The vision: This can be a mental image or picture of preferred future for the business.

Mission: This is the fundamental, unique purpose that sets a business apart from other businesses of its type and identifies the scope of its operations in product and market terms.

Objectives: These are specific targets that you set to achieve in a specified period of time.

3 Production plan

This is a plan that describes the physical necessities of the business's operation. Its **production plan** includes the following;

- Business premises and location: It also describes where the business is located. It also includes description of the premises whether rented or permanent including the layout.
- The manufacturing and flow process: This section of the production plan describes how the desired product is to be produced and the stages involved in producing the product.
- Choice of machinery and equipment: This involves description of the needed machinery and equipment and their cost, where they are to be secured, the purchasing arrangements and the factors considered when selecting the supplier.

- Raw materials: This explains the type of raw materials needed, the source, and how they are ordered, including the factors considered.
- Assets required: This refers to the list of required assets such as land, buildings, and their cost
- The production capacities: This is the amount of output that a firm can produce per day, per week or per month including the time it takes to produce a unit.
- Inventory management: This describes how the produced output is to be kept, the books to be used to keep the inventory records.
- Power and utilities: This describe the nature of utilities to be used, the major inputs such as water electricity, fire wood, including their sources and cost.
- Waste and waste management: This describes the nature of waste produced and ways of disposing it.
- Total production cost: This is the detailed estimates of the production activities of the business in terms of money.

4 Marketing plan

This refers to the analysis of the possible position and opportunities of the business being planned in the present market situation. Elements of **marketing plan** include the following:

- The target market: This refers to a group of people or institutions or business that the entrepreneur is targeting to sell output to there may be people around the enterprise or far,
- The products offered: This is the output that an entrepreneur put on market for sale. It can be in form of a product or service.
- Competitors: These are business enterprises dealing in similar business and targeting the same customers. Here you describe those nearby and those that are far, including their strength, weakness and opportunities.
- Sales and distribution of products: This refers to the ways that an enterprise is to use in order to deliver the service to the customers or products; e.g., direct channel, retail or agent channel.
- The pricing strategies: This refers to various ways that the entrepreneur is to price the products, including description of the pricing methods, strategies and a comparison of prices with those firms in the industry.

- Advertising and promotion plan: This is a description of how an entrepreneur is going to deliver the promised product value to the customers through communication for example on advertising, promotion, motivating the sales personnel, newspaper advertisements, printing of brochures, flyers etc.
- Projected marketing expenses: This covers all marketing costs incurred in radio announcement direct product delivery costs, demonstrations, coupons etc.
- Plans for recruitment of the sales team: This covers the projected needs of the sales person in the future as the enterprise expands. It includes plans for training of the sales force, the incentives to encourage them increase sales and meet the set targets.

5 Management plan

This is the section of the business plan that explains the personnel needs of the business. It includes recruitment, remuneration and retention strategies of your business. Element of the management plan include the following;

- Total number of the employees needed in the business: Here you highlight the number of skilled and unskilled workers that business is to employ, their positions and position requirements.
- Tasks and duties to be performed: These are the activities that a worker is to perform in the respective positions. Hence when preparing management plan, each position activities should be described in order to reduce workers conflicting at the work place.
- The fringe benefits given to workers in the respective positions: These can be in monetary terms or in form of goods and services that a worker is to enjoy while performing the duties and responsibilities.
- The total remuneration per month: This refers to total labour cost that an entrepreneur is to pay out in form of salaries, wages, and fringe benefit.
- The reporting line: It is described by the help of the organisational chart which clearly shows whom to report to.
- The skills and knowledge required; for example, computer and communication skills.
- Monitoring and evaluation of the workers' performance.
- Pay roll.

6 Financial plan

This refers to the statement of the projected income, profits, balance sheet and cash flows of the proposed business.

Elements of a financial plan

- The estimated costs for fixed capital: These include estimates of acquisition of land for establishment, costs of construction, purchase and installation of machinery and equipment.
- The working capital requirements: These are expenses on day-to-day activities. These expenses include; purchase of raw materials, direct labour expenses, administrative expenses, utilities (power, water, telephone expenses, transport costs etc.)
- The expected sources of the business funds to be tapped: Here an entrepreneur describes where he/she is to get cash for investment. The common sources tapped by most entrepreneurs include- personal savings, bank loan, credit purchases, family fund etc.
- Estimates of sales: These are estimates of what the proposed business is to sale either per day or per week, or per month. These projections help to prepare for production and purchase of raw materials.
- The expected profits over a specific period of the time: This is determined by subtracting the cost of sale from the net sales.
- Periodic cash flows: These are projections of income and expenditures of the business for a given period of time.
- The break-even analysis, break even refers to the number of units you expect to produce and sell in order to cover the operating costs.
- The rate of returns on investment.

Additional notes

Your business plan should reflect every aspect of your proposed business highlight the key strengths of your business, summarise your vision, mission and objectives, and remind the reader why your business is in a position to successfully execute the plan.

A business plan should be brief with only the essential information included. This will allow both investors and stakeholders to understand the entire plan with ease. More importantly, the business plan should enable your likely financiers to quickly see if your proposed business will be profitable. It should clearly show the reader what the possibilities of success are and enable them to easily make decisions.

Case study 1.2**Sample business plan for Anna Sweet Potato Cakes Co. Ltd (ASPC)**

Methods: Demonstration, discussion, brainstorming, explanation, think pair share

Skills: Discussion, discovery, critical thinking, collaboration, research.

Resources to use: Pen, notebook, internet access where possible, business plan samples.

In groups, read the following sample business plan and carry out the tasks that follow.

Executive summary

Anna Sweet Potato Cakes Company Limited (ASPC) focuses on the production of high-quality, cakes, and chips from sweet potatoes for different occasions.

It is located in Western Uganda in Kabwohe, Sheema Municipality, along Bushenyi-Mbarara highway. The **target market** are the people in the locality and the neighbouring district. The target market is large since consumption of the product is not limited by age, gender or social class.

Our goal is to offer quality baked cakes at a competitive price, ensure that each customer has a unique experience, offer great service in a unique environment and create lasting relationships with customers.

General description

ASPC is a private limited company. Its mission is “to produce quality cakes which are cost effective in an environment that is safe, clean and friendly for our employees and community”.

Its vision statement is to be Western Uganda’s best cake producer providing excellent service to new and loyal customers everywhere.



Figure 1.2 Sample cakes made from potato flour

Production plan

ASPC produces sweet cakes made from sweet potato flour. The party cakes are sugar coated to improve quality and sweetness. The queen and cupcakes do not have the sugar coating.

ASPC employs both labour and capital-intensive technology. Labour consists of a manager, head baker, baker's assistant, and two part-time sales staff. Machinery and equipment consist of ovens, display cases, refrigerator, kitchen utensils, gas stove, mixer, tables, freezer, computer, printer, icing spatula, bench scraper and measuring tools. Baking ingredients are provided by a supplier on a weekly basis.

Suppliers will supply equipment and materials to use in the production process on a weekly basis.

The business opens for 7 days a week from 8:00 a.m. till late. The baking process starts at 4:00 a.m. and end at 5:00 pm every day. Baked cakes are ready by the time the doors open.

An average business day details are outlined below in the table

Hours	Activities
4:00 am	Head Baker and Assistant Baker Arrive
4:00am – 8:00am	Head Baker and Assistant Baker prepare all baked cakes for the business day ahead. As well as prepare all special orders.
8:00am	The manager will arrive to delivery special orders if they are there.
8:30am (OPEN)	The Manager will open the doors to customers.
8:30am – 6:00pm	Customers will be served as they come into the store.
1:00pm	Bakers will leave for the day. If any cakes need to be made, the manager will be responsible for replenishing the cakes
6:00pm (CLOSE)	The manager and sales staff will begin the closing procedures

Labour costs

The labour cost for Anna Sweet Potato Cakes Co Ltd for the first year is UGX 3,450,000 and the salary for the employees is as analysed below

Position	Salary (UGX)
Manager	1,000,000
Head baker	800,000
Sales staff	650,000
Assistant baker	600,000
Security guard	400,000

Documents

Purchasing requisition

ANN SWEET POTATO CAKES CO. LTD					
Purchase Requisition			No: 3		
Date:					
Department section:					
Please arrange to purchase the following items					
Quantity	Description	Code No.	Date	Required	Supplier

Prepared by..... Approved by.....

The purchase order

ANN SWEET POTATO CAKES CO. LTD

Purchase Order

No: 3

Date:

To:

Please supply the following goods

Quantity	Description	Code No.	Price	Value

Discount as per your catalogue

Prepared by,..... Authorized by.....

Store ledger account

ANN SWEET POTATO CAKES CO. LTD

Store Ledger Account

Material description..... Material code.....

Maximum stock level..... Re-order level

Minimum stock level Re-order level.....

Date	Receipts				Issues				Balance	
	GRN	Quantity	Price	Amount	SRN	Quantity	Price	Amount	Quantity	Amount

Marketing plan

Target customers include residents, travelers, schools, hotels and shops.

The **pricing strategy** is designed to create repeat sales and attract customers from related businesses. Party cakes go for between UGX 20,000 and UGX 200,000. This is slightly lower than the market price.

Different communication channels are used to connect with the target market. These includes word of mouth, social media, signposts, fliers and radio adverts.

The competitive analysis: The company has two competitors in Kabwohe trading centre. The competitors affect the company in a way that they already have loyal customers who like a specific product from each company. Customers stops by my company when walking to their specific destination, or comes to our store wanting to try something different than what they usually purchase at these competitors. The good quality brings customers to my company as well as the fact that my cakes are baked fresh in-store daily.

Factors	Ann sweet potato co. ltd	Competitor A	Competitor B
Prices	Cost effective techniques for advertising	Expensive	Quite expensive
Quality	Good quality and very sweet	Quite sweet	Fairy sweet
Location	My company is near a high way and near the town.	It is located away from the town	It is in the down town
Advertising	Cost effective techniques for advertising	Require no advertising	Require no advertising
Image	Our products are already in the minds of a lot of customers	Strong Image	Poor image

Research and development is done to identify new opportunities that can be exploited to produce more products, depending on the demand in the market.

Organisational plan

The company consists of a manager, head baker, baker's assistant, and two part-time sales staff. Each employee should hold at least a certificate in catering or an equivalent.

Employees are paid a salary/wage and monetary bonuses. The company also provides training opportunities to its employees.

The employee description is stipulated in the table below:

Name	Title	Qualifications	Roles
Mr. Manige Daniel	Manager	A diploma in business administration and management	Responsible for the day-to-day operations of the company, He does accounting role
Mr. Steven Nkwasa	Head baker	A certificate in catering	He acts as the head cook, baking of cakes, packing of the cakes
Mrs. Annarose Linus	Sales staff	A certificate in accounting	Manages the financial aspect, coordinates with the wholesale dealers
Miss. Carbine Atukwatirire	Baker's assistant	A certificate in catering	Assists the head manager in the daily production, packing of the cakes
Rt.Lt. Badru Mazima	Security guard	Senior Six leaver	Guards the business premises both during the day and at night time.

Financial plan

In order for the company to meet the startup capital requirements, savings of UGX 10,000,000 is required and a bank loan of UGX 3,000,000. The break down is as follows:

Site setup

Activities	Costs (UGX)
General carpentry and contractor fees	1,500,000
Paint	400,000
Plumbing	400,000
Electrical	600,000
Sign post	50,000
Total	2,950,000

Machines and equipments

Production equipment	Quantity	Unit cost (UGX)	Cost (UGX)
Ovens	3	1,500,000	4,500,000
Display cases	2	250,000	500,000
Refrigerator	2	800,000	1,600,000
Kitchen utensils	10	10,000	100,000
Gas stove	3	250,000	750,000
Mixer	2	150,000	300,000
Chairs	7	30,000	210,000
Table	3	50,000	100,000
Freezer	1	1,000,000	1,000,000
Computer	1	1,000,000	1,000,000
Sinks	3	100,000	300,000
Printer	1	250,000	250,000
Total cost			10,610,000



Tasks:

- 1 Identify the key features shown in the business plan above.
- 2 Compare the plan with the other business plans you obtained earlier and identify which key features are missing from this business plan.
- 3 Share and present your findings in a class discussion.

Instructions to the teacher

- Step 1: Review on the previous activity.
- Step 2: Ask learners in their groups to review the series of features of a business plan covered in Activity 1.1 and 1.2.
- Step 3: Ask them to study Case study 1.2 on page 6 of the Learner's Book and identify the key features in the business plan.
- Step 4: Task them to compare it with the business plan you provided and those from internet to make a list of effective features of a business plan.
- Step 5: Ask the group secretary to present their findings and compare their answers with those of other groups.
- Step 6: Review how creatively learners explain points.
- Step 7: Ensure full participation of all learners and encourage them to work together.

Expected responses

Refer to expected responses for Activity 1.1 on page 6 of the Learner's Book for features of business plan.

"Planning is about bringing the future into the present so that you can do something about it now"

Alan Lakein.

1.1.2

Stakeholders or Users or Interested Parties in a Business Plan

Businesses are created by people to serve people. More so, they are located in communities where these people live. So, they are of interest to many parties, including the government for job creation and getting tax revenue.

Start with this question and answers approach: Do you know anyone with an interest in a business or affected by an activity of a business within your community? These are the stakeholders of the business. Ask learners: Why do you think it is essential to engage stakeholders while developing a business plan? Guide them in the Activity 1.2 on page 13 of the Learner's Book to find out.



Activity 1.2 Identifying stakeholders of a business with whom to share a business plan

Methods: Demonstration, discussion, brainstorming and explanation.

Skills: Discussion, discovery, critical thinking, collaboration, research.

Resources to use: Pen, notebook, internet access where possible, business plan samples, library sources

In groups:

- 1 Identify a business in your community that is known by most if not all community members.
- 2 Identify the stakeholders of that business.
- 3 Use your responses above to discuss the meaning of the term ‘stakeholder’.
- 4 Identify the stakeholders in the business plans earlier provided by your teacher or any literature available. In each case, explain why you think the business plans were written for those stakeholders.
- 5 Giving reasons, explain how each of the following stakeholders use a business plan.

a) Employees	e) Financial institutions
b) Managers	f) Government
c) Owners or shareholders	g) Financial institutions
d) Suppliers	
- 6 Choose a group secretary to present your findings to the rest of the class.

Instructions to the teacher

- Step 1: Reflect on the previous activity.
- Step 2: Ask learners to identify a business in their community that is known by most if not all group members.
- Step 3: Ask them to suggest through brain storming who the stakeholders for that business are.
- Step 4: From their responses above, let them discuss the meaning of the term ‘stakeholder’
- Step 5: Encourage them to use internet access to surf for more information.
- Step 6: Ask them to use business plans you gave them to identify the different stakeholders they were written for. In each case, let them explain why the business plans were written for those stakeholders.

Step 7: Allow room for students with special needs to actively participate in doing the activity.

Step 8: Task learners with reasons to explain how each of the following stakeholders use a business plan:

- | | |
|---------------------------|----------------------------|
| a) Employees | e) Financial institutions |
| b) Managers | f) Government |
| c) Owners or shareholders | g) Creditors |
| d) Suppliers | h) The public or customers |

Step 9: Let them choose a group secretary to present their findings before the class for comparison and further discussions.

Expected responses

Question 1: This can be agri-business, service business, manufacturing business, trading business or hybrid business.

Question 2: Employee, shareholders, government, general public etc.

Question 3: Employees, managers, owners or shareholders, suppliers, financial institutions, government, creditors, the public or customers

Question 4: Refer to answers to question 2.

Question 5:

- 1 **Employees:** Information in the business plan specifies the duties and responsibilities of employees; it also shows the responsibilities of employees, it also shows the remuneration strategies as well as training and motivating strategies of employees.
- 2 **Business management:** Management uses information in the business plan to ensure that the business is run in accordance to the laid down goals and objectives. They also use the plan to monitor the progress of business activities in relation to the set targets.
- 3 **Shareholder or business owners:** They use the business plan information to ensure that the key decisions made are implemented by management. They also use this information to ensure that business is managed profitably which may lead to high profits and dividends.
- 4 **Suppliers/creditors:** They need business plan information to estimate accurately the business requirements especially during production that they ought to supply. The business plan financial plan will also show the supplier if the business will be able to pay its creditors or not.

- 5 Financial institution or lenders:** They use the business plan information to establish the areas that require external funding and how ready the business may be during implementation.
- 6 Competitors:** Your rivals will try as much as possible to get access to information in your business plan. They usually use such information to benchmark and compare your targets with theirs. They can use the information even as a way of developing counter competitive strategies.
- 7 Government:** Government needs the information in your business plan mainly to assess the amount of taxes to be collected from your business and your employees. Government bodies like Uganda National Bureau of Standards (UNBS) and National Environmental management Authority (NEMA) will also need your business plan information to see whether goods are of recognised quality and the business is friendly to the environment.
- 8 The general Public:** The local community will need to see the information in your business plan to ensure that corporate social responsibility is included among your targets. They will always need to know how much you are giving back to the community in which you operate.

Approaches of writing a business plan

Different types of business opportunities, products need different kinds of business plans. For example, the business plan for a micro-business has less features than a big business; a plan for a large manufacturing business can't be the same as a small-scale trading business. Ask learners to study the Figure 1.3 on page 14 of the Learner's Book and Figure 1.4 on page 14 of the Learner's Book in pairs and share their views if the businesses below might have similar business plans.



Figure 1.3 A factory



Figure 1.4 Grocery store



Activity 1.3

Understanding the different approaches of writing a business plan

Methods: Demonstration, discussion, brainstorming, explanation, think pair share

Skills: Discussion, discovery, critical thinking, collaboration, research.

Resources to use: Pen, notebook, internet access where possible, business plan samples, library resources

In pairs:

- 1 Visit www.bplans.com or use the business plans provided by your teacher to identify the different types of business plans. Choose a theme or business category to explore for best results; for example, food and beverage.
- 2 Use your findings above to identify the different approaches to writing business plans.
- 3 Identify two contrasting examples of business plans and explain which of those is more effective in presenting the information.
- 4 Choose a group secretary to present your findings before the class for comparison and further discussions.

Instructions to the teacher

- Step 1: Review the previous activity.
- Step 2: Pair up learners, and provide them with samples of business plans or guide them to visit www.bplans.com.
- Step 3: Task them to identify different types of business plans using the different plan samples.
- Step 4: Let each class member think individually and later share with the rest of the class members.
- Step 5: Guide them to choose a theme or business category to explore for best results; for example, food and beverage.
- Step 6: Ask them to use their findings above to identify the different approaches to writing business plans.
- Step 7: Challenge learners to use the internet where possible to conduct some research into different approaches to writing a business plan.
- Step 8: Ask them to identify two contrasting examples and in conversation, ask them to explain which elements they think are the most effective.

Step 9: Observe how well learners creatively explain points.

Expected responses

Question 1: Formal business plan, this is a detailed document that usually follows a standard format and it's written down. Informal business plan. This is a form of plan which is not written down. And it's in the mind of the implementer/entrepreneur

Question 2: The approach given by the learners should have key features of an effective business plan covered earlier.

Question 3: Accept any other correct answer given by the learner

1.1.3 Networking in Business

If you want to build a strong business, you should get out there and make connections. You must create a bridge that creates a strong relationship between you, your stakeholders and other business people. Ask learners to study Figure 1.5 on page 15 of the Learner's Book. Suggest what is taking place.



Figure 1.5 Networking in business is a good way of getting fresh ideas to grow your own business.

The process of establishing relationships and connections with other business people, stakeholders for example investors, employees, government among others and customers for mutual benefit is known as **networking**. It involves exchanging information or services among individuals, groups or institutions and developing social or professional contacts. In Activity 1.4 on page 16 of the Learner's Book, ask learners to research about the different opportunities for business to network.



Activity 1.4 Understanding networking in business

Methods: Discussion, brainstorming, explanation, think pair share

Skills: Discussion, discovery, critical thinking, collaboration, research.

Resources to use: Pen, notebook, library resources, internet access where possible, business plan samples

In groups:

- 1 Use the Internet or the textbooks available in your school library to research about the different opportunities for business people in Uganda to network, ranging from local to national events and from informal to formal opportunities.
- 2 Present your findings to the rest of the class.

Instructions to the teacher

- Step 1: Start this lesson by introducing networking in business using the above text.
- Step 2: Put learners in manageable groups, let them use internet, library or any written literature on networking to research about different opportunities for business people in Uganda to network, ranging from local to national projects and from formal to informal networking opportunities.
- Step 3: Observe how well learners participate in doing the activity.
- Step 4: Encourage them to work together so that they can progress at the same pace.
- Step 5: Engage them in a class discussion to present their findings to the class and encourage the groups to share their findings and agree on the correct answers.

Expected responses

Superlife, BF suma, Alliance global, Dynapram, Tians, Forever life, GNLD etc.

Did you know!

Networking is an ongoing process, not a one-time event. Success comes from consistently making new contacts, following up on those already made and keeping in touch so you are not forgotten.

1.1.4 Benefits of Networking in Business

Start with this question-and-answer approach: Did you know that many businesses use networking as a key factor in their marketing plans? Well, business networking is something that can help you reach more clients, get to know more about your business, and eventually attain business growth and increase profits. This is mainly the case when your business product is needed by other businesses, or when business clients are shared with other businesses. Guide learners in Activity 1.5 on page 16 of the Learner's Book to discuss the benefits of networking and discuss features of successful networking.



Activity 1.5 Exploring the benefits of networking in business

Methods: Discussion, brainstorming, explanation, think pair share.

Skills: Discussion, discovery, critical thinking, collaboration, research

Resources to use: Pen, notebook, library resources, internet access where possible.

In groups:

- 1 Brainstorm on the benefits of networking in business.
- 2 Use the internet, textbooks from your school library to research inquire from a or business person how each benefit of networking mentioned in (1) contributes to the business development.
- 3 Describe the features of a successful networking strategy in business with examples where possible.
- 4 Outline the etiquette (manners) required to develop business relationships and connections.
- 5 Write a report and share it with the rest of the class.

Instructions to the teacher

- Step 1: Reflect on the previous activity.
- Step 2: Ask learners in manageable groups to discuss how each of the given benefits of networking can contribute to business development.
- Step 3: Observe how learners participate in doing the activity.
- Step 4: Make sure you always balance gender and allow students with special needs to participate in doing the activity.
- Step 5: Guide learners to use the internet, library or any written literature about networking resource to research find out other benefits of networking in business.

- Step 6: Ask them to describe features of a successful networking strategy with examples where possible.
- Step 7: Let them outline examples of etiquette (manners) required to develop useful relationships and connections.
- Step 8: Encourage learners to work together so that they can progress at a same pace.

Expected responses

Question 1: Accept any correct explanation of the following benefits of networking provided by the learners.

- a) Finding new business opportunities and contacts.
- b) Expanding your career prospects.
- c) Gathering a team of experts.
- d) Increasing your knowledge of the market and gathering new ideas.
- e) Building new relationships/connections and maintaining the existing ones.
- f) Acquiring mentors/role models and sponsors.

Question 2: Other benefits of networking may include the following:

- Get an answer to every question: As long as you have a strong network connection, you can be confident that someone will be able to answer even your toughest questions.
- Build confidence: The more you network, the more you'll grow and learn how to make lasting connections.
- Gain more knowledge: Networking is a great opportunity to exchange best practice knowledge, learn about the business techniques of your peers.

Question 3: Some features of successful networking strategy may include:

- Your network should consist of strong relationships with a diverse range of contacts. i.e., individuals who differ in what they bring to your network in areas of expertise, seniority and background. For example; individuals who offer emotional support, who provide new ideas, with power and influence, among others.
- Your network should link you with people you don't know. I.e., you should reach to people outside your friendship groups. This connects you to as much larger group of individuals and therefore to more information, influence, and resources than an inbred network.
- Your network should be active so that they can evolve as you evolve.

Question 4: Some examples of etiquette required to develop useful relationships and connections may include the following:

- Be a good listener: Pay attention, don't interrupt when someone is speaking. By listening someone will help you gather new ideas, make opinion and calculate your next move.
- Acknowledge and Respect: In order to build useful connection, respect each and every person. You never know who you will meet in life and how that person can change your future.
- Always give thanks: Thanking someone that has shared a developmental idea with you shows care and social grace.
- Eliminate conversation roadblocks, such as; talking over people, negativity, interrupting others or insulting people.
- Respect time: Being on time is the costliest way to lose opportunities and harm relationships and connections. Being on time shows respect and that you care.
- Accept any other correct answer provided by the learner.

Ask learners if they realise how networking with certain people can enhance their standing and credibility. Explore this concept using Case study 1.3 on page 17 of the Learner's Book.

Case study 1.3 How networking opens business opportunities

Methods: Demonstration, discussion, brainstorming and explanation.

Skills: Discussion, discovery, critical thinking, collaboration, research

Materials to use: Pen, notebook, internet access where possible, dictionary.

In groups, read the following case study and carry out the tasks that follow.

The day Amos Kasadha attended his friend's wedding is when he thought of starting a bridal car renting business. After a period of five years without meeting his long-time friend Jimmy, they finally met at their friend's wedding. When they finished school, Jimmy went to the USA for further studies while Amos Kasadha remained in Uganda. Amos Kasadha wasn't aware that even if his friend was living in USA, he had a number of businesses running in Uganda. He was among the service providers of his friend's wedding party.

He owns a disco sound, decorations and a photography company. As they shared ideas, Amos Kasadha thought of starting a sound business since his father had promised to finance his idea. However, he didn't know which business to start.

Through numerous engagements with other friends at the party, he was encouraged to start a car bridal renting business. Today, he owns 10 cars and the business is doing fairly well.

**Tasks:**

- 1 How did networking help Amos Kasadha to start a business according to Case study 1.3?
- 2 Identify how else networking can open business opportunities. You can carry out more research on the Internet or in the library.
- 3 Write a report and present your findings in a class discussion.

Instructions to the teacher

- Step 1: Review on the previous activity.
- Step 2: Group learners to study and internalise case study 1.4.
- Step 3: Task learners to discover from case study how networking helped Amos Kasadha to start a business.
- Step 4: Let each member in the group think individually and later share with the rest of the group members.
- Step 5: Ask learners to identify how else networking can open business opportunities.
- Step 6: Guide them to carry out more research on the internet or otherwise.
- Step 7: Lead them into a discussion to present their findings and compare their answers.
- Step 8: Observe how learners creatively explain points.

Expected responses

Task 1: He developed business ideas after meeting his friends.

Task 2: Some of ways networking can open business opportunities include:

- It gets you involved in your community and your industry, which raises your profile and attracts attention to your startup.
- It is a great way to find potential customers.

Additional notes

The most important skill for effective business networking is listening; focusing on how you can help the person you are listening to rather than on how they can help you is the first step to establishing a mutual beneficial relationship.

Tip

Much of the local business is still run on verbal commitment. Therefore, the best way to network with other local business owners and entrepreneurs is through face-to-face meetings and business groups.

1.2: Preparing Business Plan

Number of periods: 24

page 19 of the Learner's Book



Keywords

- cash inflow
- cash outflow
- net cash balance
- surplus
- deficit

After studying and practising the activities in this section, you will be able to:

- understand the steps of preparing a business plan
- understand the importance of cash flow in processing and manufacturing

12.0 Introduction

Tell learners that; before you commence any business, it is better to have an overall picture of your business by preparing a business plan. This will guide you on how to set up your business and successfully run it. But, how do you prepare a business plan?

In this subtopic, guide learners to:

- Understand steps in preparing a business plan.
- Understand the importance of cash flow in processing and manufacturing business.

Definition of keywords

Let learners explain keywords in their own words (Overhead costs, owe, fixed assets, **SWOT analysis**). Guide them where necessary to come up with correct definitions.

Points to keep in mind

- Steps of preparing and writing a business plan.
- Evaluate Importance of each step of business plan.
- Cash flow in processing and manufacturing.
- Cash flow problems.

12.1 Preparing a Business Plan

A business that will succeed needs to have a business plan, either to guide you or help you figure out if your business idea will work or not. Through most of them do not know how to prepare them.

In Activity 1.6 on page 20 of the Learner's Book, guide learners through the steps that are followed when preparing a business plan.

A successful business needs to have a business direction to direct you or help you figure out if your business idea will work or not. But how do you prepare a business plan?

When writing a business plan, you start by selecting a business line you want to engage in and identifying a target market. Next you gather more information about your proposed business. After that you can then draft your business plan following a step by step breakdown of components and features of your plan. Then, discuss your draft with knowledgeable persons. Finally, prepare an action plan to implement your business plan.

A business plan guides you through each stage of starting and managing your business. You will use it as a roadmap for how to structure, run and grow your new business. All the pre-described features and steps involved in preparing a business plan are equally important.

In Activity 1.6 on page 35 of the Learner's Book, learners will discuss the steps to follow in writing a business plan and evaluate the importance of each step.



Activity 1.6 Steps involved in preparing a business plan

Methods: Discussion, brainstorming, explanation, think pair share.

Skills: Discussion, discovery, critical thinking, collaboration, research

Resources to use: Pen, notebook, library resources, internet access where possible, business plan samples.

In groups:

- 1 Using the internet or your school library, research about the steps involved in preparing a business plan.
- 2 Use a flow chart to highlight the steps involved in preparing a business plan.
- 3 Evaluate the importance of each step in the creation of a business plan.
- 4 Present your work to the rest of the class.

Instructions to the teacher

- Step 1: Introduce the subtopic of preparing a business plan.
- Step 2: Put learners in manageable groups balancing the gender and students with special needs.
- Step 3: Task learners to use ICT Laboratory or their school library, to research about the steps involved in preparing a business plan.
- Step 4: Let each member in the group think individually and later share with the rest of the group members.
- Step 5: Step by step guide learners to come up with a business plan using those steps.
- Step 6: Let them use a flow chart to highlight the steps involved in preparing a business plan.
- Step 7: Encourage learners to download samples of business plan using internet to come up with the correct business plan.

- Step 8: Let each group evaluate the importance of each step in the creation of a business plan.
- Step 9: Guide them whenever they find difficulty and encourage learners to work together so that they can progress at the same pace.
- Step 10: Ask groups representatives to share their work and agree on the correct one.

Expected responses

Question 1: The flow charts provided by learners should have the following steps of Preparing a Business Plan:

1 Selecting the business opportunity

As they studied in senior one, every entrepreneur begins by thinking an idea and turn it into a profit-making enterprise. Therefore, before you start writing a business plan you should decide which type of business you are going to engage in. Business opportunities can be agribusiness, service business and manufacturing business, trading business or hybrid business.

2 Conducting a market research for the selected business opportunity

This involves the process of gathering information and analysing it so as to be able to identify a gap that can be filled in terms of goods and services. It also helps the entrepreneur to find out the customers of the proposed business.

3 Gathering more information related to the proposed business

This is done on the different aspects of the business so as to select the most suitable business based on the current economic conditions. The information gathered includes the raw material availability and sources of capital, among others.

4 Drafting a business plan

As you studied in the first subtopic, this involves writing down the different aspects of the business proposed. This involves step-by-step breaking down of components and features of the business plan; for example, executive summary, production plan, financial plan, and marketing plan, among others.

5 Discussing the draft with knowledgeable persons

After drafting a business plan, an entrepreneur should discuss it with knowledgeable people. This is done so that their expertise is used to improve your business idea and at the same time establishing aspects which would have neglected and yet important.

6 Finalising the business plan

After discussing your business plan with experts, you may realise that you have gathered new ideas and you need to make adjustments and including those aspects that would have been identified as vital. This is to ensure that the final document is free from errors and is ready to be used.

7 Preparing an action plan for the implementation of the business plan

This is the time table that shows how the different aspects of the business plan are to be implemented. This provides a detailed list of the work that must be done to complete the goal of the task or project.

Question 2: Accept any correct importance of each of the above steps provided by learners.

Tell learners that: When you are writing a business plan, the most important thing to keep in mind is the audience it is intended for. For example, when you are seeking business funding, your financiers will be interested in specific aspects such as your financial projections, products offered, marketing plan, number of employees and your business assets.

12.2

Cash Flow in Processing and Manufacturing Business

Cash flow refers to the cash expected to flow in and out of your business in a specified period of time. The difference between the two is called **net cash balance**. If the cash coming in is greater than the cash going out, your business is in good cash position. However, if it is less, this indicates that total **cash inflows** will not be enough to meet the expected obligations, and this shows a serious cash flow problem. In such a situation, you have to find ways of increasing cash inflows and reducing your expected **cash outflows**.

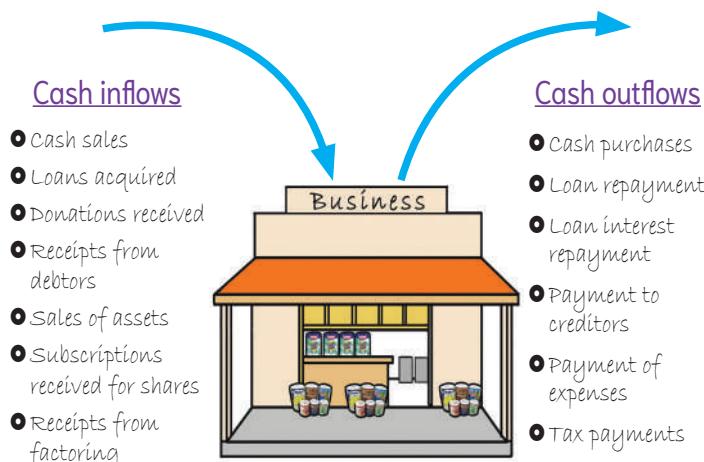


Figure 1.6 Cash in flow and cash out flows

Therefore, when preparing a business plan for any business, it is important to make a cash flow plan which will help you project if your business will have enough funds to pay off the obligations that may arise during the course of running your business in a given time frame.



Activity 1.7

Understanding the importance of cash flow in processing and manufacturing

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Discussion, Speech, discovery, critical thinking, collaboration.

Resources to use: Pen, notebook, internet access where possible.

In groups:

- 1 Use the Internet, library or a business person to explain the importance of cash flow in business.
- 2 In which ways can a business use its **surplus**?
- 3 Analyse what you would do if your business experienced **deficit**.
- 4 Choose a group secretary to record your findings
- 5 Present your work in a class discussion.

Instructions to the teacher

- Step 1: Introduce cashflow using the text on cash flow on page 19.
- Step 2: Ask learners in groups to use internet, library or any written literature on cash flow to identify the importance of cash flow in processing and manufacturing business.
- Step 3: Let learners explain ways a business would use its positive cashflow.
- Step 4: Let them continue to analyse what would happen if a business experienced negative cashflow.
- Step 5: Let them choose a group secretary to record their findings and present in a class discussion.
- Step 6: Observe how creatively learners explain points as you move around posing triggering questions to the learners to brainstorm in their groups.
- Step 7: Encourage learners to help one another so that they can progress at the same pace.

Expected responses

Question 1: Importance of cash flow statements include:

- It enables businesses to determine whether there is enough cash to meet the business needs that may occur anytime.
- It enables business to eliminate unplanned expenditure.
- It helps management in making short term and long-term decisions in case of shortage or surplus.
- It justifies the financial gap when seeking for a loan.
- It shows where the cash comes from and where it will go.
- It enables the business to widen the sources of funds.
- It is used as a monitoring tool for the business progress.
- It provides a basis to assess the ability of the enterprise to generate cash.
- Cash flow statement help in making financial decisions. E.g. buying capital equipment using cash or paying workers among others.
- 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 is significant to management for proper cash planning and maintaining a proper matching between cash inflows and outflows.

Question 2: The following are ways in which a business would use its positive cash flow (Surplus).

- – The owner should bank all surplus cash.
- – Stocking enough materials for continuous production.
- Investing the surplus cash in modern raw material saving technology.
- Re invest the cash surplus in profitable businesses.
- Depositing the cash surplus on investment accounts like Fixed deposit account.
- Pay creditors in time to take advantage of cash discounts.
- Purchase materials in bulk to take advantage of trade discounts.
- Carry out business expansion programmes using the surplus cash.
- The business owner should document properly all cash received and paid out to ensure that it is correct.
- Keeping all business cash in a lockable safe.
- Employing auditors surprisingly to check on business records.
- The owner should avoid spending business cash on personal matters.

- Ensuring proper counting of money i.e. Obtaining a private place for counting money.
- Obtaining a bank statement regularly to reconcile bank records with cash book records in the business.

Question 3: The business can do the following if it experiences deficit:

- Postponing increase in expenditures e.g. salaries
- Selling off some of the fixed assets
- Increasing on cash sales
- Speeding up debt collection
- Selling on cash only
- Obtaining loan from low interest rate sources
- Laying off some workers
- Negotiating for longer credit period for supplies

Cash flow problems

When the result of the net cash balance is positive, it means your business has enough funds to meet its obligations. When it is negative, however, it means that your business is experiencing serious cash flow problems. Ask learners: How do businesses handle this situation?

In Case study 1.4 on page 22 of the Learner's Book, guide learners to do some research into a business that suffered cash flow problems.

Case study 1.4 Exploring cash flow problems in a business

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Discussion, Speech, reading, discovery, critical thinking, reading, collaboration.

Materials to use: Pen, notebook, internet access where possible, dictionary.

In groups, read the following case study and carry out the tasks that follow.

Ahmed started a retail shop in his home area. He did not have enough capital, so he decided to get a loan from a SACCO. He used the money to buy the necessary assets such as furniture, a refrigerator and a weighing scale, among others.

He also recruited a casual worker to help him at the shop. He used the money he earned to pay suppliers, staff and his own salary. He also used the money to pay for a range of expenditures such as loan payments, taxes, and utilities such as rent, electricity and water bills. He has never received donations and only relies on cash received from sales and that paid in by his debtors.

However, after the Covid-19 lockdown, he started facing management challenges and other challenges which included a difficult economy. The lockdown imposed by the government made him close his shop for two months.

After, the lockdown was relaxed, the number of customers greatly reduced. This affected his sales which was his major source of income. He reached a point where he was demanded rent for two months. He also had unpaid taxes amounting to over ten million. He also had a loan to service every month plus utilities to pay. He was expecting some capital injection which never came through.



Tasks:

- 1 Identify and explain Ahmed's cash inflows and outflows.
- 2 What do you think is the major cash flow problem that may result in the shutdown of Ahmed's business?
- 3 Suggest the point at which the business owner should think about a remedy to his cash flow problem.
- 4 Discuss what Ahmed should do after experiencing cashflow problems.
- 5 Make research into a business around your school community that has suffered cash flow problems and identify the point at which you believe the business should have sought business support.
- 6 Write a report of your findings.
- 7 Present it in class for further discussion.

Instructions to the teacher

- Step 1: Introduce cashflow problems to learners using the text on page 20 Learner's Book.
- Step 2: Let learners in groups to read and internalise the case study.
- Step 3: Ask them to identify and explain Ahmed's cashflow and outflow from the case study.
- Step 4: Task learners to think about the major cash flow problem that may result to the shutdown of Ahmed's business.
- Step 5: Let them suggest the point at which the business owner should think about a remedy to his cash flow problem.
- Step 6: Engage them in a discussion to discuss what Ahmed should do if his net cash balance becomes negative.

- Step 7: Observe how creatively learners explain points.
- Step 8: Engage learners in a discussion on what Ahmed should do after experiencing cashflow problems.
- Step 9: Encourage learners to work together so that they can progress at a same pace.
- Step 10: Guide learners to make research into a business around your school community that suffered from cash flow problems and identify the point at which they believe the business should have sought business support.
- Step 11: Let the group's representative to make a report and present before the class for comparison of answers.

Expected responses

Task 1: Cash inflows include:

- Cash receipts from sale of goods and the rendering of services
- Cash receipts from royalties,
- Fees and Commissions among others
- Loan acquisition
- Cash flow sale/disposal of business assets
- Cash donations and grants
- Cash proceeds from issuing shares (equity or/and preference).
- Cash proceeds from issuing debentures, loans, bonds etc
- Cash receipt from disposal of fixed assets,
- Cash receipt from disposal of shares, warrants or debt instruments of other enterprises except those held for trading purposes.
- Interest received in cash from loans and advances.
- Dividend received from investments in other enterprises.

Cash outflow include:

- Cash payments to suppliers for goods and services,
- Cash payments to and on behalf of the employees,
- Cash payments to an insurance enterprise for premium.
- Cash payments of income taxes,
- Interest payments on acquired loans,
- Payments for utilities
- Purchase/acquisition of fixed assets by cash
- Cash payments to acquire shares, debentures etc

- Cash repayments of amount borrowed.
- Interest paid on debentures and long-term loans and advances.

Task 2: The following are the major cash flow problem that may result to the shutdown of Ahmed's business:

- Mis management which led to the low productivity.
- Low sales which reduce on income.
- Difficulty of the economy.
- Too much spending

Task 3: The company should have thought of remedy to cash flow problems when it started experiencing:

- | | |
|--|---|
| <ul style="list-style-type: none"> ● Allowing customers too much credit ● Poor financial planning ● Declining sales or profit margins ● Consistent late payments | <ul style="list-style-type: none"> ● Poor inventory management ● Inflexible funding facilities ● Seasonal variation. |
|--|---|

Task 4: If the cash balance is negative, it means that total cash inflows will not be enough to meet the expected cash payment, and this shows a serious cash flow problem. In such a situation, Ahmed has to find ways of increasing cash inflows and reducing your expected cash outflows.

Task 5: Refer to responses of task 4

You can use the Internet to research and summarise cash flow problems that a business may face.

Calculating simple cash flow

Activity 1.8 on page 23 of the Learner's Book shows the amount of cash inflow and cash outflow for each month. Guide learners to use it to calculate a simple cash-flow for their business.



Activity 1.8 Calculating cash flow

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Discussion, Speech, reading, discovery, critical thinking, reading, collaboration.

Resources to use: Pen, notebook, internet access where possible, calculator.

In groups, study the following cash flow extracted by Nico Enterprises Limited for three months.

Months	Jan	Feb	March
Opening balance	UGX 35,000	UGX 20,000	-----
Cash inflow			
Receipt	UGX 13,000	UGX 32,000	UGX 40,000
Total cash inflow	UGX 48,000	UGX 52,000	-----
Cash outflow			
Payments	UGX 28,000	UGX 60,000	UGX 22,000
Total cash outflow	UGX 28,000	UGX 60,000	UGX 22,000
Net cash balance	UGX 20,000	-----	-----



Tasks:

- 1 Fill in the blank spaces with a correct answer.
- 2 Comment on the net cash balance for the months of February and March.
- 3 Write a report of your findings and present it in a class discussion for comparisons and further discussion.

Instructions to the teacher

- Step 1: Reflect on the previous activity.
- Step 2: Let learners in groups to study and internalise the table on Activity 1.8 on page 23 of the Learner's Book.
- Step 3: Guide them to calculate the net cash balance for months of February and March.
- Step 4: Let them comment on the cash balance for the month of January.
- Step 5: Encourage learners to work together so that they can progress at the same pace.

Expected responses

Task 1:

Use this formula: Net cash balance = Cash inflow – Cash outflow

$$\begin{aligned}\text{Net cash balance for February} &= 52,000 - 60,000 \\ &= (\text{UGX } 8,000)\end{aligned}$$

Opening balance for March = (UGX 8,000)

$$\begin{aligned}\text{Total cash inflow for March} &= (40,000 - 8,000) \\ &= \text{UGX } 32,000\end{aligned}$$

Net cash balance for March = UGX 32,000 – UGX 22,000

Net cash balance = UGX 10,000

Months	Jan	Feb	March
Opening balance	UGX 35,000	UGX 20,000	(UGX 8,000)
Cash inflow			
Receipt	UGX 13,000	UGX 32,000	UGX 40,000
Total cash inflow	UGX 48,000	UGX 52,000	UGX 32,000
Cash outflow			
Payments	UGX 28,000	UGX 60,000	UGX 22,000
Total cash outflow	UGX 28,000	UGX 60,000	UGX 22,000
Net cash balance	UGX 20,000	(UGX 8,000)	UGX 10,000

Task 2:

The business was experiencing a serious cash flow problem in February since it had a negative net cash balance while in January and March, the business had enough money to meet its obligations since it had a positive net cash balance

Tip

Net cash balance/position = Cash inflow – Cash outflow

1.3: Preparing an Action Plan

Number of periods: 12

page 25 of the Learner's Book



Keywords

- action plan
- launch
- objectives

After studying and practising the activities in this section, you will be able to:

- appreciate the importance of an action plan and its relationship to a business plan
- prepare an action plan
- use skills of making presentations with objects and animations

1.3.0 Introduction

The saying goes that, a journey of a thousand miles starts with one step. In business, the calculated steps you make continuously will help you to finally acquire the desired resources at each stage until you reach your destination.

Starting a business is like travelling: before you **launch** it to the public, you go through a lot of activities and use different resources and individuals at different stages to initiate the business.

There are always indicators that your business is progressing successfully at the different stages. Noting down in advance all the activities, resources and individuals required at the different stages will help you evaluate your progress accurately.

In this subtopic, guide learners to:

- 1 Appreciate the importance of an **action plan** and its relationship to a business plan.
- 2 Prepare an action plan.
- 3 Use skills of making presentations with objects and animations.

Points to keep in mind

- Importance of an action plan.
- Relationship between action plan and business plan.
- Preparing an action plan.
- Making presentations with objects and animations.

Definition of Keywords:

Ask learners to explain the meaning of the following keywords in their own words. Guide them to correctly understand the new words. (Action plan, strategy and **timeline**)

1.3.1 Preparing an Action Plan

Tell learners that: Writing a good action plan for your intended business requires a lot of planning. You have to identify the different activities that you will perform at the different levels before launching the business to the public. For starters, you need to identify the resources that you may need at each level. You also need to identify the most suitable individuals to take charge of the activities at the different levels. This helps you to evaluate your success at each stage. In Activity 1.9 on page 26 of the Learner's Book, guide learners on how to prepare a good action plan.



Activity 1.9 Identifying steps taken in preparing an action plan

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Discussion, discovery, critical thinking, **collaboration**.

Resources to use: Notebook, pen, calculator, computer.

- 1 In groups, note down the responses to the following statements:
 - a) Identify any business that you can easily start within your school.
 - b) Note down the goals and aims of starting that business.
 - c) Outline the different activities you will involve in from the beginning up to the launch of the business.
 - d) Identify the people you are going to assign responsibilities as supervisors at the different stages.
 - e) Allocate a time frame for activities at the different stages and identify the signs that will show you that a given stage is completed successfully.
 - f) Plan for the launch of the business specifying the date, time and venue of the launch.
 - g) Draw the following table and fill in information for the different activities at the different stages.

S/N	Step	Activity	Time frame	Resources	Person responsible/incharge	Indicators of success	Remarks

- 2 Choose a group secretary to record your findings and present them in class for further discussion.

Instructions to the teacher

- Step 1: Introduce the subtopic using the introduction on action plan page 26 of the Learner's Book .
- Step 2: Group learners and step by step guide them through the steps of preparing an action plan provided in Activity 1.10 on page 27 of the Learner's Book.

- Step 3: Ask learners to note down the responses of statements provided in the activity as they come up with the action plan.
- Step 4: Ask every group to choose its secretary to record their findings and present in a class discussion.
- Step 5: Observe how creatively learners explain points.
- Step 6: Make sure you balance gender where possible when grouping learners and ensure learners with special needs also participate in the activity.

Expected responses

Refer to samples given in Learner's Book, page 27–29 for the correct action plans provided by the learner.

Let learners know that, all columns except the one for remarks should be filled. The Remarks column is not filled because you draw an action plan before implementing the activities so you cannot evaluate their success.

"A plan without action is not a plan, it is a speech"

T. Boone Pickens.

After clearly identifying all the activities involved before the launch of your business, it becomes easier to compare the progress of the business with your intentions on paper using Activity 1.10 on page 27 of the Learner's Book.



Activity 1.10 Identifying steps in preparing an action plan

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Discussion, discovery, collaboration.

Resources to use: Pen, notebook, internet access and computer where possible.

In groups:

- 1 Study the following action plans and use them to prepare your own for implementing the business plan you developed earlier.
- 2 When you are done, let one of the group members present your action plan in class for comparisons and further discussion.

Sample A: Action implementation plan for expansion of Elite Bakery Limited, P.O BOX, 7097, KAMPALA

08TH APRIL 2022

S/N	Activity	Time frame	Resources needed	Indicators of success	Person in charge	Remarks
1	Mobilising funds from the bank	1st May 2022	Collateral security e.g., land title	Loan of UGX. 5,000,000 acquired	Mr. Okello	
2	Acquiring more land	5th to 10th May 2022	UGX 2,000,000	A plot of 50×100 acquired	Ms. Amanda	
3	Business registration	12th to 16th May 2022	UGX 200,000	Business registration certificate issued	Mrs. Wambuzi	
4	Acquisition of ovens and other machines	16th May to 20th 2022	UGX 800,000	Machines bought and installed	Ms. Awori	
5	Installation of electricity and water	21st to 23rd May 2022	UGX 220,000	Utilities installed	Mr. Kasadha	
6	Recruitment of workers	24th May to 27th may 2022	Interviewers and UGX 50,000	20 employees recruited	Ms. Nakato	
7	Launching of the business	1st June 2022	Venue, tents, Master of Ceremonies	Business launched to the public	Financial manager	

Prepared by:

Victor Masereka

Project manager

Approved by:

Ronald Okuui

General manager

Sample B: ACTION PLAN FOR BUYINJA CARPENTRY WORKSHOP, P.O BOX 201, KANONI – GOMBA, TEL: 0704992098

Implementation

S/N	Activity	Time frame	Resources needed	Person in charge	Remarks
1	Selection of site	20.02.2022	Transport	Production manager	
2	Obtaining funds	19.03.2022	Collateral	Financial Manager	
3	Purchasing more land	20-22.4.2022	Funds	General Manager	
4	Construction of buildings	24.04.2022 -24.11.2022	Materials	Project Engineer	
5	Installation of machines	26.11.2022	Labour	Project Engineer	
6	Installation of utilities	30.11.2022	Labour, funds	Project Engineer	
7	Recruiting workers	2-6.12.2022	Refreshments	Human Resource Manager	
8	Purchasing raw materials	8.12.2022	Funds	Production. Manager	
9	Starting normal production	11.12.2022	Labour	All departments	
Prepared by:					Approved by:
.....				
Kiggundu Joseph Project Manager					Onyango Moses General Manager

Instructions to the teacher

- Step 1: Let learners in groups study the samples of action plans below.
- Step 2: Ask them to prepare their own for the earlier developed business plan.

- Step 3: Challenge learners to produce an action plan for one key aim of a business plan.
- Step 4: In conversation, ask learners to explain what steps and actions are required in order for the aim to be achieved.
- Step 5: Observe how creatively learners prepare action plans for their own developed business plan.
- Step 6: Make sure all learners participate in doing the activity.
- Step 7: Encourage them to help each other even outside the class so that they can progress at a same pace.

Expected responses

Accept any correct action plan provided by the learner.

"A date becomes a goal. A goal broken down into steps becomes a plan. A plan backed by action makes your dreams come true."

Preparing an action plan

Let learners know that; an action plan contains enough details to achieve an objective or a goal. This includes goals, **objectives**, measurements, action steps and responsibilities for each step. You can also include dates and budget.

Case study 1.5 Preparing an action plan from a business plan

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Discussion, discovery, critical thinking, collaboration.

Resources to use: Pen, notebook, internet access where possible.

In groups, study the following action plan and carry out the tasks that follow.

Derrick and Darius own an events management company. They have acquired a loan from a local SACCO to hold an end-of-year musical concert on new year's eve. They have drafted the following action plan to help them achieve their objective.

ACTION PLAN FOR HOLDING AN END OF YEAR CONCERT

Action	Person responsible	Status	Start date	End date	Note
Goal 1: Selecting the venue					
Identifying the venue	Derrick	Complete	30th Sept 2022	2nd Oct 2022	Must be secure by 10th Oct
Visiting venue	Derrick	Complete	5th Oct 2022	9th Oct 2022	
Signing the contract	Darius	Complete	12th Oct 2022	12th Oct 2022	

Goal 2: Securing master of ceremonies and artistes						
Recruiting master of ceremonies and artistes	Darius	In progress	7th Oct 2022	12th Oct 2022		
Sending them deposit money	Derrick	Not started	15th Oct 2022	16th Oct 2022	Send to stake holder	
Confirmation of attendance	Derrick	Not started	17th Oct 2022	18th Oct 2022		
Goal 3: Recruit sponsors						
Identifying sponsors	Rwamigizi	In progress	13th Oct 2022	19th Oct 2022	Write a report to the sales team	
Writing sponsor agreements	Bruce	Not stated	15th Oct 2022	16th Oct 2022		
Sending emails	Sylvia	In progress	10/19 2022	21st Oct 2022		
Making calls	Patience	Not started	18th Oct 2022			
Goal 4: Promotion event						
Creating banners	Muhamed	Not started	25th Oct 2022	19th Oct 2022	File a copy payment receipt	
Developing social media strategy	Onek	In progress	14th Oct 2022	21st Oct 2022		
Designing marketing material	Katandi	Not started	26th Oct 2022			
Prepared by:			Approved by			
.....					
Akello Nancy			Wava Doreen			
General secretary			Events Manager			



Tasks:

- 1 Explain how each section can help to achieve the stated objective.
- 2 What do you think is the relationship between a business plan and an action plan?
- 3 Suggest the importance of this action plan to the success of the event.
- 4 Choose a group secretary to record and present your findings to the rest of the class for comparison and further discussion.

Instructions to the teacher

- Step 1: In groups, let learners study the provided action plan page 30 of the Learner's Book .
- Step 2: Task learners to explain how each section can help to achieve the stated objective.
- Step 3: Ask learners what they think is the relationship between a business plan and an action plan.
- Step 4: Encourage learners to work together so that they can progress at a same pace.
- Step 5: Let learners suggest the importance of the provided action plan to the success of the event.
- Step 6: Encourage learners to use internet for more information about action plan.

Expected responses

Task 1:

Selecting a venue: This will be a place from which an event will be hosted.

Securing master of ceremonies: This is a person who will introduce guests, speakers, or performers at an even. This will make the guests feel entertained and happy.

Recruit sponsors: This is a company that supports an event, usually by providing funds, in exchange for something valuable. In doing so, the event activities will move on smoothly hence its success.

Promote event: This will be done to make the public aware of the event. It will be done by creating banners, create social media strategy, and making marketing material.

Task 2: The relationship between action plan and business plan is that an action plan executes the objectives of your business plan.

Task 3: It will create direction and guidance on how the event will be successful.

1.3.2 Importance of Action Plans

Tell learners that: A business without an action plan is like a bus without a travel schedule. Business success requires staying focused on a common goal thus, it is essential to have a plan that you can follow. Why do you think an action plan enables a business plan to be properly implemented?



Activity 1.11 Finding out the importance of action plan

Methods: Discussion, observation, question and answer, brain storming.

Skills: Discussion, Speech, discovery, critical thinking, collaboration.

Resources to use: Pen, notebook, internet access where possible.

In groups:

- 1 Use the Internet or textbooks in your school library to discuss how an action plan can help one implement a business plan.
- 2 Suggest the importance of setting clear targets and aims.
- 3 Present your findings in a class discussion.

Instructions to the teacher

Step 1: Review on the previous activity.

Step 2: Guide learners on how to use internet or any other written literature about action plans to discuss how an action plan can help one develop a business plan.

Step 3: Engage learners in a discussion how an action plan enables a business plan to be developed and importance of clear targets and aims.

Step 4: Let each group member share their ideas, guide them whenever they find difficulty.

Step 5: Observe how learners creatively discuss points and encourage them to help one another so that they can progress at a same pace.

Step 6: Make sure you balance gender and involve as many learners as possible.

Expected responses

Task 1: Action plan is important in preparation of business plan because it guides an entrepreneur on the different activities to be undertaken, one after another and the duration each activity will take and the responsible parties to pioneer each activity.

It is basically a timetable for implementing business activities stipulated in business plan.

Task 2: Importance of having clear targets and aims include;

- **Create direction and guidance:** Having clear targets and aims direct the company's activities toward achieving the goals and visions of the owners.
- **Motivate employees:** Employees become keener and more spirited in their work when they know what is expected of them. Their work is more directed with less wasted time.
- **Establish standards to evaluate performance:** Aims to establish standards of performance. They are measuring sticks to identify the successes and failures of a business and its employees.
- **Form the basis to set budgets:** Once the path for the company's development has been defined, clear targets and aims help allocate the funds needed to achieve the goals.
- **Develop structure of project plans:** Clear targets and aims form the structure for project development and measurement of performance along the way.

Tip

In implementing your action plan, focus on priorities and what is due now, mark completed tasks, assign people to every task and discuss pending or remaining tasks with your team.

1.4: Business Ethics

Number of periods: 4

page 33 of the Learner's Book



Keywords

- business ethics
- code of conduct
- corporate governance
- ethics
- social responsibility
- customer attraction
- customer care
- customer retention
- brand loyalty

After studying and practising the activities in this section, you will be able to:

- appreciate the principles of good business ethics
- understand ethical issues in relation to business development
- understand acceptable business behaviour towards customers, employees, society and government
- know customer attraction, customer care and customer retention

1.4.0 Introduction

At home you have **norms** that have been passed on from generation to generation. When you join school, you still find that each school has its **code of conduct**. For example, in some schools, all students are required to speak English and put on neat school uniforms. Others require students not to carry radios and electronic devices. Even in business there are certain values that are cherished. These values are called **ethics**.

In this subtopic, guide learners to:

- 1 Appreciate the principles of good **business ethics**.
- 2 Understand ethical issues in relation to development.
- 3 Understand acceptable business behaviour towards customers, employees, society and government.
- 4 Know **customer attraction**, **customer care** and **customer retention**.

Points to keep in mind:

- Ethical and unethical business practices.
- Ethics charter for a business.
- Consumer attraction, care and retention.
- Acceptable business behaviours towards employees, society and the government.

Definition of keywords

Ask learners to explain the meaning of the following keywords in their own words. Guide them to correctly understand the new words using glossary. (Ethics, business ethics, code of conduct, norms)

1.4.1 The Concept of Business Ethics

Tell learners that: To be ethical means to have the ability to judge and separate right from wrong. This means that if you do what is morally accepted in society, you are ethical. And when you do what is not morally acceptable, you are unethical. Therefore, ethical issues can be defined as a situation that requires a person to choose between alternatives that are evaluated as right (ethical) or wrong (unethical).

Task learners to study Figure 1.7 on page 34 of the Learner's Book and identify the ethical or unethical conduct.

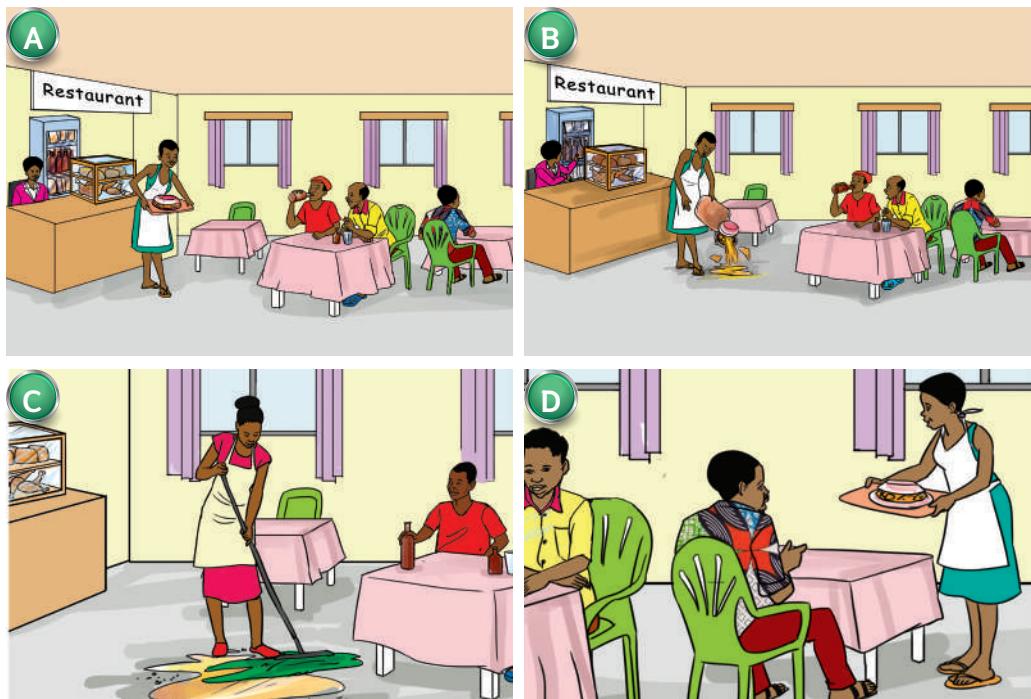


Figure 1.7

Guide learners through Activity 1.12 on page 35 of the Learner's Book to appreciate ethical and unethical practices.



Activity 1.12 Understanding ethical and unethical practices

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Discussion, Speech, discovery, critical thinking, collaboration.

Resources to use: Pen, notebook, calculator, internet access where possible.

In groups:

- Study the following statements and categorise them as either ethical or unethical using a tick (✓). Give reasons to support your answer in each case.

	Statement	Ethical	Unethical	Reason
a	Proper waste disposal			
b	Failing to pay your bank loans			
c	Disrespecting your customers			

	Statement	Ethical	Unethical	Reason
d	Paying off your debts			
e	Selling expired products			
f	Business not paying its creditors			
g	Business counterfeiting products			
h	A business paying its taxes			
i	Intentional mismanagement of accounts			
j	Harsh working conditions			
k	Treating customers fairly			

- 2 From your results in (1), suggest a proper definition of ethics.
- 3 Share your findings with other groups for comparison.

Instructions to the teacher

- Step 1: Introduce the subtopic using the text above and the introduction.
- Step 2: Put learners in groups and ask them to study the statements categorised in the table in Activity 1.12 on page 35 of the Learner's Book.
- Step 3: In their discussion, let them come up with a proper definition of ethics.
- Step 4: Guide learners where they find difficulty.
- Step 5: Ensure full participation of all learners and cater for the special needs.
- Step 6: Encourage learners to compare their answers with those of other groups to agree on the best one.

Expected responses

Task 1:

- | | |
|--------------|--------------|
| a) Ethical | g) Unethical |
| b) Unethical | h) Ethical |
| c) Unethical | i) Unethical |
| d) Ethical | j) Unethical |
| e) Unethical | k) Ethical |
| f) Unethical | |

Accept any correct reasons provided by the learners.

Task 2: Ethics refers to moral principles that govern a person's behaviour or the conducting of an activity.

1.4.2 Principles of Good Business Ethics

Learners know that, what society considers morally acceptable can be presented as a general rule or principle. All serious businesses abide by these principles as they seek to attract, satisfy and retain customers. Ask learners: What general rule would you derive from each of the statement in Activity 1.12 on page 35 of the Learner's Book?

There are often ethical conflicts between making money and doing what is right. There can be dilemmas about doing what is best for your employer, what is best for your own career, and what is best for the customer. It is for this reason that we need guiding principles.

Guide learners in Activity 1.13 on page 36 of the Learner's Book to explore the principles of good business ethics.



Activity 1.13 Understanding principles of good business ethics

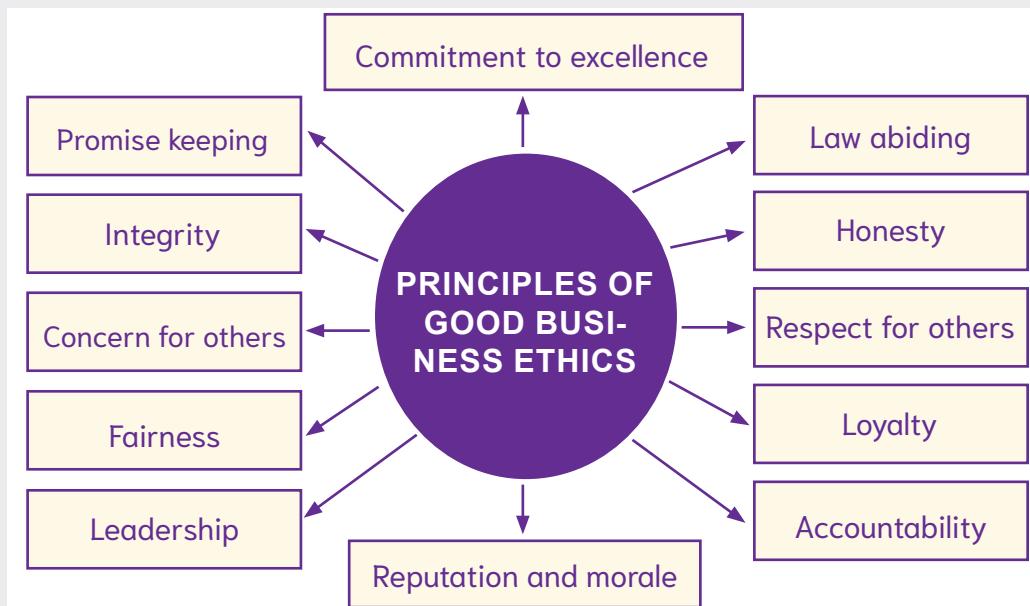
Methods: Discussion, observation, question and answer, brainstorming.

Skills: Discussion, Speech, discovery, critical thinking, collaboration.

Resources to use: Pen, notebook, internet access where possible.

In groups:

- 1 Use the Internet or textbooks in your school library to research about each of the following ethical principles and identify how they help in business development and success.



- 2 Justify the statement that business ethics start with top management.
- 3 Choose a group secretary to record and present your findings in class for comparison and further discussion.

Instructions to the teacher

- Step 1: Introduce the principles of good business ethics using the text page 36 of the Learner's Book .
- Step 2: In their groups, guide them to use Internet, library or any written literature about ethics to research about the provided ethical principles, as well as how they help in business development and success.
- Step 3: Encourage learners to work together so that they can progress on a same pace.
- Step 4: Ask learners to justify the statement that business ethics start with top management.
- Step 5: Let the group secretaries record and present each group's findings in a class discussion for comparisons and further discussion.
- Step 6: Observe how learners participate in doing the activity and how well they explain points.

Expected responses

Task 1:

- 1 Honesty:** You must be true to yourself and to others. You must deliberately mislead others through misstatements, misrepresentation, and concealment of facts or providing partial truths.
- 2 Integrity:** You must always do what is right regardless of the conditions surrounding you. You must be able to defend the truth and avoid being a hypocrite.
- 3 Keeping the promise:** You must be trustworthy and always explain things using relevant information and correct all the wrong statements made.
- 4 Fairness:** Never use wrong means to provide an advantage or a disadvantage to some groups of people or individuals. You must use justice on all people and it should be seen to be done.
- 5 Respect:** You must give due respect to human rights and other people's dignity, feelings, interests, privacy, religious among others. At work, we should all belong to the same orientation.
- 6 Loyalty:** You must always be careful not to be affected by conflict of interest. You must be able to work towards the achievement of the organisation overall mission despite your individual differences.
- 7 Empathy:** You should always be compassionate and caring. Always help to pull others up whenever they seem to be falling. Be considerate to their abilities, feelings and challenges.
- 8 Law abiding:** You must respect and abide by the rules and regulations governing Uganda and respect all international agreements relating to your business.
- 9 Leadership:** You should always be a positive role model to everyone. Always involve subordinates in decision making.
- 10 Reputation and morale:** Promotion of the company's image should be given a lot of importance. The work force morale should be worked upon for better production.
- 11 Accountability:** You remain responsible for your actions and even for these actions of your subordinates who use delegated authority.

Task 2: To build an ethical company, you must start from the top to down. Employees will see your behaviour, choices, and values and will adopt them in their own practices. To effectively lead, the ethical leader walks the line he or she wants others to follow.

1.4.3 Ethical Issues in Relation to Business Development

Let learners know that every business has the responsibility of developing a code of conduct and ethics that every employee must follow. This code of conduct in the organisation must be ethical. Guide them to explore more about ethical and unethical issues in business development using Case study 1.6 on page 37 of the Learner's Book.

Case study 1.6 How ethical issues affect business development

Methods: Discussion, observation, reading, question and answer, brainstorming.

Skills: Discussion, discovery, reading, collaboration.

Resources to use: Pen, notebook, dictionary, internet access where possible.

In groups, read the following case study and carry out the tasks that follow.

Victor Tomusange is the managing director of Vito Restaurant Ltd, which is located in Luzira, a suburb of Kampala City. Due to a fall in the profit margin and market share in 2020, the restaurant fired its general manager, Mr. Kakuru, and some staff members, including the senior chef.

The general manager was replaced by Mr. Kataala who was regarded as a 'potential saviour' owing to his good performance in the food industry. Until his arrival, the restaurant had been famous for providing good quality food at a very low price. Its motto was 'Good Food Costs Less'. In fact, it had been greatly admired for its concern for social principles and **corporate governance**. But not anymore. For starters, the food price was revised upwards. Many of the customers were not happy about this when the motto revised to 'Good Food, Affordable Price'.

Mr. Kataala, despite his outstanding performance at Kangana Fast Food Restaurant, was also not beyond criticism. First in 2021, he was awarded shares worth hundreds of millions of shillings yet the restaurant's share price had performed below the industrial average since his appointment. Secondly, he decided to become chairman as well as chief executive officer, contrary to the principles of corporate governance recommended in the audit report.

Thirdly, some critics felt that he does not relate with the ordinary people and did not understand their dishes. He is known to appreciate foreign things. Currently the restaurant offers more international than local dishes.

Many of the customers complained that the local dishes no longer tasted as good as they used to, but nothing was done to rectify the situation. More so, the restaurant only accepted payments in US dollars.

Recently, the restaurant employed Kadingidi to entertain customers and also acquired a music system which plays music for the customers.

The profit margin in 2022 fell by 20%; sales were only UGX 320 million, which forced management to take on debts to a tune of UGX 80 million.

It has also happened that the personnel officer, Mrs. Kadingo, was asked by management to work as a receptionist and she accepted the transfer. The restaurant by then had not paid its employees for three months, yet it was still making profits. Meanwhile, it has been established that the restaurant employs only Baganda and Banyankole.



Tasks:

- 1 Identify all the ethical and unethical issues in Case study 1.6.
- 2 Suggest the ethical principles being violated in the case study.
- 3 Do you think this business promotes ethical conduct to its employees? Give reasons for your answer.
- 4 Advise Victor Tomusange on how to promote ethics in his restaurant business.
- 5 Make a report for presentation during a class discussion.

Instructions to the teacher

- Step 1: Put learners in manageable groups to study and internalise the case study 1.8.
- Step 2: Task them to identify all ethical and unethical issues from the case study.
- Step 3: Let them give their views about how business promotes ethical conduct to its employees.
- Step 4: Let learners suggest an advise to Victor Tomusange on how to promote ethics in his restaurant business.
- Step 5: Ask learners to make a report for presentation in a class discussion.

- Step 6: Observe how creatively learners explain points. Guide them whenever they find difficulty.
- Step 7: Encourage learners to make further research during their free time so that they can progress at a same pace.

Expected responses

Task 1:

Ethical issues within the case study include;

- Relating well with people in Luzira a suburb of Kampala.
- Effective / proper planning for the business for example recruitment plans.
- Good entrepreneurial characteristics that is recruitment, financial management, transfers etc.
- Working within government framework policies that is annual audits, operation
- Good customer care/after sales services for example, employing Kadingidi to entertain visitors, music system etc
- Proper business management leading to Profitability of the business for example in 2012, the business earned a profit margin of 20 %.

Non ethical issues in the case study include;

- Mistreatment of staff leading to High labour turnover/constant changes in management and staff.
- Selfishness of the general manager i.e., Mr. Kataala awarded himself shares worth hundreds of millions.
- Conflict of duty/abuse of the principles of corporate governance i.e., Mr. Kataala decided to become chairman as well as CEO while still holding the office of General Manager.
- Failure by the general manager to relate well with the ordinary people.
- Substitution of local dishes with more international dishes leading to less care for the local community.
- Use of a dollar as the only means of payment in an area and country where it is very scarce making it inconveniencing to the customers.
- Poor debt management system. Large number of debtors which may increase the risk of bad debts i.e., 80 million shillings worth of debtors
- Unprecedented transfer of staff that create resentment
- Demotivation of staff/low staff morale that is, staff has spent three months without receiving payment.

- Tribalism practiced by the business owners in recruitment may scare away some serious customers from other tribes that is the business recruits only Baganda and Banyankore.

Task 2:

Integrity, fairness, accountability and leadership

Task 3: The answer can be NO or YES depending on the learner's defence using the points he/she provides.

Task 4: Suggestion on how to promote business ethics in the above business may include.

- The business should promote Honesty: It must not deliberately mislead others through misstatements, misrepresentation, and concealment of facts or providing partial truths.
- The business should promote Integrity: It must always do what is right regardless of the conditions surrounding you. It must not recruit, transfer or promote workers basing on their age, tribe, gender or ethnicity.
- The business must always Keep the promise: It must be trustworthy and always ensure staff contracts are respected.
- The business must be Fair: Never use wrong means to provide an advantage or a disadvantage to some groups of people or individuals. Justice must be seen to be done in recruitments, promotions, transfers and even charging fair prices to customers and in the currency which is more convenient to the customers.
- The business must ensure Respect: it must give due respect to human rights and other people's dignity, feelings, interests, privacy, religious among others. At work, we should all belong to the same orientation.
- Loyalty should be promoted: The business must be able to work towards the achievement of the organisation overall mission despite individual differences.
- The business managers should have Empathy: They should always be compassionate and caring. They should be considerate to their abilities, feelings and challenges.
- Law abiding: The business must respect and abide by the rules and regulations governing Uganda and respect all international agreements relating to business regarding pricing, employment and fair treatment of customers among others.
- Proper Leadership: the restaurant management should always be a positive role model to everyone. Always involve subordinates in decision making.

- Reputation and morale: Promotion of the company's image should be given a lot of importance. The work force morale should be worked upon for better production.
- Accountability: The business should remain responsible for its actions and even for these actions of subordinates who use delegated authority especially while dealing with staff and customers.

"Ethics is about knowing the difference between what you have a right to do and what is right to do."

Potter Stewart.

Additional notes

All businesses are expected to comply with the laws and regulations from the government. They should ensure that no one in the company breaks the law or goes against company or government values, policies and procedures which among others include environmental laws, minimum wage laws, consumer protection and employee safety and welfare.

1.4.4 Common Unethical Practises in Business

Competition in business and the desire to become successful by any means necessary have driven many people to resort to unethical business practices. Indeed, many business persons engage in unethical practices, and in so doing endanger the other stakeholders, especially the consumers and consequently endangering themselves.

Identifying the most common unethical practices can help in urging all businesses to adhere to the morally acceptable conduct. Guide learners in Activity 1.14 on page 39 of the Learner's Book to identify common unethical business practices.



Activity 1.14 Identifying common unethical practices in business

Methods: Discussion, observation, reading, question and answer, brainstorming.

Skills: Discussion, discovery, reading, critical thinking, collaboration

Resources to use: Pen, notebook, Entrepreneurship textbook, newspaper.

In groups:

- 1 Conduct a field study to a business operating near your school community.
- 2 Identify the common business practices that you consider unethical

- 3 Give reasons why each of the mentioned practices is unethical.
- 4 Explain how such business practices affect the success and development of businesses.
- 5 Give examples of businesses in your community that have been affected by their unethical business practices.
- 6 Write a report and share it with the rest of the class.

Instructions to the teacher

- Step 1: Let learners in groups and make sure you balance gender and involve learners with special needs.
- Step 2: Make appointment with business people around your school where study will be carried about. Brief them on the topic to be talked about so that they can prepare early.
- Step 3: Ask learners to conduct a field study on businesses operating near their school community and identify the common unethical business practices and reasons.
- Step 4: Observe how learners interact with business people, guide them whenever they find difficulty.
- Step 5: Task learners to explain how such business practices affect the success and development of businesses.
- Step 6: Let them give examples of businesses in their communities that have been affected by their unethical business practices.
- Step 7: Ask group secretaries to make a report and share it with the rest of the class.
- Step 8: Observe how creatively learners explain points and agree on the correct answers only.
- Step 9: Encourage learners to cooperate and let them help each other so that they can progress at a same pace.

Expected responses

Task 2: Unethical business practices includes:

- Misuse of Company technology.
- Sexual harassment.
- Discrimination.
- Failure to maintain a safe work place.

- Breach of contract for example, when one party in agreement fails to deliver according to the terms of the agreement..
- Theft of company's time and property.
- Dangerous environmental practices e.g. pollution, deforestation etc.
- Lying about performance.
- Disclosure of company's data and information.
- Engaging in fraud practices.
- Selling of hazardous products.

Task 3: Accept any correct reason why each of mentioned practices in task 2 is unethical.

Task 4: Accept any correct reason provided by the learner.

Task 5: Responses will depend on learner's perspective.

Case study 1.7 More arrested in swoop on Kampala Butcheries

Methods: Discussion, observation, reading, question and answer, brainstorming.

Skills: Discussion, discovery, reading, critical thinking, collaboration.

Resources to use: Pen, notebook, dictionary, newspapers.

In groups, read the following case study and carry out the tasks that follow.

Six people were remanded to Luzira Prison over allegations of spraying meat and fish with formalin, a harmful chemical which is used to preserve dead bodies.

They appeared before court and pleaded guilty to causing a nuisance.

During the operation, it was established that the accused spray harmful chemicals on both fish and meat they sell to the public in order to chase away and kill flies.

Reports indicate that butchers in Kampala treat their meat with formalin, a preservative for dead bodies, has been making rounds for years.

Formalin is a liquid drug manufactured to preserve dead tissues by killing the bacterium that causes decay. The drug is used together with other chemicals to preserve dead bodies.

Formalin has a pungent smell that is detectable and if one uses it to preserve food, it is used in very low quantities that can sometimes be unnoticeable.



Figure 1.8 Sellers of meat have been accused of using formalin to keep flies away in the past.

Adapted from: <https://www.independent.co.ug/arrested-swoop-kam>



Tasks:

- 1 Describe the unethical behaviour in the above Case study 1.7.
- 2 Suggest the reason why the behaviour is considered unethical.
- 3 What do you think was the impact of this unethical behaviour on business?
- 4 Write a report to any local authority suggesting how to find out such unethical behaviour from the community.
- 5 Choose a group secretary to record your findings and present before the class.

Instructions to the teacher

- Step 1: Let learners in groups to study and internalise the case study describe the unethical behaviour in the above case study.
- Step 2: Task them to describe unethical behaviour in the above case study and why it is considered unethical.
- Step 3: Ask learners their thoughts on the impact of this unethical behaviour on business.
- Step 4: Let them make a report to any local authority suggesting how to find out and remove such unethical behaviour from the community.

- Step 5: Encourage learners to help one another so that they can progress at a same pace.
- Step 6: Observe how learners explain points, guide them whenever they find difficulty.

Expected responses

Task 1: Using formalin to preserve meat.

Task 2: This is because formalin a dangerous chemical used to preserve dead bodies. According to Uganda Industrial Research Institute it could damage internal organs. Therefore, it should not be used to preserve food.

Task 3: Impact of unethical behaviour may include:

- Impact on employee performance: A lack of ethics has a negative effect on employee performance. In some cases, employees are so concerned with getting ahead and making money that they ignore procedures and protocol. This can lead to additional paperwork and careless errors that result in the task having to be completed again. Additionally, employees who feel acting ethically and following the rules will not get them ahead in the business sometimes feel a lack of motivation, which often leads to a decrease in performance.
- Employee relations are affected: When a manager of a business exhibits a lack of ethical behaviour, he faces losing the respect of his employees. It is difficult to have a successful business without well-respected leaders. A lack of ethical behaviour can also cause tension among employees, with some employees feel bad about those who do not play by the rules and still manage to get ahead. Unethical behaviour in the workplace also has the potential to lead to a lack of trust among employees, which is detrimental to a business that relies on collaboration and a sense of community.
- Damage to company credibility: If a lack of ethics in a business becomes public knowledge, that business loses credibility. While some businesses survive public knowledge of a lack of ethics through reimagining and advertising campaigns, many lose a key customer base. Even if a business recovers from news about its lack of ethics, it takes a lot of time and money to restore its image and consumer confidence.
- Accept any correct impact of unethical behaviour on business.

Task 4:

- Implement security measures.
- Work on building royal community. In doing so, the chances of unethical behaviour become smaller.
- Have a clear code of conduct.
- Accept any other correct answer provided by the learner.

14.5 Ethics Charter or Code of Ethics

An ethics charter or code of ethics refers to a written code of conduct which outlines and defines ethical principles that must be applied in professional practices and are used to govern decisions and standards of behaviour at a company or business.

The charter outlines such things as dedication to best quality service, respect for staff members, adherence to employment laws, respect for business interests, respect for rules and regulations and **corporate social responsibility**.

Let learners consider the following business charter, giving views on what they think this business stands for.

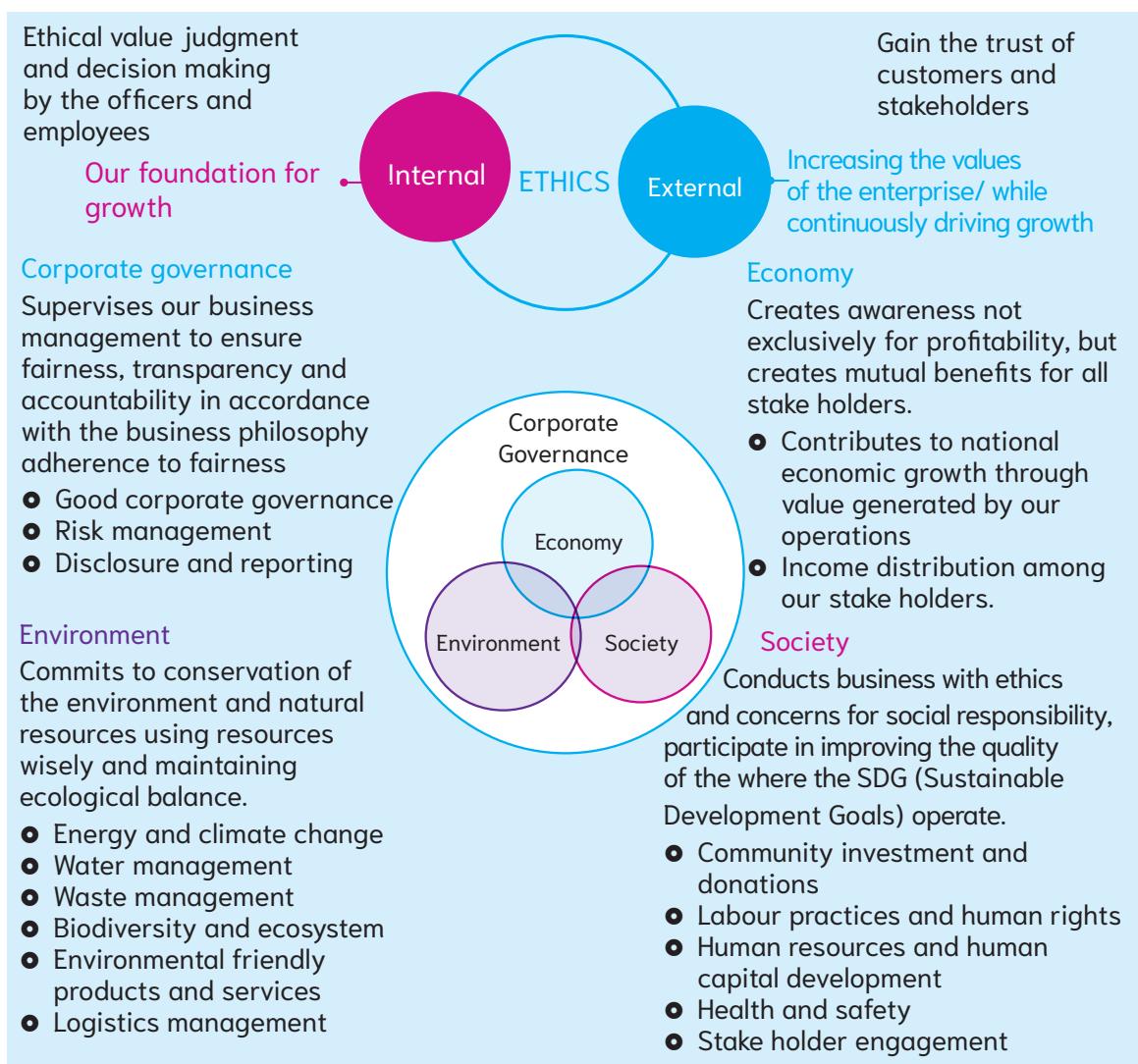


Figure 1.9 A typical business ethics charter

In Activity 1.15 on page 42 of the Learner's Book, guide learners to produce an ethics charter for a business they know quite well in your community.



Activity 1.15 Drafting an ethics charter

Methods: Discussion, observation, reading, question and answer.

Skills: Discussion, discovery, reading, critical thinking, collaboration.

Resources to use: Pen, notebook, internet access where possible.

In pairs:

- 1 Choose any business you know quite well in your community and draft an ethics charter for it, following the example in Figure 1.9.
- 2 Explain why you have included each of the items in your ethics charter.
- 3 Clearly provide evidence on how its ethics charter has helped the business to perform its duties ethically.
- 4 Using the evidences cited above, discuss the benefits of working ethically.
- 5 Present your findings to the rest of the class.

Instructions to the teacher

- Step 1: Pair up learners.
- Step 2: Ask learners to choose any business they know quite well in their community and guide them to make an ethics charter for it following the example in Figure 1.6 above.
- Step 3: Guide them to correctly explain why they have included each of the items in their ethics charter.
- Step 4: Let them clearly provide evidences on how ethics charter has helped business perform its duties ethically.
- Step 5: Giving evidences cited earlier, let learners discuss the benefits of working ethically.
- Step 6: Observe how learners participate in doing the activity and guide them whenever they find difficulty.
- Step 7: Task the pairs present their findings to the rest of the class for comparison and further discussion.
- Step 8: Encourage learners to use internet to make more research about ethics charter.

Expected responses

Task 1: Accept correct ethics charter provided by the learners. The charter should involve the following elements:

1 Respect for staff members and business interests: Whereby it involves the following:

- **Principle:** All staff members are obligated to contribute to success of the business as a result of promoting respect for all staff members.
- Discrimination.
- Harassment.
- Mutual respect.
- Health and safety.
- Privacy.
- Alcohol and drugs.

2 Respect of business interests: It should involve the following:

- **Principle:** All staff members of the business are required to act in the best interest of the business showing loyalty and high degree of integrity.
- Team spirit.
- Conflict interest e.g. professional, personal, family, financial, political and business related.
- Relationship with suppliers.
- Confidential information.
- Business expenses.

3 Respect for rules and regulations: It should involve the following:

- **Principle:** The business and its staff must comply with rules and regulations in performance of their duties.
- Illegal agreements.
- Corruption.

4 The social responsibility of the community: It should involve the following:

- **Principle:** The business should act in the area of social responsibility.
- Environment.
- Social commitments.
- Associations and foundation funding.

Task 2: Accept correct reasons given by the learners.

Task 3: Accept any correct answers provided by the learners.

Task 4: Benefits of working ethically include;

- You gain a competitive advantage over rival businesses. This is because you will get a lot of customers getting to your business.
- You will improve the morale of your workers. When workers are happy, they will love their work and their levels of productivity will increase greatly.
- You will be recognised in society. You get reputation whenever you do right things to members of society. They usually hold you in high esteem.
- You will attract more investors. Potential investors always like to buy shares in companies that are ethical and are willing to provide accountability to the owners. This will increase the capital better.
- You will attract government support. Business that practises ethics are always considered by government to win government tenders and subsidies.
- Your sales will increase. Practising ethics makes you popular and get a lot of new and repeat customers which leads to increased sales.
- Opens up foreign markets. Ethical businesses are given international trading stamps and are able to sell a lot of products outside which earns foreign exchange to Uganda.

Let learners know that writing a strong code of conduct requires thorough understanding of your business, its culture and vision. Most businesses' codes of conduct share some characteristics.

1.4.6 Acceptable Business Behaviour Towards Stakeholders

Employees are the first customers for every business. As such, they should always be treated well. But the same treatment should be extended to all the other stakeholders such as the government and the community in which the business operates.

Guide learners using Activity 1.16 on page 42 of the Learner's Book to explore the acceptable behaviour of businesses towards stakeholders.



Activity 1.16 Identifying acceptable business behaviour towards stakeholders

Methods: Discussion, observation, reading, question and answer, brainstorming.

Skills: Discussion, discovery, reading, critical thinking, collaboration.

Resources to use: Pen, notebook, internet access where possible.

In groups:

- 1 What do you think is the acceptable business behaviour towards employees, customers, society and the government?

- 2 Discuss the similarities and differences between behaviour towards the groups mentioned in (1).
- 3 Identify any other groups of stakeholders that require specific forms of behaviour.
- 4 Role play good and bad behaviour towards customers.
- 5 Choose a group secretary to write a report on your findings and present them before the class.

Instructions to the teacher

- Step 1: Review on the previous activity.
- Step 2: Introduce this activity using the text above.
- Step 3: In their groups, ask learners to think the acceptable business behaviour towards employees, customers, society and the government.
- Step 4: Ask learners discuss the similarities and differences between behaviour towards these three groups.
- Step 5: Task learners to identify any other groups of stakeholders that require specific forms of behaviour.
- Step 6: Guide learners in groups to produce a role play illustrating goods and bad behaviour towards customers.
- Step 7: Observe how creatively learners illustrate good and bad behaviours towards customers.
- Step 8: Let learners choose a group secretary to write a report on their findings and present in a class for comparison of answers.
- Step 9: Ensure presenters are audible and smart.

Expected responses

Task 1:

Acceptable Business Behaviour

Employees are your first customers: Therefore, you must have good moral standards while dealing with them in order to increase productivity. Your behaviour towards your employees should depict the following:

- Giving them a fair pay.
- Paying them in time.
- Involving them in decision making.
- Providing them with fringe/extra benefits like food, transport, and medical allowances among others.

- Handle employee complaints in time.
- Provide job security that lets them have confidence that can stay in service of the business for long.
- Provide a working environment that is conducive with necessary tools and equipment and free from unnecessary noise.
- Provide periods of rest like annual maternity leave, sick leave, and others.
- Delegate duties to them so that they feel a sense of belonging.
- Don't discriminate against your employees along tribe, gender, religion or political grounds.

Acceptable Business Behaviour towards Customers

- **Fair pricing:** Set a price that customers will not consider exploitative.
- Be kind and cheerful while serving customers. A simple smile creates and retains customers.
- **Sell quality products:** Make sure the products you are selling are of the expected quality and are not expired or harmful to the life of customers.
- **Objectivity:** Provide full information about the product you are selling to a customer without any bias.
- **Use a clean working environment and proper distribution channels:** This reduces the levels of contamination of the goods during production and distribution.
- **Avoid persuasive advertisements:** Don't use advertisements that are deceitful or de-campaigning rival products.

Acceptable Business Behaviour towards Society

- **Conserve the environment:** Do not dump untreated wastes into the environment or emit dangerous gases into the atmosphere.
- **Concern for human health:** Do not put into circulation products that are harmful to human health.
- Participate in society development projects like sports development, clearing trenches, constructing wells among others.
- Rescue the community in case of emergencies like floods, landslides, earthquakes etc.
- Respect culture, beliefs and customs of the community where you operate. Never promote any activity that is against the interest of the community.

Acceptable Business Behaviour towards Government

- Pay taxes and other compulsory payments.
- Observe and follow the laws and regulators governing society for example the Companies Act.

- Allow for inspection. Ensure that all products are produced in line with the requirements of the regulating authority.

Task 2: Accept any correct differences and similarities between employees, customers, society, and government provided by the learners.

Task 3: Other stakeholders that may require specific forms of behaviour include: Directors, suppliers, managers, competitors etc.

Task 4: A role play will depend on learner's perspective.

1.4.7

Customer Attraction, Care and Retention

Tell learners that: Persuading customers to purchase your products requires effort and skill. The effort to attract customers to buy your products or services is what **customer attraction** is all about.

Keeping an existing customer should be as important as getting a new one. You have to ensure that the product or service you offer meets their expectations, otherwise, they may never buy from you again.

Customer care includes all activities a business performs to give its customers a great experience. This is one of the reasons why some customers become loyal to the brand.

After attracting customers, every business should strive to give them a reason to return. Some seek to build a good relationship with their customers, while others simply give a customer experience or a product customers cannot resist.

This ability to keep the same customers coming back time and again is called **customer retention**. It is done usually through promoting customer loyalty and **brand loyalty**.

In Activity 1.17 on page 43 of the Learner's Book guide learners to explore more about customer attraction, care and retention.



Activity 1.17 Exploring customer attraction, care and retention

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Discussion, discovery, critical thinking, collaboration.

Resources to use: Pen, notebook, internet access where possible.

In groups:

- Explain how you, as a business owner, would attract, care for and retain customers in your business.

- 2 How would you ensure that whenever your customers think of great customer experience, they think of your business?
- 3 Prepare a role play on how you would attract and treat your customers in order to keep them coming back to your business.
- 4 Write a report of your findings and present it in a class discussion.

Instructions to the teacher

- Step 1: Introduce this activity with the above text on customer attraction, care and retention.
- Step 2: In groups, ask any learner who owns a business how he or she attracted, care and retain customers in their business.
- Step 3: Still in groups, ask learners to explain how they would attract, care for and retain customers of their business if they were business owners.
- Step 4: Let them tell you how they would ensure that whenever customers think of a great customer experience, they think of their business.
- Step 5: Observe how well learners explain points and ensure full participation of all learners.
- Step 6: Guide learners on how to prepare a role play highlighting on how they would attract and treat their customers in order to keep them coming back to their business.
- Step 7: Ask group secretaries write a report about their findings and present.
- Step 8: Encourage presenters to be audible and smart.
- Step 9: Encourage learners to help one another even outside their class room.

Expected responses

Question 1:

Customer attraction: Customers can be attracted in the following ways:

- You have to be courteous.
- Make sure the service you give is very wonderful.
- Build a good relationship so that the customer sees reason for returning.
- Find out where your customer lives i.e., think about places where you can find your customers.
- You should have full knowledge about the products you are selling without any referral.
- You must be the sole answer to their needs, be in position to prove that you have solution to all unsolved problems in their mind.

- Make follow ups on every complaints, complement or suggestions made and provide feedback instantly.

Customer retention: Some of the strategies for retaining customers include:

- Stop all tendencies that make customers defect, avoid competency.
- Never take customer good will for granted. Once they buy the first and second time, don't think they come back the third time.
- Attending to customers and solving their complaints immediately, acknowledging customers objections. Evaluating them carefully, having a customer relations desk where all the grievances of the customers are handled and repairing faults or making replacements whenever customer complains.

Customer care: Customer care improves the relationship between the entrepreneur and its customer care can be promoted in the following ways:

- **Honesty:** You must be true to your customers and avoid deceitful persuasive words.
- **Being pleasant:** Always serve customers while wearing a smile.
- Handle customer complaints effectively to ensure that they don't defect to rival businesses.
- Offer good quality products to customers and avoid selling fake or expired products.
- Have full knowledge of the products you are selling and be in position to provide technical advice if required.
- Provide clear communication to the customers to avoid being misinterpreted.
- Accept any correct responses for task 2 and 3.

"Treat your customers the way you would want to be treated"

Schweig Peter

Let learners know that, the goal of every business is to meet the needs and the expectations of its stakeholders to ensure the survival of the business and allow it to grow.

Since customers are some of the important stakeholders, there is need to satisfy their needs. Retaining customers implies keeping them active with you through good customer service. This calls for periodic review and restructuring of policies aimed at adding value to clients. Let us explore this using Case study 1.9 on page 44 of the Learner's Book.

Case study 1.8 Exploring customer attraction, care, and retention

Materials to use: Pen, notebook, internet access.

Methods: Discussion, observation, question and answer, brainstorming.

Resources to use: Pen, notebook, internet access where possible, dictionary.

In groups, read the following case study and carry out the tasks that follow.

Ruth Ngendo's Telecommunication Company has a very effective marketing strategy which has kept it in the lead. For them, interaction with customers and providing quality service is essential to building effective relationships and retaining the existing customers. It easily reaches out to its customers through interaction of salespersons and customers.

This has been greatly facilitated by the extensive use of audio-visual advertisements, short messages, corporate social responsibility programmes, promotions and a 24-hour call centre to keep tabs with their customers and inform them about new products and offers.

They invest a lot of resources in improving their products, such as the use of Internet data, mobile banking and mobile money transfer. More so, they have clear network in almost all parts of the country.

They hire brand ambassadors to be spokespersons for their products. These brand ambassadors are chosen for their appeal to the target market and can be an effective way of disseminating positive word of mouth. For this matter, they choose their ambassadors from influential persons such as celebrities like artistes and socialites, among others.

The company also performs a wide range of customer care service activities like training staff in customer care, conducting periodic tests, giving feedback to its customers, well **remuneration** of staff, focusing wholly on the customers, delivering services beyond the expectations of the customers, keeping promises made to customers, making customer care providers to appreciate the importance of customer services and above all providing superior customer satisfaction.



Tasks:

- 1 What do you think has contributed much to the company's brand loyalty or customer experience?
- 2 Discuss how the company has gained more customers than its competitors according to Case study 1.8?
- 3 How do you think other telecommunication companies like Lycamobile and Uganda Telecom can rebrand to gain more customers?
- 4 Draft a report of your findings and present it before the class.

Instructions to the teacher

- Step 1: Ask learners in manageable groups to study and internalise Case study 1.9 on page 44 of the Learner’s Book.
- Step 2: Task learners to think about what contributed much on MTN’s brand loyalty or customer experience.
- Step 3: Let learners discuss how MTN has gained many customers than its competitors.
- Step 4: Encourage learners to assist each other so that they can progress at a same pace.
- Step 5: Task learners to think about how other telecommunication companies like Lycamobile and Uganda Telecom can rebrand to gain more customers.
- Step 6: Make sure all learners including learners with special needs actively participate in doing an activity.
- Step 7: After, let the group secretary present their findings before the class for comparison and further discussion.
- Step 8: Ensure presenters are smart and audible.
- Step 9: Observe how well learners explain points and encourage them to work together so that they can progress at a same pace.

Expected responses

Task 1:

- Interaction with customers.
- Providing quality service.
- Use of audio-visual advertisements
- Improving products e.g., internet service, mobile banking and mobile banking.
- Use of brand ambassadors.
- Wide range of customer service activities like training staff in customer care, conducting periodic tests etc.

Task 2: Refer to responses for Activity 1.22 on customer attraction, care and retention covered.

Task 3: Refer to responses for Activity 1.22 on customer retention covered.

Sample Activity of Integration

Due to the projected Uganda's unemployment rate of 2-2.44% according to the Uganda Bureau of Statistics. The government of Ugandan through the Presidential Initiative on Wealth and Job Creation (Emyooga) is looking forward to supporting youth from different regions of the country. The youth have been advised to write business plans for their proposed businesses under their Saccos for review and verification so that they can be supported. Your friends want to be part of the initiative, but they don't know much about business plans. They have approached you for assistance.



Task:

Draft a write up explaining to them how to prepare a business plan for any business of their choice.

Assessment Grid

OUTPUT	Basis of Evaluation	CRITERION 1 Relevance	CRITERION 2 Accuracy	CRITERION 3 Coherence	CRITERION 4 Excellence
Write up	Basis one: Steps involved in writing a business plan.	A learner scores 3 if he/she presents at least 5 steps involved in preparing a business plan. Eg : <ul style="list-style-type: none"> • Selecting a business opportunity • Market research • Gathering more information • Drafting a business plan • Discussing the plan with experts. Finalising the plan • Action implementation plan 	A learner scores 3 if he/she gives correctly at least 5 steps involved in preparing a business plan.	A learner scores 3 if he/she gives features and importances business plan which flow logically.	A learner scores extra 1 if he/she gives all steps correctly and consistently and goes a head to describe what is involved in each step.
		A leaner scores 2 if he/she presents 3 to 4 steps involved in preparing a business plan.	A leaner scores 2 if he/she presents correctly just 3 to 4 steps involved in preparing a business plan.	A learner scores 2 if he/she gives features and importances business plan which flow logically but some are skipped.	
		A learner scores 1 if he/she gives less than 3 steps involved in preparing a business plan.	A learner scores 1 if he/she gives correctly only less than 3 steps involved in preparing a business plan.	A learner scores 1 if he/she gives features and importances business plan which flow logically but majority are skipped.	

OUTPUT	Basis of Evaluation	CRITERION 1 Relevance	CRITERION 2 Accuracy	CRITERION 3 Coherence	CRITERION 4 Excellence
Write up	Basis Two; Content of a business plan i.e.	<p>A learner scores any 3 if he/she identifies atleast five of the following components of a business plan i.e;</p> <ul style="list-style-type: none"> • Executive summary • Business description • Business purpose • Marketing plan • Production plan • Financial plan • Management plan • Action implementation. 	A learner scores any 3 if he/she describes correctly at least 5 components of a business plan.	A learner scores 3 if he/she describes at least 5 components of business plan that are arranged logically.	A learner scores extra 1 if he/she describes well all the components of a business plan that are relevant, accurate and logically arranged.
		A leaner scores 2 if he/she gives 3 to 4 components of a business plan.	A learner scores 2 if he/she describes correctly 3 to 4 components of a business plan.	A learner scores 2 if he/she gives just 3 to 4 components of a business plan that are arranged logically.	
		A learner scores 1 if he/she gives less than 3 components of a business plan.	A learner scores 1 if he/she describes correctly less than 3 components of a business plan	A learner scores 1 if he/she gives components of a business plan but many are skipped and there is no logical order.	

Basis of evaluation (OUTPUT)	Criteria 1 Relevancy Scores 3	Criteria 2 Accuracy Scores 3	Criteria 3 Coherence Scores 3	Criteria 4 Excellence Scores 1
Unethical and ethical practices towards customers, employees, government and the different ways of attracting, retaining and caring for customers.	A learner scores 3 if he/she gives at least 5 unethical and ethical practices towards customers, employees, government and the different ways of attracting, retaining and caring for customers.	A learner scores any 3 if he/she gives points that are related to unethical and ethical practices towards customers, employees, government and the different ways of attracting, retaining and caring for customers.	A learner scores 3 if he/she gives points that are logically related to unethical and ethical practices towards customers, employees, government and the different ways of attracting, retaining and caring for customers.	A learner scores extra 1 if given points of unethical and ethical practice towards customers, employees, government and the different ways of attracting, retaining and caring for customers are accurately and logically arranged.
	A leaner scores 2 if he/she gives at least 3 to 4 unethical and ethical practices towards customers, employees, government and the different ways of attracting, retaining and caring for customers.	A learner scores 2 if he/she gives points that are partially related to unethical and ethical practices towards customers, employees, government and the different ways of attracting, retaining and caring for customers.	A learner scores 2 if he/she skips some points that are logically related to unethical and ethical practices towards customers, employees, government and the different ways of attracting, retaining and caring for customers.	
	A learner scores 1 if he/she gives less than unethical and ethical practice towards customers, employees, government and the different ways of attracting, retaining and caring for customers.	A learner scores 1 if he/she gives points that are not related to unethical and ethical practice towards customers, employees, government and the different ways of attracting, retaining and caring for customers.	A learner scores 1 if he/she gives many points that are logically related to unethical and ethical practice towards customers, employees, government and the different ways of attracting, retaining and caring for customers are skipped.	



Chapter Summary

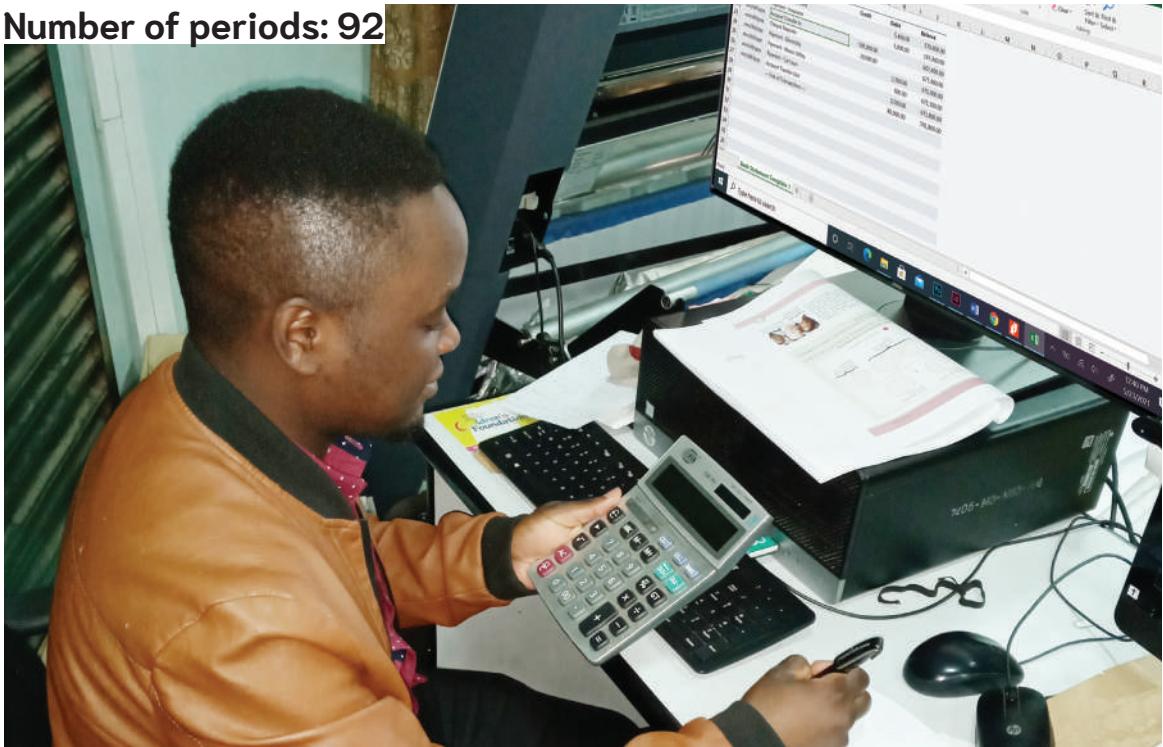
In this chapter, learners have learnt the following:

- the purpose of a business plan.
- how to use a business plan to plan business.
- relevant information about business plans.
- networking on business development and related etiquette.
- the steps in preparing a business plan.
- the importance of cashflow in processing and manufacturing.
- importance of an action plan and its relation to a business plan.
- preparation of an action plan.
- skills of making presentation with objects and animations.
- principles of business ethics.
- ethical issues in relation to business development.
- acceptable business behaviour towards customers, employees, society and government.
- how to attract, care and retain customers.

THEME: BUSINESS MANAGEMENT

Introduction to Principles of Accounting

Number of periods: 92



Chapter Overview

For a very long time people have been practising accounting in business. Even before the introduction of money, people used to record the business transactions they carried out on a daily basis for future reference. Supposing you run a business in which you handled different customers and dealt in a number of items, do you realise that it would be difficult to recall all transactions if you did not note them down somewhere?

Such records provide a basis for determining whether a business is doing well or not. With these records, we can calculate the profits or losses realised by the business. But also, the records remind us of what stock is running out and what is still in the stores or shelves. Indeed, business management becomes easier when records are properly kept.

In this chapter, you will use relevant books of original entry to process financial information gathered from source documents.

2.1: Bookkeeping

Number of periods: 5

Learner's Book on page 48



Keywords

- account
- accounting
- bookkeeping
- books of accounts
- cash balance
- credit
- debit
- ledger
- transaction
- imprest system
- float

After studying and practising the activities in this section, you will be able to:

- understand bookkeeping and related accounts
- appreciate the importance of bookkeeping and demonstrate the skill of accounting using spread sheets
- use accounting records

2.1.0 Introduction

Let learners know that, in any business, you need to keep track of the cash you receive or spend by recording it on a regular basis. This will help you to track all information regarding **transactions** and use it to make necessary key decisions. This is **bookkeeping**.

Guide learners in subtopic 2.1 to understand bookkeeping and related **accounts**, appreciate the importance of bookkeeping and demonstrate the skill of cost **accounting** using spread sheets and use accounting records

Points to keep in mind:

- Bookkeeping and related accounts.
- Importance of bookkeeping.
- Using spreadsheets in accounting.
- Users and uses of accounting information.

Definition of keywords:

Let learners explain keywords in their own words (account, accounting, bookkeeping, **books of accounts**, **capital balance**, **cash balance**, **debit**, **credit balances**, **ledger**, **posting** and transaction). Guide them where necessary to come up with correct definitions.

Teacher's Notes:

Emphasise the following common terms used in accounting and book keeping in class to best understand this chapter.

Business: Any activity one performs with the aim of earning a profit.

Account: An account is an illustration that helps to record transactions relating to a particular asset, capital, revenue and expenses among others. For example, cash account, sales account, and purchases account among others

Goods: Visible/tangible items that the business buys and sells with the aim earning a profit. For example, shirts, trousers, chapatis, juice, milk and toys among others.

Services: Invisible/intangible items the business buys and sells. For example, transport, banking, education, communication and market research among others.

Transaction: A business dealing between two or more persons /parties involving exchange of goods and services using money as a medium. For example, sale of goods, purchase of raw materials and loan payment among others. Transactions are carried out either on cash basis or on credit.

Cash Transaction: A business transaction in which money is paid as soon as goods are delivered or services are offered to the buyer. For example, buying soda from the canteen and you pay immediately. The terms of cash transactions are usually provided as follows;

- a) **Spot cash:** This where cash is paid instantly as the buyer receives the goods.
- b) **Cash With Order (C.W.O):** This is where the buyer sends cash to the seller at the time the order is placed. It's a form of advance payment made by the buyer
- c) **Cash On Delivery (C.O.D):** This is one where the seller receives money as soon as goods reach the buyer's premises.

Credit Transactions: This is a business transaction where goods are delivered or services are rendered but payment is made at a future date. For example, buying soda from the canteen and you are allowed to pay after two weeks.

Capital: This is the value of money and physical assets an individual uses to start and run business.

Drawings: The amount of goods or cash taken out of the business by the owner for his/her own private consumption.

Purchases: The number of items that are bought for sale in a business with a view to profits.

Sales: The amount of goods sold in the business during a particular period of time. Sales are also called Business Turnover.

Debtors: People, firms or organisations that owe money. Debtors are those individuals that buy goods on credit with the hope of paying at a future date. For example if Asiimwe buys goods on credit from Mirembe, then Asiimwe is Mirembe's debtor.

Creditor: People, firms or organisations to whom money is owed. For example, if Mirembe sells goods on credit to Asiimwe, then Mirembe is Asiimwe's creditor.

Doubtful debtor: Debtors that the business is not sure whether they will pay their debts or not.

Bad debtors: Debtors that the business is sure will not pay their debts for the goods previously acquired on credit.

Assets: An asset is anything of value under the possession of the business held for a short or long period of time. Assets may be current or non-current.

Current Assets: Assets or items which are held by the business for a relatively short period of time usually less than one financial year. They are used in the day-to-day trading activities in the business. For example, Stock of goods, Debtors, Cash at Bank and Cash at hand among others.

Fixed Assets/ Non-current assets: Business possessions held by the business for a very long period of time exceeding one financial year. They are also called fixed capital. For example, Land, buildings and premises, Plant and Machinery, motor vans, tools and Equipment, Fixtures and Fittings, Furniture and Good will among others.

Liabilities: Short term and long-term claims against an individual or a business by the outsiders.

Long Term Liabilities: Debts of a business payable after a considerable length of time exceeding one financial year. For example, Loans and debentures.

Current Liabilities: Claims of outsiders in the business payable within a short period of time less than one year. They may include, bank overdrafts, short term loan and creditors among others.

Accounting Period: The trading period of 12 months for which the accounts are maintained. It may start from any month and end in any month as long as it covers twelve months.

2.1.1

Bookkeeping and Related Accounts

Introduce this by asking the learners motivating questions that will elicit critical thinking and reasoning from them. Ask learners: Imagine you own a stationery business and you stock goods from different suppliers. For some, you pay cash and for others you pay at a future date. Some of your customers also buy on credit while others pay cash. You incur daily costs as well as those paid regularly at different intervals. How would you record such business transactions?

Let learners know that, to keep track of the numerous business transactions, bookkeeping must be done. This will help them make key investment, operating, and financing decisions. After recording all business transactions in a summarised and classified manner, the records must be analysed and interpreted for proper decision making and planning. This process is known as **accounting**.

Bookkeeping systems

Since there are different categories of transactions in business, each of these categories have to be recorded in different books from where they can be easily found.

There are mainly two systems of keeping **books of accounts** or financial records; these include; the single entry system and the double entry system.

Single entry bookkeeping system

Start with this question-and-answer approach: Assuming you own a business and make daily, weekly or even monthly transactions. Some of these will be incomes and expenses. Ask learners; how can you easily record that kind of transactions? Consider the example given.

Worked Example Recording transactions using the single entry system

The following transactions were obtained from the books of Bukhooli Enterprises for June 2022.

- June 1st Invested UGX 150,000 into the business
- June 2nd Paid UGX 15,000 for electricity
- June 3rd Receipt of UGX 10,000 cash from Hanifah
- June 4th Payment of UGX 25,000 cash for advertisement
- June 5th Sale of goods worth UGX 9,000 cash
- June 6th Purchase of office chairs at UGX 20,000
- June 7th Paid wages to Anita, a secretary of UGX 40,000
- June 8th Cash sales of UGX 60,000

**Task:**

Record the above transactions using single entry system of bookkeeping.

Solution

The above transactions can be recorded as follows:

BUKHOOLI ENTERPRISES
ANALYSIS OF CASH RECEIPTS AND CASH PAYMENTS
FOR THE MONTH OF JUNE 2022

Date	Particulars	Cash receipts UGX	Cash payments UGX	Balance UGX
June 1st 2022	Capital	150,000		150,000
June 2nd 2022	Electricity payment		15,000	135,000
June 3rd 2022	Receipt of cash from Hanifah	10,000		145,000
June 4th 2022	Payment for advertisement		25,000	120,000
June 5th 2022	Cash sales	9,000		129,000

Date	Particulars	Cash receipts UGX	Cash payments UGX	Balance UGX
June 6th 2022	Purchase of office chairs		20,000	109,000
June 7th 2022	Anita (wage payment)		40,000	69,000
June 8th 2022	Cash sales	60,000		<u>129,000</u>

Important notes

- Incomes increase the available balance while payments reduce the cash balance available in the business.
- The last balance recorded in a given period is the amount of money the business will start with in the new period.
- Once the total incomes in a period are equal to the total expenditures, then the closing balance will be zero.

In Activity 2.1 on page 52 of the Learner's Book, guide learners to record business transactions using single entry system of bookkeeping.



Activity 2.1 Recording transactions using single entry system

Methods: Guided group discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Resources required: A notebook, pen and internet access where possible.

In groups, study the following transactions and carry out the tasks that follow.

Tom started a Kiosk in Kalungu Trading Centre with capital of UGX 300,000. During the month of March 2021. He made the following transactions:

Date	Detail
March 1st	Received cash of UGX 200,000 from Amos
March 3rd	Paid UGX 50,000 cash for furniture
March 5th	Sold goods for UGX 60,000 cash
March 6th	Purchased items worth UGX 30,000 cash
March 6th	Paid his worker UGX 100,000 cash
March 7th	Received cash of UGX 150,000 from Carol

- a) Record the above transactions using the single entry bookkeeping system.
- b) Suggest why the single entry system is suitable in this case.
- c) Share and present your findings in a class discussion.

Instructions to the teacher:

- Step 1: Divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to divide their books into two sides that is the receipts and the payments side.
- Step 3: Let learners study the information given about Tom's Kiosk and record entries using single entry bookkeeping system.
- Step 4: Let them use calculators or other computer devices to establish the total value of receipts/income and expenditures.
- Step 5: Observe as some use excel to make better presentation of the information.
- Step 6: Let them share their findings with the rest of the class.

Step 7: Assess through conversation how the learners effectively present relevant information related to income and expenditure in relation to single entry system.

Possible responses:

A well-presented table will be as below:

Date	Particulars	Income	Expenditure	Balance
March 2021		UGX	UGX	UGX
March 1st 2021	Capital	300,000		300,000
March 3rd 2021	Furniture payment		50,000	250,000
March 5th 2021	Sales	60,000		310,000
March 6th 2021	Purchases		30,000	280,000
March 6th 2021	Wage payment		100,000	180,000
March 7th 2021	Receipt from carol	150,000		330,000

Remind learners that incomes increase the available balance while payments reduce the cash balance available in the business. They should also be aware that the single entry system is common in small retail businesses where most transactions are on cash basis and in small amounts. For example, airtime shops, market vendors and roadside traders, among others.

The double entry system

Double entry system of bookkeeping (Dual recording). Let learners know that, this system is based on the assumption that for every transaction, there must be two accounts affected; the receiving account and the losing account. The fact that you cannot receive if there is no person giving and you cannot give unless there is another person receiving. This means that, for every business transaction, there must be two parties or accounts that are being affected. One party or account is giving, and the other party or account receiving. According to the principle of double entry, the words receiving and giving are represented by the Latin words ‘debit’ and ‘credit’ respectively where debit means ‘plus’ and credit means ‘minus’. Learners should also know that debit is abbreviated as Dr whereas Credit is abbreviated as Cr.

Double Entry Rule:

Ask learners to brainstorm the rule for double entry and thereafter harmonise their responses and provide an agreeable acceptable rule. The double entry rule states that, “For every debit (receiving) entry made in an accounts book, there must be a corresponding credit (giving) entry in another account or book and for every credit entry made, there must be a corresponding debit entry in another account or book.” The double entry rule requires that each transaction is recorded twice in books of accounts that is, one account is debited and the other credited with the same amount of money.

Application of double entry principle:

Inform learners that, once a transaction takes place, the following actions should be performed for double entry to be observed,

- Debit the receiver of the given amount of money
- Credit the giver of that same amount of money.

NOTE: To “debit” is to record the amount of transaction on the left-hand side of an account, and to “credit” is to record the transaction on the right-hand side of an account.

Important notes

- 1 To “debit” is to record the amount of transaction on the left-hand side of an account, and to “credit” is to record the transaction on the right-hand side of an account.
- 2 The double entry system operates in the different categories of accounts as follows:

Account class	Normal Balance	Increase	Decrease
Expenses	Debit	Debit	Credit
Assets	Debit	Debit	Credit
Liabilities	Credit	Credit	Debit
Equity/capital	Credit	Credit	Debit
Revenue/incomes	Credit	Credit	Debit

- 1 According to the principle of double entry, the words receiving and giving are represented by Latin words of ‘debit’ and ‘credit’, respectively, where debit means ‘plus’ and credit means ‘minus’. Debit is abbreviated as Dr while Credit is abbreviated as Cr.
- 2 Once a transaction takes place, the following actions should be performed:
 - Know which account is debited and which account is credited.
 - Debit the receiver of the given amount of money.
 - Credit the giver of that same amount of money.
- 3 To “debit” is to record the amount of transaction on the left-hand side of an account, and to “credit” is to record the transaction on the right-hand side of an account.
- 4 The double entry system operates in the different categories of accounts as follows:

Account class	Normal Balance	Increase	Decrease
Expenses	Debit	Debit	Credit
Assets	Debit	Debit	Credit
Liabilities	Credit	Credit	Debit
Equity/capital	Credit	Credit	Debit
Revenue	Credit	Credit	Debit

Worked Example

Practical Illustration of double entry system

- 1 Assuming, Ankunda Shamim started business on February 1st 2022 with cash UGX. 700,000. This means that the liabilities’ account (owner’s equity), capital increased by UGX. 700,000 while the assets account (cash in the business) increased by UGX. 700,000. The accounting equation would then be;
 - a) An asset called cash increased by UGX. 700,000
 - b) Capital invested by the owner increased by UGX. 700,000

Therefore, we debit cash the receiving account by UGX. 700,000 and credit capital the paying/giving by UGX. 700,000. The illustrations would be as follows.

Capital Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
				Feb 1st	Cash		700,000

Cash Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
Feb 1st	Capital		700,000				

- 2 Assuming on February 5th 2022, the business bought furniture by cash UGX 200,000. It will have two effects;
- An asset called furniture increased by UGX 200,000
 - Another asset called cash reduced by UGX 200,000

Therefore, you debit the furniture(receiving) account by UGX 200,000 and credit the cash(giving) account by UGX 200,000. The illustrations would be as follows;

Cash Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
				Feb 5th	Furniture		200,000

Furniture Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
Feb 5th	Cash		200,000				

- 3** Assuming on February 8th 2022, the business sold goods by cash UGX 40,000, the dual effect will be as follows;
- Revenue from sales increased by UGX 40,000 and Sales left the business.
 - An asset called cash increased by UGX 40,000

Therefore we credit sales revenue with UGX 40,000 and then debit cash account with UGX 40,000.

The illustrations will therefore be as follows;

Sales Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
				Feb 8th	Cash		40,000

Cash Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
Feb 8th	Sales		40,000				

- 4** Assuming on 15th February 2022, the business purchased goods cash UGX 25,000. The dual effect will be as follows;
- An asset called cash reduced by UGX 25,000
 - An expense on purchases increased by UGX 25,000

Therefore, we credit the cash (paying account) with UGX 25,000 and then debit the purchases account (Receiving account) with UGX 25,000. The illustration will be as follow;

Cash Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
				Feb 5th	Purchases		25,000

Purchases Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
Feb 5th	Cash		25,000				

- 5 Assuming on February 21st 2022, some money worth UGX 15,000 was deposited into the bank. The dual effect would be as follows,
- An asset called cash at hand reduced by UGX 15,000
 - An asset called cash at bank increased by UGX 15,000

Therefore, we have to credit the cash account (cash at hand) by UGX 15,000 and debit the bank account (cash at bank) by UGX 15,000. The illustrations will be as follows;

Cash Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
				Feb 21st	Bank		15,000

Bank Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
Feb 21st	Cash		15,000				

- 6 Assuming on February 23rd, 2022, the business sold goods on credit worth UGX 70,000 to Sam. The dual/double effect will be as follows;
- The sales revenue expected by the business increases by UGX 70,000 and sales worth that value leave the business
 - The asset called debtor (Sam) also increased by UGX 70,000 and he receives the goods sold to him.

Therefore, we credit the sales(giving) account by UGX. 70,000 and debit Sam, the debtors account(receiving) account by UGX 70,000. The illustrations are as follows;

Sales Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
				Feb 23rd	Debtor (Sam)		15,000

Debtor (Sam) Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
Feb 23rd	Sales		15,000				

- 7 Assuming on 27th February 2022, Some Goods worth UGX 10,000 were returned by the debtor (Sam) to the business. The dual effect will be as follows;
- a) The asset /debtor's amount will reduce by UGX 10,000 because he returned some goods to the business.
 - b) The asset of stock of goods returned increases by UGX 10,000 because it receives back the returned goods.

Therefore, we credit the debtor (Sam)by UGX 10,000 for the goods he returned and debit the returns inwards account by UGX 10,000 for the goods received back. The illustrations will be as follow;

Debtor (Sam) account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
				Feb 27th	Returns inwards		10,000

Returns inwards Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
Feb 27th	Debtor (Sam)		10,000				

- 8 Assuming the business owner withdrew cash from the business UGX 35,000 on 28th February 2022 and used it for his daughter's birthday cake(drawings). The dual effect would be as follows,
- An asset called cash reduces in the business by UGX 35,000 because it was withdrawn by the owner.
 - The owner's equity (capital) in the business was reduced by the amount of drawings of UGX 35,000. So the drawings made in the business increased by the same amount.

Therefore, we credit the cash(paying) account by UGX 35,000 and debit the drawings account(receiving) by UGX 35,000. The illustrations will be as follows;

Cash Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
				Feb 28th	Drawings		15,000

Drawings Account							
DR				CR			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
Feb 28th	Cash		35,000				

Worked Example Recording Transactions using Double Entry System

Study the transactions in the following table for Jagron Enterprises for the month of May 2022:

Date	Transaction	Amount (UGX)	Account Debited	Account Credited
May 1st	Started business with cash	120,000		
May 3rd	Cash purchases	50,000		
May 8th	Deposited money into the bank	45,000		
May 13th	Paid wages by cheque	15,000		
May 15th	Bought furniture on credit	55,000		
May 18th	Withdrew cash from the business for personal use	20,000		
May 21st	Sold goods on credit to Okumu	50,000		
May 24th	Received cash from Kembabazi	70,000		
May 28th	Cash purchases	13,000		
May 30th	Paid for advertisement	5,000		
May 31st	Cash sales	40,000		

- 1 Complete the table above by filling the accounts to respectively be debited and credited.
- 2 Which account should not be filled and why?

Solution

JAGRON ENTERPRISES TRANSACTIONS FOR MAY 2022

Date	Transaction	Amount (UGX)	Account Debited	Account Credited
May 1st	Started business with cash	120,000	Cash	Capital
May 3rd	Cash purchases	50,000	Purchase	Cash
May 8th	Deposited money into bank	45,000	Bank	Cash
May 13th	Paid wages by cheque	15,000	Wages	Cash
May 15th	Bought furniture on credit	55,000	Furniture	Creditor
May 18th	Withdrew cash from the business for personal use	20,000	Drawings	Cash
May 21st	Sold goods on credit to Okumu	50,000	Okumu	Sales
May 24th	Received cash from Kembabazi	70,000	Cash	Kembabazi
May 28th	Cash purchases	13,000	Purchases	Cash
May 30th	Paid for advertisement	5,000	Advertisement	Cash
May 31st	Cash sales	40,000	Cash	Sales

Inform learners that in Activity 2.2 on page 59 of the Learner's Book, they will get to record business transactions using the double entry system.



Activity 2.2 Recording transactions using double entry system

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Discussion, discovery, critical thinking, collaboration.

Resources to use: Pen, notebook, calculator and internet access where possible.

In groups, study the business transactions in the following table and carry out the tasks that follow.

HANIFAH TRADERS BUSINESS TRANSACTIONS FOR MARCH 2021

Date	Transactions	Amount (UGX)	Account Debited	Account Credited
March 1st	Started business with cash	100,000		
March 3rd	Bought goods in cash	40,000		
March 8th	Deposited money into bank	20,000		
March 13th	Paid transport by cheque	150,000		
March 15th	Sold goods in cash	35,000		
March 18th	Withdrew cash from the business for personal use	15,000		
March 21st	Credit purchases from Amos	50,000		
March 24th	Returned goods to Amos	20,000		
March 28th	Withdrew cash from the bank	4,000		
March 30th	Cash sale of old furniture	30,000		
March 31st	Promised to pay Brenda	20,000		



Tasks:

- 1 Giving reasons in each transaction, complete the table above by filling the accounts to be debited and credited.
- 2 Giving reasons, identify the transaction which should not be recorded.
- 3 Choose a group secretary to write.
- 4 Present your work to the rest of the class.

Instructions to the teacher:

- Step 1: Review on the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to study the information given and identify the accounts to be debited and credited.

- Step 3: Let them draw the table recording the accounts to be debited or credited.
- Step 4: Let learners identify which transactions should not be recorded anywhere.
- Step 5: Observe as they record the accounts on the recommended side.
- Step 6: Let each group share its findings with the rest of the class.
- Step 7: Assess through conversation how the learners give reasons why some transactions are not recorded.
- Step 8: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

- 1 The table identifying the two accounts and where they should be recorded is as follows;

HANIFAH TRADERS BUSINESS TRANSACTIONS FOR MARCH 2021

DATE	TRANSACTION	AMOUNT (UGX)	ACCOUNT DEBITED	ACCOUNT CREDITED
March 1st	Started business with cash	100,000	Cash	Capital
March 3rd	Bought goods in cash	40,000	Purchases	Cash
March 8th	Deposited money into bank	20,000	Bank	Cash
March 13th	Paid transport by cheque	15,000	Transport	Bank
March 15th	Sold goods in cash	35,000	Cash	Sales
March 18th	Withdrew cash from the business for personal use	15,000	Drawings	Cash
March 21st	Credit purchases from Amos	50,000	Purchases	Amos
March 24th	Returned goods to Amos	20,000	Amos	Returns outwards
March 28th	Withdrew cash from the bank	4,000	Cash	Bank
March 30th	Cash sale of old furniture	30,000	Cash	Furniture
March 31st	Promised to pay Brenda	20,000	Nil	Nil

- 2 The last transaction is not recorded because promises are not recorded in books of accounts. We record a transaction only when it takes place and should be monetary in nature.

Tip

Effective bookkeeping or accounting can be broken down into four stages, namely:

Recording: At this stage, you record business transactions as they take place.

Classifying: At this stage, you put records of the same type in a similar book. For example, all sales may be recorded in the sales ledger.

Summarising: Now you make sub-totals for each class of accounts for easy presentation.

Analysis and interpretation: At this level, you provide detailed and simplified forms for all end users of accounting information to interpret.



Activity 2.3 Understanding how to record financial transactions

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Mathematical skills, discovery, critical thinking, collaboration.

Resources to use: Pen, notebook, calculator and internet access where possible.

In groups, study the following financial transactions and answer the tasks that follow.

Jose and Sons Company performed the following transactions in the month of January 2021

Date	Detail	Amount (UGX)
Jan 1st	Jose & Sons Co. started business with cash	1,000,000
Jan 2nd	Purchased goods in cash	200,000
Jan 4th	Purchased machinery from Cathy	300,000
Jan 6th	Rent paid in cash	100,000
Jan 8th	Purchased goods on credit from Ema	205,000
Jan 10th	Sold goods in cash	400,000
Jan 15th	Sold goods on credit to Remmy	300,000
Jan 18th	Paid salaries in cash	120,000
Jan 20th	Withdraw cash for personal use	50,000

**Tasks:**

- 1 What do you think is the best way to record the information for Jose and Sons? Give reasons for your answer.
- 2 Record the transactions using:
 - a) The single entry system.
 - b) The double entry system.
- 3 Choose a group secretary to record all your findings for presentation and further discussion.

Instructions to the teacher:

- Step 1: Review on the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to study the information given in figures A for Jose and Sons company.
- Step 3: Let the learners identify the best method for recording information in the figure given.
- Step 4: Let them record the transactions using the method most suitable to them.
- Step 5: Observe as they make a report on how the two methods of bookkeeping differ from each other.
- Step 6: Let each group share its findings with the rest of the class.
- Step 7: Assess through conversation how the learners give reasons for the differences in bookkeeping methods used in each.
- Step 8: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

- 1 For figure A, the records made will depend on the decision of each group. Usually for small businesses single entry bookkeeping system is recommended while for large business, double entry system of bookkeeping is recommended.
- 2 For learners who choose double entry system, the records will appear as follows. Figure transactions can be recorded using double entry as follows.

John and Sons ledger accounts.

Page 1:

Capital A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
				Jan 1st	Cash	L.2	1,000,000

Page 2:

Cash A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
Jan 1st	Capital	L1	1,000,000	Jan 2nd	Purchases	L.3	200,000
Jan 10th	Sales	L.9	400,000	Jan 6th	Rent	L.6	100,000
				Jan 18th	Salaries	L.11	120,000
				Jan 20th	Drawings	L.12	50,000

Page 3:

Purchases A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
Jan 2nd	Cash	L.2	200,000				
Jan 8th	Emma	L.7	205,000				

Page 4:

Cathy A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
				Jan 4th	Machinery	L.5	300,000

Page 5:

Machinery A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
Jan 4th	Cathy	L.4	300,000				

Page 6:

Rent A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
Jan 6th	Cash	L.2	100,000				

Page 7:

Emma A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
				Jan 8th	Purchases	L.3	205,000

Page 9:

Sales A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
				Jan 10th	Cash	L.2	400,000
				Jan 15th	Remmy	L.10	300,000

Page 10:

Remmy A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
Jan 15th	Sales	L.9	300,000				

Page 11:

Salaries A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
Jan 18th	Cash	L.2	120,000				

Page 12:

Rent A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
Jan 20th	Cash	L.2	50,000				

3 Recording transactions of Jose and sons using single entry system.

Some learners who will present the above information using single entry will present as follows.

Jose and sons income and expenditure for the month of January 2021

Date	Particulars	Income	Expenditure	Balance
January 2021		UGX	UGX	UGX
Jan 1st 2021	Capital	1,000,000		1,000,000
Jan 2nd 2021	Purchases		200,000	800,000
Jan 4th 2021	Payment to Cathy		300,000	500,000
Jan 6th 2021	Rent		100,000	400,000
Jan 10th 2021	Sales	400,000		800,000
Jan 18th 2021	Salaries		120,000	680,000
Jan 20th 2021	Drawings		50,000	630,000

4 Advantages of single entry system;

- It is simple and direct
- It is easy to interpret by even people with less education
- It helps to separate incomes from business expenditures
- It gives the balance left after each transaction easily. This helps business owners to plan accordingly.
- It arranges information clearly and directly

Advantages of double entry book keeping over single entry book keeping include;

- 1 It facilitates reference to the details of any account if information is needed.
- 2 It reduces fraud and promotes accountability since the person who records is different from the one who posts to ledgers.
- 3 It facilitates delegation of duties and specialisation as some people are tasked with recording in subsidiary books while others maintain the ledgers.
- 4 Double entry system facilitates the extraction of a trial balance and final accounts because it classifies and summarises the ledger book.

- 5 Double entry system makes it easy to prove the arithmetical accuracy of entries through the extractions of a trial balance where total debits must be equal to the total credits.
- 6 It helps to provide a summary of each account at the end of a given period showing which accounts are closed off and those that remain with balances.

2.1.2 Books of Accounts

Start by reading this information to the learners. Every transaction carried out in business must be recorded in a separate book. The nature of the transaction determines which book it is entered into. Cash transactions have their own book, Sales will be entered in another one, purchases will be recorded in another book, returns outwards and returns inwards also in their own books. The main book in which entries from such books of accounts are posted is called the **Ledger**. While entering the transactions in these books, you must be giving the following details on each side;

- **Date column:** record the date on which the transaction took place in this column.
- **Detail's column:** record the particulars of a transaction in this column that is show the name of customers, suppliers, asset and expenses among others.
- **Folio column:** record the page of reference for this transaction in another book.
- **Amounts column:** record the amount of money paid or received in this column.

The ledger: inform learners that the main book of accounts where all the business accounts are classified and summarised. The accounts kept in this book are categorised into the following;

- **Revenue accounts:** for example, sales, discount received etc.
- **Expenses accounts:** for example, wages, transport, insurance, postage etc
- **Capital account**
- **Assets accounts:** for example, land, furniture, motor van, cash, bank etc
- **Liabilities accounts:** for example, creditors, loans, debentures, etc



Activity 2.4 Understanding books of accounts

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Mathematical skills, discovery, critical thinking, collaboration.

Resources to use: Pen, notebook, calculator and internet access where possible.

In groups:

- Identify the books of accounts that are used in recording business transactions and clearly explaining the use of each book.
- Assuming you had a cash balance (b/d) of UGX 50,000 and a bank balance of UGX 200,000 at the beginning of the month, and then had the following transactions during the month:
 - On 2nd Jan. 2021 bought goods for cash UGX 80,000.
 - On 3rd Jan. 2021 Paid rent by cash UGX 40,000. On 4th Jan. 2021 sold goods for cash UGX 10,000.
 - On 5th Jan. 2021 paid electricity by cash UGX 45,000.
 - On 5th Jan. 2021 sold goods for cash UGX 60,000.
- Post the above transactions in a ledger.
- Explain why the different types of accounts have entries recorded on specific sides.

Instructions to the teacher:

- Step 1: Review on the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to research and present the books used in the accounting process.
- Step 3: Let the learners record the information given in a ledger book.
- Step 4: Let them record the information given in ledger accounts.
- Step 5: Observe as they make records accurately in the ledger.
- Step 6: Let each group share its findings with the rest of the class.
- Step 7: Assess through conversation how the learners can easily identify the right sides for the transactions.
- Step 8: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

a) The ledger accounts would be recorded as follows;

Page 1

Capital A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
				Jan 1st	Cash	L.2	5,000
				Jan 1st	Bank	L.3	20,000

Page 2

Cash A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
Jan 1st	Capital	L.1	50,000	Jan 2nd	Purchases	L.4	8,000
Jan 4th	Sales	L.6	10,000	Jan 3rd	Rent	L.5	4,000
Jan 5th	Sales	L.6	6,000	Jan 5th	Electricity	L.7	4,500

Page 3

Bank A/C

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
Jan 1st	Capital	L.1	20,000				

Page 4**Purchases A/C**

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
Jan 2nd	Cash	L.2	8,000				

Page 5**Rent A/C**

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
Jan 3rd	Cash	L.2	4,000				

Page 6**Sales A/C**

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
				Jan 4th	Cash	L.2	10,000
				Jan 5th	Cash	L.2	6,000

Page 7**Electricity A/C**

DR				CR			
Date January 2021	Details	Folio	Amount UGX	Date January 2021	Details	Folio	Amount UGX
Jan 5th	Cash	L.2	4,500				

- b) The different accounts are recorded on the specific sides because of the rule for double entry system that is debit the receiver and credit the Payer or giver.
- c) The ledger presented by the learners will depend on the business of reference for learners.

2.1.3 Importance of Bookkeeping

Let learners know that, every business person who keeps records will tell how vital bookkeeping is to any business. Keeping your financial records organised makes it easier to locate and pass on information to its various users. It also helps with business analysis as it is a tool used by management to analyse business performance.

Inform learners on how bookkeeping is important for maintaining accurate financial records. In fact, not maintaining proper and accurate financial records is one of the reasons why businesses fail. Without bookkeeping or accounting, you are blindly driving your business which will most likely crash.

Learners should get to know that accounting records of a business are not used by the entrepreneur alone, but also other internal and external users. In Activity 2.5 on page 63 of the Learner's Book, learners will find out the importance of bookkeeping.



Activity 2.5 Understanding the importance of bookkeeping

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Discussion, discovery, critical thinking, collaboration and mathematical skills.

Resources to use: Pen, notebook, calculator and internet access where possible.

In groups:

- 1 Using the Internet, library or any resource available to you, discuss the importance of bookkeeping in a business.
- 2 Present your findings to the class.

Instructions to the teacher:

Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.

Step 2: Ask learners to research and present the importance of bookkeeping in business.

- Step 3: Let the learners use internet or any other source to identify the importance of bookkeeping.
- Step 4: Observe their level of accuracy as they present their research to the rest of the class.
- Step 5: Let each group share its findings with the rest of the class.
- Step 6: Assess through conversation how the learners can easily identify the importance of bookkeeping.
- Step 7: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

Bookkeeping is important in business in the following ways;

- 1 It acts as a tool for control. Assets, mainly cash and stock of goods must be controlled to avoid losses in the business.
- 2 Book keeping helps an entrepreneur in calculating profits or losses made in a given period of time. It gives a business a viable measure of its performance.
- 3 Book keeping gives the external users (investors, financial institutions, or government) access to reliable information to make better investment or lending.
- 4 Book keeping gives the external users (investors, financial institutions, or government) access to reliable information to make better investment or lending.
- 5 Book keeping acts as a tool for planning by providing useful information related to purchases, sales, profits, investments, etc. It also eases budgeting process since it ensures proper recording of all incomes and expenses.
- 6 Provides information on general strategic decisions and a benchmark for its revenue and income goals.
- 7 Enables the business to keep a good record of every shilling spent or received.
- 8 Aids equitable taxes. For the government on URA to be able to determine the amount of taxes charged on individuals and businesses
- 9 Accounting records act as centre for future reference i.e. the information can be used when comparing performance of a business over time which facilitates decision making.

- 10 Accounting records act as centre for future reference i.e. the information can be used when comparing performance of a business over time which facilitates decision making.
- 11 Helps in solving disputes among business members for instance in companies, co-operatives and partnerships as it clearly indicates the capital contributions for each member and the profit-sharing ratio.

2.14 Use of Spreadsheets in Accounting

Let learners know that with digital migration, most businesses even in Uganda have incorporated computer technology to produce more accurate and reliable accounting records. Accounting applications that are common include Microsoft excel, access and pastel among others.

Tip

Other spreadsheet applications include:

- Lotus 1-2-3.
- Microsoft Works Spreadsheet
- Microsoft Excel
- Open Office Calc
- Google Drive Spreadsheet.

Bank A/C							
Dr				Cr			
Date	Particulars	Folio	Amount (UGX)	Date	Particulars	Folio	Amount (UGX)
1st Feb 2022	Balance	b/f	100,000	7th Feb 2022	Electricity		45,000
4th Feb 2022	Sale		60,000	15th Feb 2022	Rent		150,000

Figure 2.1 Using spreadsheets in accounting

Use the Activity 2.6 on page 64 of the Learner's Book to guide learners on how to draw spreadsheets to record the items provided.



Activity 2.6 Understanding the use of spreadsheets in accounting

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Discussion, discovery, critical thinking, collaboration and mathematical skills.

Resources to use: Pen, notebook, calculator and internet access where possible.

In groups:

- 1 Record the financial transactions in Activity 2.1 on page 52 of the Learner's Book and 50 using spreadsheets.
- 2 Explain how accounting information is entered, sorted, stored, calculated and analysed using graphs and charts in spreadsheets.
- 3 Produce a spreadsheet for a typical day's transactions at a local store or school canteen or a shop near your school. You may ask a store or shop attendant for this information.
- 4 Explain how accounting relates with technology to perform mathematical tasks.
- 5 Choose a group secretary to record your findings and present them before the class for comparison and further discussion.

You can consult your ICT teacher on how to use spreadsheets.

Instructions to the teacher:

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to study information in Activity 2.1 and record it using spreadsheets.
- Step 3: Let the learners use internet or any other source to discover how information is sorted, analysed, entered, sorted or collected.
- Step 4: Observe their level of accuracy as they present their research to the rest of the class.
- Step 5: Let each group share its findings with the rest of the class.
- Step 6: Assess through conversation how the learners can gather, collect, record and sort data using spreadsheets.

Step 7: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

- 1 The learner will use excel to record the data in the activity 2.1 and then export to word the final document. The formulars should be automatic
- 2 The information given will vary from one school to another and from one student to another. Just look at how spreadsheets are used to record the information. Just in case the learners do not get information from the local store, school canteen or a nearby shop then, the teacher should provide transactions.

Users of bookkeeping and accounting records

Let learners know that, it is necessary to know who will use their business records and why? The accounting records of a business are not used by the entrepreneur alone but also by all internal and external stakeholders. Ask them to study the Figure 2.2 on page 120 of the Learner's Book and give the feedback of the following questions: Why do you think each user needs the financial information?

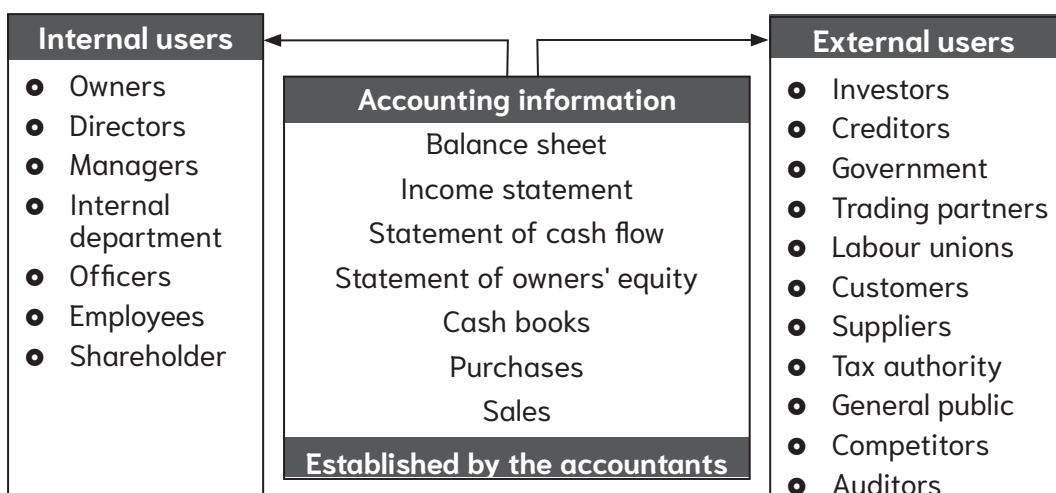


Figure 2.2 Accounting records are not only beneficial to the entrepreneur alone



Activity 2.7 Understanding the Users of Accounting Records

Methods: Discussion, observation, question and answer, brainstorming.

Skills: Discussion, discovery, critical thinking, collaboration and mathematical skills.

Resources to use: Pen, notebook, calculator and internet access where possible.

In groups:

- 1 Study the Figure 2.3 and describe each user of accounting records.
- 2 Why do you think each user needs the financial information?
- 3 Which records are commonly kept in the business?
- 4 List the differences between internal and external users of accounting information.
- 5 Choose a group secretary to produce a report.
- 6 Present your findings for comparison and further discussion to the rest of the class.

Instructions to the teacher:

- Step 1: Divide learners into manageable groups while ensuring gender balance where possible.
- Step 2: Ask the learners to study Figure 2.2 on page 64 of the Learner's Book and describe each user of accounting information.
- Step 3: Let them clearly explain the similarities and differences between the different users.
- Step 4: Move around guiding groups which may be facing difficulty.
- Step 5: Task learners to write a story or produce a cartoon strip to describe a business that did not keep good banking and accounting records, as well as what became of that business.
- Step 6: Ask group members to choose a group secretary to produce a report on each group's findings and compare with those of other groups.
- Step 7: Wrap up this activity by encouraging learners to conduct more research about users of accounting records during their free time.

Expected responses:

Question 1:

Internal users: These include employees and management. They need accounting information because of the following;

- 1 Employees:** these require accounting information to see the profitability of the business and use it to claim for a better pay, welfare improvement and job security. The book keeping records will show whether the business is still strong enough to continue existing and paying you adequately.
- 2 Business management/administration:** management uses information in the books of accounts to ensure that the business is run profitably. They also use the information in books to monitor the progress of business activities in relation to the set production and profit targets. Management also needs accounting information to provide proper accountability to the shareholders and business owners.

External users in business planning include:

External users of accounting information are outsiders in the business but are directly or indirectly linked to business activities. They include the following;

- 3 Shareholders/business owners:** they use the accounting information to ensure that the key decisions made are implemented by management for increased profitability. They also use this information to calculate and see the amount of dividends earned in a particular financial period. They also need to see the performance of their shares on the market.
- 4 Suppliers/creditors:** they need your accounting to establish if your business is trust worthy or not. Accounting information will also show the supplier if the business will be able to pay in time for goods supplied.
- 5 Financial institution/lenders:** they use the book keeping information to establish the areas that require external funding and how ready the business may be during loan repayment. Good profitability records represent the business' ability to clear the loans offered.
- 6 Business donors:** those businesses funded by donor agencies or charity organisations have to provide accountability to the donor agencies. They have to explain how the donated funds have been utilised and the other projects that require more external funding.
- 7 Competitors/rival business:** your rivals will try as much as possible to get access to information in your books of accounts sometimes using even illegal means. They usually use such information to bench mark and compare your targets with theirs. They can use the information even as a way of developing counter competitive strategies.
- 8 Government:** government needs the information in your books of accounts mainly to assess the amount of taxes to be collected from your business and your employees. Government bodies like uganda national bureau of standards (unbs) and national environmental management authority (nema) will also

need your financial reports to ensure that corporate social responsibility and environmental protection is included in your business plan information to see whether goods are of recognised quality and the business is friendly to the environment.

- 9 **The general public:** the local community will need to see the information in your business plan to ensure that corporate social responsibility is included among your targets. They will always need to know how much you are giving back to the community in which you operate.
- 10 Other users may include students and journalists just for general research about economic performance.
 - a) Transactions that should be recorded in the books may include the following:
 - 1 Injection of capital into the business
 - 2 Sales of stock
 - 3 Purchase of stocks
 - 4 Payment of expenses like electricity, salaries and wages, payment of rent, transport and other overhead expenses.
 - 5 Payment of taxes
 - 6 Purchase of fixed assets
 - 7 Sale of a fixed asset.
 - 8 Drawings from the business
 - 9 Payment of liabilities
 - 10 Acquisition of a loan

Question 3: The differences between the different users of accounting information given will depend on the learner's interpretation of the different stakeholders. Some of the possible responses include:

- 1 Internal users participate in the physical running of a business while external users do not.
- 2 Internal users especially managers and employees are paid salaries or wages periodically while external users do not receive such salaries and wages.
- 3 Internal users participate in all business meets while external users are involved in only the annual general meeting.
- 4 Internal users make short term operational decisions while external users are involved in long term strategic decisions.

(d) Records kept in books of accounts include;

- Record of sales value

- Record of cash transactions
- Record of purchases both on cash and credit basis
- Record of expenses
- Record of capital
- Record of drawings
- Record of discounts allowed and received

2.2: Source Documents

Number of periods: 5

Learner's Book on page 124



Keywords

- books of accounts
- invoice
- quotation
- debit note
- source documents
- imprest amount

After studying and practising the activities in this section, you will be able to:

- know the various source documents used in bookkeeping
- prepare source documents

2.2.0 Introduction

Introduce this subtopic by asking the learners motivating questions that will elicit critical thinking and reasoning from them. In most businesses, transactions are first recorded in certain documents before they are posted to the **books of accounts**. Ask learners: Have you ever received a receipt after paying for something? What do you use to show the school authorities that you paid school fees? Any document used to prove that a transaction took place is called a source document. In this section, you will discover the various **source documents** used in bookkeeping and learn how to prepare them.

In this sub-topic, you will guide the learners to:

- Define the source documents,
- Appreciate the importance of source documents,
- Identify the different source documents and how they are used,
- Prepare them for different transactions.

Points to keep in mind

- Meaning of a source document.
- Examples of source documents.
- Key features of source documents.
- Importance / advantages of using source documents.
- Format or how they look like.
- Arrangement of source documents according to business activities.

2.2.1 Source Documents Used in Bookkeeping

Let learners know that while source documents generally are used to keep proof of transactions, the kind of source document to be used is determined by the transaction. Source documents capture key information about the transaction, such as the names of the parties involved, amounts paid (if any), the date, the particulars or description of the transaction. Let learners study the source documents in Activity 2.8 on page 67 of the Learner's Book. Have you ever seen either of them?

A MUGISHA WHOLESALERS Dealers in: General Merchandise Shop No. 1 Kafumbe Mukasa Road No. 7903 M/s.				CASH SALE	Date: 8/12/21
Qty	Particulars	Rate	Amount		
1	Footware LC	69500			
1	Dembe (Nyan)	65500			
1	H.I Star Junior	10000			
1	Mavit jelly	12000			
1	Orange trib	16000			
1	Deinent	16000			
2	Tee water (Cocon)	10000	=		
E&OE		Thank you	TOTAL	199000	
Goods once sold are not returnable					

B

0217	KEZA RESTAURANT LTD
	P.O BOX 1600, Kaabong
	TEL.+25677797377
	GOOD FOOD COSTS LESS'
Date:	
RECEIPT	
Received with thanks from	
The sum of shillings	
Being payment of	
Cash/Cheque NO.	
UGX <input type="text"/> Balance:	
With Thanks(sign)	
(Name).....	
(Title of officer)	

Figure 2.3 Some of the source document



Activity 2.8 Exploring source documents used in a business

Methods: Discussion, observation, question and answer, field excursion brainstorming

Skills: Discussion, discovery, critical thinking, collaboration.

Resources to use: Pen, notebook, calculator and internet access where possible, receipts, bankslips, entrepreneurship Textbooks

In groups:

- 1 Use the Internet, the library or any research resource available to you to research and discuss each of the following source documents used in business.

a) Letter of inquiry b) Quotation c) Goods returned note d) Price list e) Catalogue f) Purchase order g) Delivery note h) Invoice	i) Goods received note j) Debit note k) Pay roll l) Deposit slip m) Credit note n) Voucher o) Receipt
--	---
- 2 Describe how each is used or the purpose for which it is used and its contents.
- 3 Prepare each of the above documents.
- 4 Choose a group secretary to record your findings.
- 5 Present your work to the rest of the class.

Instructions to the teacher:

- Step 1: Review on the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to discuss the features of the different documents given.
- Step 3: Let them discuss how each document is used through guided discovery.
- Step 4: Observe as they collaborate to find information about the different documents used in accounting.
- Step 5: Let each group share its findings with the rest of the class.
- Step 6: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses

Task 3: Description of the documents used in recording business transactions.

Letter of inquiry: This is a document that you send to prospective sellers/producers requesting for information about the goods available for sale as well as the other terms and conditions. This letter is written by your purchases manager to the different sales managers of the various potential suppliers.

Quotation/price list: These documents are sent by the producer/supplier to a prospective customer showing a list of goods available for sale, their prices and other terms and conditions. It is usually written by the supplier's sales manager to your purchases manager in reply to the letter of inquiry you sent earlier.

Purchase order/Local Purchase Order(LPO): This a document issued by a buyer to the seller requesting to be supplied with the items specified. It is usually written by your purchases manager to the sales manager of the producer/supplier company.

Invoice: Whenever goods are sold or bought on credit, a document called invoice is always issued. The invoice will show the details of goods sold or bought on credit and the cash discounts available if any.

Delivery note: This a document issued by the seller to the buyer showing details of goods that have been delivered as per the Local Purchase Order (LPO). It is usually delivered by the transporter together with an invoice demanding payment if goods were sold on credit. The buyer usually signs it or writes a goods received note to acknowledge the amount of goods received in good condition.

Goods received note: This document is issued by the business to the supplier/seller showing details of goods that have been delivered in the right condition.

Cheque leaf: This is a written order by a current account holder to his or her bank instructing it to pay a specified amount of money to a named person.

Cash deposit slip for customers: This is a document issued by the bank to its clients to be used while making deposits of cash. It is what is referred to as bank slips used in schools.

Case study 2.1 Identifying Source Documents in a Business

Methods: Discussion, observation, question and answer, reading aloud, brainstorming.

Skills: Discussion, discovery, critical thinking, collaboration.

Resources to use: Pen, notebook, calculator and internet access where possible, Source documents for example;

In groups, read the following case study and carry out the tasks that follow:

Moses saved to start a business. He had come up with an idea of starting a stationery shop in Mukono near his uncle's place. He was excited to implement the skills he had acquired in the Entrepreneurship class. His uncle was surprised that Moses started the business without having any challenges like many people experience at the start of business.

Before selecting the suppliers, Moses used letters of inquiry which he sent to different addresses he got from Google. He received a number of quotations and catalogues, which he used to select the suppliers before issuing purchase orders. He always demanded for invoices whenever he got supplies on credit, or a cash receipt whenever he paid cash.

His teacher had taught him to always demand for a delivery note whenever goods are delivered to ensure that it tallies with the invoice earlier received. He had designed his own documents to be used in business and opened up a current account with XY Bank in his business name, which came with a cheque book.

He paid for utilities like electricity and water in cash and always made sure that the receipts were issued to him.



Tasks:

- 1 Identify the source documents that Moses used in his business.
- 2 Discuss the uses of these source documents in a business.
- 3 Present your findings to the rest of the class.

Instructions to the teacher:

- Step 1: Review on the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to read the case study given and identify the documents used in Moses' business.
- Step 3: Let them discuss the uses such source documents.
- Step 4: Let learners identify the purpose of each source document in the case study.
- Step 5: Let each group share its findings with the rest of the class.
- Step 6: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses

Task 1: The source documents used in the case study include;

- Letters of inquiry
- Quotations
- Price lists
- Invoices
- Receipts
- Delivery note
- Goods received note
- Cheque
- Cheque deposit slip
- Cheque withdraw slip

Task 2: The uses of source documents in business include:

- It makes it easy to investigate for the missing documents.
- It acts as evidence for the transactions that have taken place in the Business.
- It enforces discipline to the staff and owners of the business because they will always collect and do accurate keeping of the business records.
- The clients are in full control as 'an entrepreneur must approve some sensitive transactions.'
- It protects customers from being overcharged by sales agents of the business.
- Documentation is very important for tax assessment by government.

Using source documents in different businesses

Different businesses use different source documents. In schools, receipts, library stock cards and permission chits are common. In the transport business, travel tickets are used while in health centres, medical forms are used. In banking there are several other documents used when depositing, checking for the account balance, or when withdrawing money. Which source documents does a typical business use? Guide learners on using source documents for different activities using Activity 2.9 on page 69 of the Learner's Book.



Activity 2.9 Understanding the use of source document in business

Methods: Discussion, observation, question and answer, field excursion brainstorming.

Skills: Discussion, discovery, critical thinking, collaboration.

Resources to use: Pen, notebook, computer and internet access where possible.

In groups:

- 1 Visit a nearby trading centre and identify a range of successful businesses from different lines of business.
- 2 Identify and explain the different source documents used by these businesses and how they are used.
- 3 Complete the following table by filling in the source documents required at the different stages:

No	Activity	Document
1	Determining stock balance	
2	Inquiry about business inputs/supplies	
3	Receiving information about goods available for sale at supplier's premises	
4	Placing an order for goods	
5	Buying goods on credit	
6	Correcting an overcharge in an invoice	
7	Delivering goods at the business premises	
8	Receiving goods at the business premises	
9	Inspecting the goods received	
10	Storage of goods in stores	
11	Payment through a current account	
12	Acknowledging that money has been received	
13	Confirming that several goods have been sold on cash	

- 4 Choose a group secretary to record and present your findings before the class.

Instructions to the teacher:

- Step 1: Review on the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Take learners to the nearby trading centre and ask them to identify successful businesses in the different lines.
- Step 3: Let them identify the different source documents used in various businesses.
- Step 4: Tell them show how such documents are used.
- Step 5: Observe as they record a particular document against an activity they relate to in the table.
- Step 6: Let each group share its findings with the rest of the class.
- Step 7: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses

- 1 The responses for examples given will depend on the place where learners are located and the business visited.
- 2 The uses of these documents is covered in Case study 2.1 on page 131 of the Learner's Book.
- 3 The source documents for the different business activities appears as follows.

Number	Activity	Document required
1	Stock reorder level	Stock requisition form
2	Inquiry about business inputs/supplies	Letter of inquiry
3	Receiving information from suppliers	Quotation/Price list
4	Placing an order for goods	Local Purchase Order
5	Buying goods on credit	Invoice
6	Correcting an overcharge	Credit Note
7	Receiving goods at the business premises	Delivery note
8	Inspecting the goods received	Inspection note
9	Storage of goods in stores	Stock card
10	Payment through a current account	Cheque
11	Acknowledging that money has been received	Receipt
12	Confirming that several goods have been sold on cash	Cash Sales slip

Guide learners to identify the source documents using the Case study 2.11 on page 132 of the Learner's Book.

Preparing source documents

Every business must ensure that its source documents are genuine. What makes a source document genuine? Forged documents lead to loss of revenue and could destroy the business' name.

Thus, for this reason, businesses place their business names and addresses as well as their business logos or trade marks, date of preparation, serial number or document number, person it is addressed to, description of content (document body) and document name or identity on the source document. They also include the description of the transaction or goods and the amount of money involved.

There is also provision for the name, signature and title of the author or person who writes the document and authorisation or approving signature and stamp. Guide learners to identify the source documents using the Activity 2.10 on page 70 of the Learner's Book.



Activity 2.10 Preparing source Documents of a Business

Methods: Discussion, observation, question and answer, field excursion brainstorming.

Skills: Discussion, discovery, critical thinking, collaboration.

Resources to use: Pen, notebook, computer and internet access where possible.

In groups:

- 1 Select a business of your own choice.
- 2 Visit the ICT laboratory or school library.
- 3 Use an appropriate computer program or library resource to design at least five source documents for the business selected.
- 4 Explain how each document can be used in the business.
- 5 Present your work to the rest of the class.

Instructions to the teacher

Step 1: Review on the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.

Step 2: Ask learners to visit the ICT Laboratory or school library that they may use in the business selected.

- Step 3: Task them to use a suitable computer programme to design the above identified documents for any business of their own.
- Step 4: Let them design other common documents used in business today.
- Step 5: Observe as they design the documents either in the notebook or using a computer
- Step 6: Let each group share its findings with the rest of the class.
- Step 7: Let the fast learners assist others so that the whole class progresses at the same pace.

Expected responses

Task 1: The documents drawn in the above figures are:

- **Quotation/proforma invoice:** this document is written and sent to you by your potential supplier showing details of goods available for sale, the terms of sale, and period within which the quoted prices are valid. a quotation is usually prepared by the seller's sales manager to your purchases manager in reply to your letter of inquiry.

JAGRON ELECTRONICS LTD

P.O BOX 112 KAMPALA

TEL. 0700432385

'Quality electronics for a better living'

QUOTATION**NO.107**

DATE:

10/07/2020

THE PURCHASING OFFICER,
 GENIUS HIGH SCHOOL,
 P.O BOX 100, GULU

The following items are available for sale as
 per your inquiry.

Item	Description	Unit price (UGX)
Computer	Desktop	200,000
Laptop	Core i5	800,000
TV Sets	LG-7	500,000
Flat Iron	Phillips	100,000
Total		

The prices recorded are inclusive of 18% VAT

Ten percent discount is offered for purchases exceeding UGX.1,000,000

NB. Prices quoted are valid for one month

.....
 Signature

BUTA MAN

SALES MANAGER

- **Invoice:** whenever goods are sold or bought on credit, a document called invoice is always issued. the invoice will show the details of goods sold or bought on credit and the cash discounts available if any.

<p>JAGRON ELECTRONICS LTD P.O BOX 112 KAMPALA TEL. 0700432385 'Quality electronics for a better living'</p> <p style="text-align: center;">INVOICE</p> <p>INVOICE NUMBER NO.119 DATE: 05/08/2020 Your ORDER REF: NO.107 dated 20th June 2020 THE PURCHASING OFFICER, GENIUS HIGH SCHOOL, P.O BOX 100, GULU The following items have been provided to you on credit.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding: 5px;">Item and Description</th> <th style="text-align: center; padding: 5px;">Quantity</th> <th style="text-align: center; padding: 5px;">Unit price (UGX)</th> <th style="text-align: center; padding: 5px;">Amount (UGX)</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Computer Pentium 4</td> <td style="text-align: center; padding: 5px;">20</td> <td style="text-align: center; padding: 5px;">200,000</td> <td style="text-align: center; padding: 5px;">4,000,000</td> </tr> <tr> <td style="padding: 5px;">Laptop Dell Dual C</td> <td style="text-align: center; padding: 5px;">10</td> <td style="text-align: center; padding: 5px;">800,000</td> <td style="text-align: center; padding: 5px;">8,000,000</td> </tr> <tr> <td style="padding: 5px;">Radio- Sonny Mx2</td> <td style="text-align: center; padding: 5px;">15</td> <td style="text-align: center; padding: 5px;">500,000</td> <td style="text-align: center; padding: 5px;">7,500,000</td> </tr> <tr> <td style="padding: 5px;">NOKIA- C2 - 00</td> <td style="text-align: center; padding: 5px;">10</td> <td style="text-align: center; padding: 5px;">100,000</td> <td style="text-align: center; padding: 5px;">5,000,000</td> </tr> <tr> <td style="padding: 5px;">Total</td> <td style="text-align: center; padding: 5px;">E&OE</td> <td></td> <td style="text-align: center; padding: 5px;">24,500,000</td> </tr> </tbody> </table> <p>Amount in words: twenty-four million, five hundred thousand shillings only. Terms: 10% discount for payments within two weeks. Terms and conditions apply</p> <p>.....</p> <p>Signature BUTA MAN (SALES MANAGER)</p>	Item and Description	Quantity	Unit price (UGX)	Amount (UGX)	Computer Pentium 4	20	200,000	4,000,000	Laptop Dell Dual C	10	800,000	8,000,000	Radio- Sonny Mx2	15	500,000	7,500,000	NOKIA- C2 - 00	10	100,000	5,000,000	Total	E&OE		24,500,000
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Computer Pentium 4	20	200,000	4,000,000																					
Laptop Dell Dual C	10	800,000	8,000,000																					
Radio- Sonny Mx2	15	500,000	7,500,000																					
NOKIA- C2 - 00	10	100,000	5,000,000																					
Total	E&OE		24,500,000																					

- **Goods received note:** this document is issued by the business to the supplier/seller showing details of goods that have been delivered in the right condition.

GENIUS HIGH SCHOOL P.O BOX 100 GULU TEL. 0782405060 'KNOWLEDGE IS POWER'			
GOODS RECEIVED NOTE			
GRN NO.179	DATE:		
02/09/2020			
DELIVERY NOTE REF: NO.05			
THE SALES MANAGER,			
JAGRON ELECTRONICS LTD,			
P.O BOX 112, KAMPALA			
The following items have been received at our premises			
Item and Description	Quantity	Unit price (UGX)	Amount (UGX)
Computer Pentium 4	20	200,000	4,000,000
Laptop Dell Dual C	10	800,000	8,000,000
Radio- Sonny M x2	15	500,000	7,500,000
NOKIA- C2 - OO	50	100,000	5,000,000
Total			24,500,000
Delivery date: 10/08/2020			
Place of delivery: School Premises at Kitebi			
Name of transporter: KEZA TRANSPORTERS			
Packaging: Separate			
Yours faithfully,			
Signature			
.....			
HAAFU FIGA			
PURCHASING OFFICER			

- Purchase order/local purchase order(LPO):** this a document issued by a buyer to the seller requesting to be supplied with the items specified. it is usually written by your purchases manager to the sales manager of the producer/supplier company.

<p style="text-align: center;">GENIS HIGH SCHOOL P.O BOX 100 GULU TEL. 0702499777 ' Knowledge is wealth'</p> <p style="text-align: center;">PURCHASE ORDER</p> <p>PURCHASE ORDER NO.179 DATE: 30/07/2020</p> <p>DATE: 30/07/2020</p> <p>QUOTATION REF: NO.107</p> <p>THE SALES MANAGER, JAGRON ELECTRONICS LTD, P.O BOX 112, KAMPALA</p> <p>Please supply the following items to our premises.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Item and Description</th> <th style="text-align: center;">Qty</th> <th style="text-align: center;">Unit price (UGX)</th> <th style="text-align: center;">Amount (UGX)</th> </tr> </thead> <tbody> <tr> <td>Computer Pentium 4</td> <td style="text-align: center;">20</td> <td style="text-align: center;">200,000</td> <td style="text-align: center;">4,000,000</td> </tr> <tr> <td>Laptop Dell Dual C</td> <td style="text-align: center;">10</td> <td style="text-align: center;">800,000</td> <td style="text-align: center;">8,000,000</td> </tr> <tr> <td>Radio -Sony Mx2</td> <td style="text-align: center;">15</td> <td style="text-align: center;">500,000</td> <td style="text-align: center;">7,500,000</td> </tr> <tr> <td>Nokia- C2-00</td> <td style="text-align: center;">50</td> <td style="text-align: center;">100,000</td> <td style="text-align: center;">5,000,000</td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td style="text-align: center;">24,500,000</td> </tr> </tbody> </table> <p>Delivery date: 20/08/2020 Place of delivery: School Premises at Kitebi Name of transporter: KEZA TRANSPORTERS Packaging : Separate Enclosed: Find our Cheque No.01287655554 for UGX. 12,250,000 being 50% down payment Yours faithfully,</p> <p>..... Signature HAAFU FIGA (PURCHASING OFFICER)</p>				Item and Description	Qty	Unit price (UGX)	Amount (UGX)	Computer Pentium 4	20	200,000	4,000,000	Laptop Dell Dual C	10	800,000	8,000,000	Radio -Sony Mx2	15	500,000	7,500,000	Nokia- C2-00	50	100,000	5,000,000	Total			24,500,000
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Nokia- C2-00	50	100,000	5,000,000																								
Total			24,500,000																								

Task 2: The designed source documents should bear some of the following features:

- Business Name and address.
- Description of the items dealt in.
- Date of drawing the receipt.
- Serial No.
- Document identity (The word Receipt).
- Description of the transaction.
- The amount of money involved in figures and in words.
- Mode of payment (whether cash or by Cheque).
- Business logo.
- Slogan or Moto
- Recipient.

- Name, Signature and Title of the drawer of the document.

PROJECT: Source Documents

In groups, visit your school canteen, bursar, store keeper or procurement officer.

- 1 Request the person in charge for access to the source documents he or she normally uses.
- 2 List the different source documents used by your school.
- 3 Discuss the uses of each source document.
- 4 Practice preparing each document for a business of your choice.
- 5 Choose a group secretary to write a report to present it before the class and compare with other groups.

Instructions to the teacher:

- Step 1: Make an appointment with the attendant of your school canteen.
- Step 2: Put learners in manageable groups and prepare them for the project.
- Step 3: Let learners ask a canteen attendant to have access to the source documents he or she normally uses.
- Step 4: Task them to list all of them and as a group devise on the criteria they would use to separate them into different groups.
- Step 5: Observe how learners interact with the attendant.
- Step 6: Let each group choose secretary write a report and later present before the class.

Expected responses

Price list: This is a document sent by the producer/supplier to a prospective customer showing a list of goods available for sale, their prices and other terms and conditions. It is usually written by the supplier's sales manager to your purchases manager in reply to the letter of inquiry you sent earlier.

Catalogue: This is a magazine/booklet showing a list of goods available for sale showing their pictures, prices and other terms and conditions of sale. It is usually sent by a seller to potential buyers or to those who have expressed interest in purchasing their products.

Letter of inquiry: This is a document that you send to prospective sellers/producers requesting for information about the goods available for sale as well as the other terms and conditions. This letter is written by your purchases manager to the sales managers of the different sales managers of the various potential suppliers.

Cash sales slip: When you buy goods and pay on spot, the business issues you a cash sales slip, showing the details of goods that you have bought as well as the other terms and conditions. A cash sales slip is issued only when you buy goods and pay on spot. It is not like a receipt which may apply even to credit transactions.

MUGISHA WHOLESALERS			
Dealers in: General Merchandise			
Shop No. 1 Kafumbe	Mukasa Road	Tel: 0756 617 136	
CASH SALE		Date: 8/5/2021	
No. 7903	M/S.		
Qty	Particulars	Rate	Amount
1	Fortune L	69500	
1	Chembu (Bread)	65500	
1	All star Biscuit	10000	
1	Morvit jelly	12000	
1	Glegate Hells	16000	
1	Dentist	16000	
2	Cee water (Candy)	10000	=
E&OE		Thank you	TOTAL 199000
Goods once sold are not returnable			

Receipt: This document acknowledges that money has been received by the business for the goods sold or services rendered. For example, when you pay school fees, and present your paid in bank deposit slip or draft or cheque to the school, a receipt is always issued to you for the amount paid.

KEZA RESTAURANT LTD	
P.O BOX 1600, Kaabong	
TEL.+25677797377	
GOOD FOOD COSTS LESS'	
Date:	RECEIPT
Received with thanks from	
The sum of shillings	
Being payment of	
Cash/Cheque NO.	
UGX	Balance;
With Thanks(sign)	
(Name).....	
(Title of officer)	

Delivery note: This a document issued by the seller to the buyer showing details of goods that have been delivered as per the Local Purchase Order (LPO). It is usually delivered by the transporter together with an invoice demanding payment if goods were sold on credit. The buyer usually signs it or writes a goods received note to acknowledge the amount of goods received in good condition.

2.3: Books of Original Entry

Number of periods: 5

Learner's Book on page 140



Keywords

- cash transaction
- contra entries
- credit note
- credit transaction
- journalising
- journal
- posting
- petty cashier
- returns inwards
- returns outwards
- sales ledger
- imprest/float
- imprest system
- imprest amount
- cash float

After studying and practising the activities in this section, you will be able to:

- know the books of original entry
- prepare books of original entry

2.3.0 Introduction

Start by telling learners that, supposing you have carried out both cash and **credit transactions** in a given period, do you record all of them in the same book? How do you separate cash from credit transactions?

Whenever **cash transactions** take place, they are recorded in the cash book before posting them to the ledger. On the other hand, when credit transactions are carried out, they are first recorded in **journals** before posting them to the ledger. The use of books of original entry makes the work of posting easier.

In this subtopic guide learners to:

- Know the books of original entry
- Prepare the books of original entry

Points to keep in mind:

- Description of books of original entry
- Illustration of the different books of original entry
- Posting entries from journals to the Ledger
- Source documents used to get information recorded in journals

Definition of keywords

Ask learners to define the following keywords in their own words, cash transaction, **contra entries**, **credit note**, credit transactions, **debit note**, **debtors**, **journalising**, journal, **petty cashier**, purchases journal, **returns inwards**, returns outwards and sales ledger. Ask them to use the internet or any business dictionary and encyclopaedia.

2.3.1 Concept of Books of Original Entry

Books of original entry refer to the books of accounts in which business transactions are firstly recorded. The information in these books is then summarised and posted into the general ledger, from which a trial balance and final statements are produced. The books of original entry are also called **subsidiary books**. It can be presented in the following format:

Company name Type of journal Months and year				
Date	Particulars/details	Invoice No	Folio No.	Amount (UGX)

Figure 2.4 Format of a typical book of original entry (journal)

Tip

Information recorded in the books of original entry is got from source documents.

2.3.2 Types of Books of Original Entry

Before transactions are recorded in books of original entry, it is important to first establish the type of transaction that is to be recorded in each book. Guide learners to explore the different types of books of original entry using Activity 2.11 on page 73 of the Learner's Book.



Activity 2.11 Exploring the different types of books of original entry

Methods: Think pair discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Resources to use: A notebook, pen and a source of internet, library resources.

In groups:

- 1 Use the Internet, library resources or any written literature to make your own notes about each of the following types of books of original entry:
 - a) The sales day book or sales journal/sold journal
 - b) Purchases day book or purchases journal/bought journal
 - c) Purchases returns or **returns outwards** journal
 - d) Sales returns or returns inwards journal
 - e) Cash book
 - f) General journal
- 2 Choose a group secretary to record and present your findings, and compare with other groups.

You can use an appropriate computer program to draw and demonstrate the corrected formats of each type of book.

Instructions to the teacher:

- Step 1: Review the previous subtopic and divide learners into groups while ensuring gender balance in group allocations.
- Step 2: Ask learners to use the internet or any other literature to write notes about each of the different types of journals.
- Step 3: Let learners demonstrate how business transactions are recorded in each journal
- Step 4: Guide them in their groups, to use internet or any other sources to explore the different types of journals.
- Step 5: Observe as they demonstrate how the different books are used.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively present information related to the journals.

Possible responses:

1 The notes about the different subsidiary books is as follows.

Cash book: This is a subsidiary book which records cash received and cash paid in a given period of time usually a month. It shows cash received showing from whom and when it was received on the debit side. It also shows cash paid showing to whom and when it was paid on the credit side. A cash book is both a subsidiary book as well as a ledger.

The Sales Day Book/ Sales Journal: This is also referred to as the Sales Journal. It is a book of original entry in which all credit sales are first recorded before posting them to the ledger. It is prepared using sales invoices issued to credit customers (Debtors). It is merely a list of credit customers or debtors of the business in a given period of time usually a month.

Posting from the sales Journal to the ledger:

After recording the transactions in the sales journal, the total credit sales value (Sales Day Book Total) is then transferred to the general ledger in the sales account on the Credit side. The individual credit transactions are posted to the **Sales Ledger** in the individual debtor's accounts on the debit side.

Sales returns

Sometimes the business buys goods but later returns some or all of them to their suppliers due to various reasons. It's also normal practice for the business to receive back goods from customers, especially where genuine reasons are provided. In that situation it is necessary to record them in the returns journals from where they can be transferred to net against the sales and purchases as appropriate.

The purchases day book

This is also referred to as the Purchases Journal. It is a book of original entry in which credit purchases are first recorded before posting the to the ledger. It is prepared using incoming invoices from credit suppliers. It is merely a list of credit suppliers of the business for a given period of time usually a month.

After recording the transactions in the Purchases journal, the total credit purchases value (Purchases Day Book Total) is then transferred to the general ledger in the Purchases Account on the Debit side. The individual credit transactions (purchases) are posted to the Purchases Ledger in the individual creditors' accounts on the Credit side.

Purchases returns day book

Although it's not a common practice, some suppliers can accept or allow customers to return goods sold to them for genuine reasons. When this is accepted, a debit note is then prepared. A Debit Note is a trade document prepared by a customer and sent to the supplier showing the details of the goods returned and the reasons why. When a Debit Note is prepared by the supplier, It is used to correct an under charge in the original invoice. In response to a Debit Note, the supplier will send to the customer a document known as a Credit Note. When a Credit Note is prepared by the supplier, it acts as evidence that the supplier agrees with the amount indicated by the customer. The Credit Note will then be used to correct an overcharge in the invoice earlier sent to the buyer/ customer.

The Returns outwards journal is a list of credit notes received from suppliers. The source documents for preparing the purchases Journal are the incoming debit notes.

When posting to the ledger, the following should be observed:

Important notes

In small businesses generally, only one journal is maintained in which all the transactions are recorded. In larger businesses with large transactions, various types of journals, also called special journals, are used for different transactions. For example, all credit sales are recorded in the sales day book, credit purchases in the purchases day book and all cash transactions in the cash book.

Preparing books of original entry

In business, every transaction is first recorded in the books of original entry or subsidiary books. Figure 2.5 on page 74 of the Learner's Book shows a summary of the different business transactions and their respective books of original entry and ledgers where they are recorded.

Task learners to work in pairs, share their views about it.

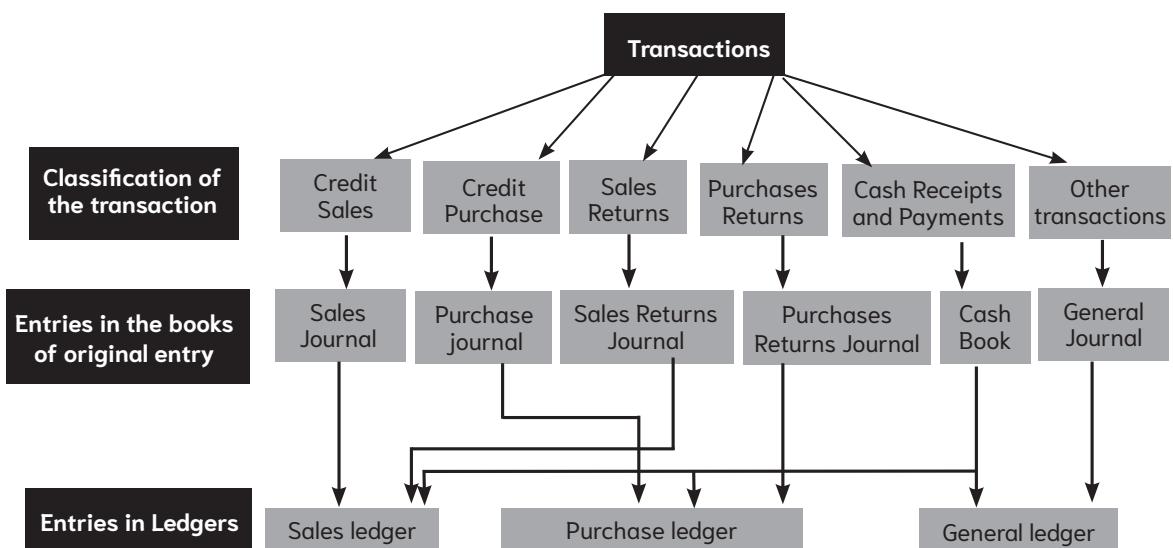


Figure 2.5 Recording transactions into books of account

Sales day book or sales journal

Although some businesses transact 'entirely on cash basis, it is not always the case. For most businesses' goods are normally bought and sold on credit. When goods are sold on credit, a document called **an invoice** is issued from which information relating to such credit sales is obtained and recorded in a chronological order in the Sales journal before being posted to the ledger. Guide the learners to record the transactions in the sales journal using Activity 2.12 on page 75 of the Learner's Book.

Worked Example

Illustration of an Example;

Simon Ojok is operating a wholesale shop in Gulu City. Going through his records, you discover the following credit sales for the first week of January 2022.

1st January 2022, Sold goods on credit to Amina worth UGX 150,000/=

4th January, Credit sales to Opolot worth UGX 90,000/=

5th January, Sold goods on credit to Barugahare worth UGX 75,000/=

7th January, Credit sales to Kasumba were UGX 50,000

Required: Record the above transactions in the Sales Journal (sales day book).

Solution:

SIMON OJOK SALES JOURNAL FOR JANUARY 2022				
Date	Particulars	Invoice No.	Foil No.	Amount (Shs.)
1/1/22	Amina	001	SL1	150,000
4/1/22	Opolot	002	SL2	90,000
5/1/22	Barugahare	003	SL3	75,000
7/1/22	Kasumba	004	SL4	50,000
31/1/22	Total credit sales posted to Sales A/C		GL1	365,000



Activity 2.12 Journalising transactions in a sales day book or a sales journal

Methods: Think pair discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Resources to use: A notebook, pen and a source of internet.

In groups, read the following transactions and carry out the tasks that follow.

Aminah Achongo is operating a small retail business near your home. On going through his simple records, you discover that the credit sales for the first week of February 2021 were as follows:

1st Feb. Sold goods on credit to the following customers;

Sold goods worth UGX 30,000 to Tom (invoice number 014).

Sold goods worth UGX 50,000 to Victor (invoice number 015).

3rd Feb. Credit sales to Victor worth UGX 10,000 (invoice number 020).

5th Feb. Credit sales to Immaculate worth UGX 20,000 (invoice number 025).



Tasks:

- 1 Explain how the above transactions are recorded in a sales day book.
- 2 Record them appropriately in a sales journal.
- 3 Choose a group secretary to record your findings and present before the class for comparison and further discussion.

Instructions to the teacher:

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to explain how these transactions are recorded in the sales journal.
- Step 3: Let learners record the information in the sales journal
- Step 4: Guide them in their groups, to use internet or any other sources to record the transactions.
- Step 5: Observe as they record the information in the journal.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively present information related to the sales journal.

Possible responses:

- 1 How to record in the sales journal
 - In the date's column, you record the date on which the transaction took place.

- In the detail's column, you record the particulars of the credit sales transaction or the name of the credit customer.
- In the column for invoice, you record the serial number of the invoice for a particular transaction.
- In the folio column, one records the page of reference in the ledger for a given transaction in the sales journal.
- The column for invoice details records a summary of transactions which are provided.
- The amounts column is used to record amount of money recorded on the specified transaction.
- Always record the credit transactions in a chronological order.

2 Aminah Achongo's sales journal would appear as follows

Date Feb 2018	Details	Invoice no.	Folio	Amount UGX.
Feb 1st	Tom	001	SL1	30,000
Feb 1st	Victor	002	SL2	50,000
Feb 3rd	Victor	004	SL3	10,000
Feb 5th	Immaculate	005	SL4	20,000
Feb 28th	Total to sales a/c		GL1	110,000

After recording the transactions in the sales journal, the total credit sales value (sales day book total) is then transferred to the credit side of the sales account in the general ledger to show that sales moved out of the business. The individual credit transactions are posted to the debit side of the individual debtor's account of the sales ledger to show that those customers received the goods sold.

Tip

Tell learners that they shall explore more about ledgers in the next subtopic.

Purchases day book or purchases journal

To keep operating capital requirements low, most businesses purchase goods on credit. The purchases day book records the daily credit purchases in a chronological order using the following format.

Monica Traders'
Purchases Journal/Day Book
For The Month Of

Date	Particulars/Details	Invoice No.	Folio No.	Amount (UGX)
Total				

These are then summarised and posted to the ledger. Information recorded in the purchases journal is obtained from the incoming invoices received by the business after purchasing on credit.

Worked Example

Illustration 2

The following transactions were extracted from the books of Kasadha Enterprises for May 2022

1/5/2022 Bought goods on credit from Nakku Ltd. Worth Shs 25,000/=

8/5/2022 Credit purchases from Hamidu traders worth Shs 30,000/=

17/5/2022 Goods were bought on credit from Monica worth Shs. 35,000/=

25/5/22 Bought goods on credit from Aisha Shs 28,000/=

Required: Record the above transactions in the purchases Journal of Kasadha Enterprises

Solution:

KASADHA ENTERPRISES'
PURCHASES DAY BOOK
FOR THE MONTH OF MAY 2022

Date	Particulars	Invoice No.	Folio	Amount (Shs.)
1/5/22	Nakku Ltd	001	PL1	25,000
8/5/22.	Hamidu	002	PL2	30,000
17/5/22	Monica	003	PL3	35,000
25/5/22	Aisha	004	PL1	28,000
31/5/22	Total credit purchases posted to purchases A/C		GL2	118,000



Activity 2.13 Recording transactions in a purchases day book or purchases journal

Methods: Think pair discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Resources to use: A notebook, pen and a source of internet.

In groups, study the following transactions which were extracted from the books of Ken Enterprises Ltd for week 1 of February 2019 and carry out the tasks that follow.

1st Feb. Credit purchases from Blessing Ltd worth UGX 30,000.

2nd Feb. Credit purchases from Chandiru and Sons Ltd worth UGX 15,000.

4th Feb. Credit purchases from the following suppliers:

Sanyu worth UGX 20,000.

Peter worth UGX 23,000.

Blessing Ltd worth UGX 10,000.



Tasks:

- 1 Record the transactions correctly in the following purchases journal:

**Ken Enterprises Ltd
Purchases Journal/ Day Book
For the week of February 2019**

Date	Particulars/ details	Invoice No	Folio No.	Amount (UGX)
Total credit purchases transferred to purchases account				

- 2 Discuss your results with other groups and agree the best presentation in a class discussion.

Instructions to the teacher:

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to explain how these transactions are recorded in the purchases journal.
- Step 3: Let learners record the information in the purchases journal
- Step 4: Guide them in their groups, to use internet or any other sources to record the transactions.

- Step 5: Observe as they record the information in the journal.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively present information related to the purchases journal.

Possible responses:

- 1 Ken Enterprises Ltd purchases journal would appear as follows

Date Feb 2019	Details	Invoice no.	Folio	Amount UGX
Feb 1st	Blessing Ltd	001	PL1	30,000
Feb 2nd	Chandiru	002	PL2	15,000
Feb 4th	Sanyu	003	PL3	20,000
Feb 4th	Peter	004	PL4	23,000
Feb 4th	Blessing Ltd	005	PL4	10,000
Feb 28th	Total to Purchases a/c		GL2	98,000

Note: Tell learners that, after recording the transactions in the purchases journal, the total purchases value (purchases day book total) is then transferred to the debit side of the purchases account in the general ledger to show that the business received more stock through purchases. The individual credit purchases are posted to the credit side of the individual account in the purchases ledger to show that the goods left the suppliers after the purchase.

Goods returned

Sometimes the business buys goods but later returns some or all of them to their suppliers due to various reasons. It is also normal practice for the business to receive back goods from customers, especially where genuine reasons are provided. In that situation it is necessary to record them in the returns journals from where they can be transferred to net against the sales and purchases as appropriate.

ICT

Use the internet to find out different reasons why goods may be returned. Also find out why businesses offer this return option as a way of attracting more customers.

Purchases returns or returns outwards journal

Although it is not a common practice, suppliers can accept or allow customers to return goods sold to them for genuine reasons. When this is accepted, a debit note is then prepared. A debit note is a trade document prepared by a customer and sent to the supplier showing the details of the goods returned and the reasons why.

After receiving the debit note or the goods returned, the supplier then issues a credit note to correct an overcharge in the original invoice previously sent to the buyer. The credit note serves to deduct the value of the goods that have been returned from the price stated in the original invoice.

Specimen of the Returns outwards Journal

APEX ENTERPRISES
RETURNS OUTWARDS JOURNAL
FOR THE MONTH OF MAY 2020

DATE	DETAIL	CREDIT NOTE NO.	FOLIO	AMOUNT UGX.
				UGX
TOTAL	TO RETURNS OUTWARDS ACCOUNT.			XXX

Important note

When posting to the ledgers, the following should be observed:

- 1 In the Purchases Ledger, you debit the amounts of either debit notes or credit notes to the respective credit supplier's account to show that the suppliers have received the returned products.
- 2 While in the General Ledger, the total of the Returns Outwards Journal is posted to the credit side of the Returns Outwards account at the end of the period to indicate that the returned goods have left the business.

Byensi Trading Company Limited 2nd Street Industrial Area Kampala, Uganda Phone 038675423				
Credit note N0.001		DATE: 3rd March, 2021		
Ongwom Hardware Ltd Avenue Road, Arua City Phone 0792245674				
RE: Credit Note				
<p>This is to acknowledge and confirm the goods returned with copy of goods returned dated 1st March 2021, concerning the damage of goods below.</p>				
S/N	Units	Description	Unit Price	Amount
1	10	Wheel burrow	120,000	1,200,000
2	5 bags	Cement	30,000	150,000
			Grand total	1,350,000
Credit advice				
<p>We require you to deduct this amount from your next payment. We apologise for the inconveniences caused.</p>				
	Yours in service RODNEY OCWINO Sales Manager			

Sales returns/returns in wards

After receiving a goods returned note showing the amount of goods returned by the customers, the supplier issues a credit note to correct the overcharge in the original invoice previously sent to the buyer. The credit note serves to deduct the value of the goods that have been returned from the price stated in the original invoice.

Guide learners to understand the debit and credit notes using Activity 2.14 on page 79 of the Learner's Book.



Activity 2.14 Discussing the debit and credit notes

Methods: Think pair discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Resources to use: A notebook, pen and internet access where possible.

In groups, study the following scenario and carry out the tasks that follow.

You have received a goods received note from your customer (Kahaya Enterprises) over damaged goods in transit and you have also received back the damaged goods. They are as follows:



Tasks:

- 1 What do you think are the reasons goods may be returned?
- 2 Discuss what happens to the buyer's account if he or she;
 - g) Has paid the whole
 - h) Partial amount
 - i) Has not paid any amount to the seller?
- 3 What happens to the buyer's account once goods are returned? Which other accounts are affected if goods are returned to the business and how?
- 4 Record your findings and later present in a class discussion for comparison purposes.

Instructions to the teacher

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to study the information provided in the debit note from Kahaya Enterprises.
- Step 3: Let learners record the information in the credit note
- Step 4: Guide them in their groups, to use internet or any other sources to record the transactions.
- Step 5: Observe as they record the information in the credit note.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively differentiate between the debit and credit note.

Possible responses

- 1 Goods may be returned because of the following;

- Part or all the goods may be damaged while in transit
 - The goods may be faulty or expired
 - In case government puts in place making purchase of such items illegal.
 - The goods may be different to the agreed samples earlier sent.
 - The goods may be of a wrong type, colour or design
 - The goods sent may be more than those ordered for.
 - Sometimes a credit note is issued whenever containers are returned yet their value was included in the final price.
- 2 If a buyer clears all the amount due, his account is closed off and there is no balance at the beginning of the new month, once he has paid half, his account will show half a balance. Once nothing has been paid at all, his account will be credited with full amount.
- 3 Whenever goods are returned, returns inwards account is debited with the value of the amount of goods returned to show that the business has received the amount stated.

Purchases returns or returns outwards journal

Let learners know that, when posting the transactions to the purchases ledger, they need to debit the respective supplier's account with the amount of goods returned to them while in the general ledger, the total of the returns outwards journal is posted to the credit side of the returns outwards account at the end of the period/month.

Worked Example

Illustration of making records in purchases returns journal

Assuming from the above example, some of the goods were returned by the business to the suppliers. These illustrations can help us develop a returns outwards journal.

May 7th, the business returned goods worth UGX 10,000 to Nakku Ltd for being faulty.

May 28th, the business returned goods worth UGX 17,000 to Monica because they had been of a wrong size.

Required:

Prepare a Purchases returns Journal/Returns outwards Journal to record the above information.

Solution: The journal entries for the above would appear as follows:

KASADHA ENTERPRISES'				
PURCHASES RETURNS JOURNAL				
FOR THE MONTH OF MAY 2022				
Date	Particulars	Creditnote No.	Folio No.	Amount (Shs)
May 7th	Nakku Ltd	001	PL1	10,000
May 28th	Monica	002	PL3	17,000
	Total to purchases returns		GL3	27,000

Ask learners to work together to record transactions in a returns outwards journal in Activity 2.15 on page 81 of the Learner's Book.



Activity 2.15 Recording transactions in a returns outwards journal

Methods: Think pair discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Resources to use: A notebook, pen and internet access where possible.

In groups, study the following transactions and carry out the tasks that follow.

The Company returned goods to the following suppliers in May 2020:

4th May, returned goods worth UGX 80,000 to Peter with credit note No.016.

28th May, returned goods worth UGX 130,000 to Ivan with credit note No.017.

30th May, returned goods worth UGX 300,000 to Mark with credit note No.018.



Tasks:

- 1 Record the above transactions in the returns outward day book/journal.

Date	Name of the customer	Credit Note No.	Folio	Amount (UGX)
Total returns outwards A/C				

**Tasks:**

- 2** Show and compare your findings with those of other groups and agree on one.

Instructions to the teacher:

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to study the information provided.
- Step 3: Let learners record the information in the Returns outwards Journal
- Step 4: Guide them in their groups, to use internet or any other sources to record the transactions.
- Step 5: Observe as they record the information in the Returns outwards Journal.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively record information in the Returns outwards Journal.

Possible responses:

The Returns outwards Journal will be as follows

ABC COMPANY
Purchases returns>Returns outwards Day Book
For May 2020

Date	Name of Supplier	Credit Note No.	Folio	Amount (UGX)
4 th May	Peter	016	PL1	80,000
28th May	Ivan	017	PL2	130,000
30th May	Mark	018	PL3	300,000
	Total to Returns Inwards A/C		GL1	510,000

Sales returns or returns inwards journal

In this book, the supplier records all the goods that have been returned by customers. This may be due to wrong colour, wrong size, not according to specification, imperfectly finished or even delivering more than the required amount of goods, among other reasons. After goods are returned, the supplier issues a **credit note** to the debtor/customer to correct an overcharge in the original invoice.

Format of a sales returns/returns inwards day book

Date	Name of Customer	Credit Note No.	Folio	Amount (UGX)
	Total to Returns Inwards A/C			

Worked Example

Illustration of making records in Sales Returns Journal

Assuming from the above example of SIMON OJOK, some of the goods were returned to the business by the customers. These illustrations can help us develop a Returns Inwards Journal.

January 12th, Amina returned goods worth UGX 12,000 to the business for being damaged while in transit.

January 20th, Barugahare returned goods worth UGX 8,000 to the business because they had been of a wrong size.

January 27th, Kasumba returned goods worth UGX 20,000 because they were of a wrong colour.

Required:

Prepare a Sales Returns Journal>Returns Inwards Journal to record the above information.

Solution: The journal entries for the above would appear as follows:

SIMON OJOK'S SALES RETURNS JOURNAL FOR THE MONTH OF JANUARY 2022				
Date	Particulars	Creditnote No.	Folio No.	Amount (Shs)
Jan 12th	Amina	001	SL1	12,000
Jan 20th	Barugahare	002	SL3	8,000
Jan 27th	Kasumba	003	SL4	20,000
	Total to Returns Inwards account		GL4	40,000

Guide learners to understand making records in the Returns inwards Journal using Activity 2.16 on page 83 of the Learner's Book.



Activity 2.16 Understanding recording in returns inwards journal

Methods: Think pair discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Resources to use: notebook, pen, calculator and internet access where possible.

In groups, study the following transactions of BABA TRADERS for Jun 2021 and carry out the tasks that follow.

Jan 4th Akampa returned goods worth UGX 50,000, credit note No. 001.

Jan 5th Zulaika returned goods worth UGX 200,000, credit note No. 002.

Jan 7th David returned goods for UGX 50,000 with credit note No.015.

Jan 8th Isaac returned goods for UGX 60,000 with credit note No.106.

Jan 20th Deborah returned goods for UGX 100,000 with credit Note No.017.

**Tasks:**

- 1 Record the given transactions in the returns inwards day book below:

Date	Name of the customer	Credit Note No.	Folio	Amount (UGX)
	Total to Sales Returns A/C			

- 2 Share your results with the rest of the class for comparisons and further discussion.

Instructions to the teacher:

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to study the information provided.
- Step 3: Let learners record the information in the Returns Inwards Journal
- Step 4: Guide them in their groups, to use internet or any other sources to record the transactions.
- Step 5: Observe as they record the information in the Returns inwards Journal.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively record information in the Returns inwards Journal.

Possible responses:

The Returns inwards Journal will be as follows

BABA TRADERS
Sales returns>Returns inwards Day Book
For January 2021

Date Jan 2021	Name of Customer	Credit Note No.	Folio	Amount (UGX)
Jan 4th	Akampa	001	SL1	50,000
Jan 5th	Zulaika	002	SL2	200,000
Jan 7th	David	015	SL3	50,000
Jan 8th	Isaac	106	SL4	60,000
Jan 20th	Deborah	017	SL5	100,000
	Total to Returns Inwards A/C		GL2	460,000

Important note

When posting the transactions to the sales ledger, you credit the respective customer's accounts to show that the goods have been returned to the business. In the general ledger, the total of the returns inwards journal is posted to the debit side of the returns inwards account at the end of the period.

Cash book

Start by telling learners this: Advances in technology and the spread of contagious diseases in the world like COVID-19 pandemic have changed the way of doing business. This includes how transactions are affected. Nowadays, cash payments are greatly reducing as many businesses are resorting to cashless transactions. But there are still a number of transactions that are affected using cash. The cash book is used to record only such transactions which are affected using cash.

Single-column cash book

This cash book has only one column for recording amount. This is usually represented by the cash account in the Ledger.

Cash A/C

DR				CR			
Date	Details	Folio	Amount UGX.	Date	Details	Folio	Amount UGX.

Guide learners to understand recording of transactions in a single column cash book using Activity 2.17 on page 85 of the Learner's Book;


Activity 2.17 Recording transactions in a single-column cash book

Methods: Think pair discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Resources to use: notebook, pen, calculator and internet access where possible.

The following information relates to Mrs Mugisha Enterprises for the month of January 2021.

January 1st, 2021 commenced business with cash UGX 200,000.

January 4th, purchased goods in cash UGX 250,000.

January 7th, sold goods in cash UGX 50,000.

January 9th, received from Jackson UGX 100,000.

January 12th, purchased goods from Levis on credit UGX 60,000.

January 16th, received cash from Owen UGX 70,000.

January 31st, paid rent of UGX 40,000 in cash.


Task:

- 1 In groups, study the above transactions and record them in a single column cash book.

MRS MUGISHA ENTERPRISES SINGLE-COLUMN CASH BOOK FOR THE MONTH OF JANUARY 2021							
DR				CR			
Date	Details	Folio	Amount (UGX)	Date	Details	Folio	Amount (UGX)

Instructions to the teacher

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to study the information provided.
- Step 3: Let learners record the information using single column cash book.
- Step 4: Guide them in their groups, to use internet or any other sources to record the transactions.
- Step 5: Observe as they record the information in the single column cash book.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively record information using single column cash book.

Possible responses:

- a) A well drawn single column cash book will appear as follows;

Mrs Mugisha Enterprises'
Single Column Cash Book
For January 2021

DR				CR			
Date Jan 2021	Details	Folio	Amount (UGX)	Date Jan 2021	Details	Folio	Amount (UGX)
Jan 1st	Capital	L2	200,000	Jan 4th	Purchases	L3	250,000
Jan 7th	Sales	L4	50,000	Jan 9th	Jackson	L5	100,000
Jan 16th	Owen	L6	70,000	Jan 31st	Rent	L7	40,000

- b) Among the transactions given, identify those that you did not record in the cash book. Give the reasons why you did not record them in the cashbook.

The Two-column cash book

Start by telling learners this information: Did you know that some businesses usually carry out some of their transactions in cash and others through the bank? Such businesses own bank accounts which they use for some of their payments and receipts. They deposit and withdraw some of the money on such accounts to facilitate business transactions that the office cash cannot effectively cover. The appropriate type of cash book that can be used to record such transactions is the two-column cash book.

LMN ENTERPRISES TWO COLUMN CASH BOOK FOR THE MONTH OF20.....									
DR					CR				
Date	Details	Folio	Cash (UGX)	Bank (UGX)	Date	Details	Folio	Cash (UGX)	Bank (UGX)

Figure 2.6 Format of two column

Guide learners to understand recording in two column using Activity 2.18 on page 89 of the Learner's Book



Activity 2.18 Recording transactions in the two-column cash book

Methods: Think pair discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Resources to use: notebook, pen, calculator and internet access where possible.

The following information relates to Wanyange Enterprises for the month of October 2018. In groups, study it and carry out the tasks that follow.

Date	Particulars	Amount (UGX)
1st Oct 2018	The balances brought down from the previous month include:	
	Cash at bank	2,300,000
	Cash at hand	700,000
	Odongo (debtor)	65,000
	Irene (creditor)	130,000
2nd Oct	Bought goods by cheque	440,000
2nd Oct	Bought a motor vehicle by cheque	1,500,000
4th Oct	Sold goods for cash	600,000
8th Oct	Paid salaries for workers by cash	980,000
10th Oct	Sold goods on credit to Nickson	223,000
12th Oct	Cash sales	880,000

Date	Particulars	(UGX)
14th Oct	Paid for transport by cash	180,000
20th Oct	Withdrew money from the bank for office use	180,000
22th Oct	Cash sales banked	1,010,000
23rd Oct	Bought goods by cash	610,800
26th Oct	Received cash from Odongo	65,000
29th Oct	Bought furniture by cheque	1,000,000
30th Oct	Paid for general expenses by cash	120,000
31st Oct	Withdrew money from the bank for personal use	82,000



Tasks:

- 1 Prepare a two-column cash book for the month of October 2018.

WANYANGE ENTERPRISES' TWO-COLUMN CASH BOOK FOR THE MONTH OF									
DR					CR				
Date	Details	Folio	Cash (UGX)	Bank (UGX)	Date	Details	Folio	Cash (UGX)	Bank (UGX)

- 2 Share your entries and compare them with those of other groups to agree on the correct one.

Instructions to the teacher:

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to study the information provided.
- Step 3: Let learners record the information using a two-column cash book.
- Step 4: Guide them in their groups, to use internet or any other sources to record the transactions.
- Step 5: Observe as they record the information in the two-column cash book.
- Step 6: Let them share their findings with the rest of the class.

Step 7: Assess through conversation how the learners effectively record information using a two-column cash book.

Possible responses:

The two-column cash book will be as follows;

- a) Prepare a two column cash book for the period ended 31st October 2018

Wanyange Enterprises

Two column cash book

For the month of October 2018

DR					CR				
Date	Details	F	Cash UGX	Bank UGX	Date	Details	F	Cash UGX	Bank UGX
1/10/18	Balance	b/d	700,000	2,300,000	2/10/18	Purchases			440,000
4/10/18	Sales		600,000		2/10/18	Motor vehicle			1,500,000
12/10/18	Sales		880,000		8/10/18	Salaries		980,000	
20/10/18	Bank	c	180,000		10/10/18	Irene			130,000
22/10/18	Sales			1,010,000	14/10/18	Transport		180,000	
26/10/18	Odongo		65,000		20/10/18	Cash	c		180,000
					23/10/18	Purchases		610,800	
					29/10/18	Furniture			1,000,000
					30/10/18	General expenses		120,000	
					31/10/18	Drawings			82,000
31/10/18	Balance	c/d		22,000	31/10/18	Balance	c/d	533,700	
			<u>2,425,000</u>	<u>3,332,000</u>				<u>2,425,000</u>	<u>3,332,000</u>
1/11/18	Balance	b/d	533,700		1/1/18	Balance	b/d		22,000

Important note

When recording transactions in a two-column cash book, the following should be observed:

- 1 A two-column cash book comprises the cash and bank accounts of the ledger.
- 2 While balancing the two-column cash book, endeavour to balance the debit cash column with the credit cash column and the debit bank column with the credit bank column.
- 3 The **contra entries** are not posted to the ledger because their double entry is already completed within the cash book.
- 4 Contra entries are those which cancel out.
- 5 The cash account must always have a debit balance because you cannot spend more cash than what you have.
- 6 The bank account can have a debit balance or sometimes even a credit balance if the bank offered an overdraft. **Overdraft** refers to taking more money from your bank account than what you deposited on it.

The Three-column cash book

Businesses usually offer discounts to customers who buy goods on credit/in large amounts. This reduction in the original price is meant to encourage customers to pay on time for the goods they acquire on credit. Businesses may also receive discounts from suppliers when they pay promptly and in large quantities.

When such discounts are allowed or received, an extra column is added on each side of the two columns to cater for the discount allowed and discount received, respectively. Let learners explore this in Activity 2.19 on page 93 of the Learner's Book.



Activity 2.19 Recording transactions in a three-column cash book

Methods: Think pair discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Resources to use: notebook, pen, calculator and internet access where possible.

In groups, study the following transactions, discuss and work out the tasks that follow.

The following balances were extracted from the cash book of Nferabusa Enterprises for the month of October 2021

	(UGX)
Cash	25,000 (DR)
Bank	390,000 (CR)

The following transactions took place during the month of October

Date	
2nd Oct	Received a cheque from Aman in full settlement of his bill of UGX 435,000 less 3% cash discount.
3rd Oct	Cash sales of UGX 210,000.
6th Oct	Received cash from Samson less 6% cash discount in settlement of his debt of UGX 770,000.
12th Oct	Banked cash in the evening UGX 495,000.
15th Oct	Bought stationery by cash UGX 14,000.
16th Oct	Paid Mukwano Enterprises UGX 800,000 by cheque in full settlement of a bill of UGX 825,000.
18th Oct	Paid salary by cash UGX 60,000.
	Cash sales UGX 145,000.
22nd Oct	Cash purchases were UGX 97,000.
23rd Oct	Made personal drawing by cheque UGX 10,000.
29th Oct	Received cheque from MK Finance Ltd UGX 73,000 as a share of dividends.
31st Oct	Withdrew a cheque for UGX 55,000 for office cash.



Tasks:

- 1 Prepare a three-column cash book and balance it off.

NFERABUSA ENTERPRISES THREE-COLUMN CASH BOOK FOR THE MONTH OF OCT 2021											
DR						CR					
Date	Details	F	Discount Allowed UGX	Bank (UGX)	Cash (UGX)	Date	Details	F	Discount Received UGX	Bank (UGX)	Cash (UGX)

- 2 Share your entries and compare them with those of other groups to agree on the correct one.
- 3 Choose a group secretary to prepare a report of your findings and present it in a class discussion for comparison and further discussion.

Instructions to the teacher:

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to study the information provided.
- Step 3: Let learners record the information using a three-column cash book.
- Step 4: Guide them in their groups, to use internet or any other sources to record the transactions.
- Step 5: Observe as they record the information in the three-column cash book.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively record information using a three-column cash book.

Possible responses:

Nferabusa Enterprises'
Three column cashbook

For the month of October 2021

DR							CR						
Date	Details	F	Disc. All. UGX	Cash UGX	Bank UGX	Date	Details	F	Disc. Rec. UGX	Cash UGX	Bank UGX		
Oct. 17						Oct., 17							
1st	Balance	b/d		25,000		1st	Balance	b/d				390,000	
2nd	Aman		13,050		421,950	12th	Bank	C		495,000			
3rd	Sales			210,000		15th	Stationery			14,000			
6th	Samson		46,200	723,800		16th	Mukwano		25,000		800,000		
12th	Cash	C			495,000	18th	Salary			60,000			
22nd	Sales			145,000		23rd	Purchases			97,000			
29th	MK finance ltd				73,000	23rd	Drawings					10,000	
31st	Bank	C		55,000		31st	Cash	C				55,000	
31st	Balance	c/d		-----	265,050	31st	Balance	c/d		492,800		-----	
			59,250	1,158,800	1,255,000				25,000	1,158,800	1,255,000		
1/ 11/ 17	Balance	b/d		492,800		1/ 11/ 17	Balance	b/d				265,050	

Important note

When recording transactions in a three-column cash book, the following should be observed:

- 1 While balancing the three-column cash book, endeavour to balance the debit cash column with the credit cash column and the debit bank column with the credit bank column.
- 2 The two discounts are not related and therefore should not be balanced with each other. They are just totalled on each side.
- 3 Only totals of discount allowed and discount received are posted to the ledgers and on the same side in which they appear in the cash book.

Petty cash book

This records small/minor day-to-day cash expenditures. Cash books have always been used to record cash payments and cash receipts within a given period of time, usually a week, fortnight or a month. With time however, the cash book gets unnecessarily overloaded with a lot of transactions, many of which are minor.

To ensure that only the main cash transactions are recorded in the **cash book**, a **petty cash book** is used to record the minor cash payments. A clerk called a **petty cashier** is in charge of drawing a petty cash book. This cash book usually has analysis columns for the different petty cash payments made.

Petty Cash Book									
DR					CR				
Receipt (UGX)	Date	Details	Voucher No.	Total payment	Analysis of Expenses				
					Travelling (UGX)	Visitors tea (UGX)	Post (UGX)	Ledger A/C (UGX)	

Figure 2.7 Petty cash is a useful resource for recording the numerous minor transactions

Important note

When recording in the petty cash book, the following should be observed:

- 1 The receipts column records the amount of money received from the main cashier as **cash float/imprest** for the given period. The cash float/imprest received from the main cashier must be recorded on the debit side.
- 2 The date's column records the date on which money was either received or paid by the petty cashier.
- 3 The details column records the particulars of the different items that were paid using petty cash.

- 4 The voucher numbers' column records the document number of the payment voucher that was used to make payment using petty cash.
- 5 The payments made must first be recorded in the total payments column before they are recorded in the specific minor expenses' column.
- 6 The columns for analysis of expenses records the amount of petty cash paid for each particular expense.
- 7 The last column of the petty cash book is for Ledger accounts and records the names of suppliers/creditors who were paid using petty cash.

The petty cash book is prepared following the **imprest system**, which means that the petty cashier is given a certain amount periodically by the main cashier to spend on petty/minor transactions. The amount spent is then reimbursed to restore the original periodical petty cash amount. The amount given to the petty cashier periodically is called the **cash float or imprest amount**.

Guide learners to draw a petty cash book using Activity 2.20 on page 97 of the Learner's Book.



Activity 2.20 Recording transactions in the petty cash book

Methods: Think pair discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Resources to use: notebook, pen, calculator and internet access where possible.

In groups, study the following transactions and carry out the tasks that follow.

Asaba Poultry Feeds Ltd maintains an imprest system and the imprest amount for a month is UGX 1,000,000. During the month of October 2019, the petty cashier made the following payments:

Date		Voucher no.	(UGX)
1st Oct	Petty cash balance		180,000
1st Oct	Reimbursement was made		
3rd Oct	Fuel costs	001	120,000
3rd Oct	Breakfast for workers	002	23,000
5th Oct	Stationery for office work	003	56,000
7th Oct	Wages for casual staff	004	160,000
10th Oct	Staff meals	005	88,000
11th Oct	Newspapers and magazines	006	30,000
13th Oct	Suppliers for fish shells	007	130,000
15th Oct	Postage stamps for office mail	008	3,000
18th Oct	Truck oil	009	8,000
18th Oct	Truck repair costs	010	20,000
19th Oct	Paid Musoke, a creditor	011	12,000
23rd Oct	Repair of machinery and equipment	012	5,000
23rd Oct	Transport for workers	013	18,000
25th Oct	Transport refund to production manager	014	15,000
27th Oct	Wages for management	015	250,000
30th Oct	Truck repair	016	45,000
31st Oct	Envelopes	017	1,500



Tasks:

- 1 Calculate the amount of reimbursement.
- 2 Prepare a petty cash book using travel, wages, repairs, stationery, general office expenses, and ledger analysis columns.
- 3 Discuss the advantages of a petty cash book to the business.
- 4 Present your work to the plenary.

You can use You Tube videos where possible to access online tutorials about they petty cash book.

Instructions to the teacher

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to study the information provided.
- Step 3: Let learners record the information using a petty cash book.
- Step 4: Guide them in their groups, to use internet or any other sources to record the transactions.
- Step 5: Observe as they record the information in the petty cash book.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively record information using a petty cash book.

Possible responses:

1 Asaba poultry feeds petty cash book will be as follows

Asaba Poultry Feeds Ltd.'s

Petty cashbook

For the month of October, 2016

Receipt UGX	F	Date	Details	V/n	Total payments UGX	Travel UGX	Wages UGX	Repair UGX	Stationary UGX	general office expense UGX	Ledger a/c UGX
180,000		Oct, 16									
b/d	1st	Balance									
820,000	1st	Reimbursement									
	3rd	Fuel	001	120,000	120,000						
	3rd	Breakfast	002	23,000		23,000					
	5th	Stationery	003	56,000			56,000				
	7th	Wages	004	160,000		160,000					
	10th	Meals	005	88,000					88,000		
	11th	Newspapers and magazines	006	30,000						30,000	
	13th	Fish shells	007	130,000						130,000	
	15th	Postage stamps	008	3,000						3,000	
	18th	Truck oil	009	8,000		8,000					
	18th	Repair costs	010	20,000			20,000				

Receipt UGX	F	Date	Details	V/n	Total payments UGX	Travel UGX	Wages UGX	Repair UGX	Stationary UGX	general office expense UGX	Ledger a/c UGX
		19th	Musoke	011	12,000						12,000
	23rd	Repair of machinery		012	5,000			5,000			
	23rd	Staff transport		013	18,000	18,000					
	25th	Transport refund		014	15,000	15,000					
	27th	Wages		015	250,000	250,000					
	30th	Truck repair		016	45,000			45,000			
	31st	Envelopes		017	1,500				1,500		
		Total			984,500						
c/d	31st	Balance			15,500						
1,000,000					1,000,000	161,000	410,000	70,000	57,500	274,000	12,000
15,500	b/d	1/11/ 16	Balance								
984,500		1/11/ 16	Reimbursement								

2 The importance of a petty cash book is as follows

Important note

When recording in the petty cash book, the following should be observed:

- 1 The cash float/imprest received from the main cashier must be recorded on the debit side.
- 2 The receipts column records the amount of money received from the main cashier as cash float/imprest for the given period. The cash float/imprest received from the main cashier must be recorded on the debit side.
- 3 All payments made must be supported by a voucher for proper authorisation.
- 4 The date's column records the date on which money was either received or paid by the petty cashier.
- 5 The details column records the particulars of the different items that were paid using petty cash.
- 6 The voucher numbers' column records the document number of the payment voucher that was used to make payment using petty cash.
- 7 The payments made must first be recorded in the total payments column before they are recorded in the specific minor expenses' column.
- 8 The columns for analysis of expenses records the amount of petty cash paid for each particular expense.
- 9 The last column of the petty cash book is for Ledger accounts and records the names of suppliers/creditors who were paid using petty cash.

When posting from the petty cash book to the ledger, the following should be observed:

- 1 In the general ledger, only totals of each respective expense in the petty cash book are recorded. Such totals are recorded on the debit side of the expenses given.
- 2 The supplier's accounts recorded in the last column of the petty cash book are posted one by one to the debit side of their respective accounts in the purchases ledger.

General journal or journal proper or diary

To record the details of any transaction that cannot be recorded in any other subsidiary books, you prepare a general journal. The general journal contains private records of events as they occur each day such as the disposal of fixed assets on credit, correction of errors and purchase of business assets, among others.

Format of the General Journal (The Journal)

Date	Particulars	Folio	Debit	Credit
	Name of the account to be debited		xxxx	
	Name of the account to be credited			xxxxx
Narrative/explanation of the transaction				

Figure 2.8 The general journal records transactions that cannot be recorded in any other subsidiary book

Teacher's notes

Functions of the general journal

- b) It acts a diary in which events/ business transactions are recorded as they occur.
- c) It acts as a book of explanations since after each entry is recorded, a brief explanatory note called “a narration” follows .
- d) It acts as a book of instruction since it states which accounts in the ledger are to be detailed and which ones are to be credited.

N.B: The journal tells you what to put / record in the ledger. Entries s to be debited appear first and then followed by entries to be credited and then a narration is given prefaced by the word “Being”.

Uses / importance of the journal proper

- It is used to record credit purchases of fixed assets
- It used to record credit sales of fixed assets
- It is used to correct errors
- It is used to record opening entries
- It is used to record closing entries
- It is sued to record adjustments of entries like depreciation, end of year adjustments, etc

Format of a general journal

Date	Details	F	Debit	Credit

N.B: All credit transactions are first recorded in the journal before passed on to the ledgers, that is why cash transactions are recorded in the cash book before posted into the ledgers, i.e a cash book is also a subsidiary book.

Example

Record the following transactions in the general journal

- a) A purchase of land on credit from Musoke for UGX.2,000,000
- b) A purchase of furniture on credit from Kagodo worth UGX. 1,000,000
- c) A sale of an old vehicle on credit worth 2,200,000 UGX. To Muromo.

Date	Details / Particulars	Debit	Credit
	Land A/C	2,000,000	
	Musoke A/C		2,000,000
	Being a purchase of land on credit		
	Furniture A/C	1,0000,000	
	Kagodo A/C		1,000,000
	Being a purchase of furniture on credit		
	Muromo A/C	2,200,000	
	Furniture A/C		2,200,000
	Being a Sale of old furniture on credit		



Activity 2.21 Recording transactions in the general journal

Methods: Think pair discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Resources to use: notebook, pen, calculator and internet access where possible.

In groups, study the following transactions extracted from the books of Jannifa Limited for the month of January 2021 and use them to carry out the tasks that follow:

Jannifa started the business with cash of UGX 1,000,000.

1st Jan. Paid into bank UGX 70,000.

4th Jan. Bought goods in cash UGX 5,000.

5th Jan. Sold goods in cash UGX 50,000.

9th Jan. Bought goods from Remmy UGX 55,000.

15th Jan. Sold goods to Simon UGX 30,000.

- 25th Jan. Paid to Remmy UGX 55,000.
 30th Jan. Purchased building in cash UGX 7,000,000.
 31st Jan. Sold furniture in cash UGX 30,000.



Tasks:

- 1 Complete the following general journal using the debit and credit rule. The first transaction has been done for you.

Date	Particulars	Folio	Debit (UGX)	Credit (UGX)
1st Jan	Cash A/C Capital A/C being money invested in the business		1,000,000	1,000,000
4th Jan				
5th Jan				
9th Jan				
15th Jan				
25th Jan				
30th Jan				
31st Jan				

- 2 Compare your entries with those of other groups and agree on the correct one.

Instructions to the teacher:

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations where possible.
- Step 2: Ask learners to study the information provided.
- Step 3: Let learners record the information using general journal.
- Step 4: Guide them in their groups, to use internet or any other sources to record the transactions.

- Step 5: Observe as they record the information in the general journal.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively record information using the general journal.

Possible responses:

The well-drawn general journal appears as follows

Date	Particulars	Folio	Debit (UGX)	Credit (UGX)
1st Jan.	Cash A/C capital A/C Being money for Starting a business		1,000,000	1,000,000
4th Jan.	Bank A/C Cash A/C Being a deposit in the bank		70,000	70,000
5th Jan.	Cash A/C Sales A/C Being sale of goods in cash		50,000	50,000
9th Jan.	Purchases A/C Remmy A/C Being purchases from Remmy on credit		55,000	55,000
15th Jan.	Simon A/C Sales A/C Being sales to Simon on credit		30,000	30,000
25th Jan.	Remmy A/C Cash A/C Payment to Remmy		55,000	55,000

Date	Particulars	Folio	Debit (UGX)	Credit (UGX)
30th Jan.	Building A/C Cash Being purchase of a building in cash		7,000,000	7,000,000
31st Jan.	Cash A/C Furniture A/C Purchase Being sale of furniture in cash		30,000	30,000

Important note

When recording in the general journal, the following should be observed:

- 1 In the particulars/details column the transactions are indented such that the account to be debited appears on the left-hand side of the account to be credited.
- 2 The two accounts recorded are accompanied by a narration that shows the action being taken in the record
- 3 The total of the debit entries must be equal to the total of the credit entries because the journal is drawn following double entry system of recording.

When recording transactions in the general journal, the following should be observed:

- In the particulars/details column, the transactions are indented such that the account to be debited appears on the left-hand side of the account to be credited.
- The two accounts recorded are accompanied by a narration that shows the action being taken in the record.
- The total of the debit entries must be equal to the total of the credit entries because the journal is drawn following double entry system of recording.

2.4: The Ledger

Number of periods: 5

Learner's Book on page 178



Keywords

- impersonal accounts
- ledger
- personal accounts
- subsidiary book

After studying and practising the activities in this section, you will be able to:

- know a ledger
- appreciate the different types of ledgers
- prepare ledger accounts

2.4.0 Introduction

Start by telling learners this. When transactions take place, they are first recorded in the books of original entry (journals) using source documents. Then they are posted to **ledgers** clearly showing the accounts which are affected by each transaction using the double entry system of recording accounts.

The Ledger is the most important book of accounts because it is where double entry is completed and accounts classified. This eases the preparation of the trial balance and thereafter, the final accounts.

2.4.1 Meaning of a Ledger

A ledger is a book in which various entries of the journal are posted following the double entry system. The ledger helps to classify the accounts which are affected by each transaction according to their type i.e. summary of classified accounts.

It has two sides, that is; the debit side for recording receiving accounts and the credit side for the paying accounts. Both the debit and credit sides of the ledger have columns for date, details or particulars, folio or page and amount to record payments and receipts of the business.

Account Title/ Name of Account							
DR				CR			
Date	Particulars	Folio	Amount UGX	Date	Particulars	Folio	Amount UGX

Figure 2.9 Data from the books of original entry are finally entered into the ledger

Looking at all the accounting information in the journals makes you wonder how many ledgers are required to summarise them. Guide learners to understand the different types of Ledger in Activity 2.22 on page 103 of the Learner's Book.



Activity 2.22 Understanding the different types of ledgers

Methods: Think pair discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Resources to use: notebook, pen and internet access where possible.

In groups:

- 1 Use the Internet or visit your school library and make your own notes on each of the following types of ledgers.
 - a) Sales ledger
 - b) Purchases ledger
 - c) General ledger
- 2 a) Explain the similarities and differences between a sales and a purchases ledger.
 b) Discuss the similarities and differences between a general ledger and other ledgers.
 c) Choose a group secretary to prepare a report of your findings and present before the class for comparison and further discussion.

Instructions to the teacher:

- Step 1: Review on the previous sub – topic and divide learners into groups while ensuring gender balance in group allocations.
- Step 2: Ask learners to use the internet or the school library to write notes about each of the different types of ledgers.
- Step 3: Let learners describe how business transactions are recorded in each ledger.
- Step 4: Guide them in their groups, to use internet or the library to explore the different types of ledger.
- Step 5: Observe as they demonstrate how the different ledger books are used.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively present features of the different ledger.

Possible responses:

The types of Ledgers include;

- 1 The sales/debtors' ledger: This is a ledger that maintains **personal accounts** of business customers. It records all customers to whom goods are sold. It maintains personal accounts of debtors or customers.

The purchases/creditors ledger: This is a ledger that maintains personal accounts of the business suppliers or creditors.

The general ledger/impersonal ledger: This ledger maintains the **impersonal accounts** of the business. Such accounts are for the private use of the business owner and thus sometimes called the private ledger.

The similarity between the sales Ledger and the purchases ledger is that;

- They both have similar columns on each side.
- Both sales and purchases ledgers are used internally by the business accounts department
- Information in both books is summarised at the end of a particular period usually a month.
- Information in both books is used to reconcile the debtors and creditors status with the balance of the respective control accounts.
- Both of them receive entries from books of original entry.
- They both have debit and credit sides.

The differences between the sales ledger and the purchases ledger include;

- The sales ledger is used to record and monitor debtors while a purchases ledger is used to record and monitor creditors.
- A sales ledger records credit sales transaction while a purchases ledger records credit purchases transaction.
- The information recorded in the sales ledger is obtained from sales invoices and debit notes or memos while that of the purchases ledger is obtained from suppliers invoices and credit notes.
- In the sales ledger, there is normally a debit balance while in a purchases' ledger, there is always a credit balance.
- The final amount of the sales ledger is transferred to the sales ledger control account through the general ledger while the final amount of the purchases' ledger is transferred to the purchases' ledger control account.

The differences between the general ledger and the personal Ledger books are that;

- For the general ledger only impersonal accounts like wages, sales, income etc are recorded. For the purchases' ledger, only personal accounts of creditors are recorded in the purchases Ledger, only personal accounts of debtors are recorded in the sales ledger.

- The difference between a sales ledger and a purchases ledger is that the sales ledger records personal accounts of debtors/sales while the purchases ledger maintains personal accounts of the creditors or suppliers.

Posting transactions from the journal to ledgers

Tell learners that; After the transactions have been entered in journals, they can then be posted to their respective ledgers where the double entry system is observed. This process simplifies the preparation of the trial balance and the financial statements that follow.

Guide learners to Study Figure 2.10 on page 104 of the Learner's Book. Let them brainstorm on what they think is going on.

General journal

Date	Account title and explanation	Debit (UGX)	Credit (UGX)
2015 Jan 15	Cash A/C Sales A/C (Being goods sold for cash)	25,000	25,000

General Ledger
Cash Account

DR		CR
2015	UGX	
1/15 Sales	25,000	

Sales Account

DR		CR
	2015 UGX	
	1/15 Cash 25,000	

Figure 2.10 All transactions from books of original entry are finally entered into ledgers.

Ask learners if they can explain why the postings in the general journal and those in the ledger appear on the same side? Use Activity 2.23 on page 105 of the Learner's Book to explore guide them.



Activity 2.23 Posting transactions from journals to ledgers

Methods: Guided group discussion, brainstorming, guided discovery.

Skills: Analysis, Mathematical skills, critical thinking, presentation.

Resources to use: notebook, pen and internet access where possible.

In groups:

- 1 Study the following journal and post the entries to their respective ledgers.

Date May 31st 2021	Details/ particulars	Debit (UGX)	Credit (UGX)
	Cash A/C	5,000,000	
	Capital A/C		5,000,000
	Being a record of capital invested		
	Land A/C	2,000,000	
	Musoke A/C		2,000,000
	Being purchase of land on credit		
	Muromo A/C	2,200,000	
	Motor vehicle A/C		2,200,000
	Being sale of old motor vehicle on credit		
Total		9,200,000	9,200,000

- 2 Share and compare your findings with those of other groups.

Instructions to the teacher:

- Step 1: Review the previous sub – topic and divide learners into groups while ensuring gender balance in group allocations.
- Step 2: Ask learners to study the information given of a general journal and use it to post entries to the ledger.
- Step 3: Let learners describe how business transactions are recorded in ledgers.
- Step 4: Guide them in their groups, to use internet or the library to explore the recordings in the ledger.
- Step 5: Observe as they demonstrate how information is posted from journals to the ledger.

Step 6: Let them share their findings with the rest of the class.

Step 7: Assess through conversation how the learners effectively illustrate and record information accurately into ledger accounts.

Possible responses:

Cash A/C

DR				CR			
Date May 2021	Particulars	Folio	Amount (UGX)	Date May 2021	Particulars	Folio	Amount (UGX)
May 31st	Capital	L.2	5,000,000				

Capital A/C

DR				CR			
Date May 2021	Particulars	Folio	Amount (UGX)	Date May 2021	Particulars	Folio	Amount (UGX)
				May 31st	cash	L.1	5,000,000

Land A/C

DR				CR			
Date May 2021	Particulars	Folio	Amount (UGX)	Date May 2021	Particulars	Folio	Amount (UGX)
May 31st	Musoke	L.3	2,000,000				

Musoke A/C

DR				CR			
Date May 2021	Particulars	Folio	Amount (UGX)	Date May 2021	Particulars	Folio	Amount (UGX)
				May 31st	Land	L.4	2,000,000

Muromo A/C

DR				CR			
Date May 2021	Particulars	Folio	Amount (UGX)	Date May 2021	Particulars	Folio	Amount (UGX)
May 31st	Motor vehicle	L.5	2,200,000				

Motor vehicle A/C

DR				CR			
Date May 2021	Particulars	Folio	Amount (UGX)	Date May 2021	Particulars	Folio	Amount (UGX)
				May 31st	Muromo	L.6	2,200,000

Remind learners that the general journal is prepared following double entry system. Therefore, the entries will appear on the same side on which they appear in the general journal.

Identifying accounts to be debited or credited.

Before the posting is done, you have to know which account is to be debited and which account is to be credited. This is necessary because the posting will be wrong if a wrong account is suggested in the ledger. Guide learners while they identify the accounts to be debited or credited using Activity 2.24 on page 106 of the Learner's Book.



Activity 2.24 Identifying accounts to be debited or credited

Methods: Think pair sharing, brainstorming, guided discovery.

Skills: Analysis, Mathematical skills, critical thinking, presentation.

Resources to use: notebook, pen and internet access where possible.

In pairs:

- 1 Identify the steps through which a transaction goes before it is posted in the ledger.
- 2 Describe how entries are posted from the cash books to the ledger.
- 3 Describe how entries are posted from journals/day books to the ledgers.

- 4 Are there transactions that are not posted to ledgers? Suggest reasons for this.
- 5 Fill in the table by showing how the account balances normally appear in the ledgers, and how an increase or decrease in each category is posted in ledger accounts. The first account class has been filled for you.

Account class	Normal balance appears as a	Increase	Decrease
Revenue	Credit	Credit	Debit
Expenses			
Capital			
Assets			
Liabilities			

- 6 Record the transactions from Activity 2.15 and Activity 2.16 on page 83 of the Learner’s Book on returns inwards and returns outwards journal into a ledger.
- 7 Present your work to the rest of the class.

Instructions to the teacher:

- Step 1: Review the previous sub – topic and divide learners into groups while ensuring gender balance in group allocations.
- Step 2: Ask learners, in their pairs to write the process of posting to the ledger.
- Step 3: Let learners explain why some transactions are not posted to the ledgers.
- Step 4: Guide them in their pairs, to fill in the table the five classes of accounts.
- Step 5: Observe as they demonstrate how information is posted from journals to the ledger.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively fill in the table.

Possible responses:

- 1 Whenever a transaction takes place, it is recorded in the source documents, then transferred to the relevant **subsidiary books**. From the subsidiary books, the records are posted to the specific ledger book.

- 2 Some transactions are not posted to the ledger books. This is because their double entry is fully completed with in the cash book. Such entries are called Contra entries.
- 3 The table showing the class of accounts and where they are corrected is as follows.

Account class	Normal Balance	Increase	Decrease
Revenue	Credit	Credit	Debit
Expenses	Debit	Debit	Credit
Capital	Credit	Credit	Debit
Assets	Debit	Debit	Credit
Liabilities	Credit	Credit	Debit

Important note

Transactions that appear on the debit side of the general journal will be posted to the debit side of the respective ledger because they are receiving entries; those that appear in the credit column of the general journal will be posted on the credit side of the respective ledger accounts because they are giving or paying entries. The following are observed:

- For personal accounts, debit the receiver and then credit the giver with the amount stated. For example, when a payment of salary is made to employees, the employee is the receiver while the business is the giver. Therefore, in the journal entry, the employee's salary account will be debited and the cash/bank account will be credited.
- For real/impersonal accounts such as wages, purchases and furniture, debit what enters into the account and credit what leaves that account.
- For revenues and losses, debit all expenses, costs and losses and credit the incomes and profits.

Worked example

Berna invested cash worth UGX 8,000,000 into the business. This can be recorded in a ledger as:

Cash A/C							
DR				CR			
Date	Details	Folio	Amount (UGX)	Date	Details	Folio	Amount (UGX)
31 st May 2021	Capital		8,000,000				

The first transaction shows that the owner invested UGX 8,000,000 into the business implying that an asset in the business called cash increased. Therefore, the cash account is debited.

Capital A/C							
DR				CR			
Date	Details	Folio	Amount (UGX)	Date	Details	Folio	Amount (UGX)
				31 st May 2021	Cash		8,000,000

It also shows that the belongings of the owner in the business also increased, therefore you credit capital with the same amount.

Posting is part of the stages involved in accounting. Whenever a transaction is carried out in business, it goes through different stages before it is finally posted to the ledger. Guide learners on the posting to ledgers using Activity 2.25 on page 108 of the Learner's Book;



Activity 2.25 Posting from journals to ledgers

Methods: Think pair sharing, brainstorming, guided discovery.

Skills: Analysis, Mathematical skills, critical thinking, presentation.

Resources to use: notebook, pen and internet access where possible.

In pairs, analyse the information in the following journals and use it to answer the questions that follow.

(i) Cash book

Blessed Traders' three column cash book for the month of October 2019

DR						CR					
Date	Details	F	Disc. Allowed (UGX)	Cash (UGX)	Bank (UGX)	Date	Details	F	Disc. Received (UGX)	Cash (UGX)	Bank (UGX)
Oct 2019				2,300,000		Oct 2019		b/d			
1st	Balance	b/d				1st	Balance				650,000
5th	Sales				1,280,000	2nd	Purchases			1,750,000	
18th	Atim		22,000	778,000		3rd	Wages			230,000	
19th	Sales			980,000		8th	Electricity				35,000
24th	Moses				245,000	9th	Kipsiro		7,500		142,500
30th	Bank			120,000		11th	Stationary			50,000	
						18th	M Machine				3,500,000
						22nd	Salaries			485,000	
						27th	Drawings				66,000
						30th	Cash				120,000
						31st	Cheptegei		48,000	1,152,000	
31st	Balance	c/d			2,988,500	31st	Balance	c/d		511,000	
			<u>22,000</u>	<u>4,178,000</u>	<u>4,513,500</u>				<u>55,500</u>	<u>4,178,000</u>	<u>4,513,500</u>
01 Nov/2019	Balance	b/d		511,000		01 Nov/19	Balance	b/d			2,988,500

(ii) Sales day book

BLESSED TRADERS'
SALES JOURNAL
FOR THE MONTH OF OCTOBER, 2019

Date	Details	Invoice	F	Amount (UGX)
3rd Oct	Sarah	44	SL1	870,000
12rd Oct	Brian	181	SL2	290,000
15th Oct	Aguma	50	SL3	384,000
26th Oct	Fahim	580	SL4	484,000
30th Oct	Haula	111	SL5	151,000
31st Oct	Amina	325	SL6	801,000
31st Oct	Total transferred to sales A/C		GL1	2,980,000

(iii) Purchases day book

BLESSED TRADERS'
PURCHASES DAY BOOK
FOR THE MONTH OF OCTOBER, 2019

Date	Details	Invoice	F	Amount (UGX)
1st Oct	Kafulumu	02	PL1	300,000
2nd Oct	Mamba traders	121	PL2	450,000
5th Oct	Robert	84	PL3	620,000
23rd Oct	Dauda	712	PL4	108,000
31st Oct	Total transferred to purchase a/c		GL2	1,478,000

(iv) Returns inwards book

BLESSED TRADERS'
RETURNS INWARDS JOURNAL
FOR THE MONTH OF OCTOBER, 2019

Date	Details	Invoice	F	Amount (UGX)
18th Oct	Sarah	312	SL1	70,000
20th Oct	Brian	913	SL2	40,000
31st Oct	Total transferred to returns inwards a/c		GL3	110,000

(v) Returns outwards book

BLESSED TRADERS'
RETURNS OUTWARDS JOURNAL
FOR THE MONTH OF OCTOBER, 2019

Date	Details	Invoice	F	Amount (UGX)
9th Oct	Kafuluma	332	PL1	50,000
31st Oct	Total transferred to returns inwards		GL4	50,000

**Tasks:**

- 1 Post the necessary information from those journals to the following ledgers:
a) Sales ledger b) Purchases ledger c) General ledger
- 2 Compare your entries with those of other pairs and agree on the correct entries.

Instructions to the teacher:

- Step 1: Review the previous subtopic and divide learners into groups while ensuring gender balance in group allocations.
- Step 2: Ask learners to study the information given from journals.
- Step 3: Let learners post the information given to the different ledger books.
- Step 4: Guide them in their pairs, to ensure that entries are recorded on the proper side of the ledgers.
- Step 5: Observe as they draw and record information the ledger.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners have effectively presented ledger accounts.

Possible responses:

Posting the given information to the sales ledger.

- a) Post the transactions to the;
(i) Sales ledger accounts(debtors/customers)

Sarah A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
Oct 3 rd	sales	L.1	870,000	18/ 10/ 19	Sales returns	L.2	70,000

Brian A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
12/ 10/ 19	sales	L.1	290,000	18/ 10/19	sales returns	L.2	40,000

Aguma A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
15/ 10/ 19	sales	L.1	384,000				

Fahim A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
26/ 10/ 19	sales	L.1	484,000				

Haula A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
12/ 10/19	sales	L.1	151,000				

Amina A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
31/ 10/19	sales	L.1	801,000				

(ii) Purchases ledger accounts(creditors/suppliers)

Kafulum A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
12/ 10/19	Purchases returns	L.7	50,000	18/ 10/ 19	Purchases	L.6	300,000

Mamba Traders A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
				2/ 10/ 19	Purchases	L.6	40,000

Robert A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
				5/ 10/ 19	Purchases	L.6	620,000

Dauda A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
				18/ 10/ 19	Purchases	L.6	108,000

General Ledger (impersonal ledger)

Sales A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
				31/ 10/ 19	Total debtors		2,980,000

Purchases A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
31/ 10/ 19	Total creditors		1,478,000				

Returns inwards A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
31/ 10/ 19	Total debtors		110,000				

Returns outwards A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
				31/ 10/ 19	Total creditors		50,000

Remind learners that all accounts bearing names of people or organisations or companies should be recorded to the specialised journals while all accounts that do not bear names of people or organisations or companies(impersonal accounts) are recorded in the general ledger eg sales, purchases etc

Start by reading this information to the learners. Did you know? A cash book is both a journal as well as a ledger. This is because it records the cash transactions from the source document for the first time and then these are posted in the respective ledger accounts. The cash book is a ledger in the sense that it serves the purpose of a cash account also. So, when the cash book is prepared, the cash account is not required. Thus, the cash book serves the purpose of a subsidiary book (journal) as well as the principal book (ledger).

Preparing ledger accounts using double entry

In the first subtopic of bookkeeping, you studied how to record transactions using the double entry system.

In Activity 2.26 on page 115 of the Learner's Book, learners will demonstrate how to prepare ledger accounts using the double entry system.



Activity 2.26 Preparing ledger accounts using double entry system

Methods: Think pair sharing, brainstorming, guided discovery.

Skills: Analysis, Mathematical skills, critical thinking, presentation.

Resources to use: notebook, pen and internet access where possible.

SELITE Enterprises started a business on 1st March 2022 with capital of UGX 2,000,000 in cash. The following transactions took place during the month:

March 2022		(UGX)
1st Mar	Bought goods for sale in cash	1,800,000
2nd Mar	Sold goods to Kato on credit	700,000
2nd Mar	Cash sales	1,675,000
3rd Mar	Paid wages	120,000
7th Mar	Bought goods on credit from Aklam	2,000,000
12th Mar	Paid for insurance in cash	17,000
12th Mar	Paid telephone expenses in cash	8,000
17th Mar	Paid cash for rent	150,000
18th Mar	Sold goods in cash	3,100,000
19th Mar	Received cash from Kato	450,000
23rd Mar	Paid for the electricity bills using cash	320,000
25th Mar	Bought goods in cash	480,000
30th Mar	Made cash sales	180,000
31st Mar	Paid Aklam cash	2,000,000



Tasks:

- 1 Prepare the relevant ledger accounts following the double entry system and show the balances for each account at the beginning of the following month.
- 2 Use an appropriate computer program to present your findings before the class.

Instructions to the teacher:

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations.
- Step 2: Ask learners to study the information given.
- Step 3: Let learners post the information given to the different ledger books.
- Step 4: Guide them in their pairs, to ensure that entries are recorded on the proper side of the ledgers.
- Step 5: Observe as they draw and record information the ledger following double entry system.
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners have effectively presented ledger accounts using double entry system.

Possible responses:

- b) Preparing the relevant ledger accounts following double entry system

Capital A/C

DR				CR			
Date March 2019	Particulars	Folio	Amount (UGX)	Date March 2019	Particulars	Folio	Amount (UGX)
				Mar 1st	Cash	L.2	2,000,000

Cash A/C

DR				CR			
Date March 2019	Particulars	Folio	Amount (UGX)	Date March 2019	Particulars	Folio	Amount (UGX)
1/ 03/ 19	Capital	L.1	2,000,000	1/ 3/ 19	Purchases	L.5	1,800,000
2/ 3/ 19	Sales	L.3	1,675,000	3/ 3/ 19	Wages	L.6	120,000
18/ 3/ 19	Sales	L.3	3,100,000	12/ 3/ 19	Insurance	L.7	170,000
19/ 3/ 19	Kato	L.4	450,000	12/ 3/ 19	Telephone	L.8	8,000

DR				CR			
Date March 2019	Particulars	Folio	Amount (UGX)	Date March 2019	Particulars	Folio	Amount (UGX)
30/ 3/ 19	Sales	L.3	180,000	17/ 3/ 19	Rent	L.9	150,000
				23/ 3/ 19	Electricity	L.10	320,000
				25/ 3/ 19	Purchases	L.5	480,000

Purchases A/C

DR				CR			
Date Oct 2019	Particulars	Folio	Amount (UGX)	Date Oct 2019	Particulars	Folio	Amount (UGX)
1/ 3/ 19	Cash	L.2	1,800,000				
7/ 3/ 19	Aklam	L.12	2,000,000				
25/ 3/ 19	Cash	L.2	480,000				

Sales A/C

DR				CR			
Date March 2019	Particulars	Folio	Amount (UGX)	Date March 2019	Particulars	Folio	Amount (UGX)
				2/ 3/ 19	Kato	L.13	700,000
				2/ 3/ 19	Cash	L.2	1,675,000
				18/ 3/ 19	Cash	L.2	3,100,000

Kato A/C

DR				CR			
Date March 2019	Particulars	Folio	Amount (UGX)	Date March 2019	Particulars	Folio	Amount (UGX)
2/ 3/ 19	Sales	L.3	700,000	19/ 3/ 21	Cash	L.2	450,000

Wages A/C

DR				CR			
Date March 2019	Particulars	Folio	Amount (UGX)	Date March 2019	Particulars	Folio	Amount (UGX)
3/ 3/ 19	Cash	L.2	120,000				

Aklam A/C

DR				CR			
Date March 2019	Particulars	Folio	Amount (UGX)	Date March 2019	Particulars	Folio	Amount (UGX)
31/ 3/ 19	Cash	L.2	2,000,000	7/ 3/ 19	purchases	L.2	2,000,000

Insurance A/C

DR				CR			
Date March 2019	Particulars	Folio	Amount (UGX)	Date March 2019	Particulars	Folio	Amount (UGX)
12/ 3/ 19	Cash	L.2	17,000				

Telephone A/C

DR				CR			
Date March 2019	Particulars	Folio	Amount (UGX)	Date March 2019	Particulars	Folio	Amount (UGX)
2/ 3/ 19	Cash	L.2	8,000				

Rent A/C

DR				CR			
Date March 2019	Particulars	Folio	Amount (UGX)	Date March 2019	Particulars	Folio	Amount (UGX)
17/ 3/ 19	Cash	L.2	150,000				

Electricity A/C

DR				CR			
Date March 2019	Particulars	Folio	Amount (UGX)	Date March 2019	Particulars	Folio	Amount (UGX)
23/ 3/ 19	Cash	L.2	320,000				

2.5: Trial Balance

Number of periods: 14

Learner's Book on page 201

The **Trial Balance** is a financial document containing the closing balances of all the accounts. It contains two sides; left-hand side (Debit) and right-hand side (Credit). The totals of these two sides should be equal. It is prepared periodically, usually while reporting financial statements.

WHY TO PREPARE?

- 1 Helps in detecting errors and gives an overall idea of all the ledger accounts ensuring that every debit entry has a corresponding credit entry.
- 2 First step in the preparation of the final statements.

Debit Side – All the expenses, cash and assets balances.

Credit side – All the incomes, capital, reserves and the liabilities balances.

UNDETECTABLE ERRORS

Error of Omission

Error of Original Entry

Error of Reverse Entry

Error of Principle

Compensating Errors

Sample Trial Balance

PARTICULARS	DEBIT (UGX)	CREDIT (UGX)
Share capital		20,000
Machinery	15,000	
Debtors	12,000	
Selling & distribution expenses	3,000	
Bank loan		10,000
Total	30,000	30,000

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Keywords

- arithmetical accuracy
- auditors
- narration
- debtors
- credit balances
- debit balances
- stock taking
- trial balance

After studying and practising the activities in this section, you will be able to:

- know a trial balance
- understand the uses of a trial balance
- prepare a trial balance
- identify and correct errors in a trial balance

2.5.0 Introduction

After preparing ledger accounts, one needs to make a summary of those accounts that remained with balances. This helps not only to prepare final accounts but also to correct errors that may exist in the accounting system.

Businesses usually have a number of transactions to record in books of accounts. It is possible that some figures may be wrongly copied, some may be forgotten and some may be interchanged.

In this sub topic, you will guide learners on how to detect arithmetical errors committed during posting using a **trial balance** as well as other errors. After discovering the errors, you will then guide them to correct those errors to ensure that accurate records are provided for preparation of final accounts.

In this subtopic, guide learners to:

- 1 Understand what a trial balance is
- 2 Understand the uses of a trial balance
- 3 Prepare a trial balance
- 4 Identify and correct errors in the trial balance

Points to keep in Mind:

- 1 Definition of a trial balance should be understood by the learner.
- 2 Learners should be encouraged to carry calculating devices like calculators.
- 3 Identifying items recorded in the Trial Balance
- 4 Illustration of the format of the trial balance
- 5 Calculation of the debit and credit totals accurately
- 6 Detecting and correction of errors.
- 7 Ensuring proper alignment of information
- 8 Ensuring accurate recording and balancing of Ledger Accounts

Definition of keywords:

Ask learners, in their own words, to define the following key words (arithmetical accuracy, auditors, narration, overcast money, stock taking, trial balance). Observe how they use internet to arrive at the accurate definitions.

2.5.1 Concept of a Trial Balance

This is a list of both debit and credit balances extracted from different accounts in the ledger including bank and cash balances from the cash book as at a particular date. Understanding the key information that is recorded in the trial balance is very important for learners to present an accurate trial balance.



Activity 2.27 Understanding information recorded in a trial balance and its uses

Methods: Guided group discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Materials to use: notebook, pen and internet access where possible.

In groups:

- 1 Make research on the meaning of a trial balance and identify its key features.
- 2 From your research, identify the key information needed to prepare a Trial Balance clearly identifying which accounts should be recorded on either the debit or credit side.
- 3 What do you think would happen to the trial balance if the information stated in (2) above was not available.
- 4 Use the Internet, school library or any written literature on the trial balance to explore the purpose of a trial balance.
- 5 Choose a group secretary to record your findings.
- 6 Present your work to the rest of the class.

Instructions to the teacher:

- Step 1: Review the previous sub – topic and divide learners into groups while ensuring gender balance in group allocations.
- Step 2: Ask learners to brainstorm the key features of a trial balance.
- Step 3: Let learners suggest what would happen if the key features of a trial balance were missing.
- Step 4: Guide them in their groups, to use internet or any other sources to explore the definition, validity and purpose of the Trial Balance.
- Step 5: Observe as they use the internet to arrive at the different responses
- Step 6: Let them share their findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively present relevant information related to preparation of a trial balance.

Possible responses:

Task 1: The following are main features of a trial balance:

- It is a tabular statement having separate sides/columns for **debit balances** and credit balances.
- It is a summary of debit and credit balances which are extracted from various ledger accounts.
- Closing balances of the various ledger accounts are brought to this statement.
- It can be prepared at any date on which accounts are closed and balanced. But it is usually prepared at the end of the accounting year.
- It records only accounts with balances.
- Trial balance is not an account. It is only a statement.

Task 2: The key information needed in the preparation of a trial balance includes;

Revenue: All revenue accounts normally have a credit balance because income earned goes to the business owner (an outsider) for example, Sales, discount received, Rent received, commission received etc. Any account that reduces revenue for example sales returns is recorded on the debit side.

Expenses: All expenses normally have a debit balances because they facilitate the proper functioning of assets for example, Salaries and wages, transport, Rent, carriage outwards, carriage inwards, advertisement, insurance, commission, rates, water and electricity bill, etcetera. Purchases are sometimes regarded as expenses because it's a cost of acquiring a stock into the business. Any account that reduces expenses for example purchases returns or returns outwards is recorded on the credit side.

Capital: The capital account is always credited because its an account of the owner and a reduction in capital for example drawings is debited.

Assets: All assets, fixed and current are always debited because they are possessions of the business. For example, Land, buildings, plant and Machinery, motor van, fixtures and fittings, furniture, stock, debtors, cash at bank and cash at hand among others.

Liabilities: All claims of outsiders in the business are recorded normally on the credit side. For example, Loans, debentures, creditors, bank overdraft among others.

Task 3: What happens if key information misses in the trial balance.

After extracting the trial balance, you have to total up the debit and credit sides. The totals of these two sides must be equal. Once key information was not available during the preparation of the trial balance the following will happen.

- The trial balance will not balance
- A suspense account must be created and investigations made to discover the source of the error.
- There will not be adequate information necessary for the preparation of accurate income statements and balance sheet.
- The information given to business stakeholders may be misleading.

Task 4:

A trial balance is a list of both debit and credit balances extracted from different accounts in the ledger including bank and cash balances from the cash book as at a particular date.

The purpose of the trial balance is as follows:

- To prove the arithmetic accuracy of double entry system. It is the shortest method of verifying the **arithmetical accuracy** of entries made in the ledger.
- For correction of accounting errors. The debit total of the trial balance must equal to credit total of trial balance. If this does not happen, it will make the accountant find and rectify the error. Accountants, therefore, feel relieved when the trial balance debit totals and credit totals match.
- Basis for Preparation of final accounts statements: Profit and Loss Account, Balance Sheet, and Cash Flow Statement need to be prepared at the end of each accounting year. The balances of all the ledger accounts used to prepare financial statements are already summarised in the trial balance. Hence, it makes the preparation and analysis of financial statements easier.
- For making end of year Adjustments: Adjustment accounts like prepaid expenses, outstanding incomes, closing stock and changes in provisions among others need to be made during the preparation of the Trial Balance. This assists in making adjustments only relevant to the current accounting year.
- For Comparative Analysis: Preparation of the Trial Balance helps to compare balances of the current year with past year balances as well as comparing with rival businesses. This helps the business to make important decisions regarding income, expenses, assets and liabilities among others depending on the trend in the business accounts.
- For easy preparation of Audit Reports: Trial Balance helps the **auditors** to locate the entries in the original books of accounts. Basically, the auditors have to check whether final accounts were prepared from information in the trial balance or not.

The trial balance has three columns for details/particulars, debit balances and credit balances.

It is important to write the date on the trial balance to reflect the picture of the ledger as at that date.

Did you know!

To record items in the trial balance, the debit balances from the ledger will be listed in the debit column (Dr side) while the credit balances will be listed in the credit column (Cr side). Such accounts are recorded in the order in which they appear in the ledgers.

2.5.2 Recording Information into the Trial Balance

According to the modern rules of debit and credit or double entry system, drawings, expenses and assets have debit balances while liabilities, equity and revenue have credit balances. This makes it easy to prepare a trial balance since you know the accounts that should be recorded either on the debit or credit side. Activity 2.28 on page 118 of the Learner's Book guide learners to detect mistakes and present an accurate trial balance. Activity 2.28 on page 118 of the Learner's Book Recording Information into a Trial Balance.



Activity 2.28 Recording information in a trial balance

Methods: Guided group discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation.

Materials to use: notebook, pen and internet access where possible.

In groups:

- a) Using modern rules of debit and credit, place a tick on the appropriate debit or credit column for each of the following balances recorded in the trial balance. The first two have been ticked for you.

**ABC ENTERPRISES
TRIAL BALANCE
AS AT 31ST DECEMBER 2020**

Account Balance/Particulars	Debit (UGX)	Credit (UGX)
Capital		✓
Opening stock	✓	
Salaries		
Purchases		

Continuation

Account Balance/Particulars	Debit (UGX)	Credit (UGX)
Returns outwards		
Transport		
Debtors		
Creditors		
Carriage inwards		
Furniture		
Plant and machinery		
Bank overdraft		
Rent received		
Discount received		
Discount allowed		
Cash at hand		
Cash at bank		
Sales returns		
Interest paid		
Commission received		
Insurance		
Fuel expenses		
Motor van		
Fixtures and fittings		
Drawings		
Interest received		
Advertising		
Loan		

- b)** Use the following information to draw an accurate trial balance clearly recording the amount on the right side.

**KAWEMPE ROYAL STARS
TRIAL BALANCE
AS AT 31ST December. 2021**

Particulars	Debit (UGX)'000	Credit (UGX)'000
Capital	1,000,000	
Cash	300,000	
Wages	10,000	
Salaries		140,000
Stationary	14,000	
Debtors		500,000
Creditors	60,000	
Lighting	550,000	
Bank overdraft		550,000
Fuel	36,000	
Repairs	20,000	
Stock		120,000
Purchases		80,000
Sales	68,000	
Carriage inwards	4,000	
Returns inwards	30,000	
Returns outwards	50,000	
Carriage outwards		338,000
Rent		6,000
Discount received	420,000	
Total	2,148,000	2,148,000

Additional information: Closing stock as at 31.12.21 was UGX 500,000.

- c)** Share your results with the rest of the class.

Instructions to the teacher:

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations.
- Step 2: Ask learners to survey the internet and any source of information available to place a tick in the right column where each account given should be recorded.
- Step 3: Ask learners to analyse and discuss the inaccurate Trial Balance provided.
- Step 4: Let learners identify the items recorded wrongly and then re extract the Trial Balance in an accurate way.
- Step 5: Observe as they record the entries on the right side.
- Step 6: Let each group share its findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively present accurately information related to preparation of a trial balance.
- Step 8: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

Task a: Placing a tick on the right side for each category of accounts is expected to be as follows;

ABC ENTERPRISES
TRIAL BALANCE
AS AT 31ST DECEMBER 2021

ACCOUNT BALANCE/Particulars	DEBIT	CREDIT
Capital		✓
Opening stock	✓	
Salaries	✓	
Sales		✓
Purchases	✓	
Returns outwards		✓
Transport	✓	
Debtors	✓	
Creditors		✓
Carriage inwards	✓	

ACCOUNT BALANCE/Particulars	DEBIT	CREDIT
Carriage outwards	✓	
Furniture	✓	
Plant and machinery	✓	
Bank overdraft		✓
Rent received		✓
Discount received		✓
Cash at hand	✓	
Cash at bank	✓	
Sales returns	✓	
Interest paid	✓	
Commission received		✓
Insurance	✓	
Fuel	✓	
Motor van	✓	
Fixtures and fittings	✓	
Drawings	✓	
Interest received		✓
Advertising	✓	
Loan		✓

Task b: Observation from the Trial balance of Kawempe Royal Stars include;

- Capital is wrongly posted on the debit side instead of the credit side.
- Salaries have been wrongly posted on the credit side instead of the debit side.
- Debtors are wrongly posted on the credit side instead of the debit side.
- Creditors are wrongly posted on the debit side instead of the credit side.
- Stock is wrongly posted on the credit side instead of the debit side.
- Purchases have been wrongly posted on the credit side instead of the debit side.
- Sales have been wrongly recorded on the debit side instead of the credit side.
- Returns outwards are wrongly posted to the debit side instead of the credit side.

- Carriage outwards have been wrongly recorded on the credit side instead of the debit side.
- Rent is wrongly posted to the credit side instead of the debit side.
- Discount received has been wrongly recorded on the debit side instead of the credit side.

CORRECTED TRIAL BALANCE FOR KAWEMPE ROYAL STARS.

KAWEMPE ROYAL STARS
TRIAL BALANCE
AS AT 31ST December 2021

PARTICULARS	DEBIT(UGX)	CREDIT(UGX)
Capital		1,000,000
Cash	300,000	
Wages	10,000	
Salaries	140,000	
Stationary	14,000	
Debtors	500,000	
Creditors		60,000
Lighting	550,000	
Bank overdraft		550,000
Fuel	36,000	
Repairs	20,000	
Stock	120,000	
Purchases	80,000	
Sales		68,000
Carriage inwards	4,000	
Returns inwards	30,000	
Returns outwards		50,000
Carriage outwards	338,000	
Rent	6,000	
Discount received		420,000
TOTAL	2,148,000	2,148,000

Additional information: Closing stock UGX. 500,000.

2.5.3 Preparing a Trial Balance from Ledger Accounts

Let learners know that one of the main purposes of extracting a trial balance is to prove the accuracy of the double entry system used to record ledger accounts. The steps followed when preparing a trial balance include;

- 1 Checking to ensure that all entries are correct and posted to their respective accounts in the ledger.

Tip

The cash and bank balances brought down in the cash book should also be recorded on their respective sides in the trial balance.

- 2 Determining the balance of each account in the ledger; that is, determine the difference between the debit and credit sides and record the difference on the side which had a bigger amount as a balance brought down entry. Prior to this, the difference is recorded on the other side to make the two sides balance. It is called a balance carried down entry.
- 3 Listing or recording the ledger account titles that have balances as well as their balances.
- 4 Getting the sum of the debit and credit balances and proving their arithmetical accuracy (they have to be equal in case there are no errors).

Any ledger accounts whose debit side is equal to the credit side (both sides are equal), is said to have been balanced off and therefore should not be recorded in the trial balance since it has no balance brought down. Guide learners on how to prepare a trial balance from ledger accounts using the following in Activity 2.29 on page 121 of the Learner's Book.



Activity 2.29 Preparing a trial balance from ledger accounts

Methods: Guided group discussion, brainstorming, think pair discovery.

Skills: Analysis, critical thinking, presentation, mathematical skills.

Resources required: notebook, pen, ruler, calculator and internet access where possible.

- a) In pairs, extract a trial balance from the following general ledger accounts of NAGAWA Enterprises:

Capital A/C							
DR				CR			
Date	Details	F	Amount (UGX)	Date	Details	F	Amount UGX)
31st Jan 2022	Balance	c/d	3,500,000	31st Jan 2022	Cash		3,500,000
			<u>3,500,000</u>				<u>3,500,000</u>
				1st Feb 2022	Balance	b/f or b/d	3,500,000

CASH A/C							
DR				CR			
Date	Details	F	Amount (UGX)	Date	Details	F	Amount (UGX)
1st Jan 2022	Capital	GL1	3,500,000	1st Jan 2022	Purchases		800,000
3rd Jan 2022	Sales		400,000	3rd Jan 2022	Motor vehicle		2,000,000
10th Jan 2022	Sam		350,000	6th Jan 2022	Rent		135,000
16th Jan 2022	Sales		510,000	7th Jan 2022	Salaries		300,000
				12th Jan 2022	Electricity		35,000
				25th Jan 2022	Drawings		72,000
				30th Jan 2022	Okello		320,000
				31st Jan 2022	General expense		120,000
				31st Jan 2022	Balance	c/d	978,000
			<u>4,760,000</u>				<u>4,760,000</u>
1st Feb 2022	Balance	b/d	978,000				

Purchases A/C							
DR				CR			
Date	Details	Folio	Amount (UGX)	Date	Details	Folio	Amount (UGX)
1st Jan 2022	Cash		800,000	31st Jan 2022	Balance	c/d	1,250,000
11th Jan 2022	Okello		450,000				
			<u>1,250,000</u>				<u>1,250,000</u>
1st Feb 2022	Balance	b/d	1,250,000				

Sales A/C							
DR				CR			
Date	Details	Folio	Amount (UGX)	Date	Details	Folio	Amount (UGX)
1st Jan 2022	Balance	c/d	1,510,000	03rd Jan 2022	Cash		400,000
				5th Jan 2022	Sam		600,000
				16th Jan 2022	Cash		1,510,000
			<u>1,510,000</u>				<u>1,510,000</u>
				1st Feb 2022	Balance	b/d	1,510,000

Motor vehicle A/C							
DR				CR			
Date	Details	F	Amount (UGX)	Date	Details	F	Amount (UGX)
3rd Jan 2022	Cash		<u>2,000,000</u>	31st Jan 2022	Balance	c/d	<u>2,000,000</u>
1st Feb 2022	Balance	b/d	2,000,000				

Sam's A/C							
DR				CR			
Date	Details	F	Amount (UGX)	Date	Details	F	Amount (UGX)
5th Jan 2022	Sales		600,000	10th Jan 2022	Cash		350,000
				31st Jan 2022	Balance	c/d	250,000
			<u>600,000</u>				<u>600,000</u>
1st Feb 2022	Balance	b/d	250,000				

Rent A/C							
DR				CR			
Date	Details	F	Amount (UGX)	Date	Details	F	Amount (UGX)
6th Jan 2022	Cash		<u>135,000</u>	31st Jan 2022	Balance	c/d	<u>135,000</u>
1st Feb 2022	Balance	b/d	135,000				

Salaries A/C							
DR				CR			
Date	Details	F	Amount (UGX)	Date	Details	F	Amount (UGX)
7th Jan 2022	Cash		<u>300,000</u>	31st Jan 2022	Balance	c/d	<u>300,000</u>
1st Feb 2022	Balance	b/d	300,000				

Okello A/C							
DR				CR			
Date	Details	F	Amount (UGX)	Date	Details	F	Amount (UGX)
30th Jan 2022	Cash		320,000				
31st Jan 2022	Balance	c/d	130,000	11th Jan 2022	Purchases		450,000
			<u>450,000</u>				<u>450,000</u>
				1st Feb 2022	Balance	b/d	130,000

Electricity A/C							
DR				CR			
Date	Details	F	Amount (UGX)	Date	Details	F	Amount (UGX)
6th Jan 2022	Cash		<u>35,000</u>	31st Jan 2022	Balance	c/d	<u>35,000</u>
1st Feb 2022	Balance	b/d	35,000				

Drawings A/C							
DR				CR			
Date	Details	F	Amount (UGX)	Date	Details	F	Amount (UGX)
25th Jan 2022	Cash		<u>72,000</u>	31st Jan 2022	Balance	c/d	<u>72,000</u>
1st Feb 2022	Balance	b/d	72,000				

General expenses A/C							
DR				CR			
Date	Details	F	Amount (UGX)	Date	Details	F	Amount (UGX)
31st Jan 2022	Cash		<u>120,000</u>	31st Jan 2022	Balance	c/d	<u>120,000</u>
1st Feb 2022	Balance	b/d	120,000				

Rubangakene A/C							
DR				CR			
Date	Details	F	Amount (UGX)	Date	Details	F	Amount (UGX)
30th Jan 2022	Cash		<u>450,000</u>	11th Jan 2022	Purchases		<u>450,000</u>

- b) Use a chart or an appropriate computer program to present your findings to the class for comparisons and further discussion.

Instructions to the teacher:

- Step 1: Review on the previous activity and divide learners into pairs while ensuring gender balance in group allocations.
- Step 2: Ask learners to go through ledger accounts drawn.
- Step 3: Let learners extract the Trial Balance from the given Ledger accounts.
- Step 4: Observe as they record balances accurately into the Trial Balance and let each pair comment about the other pair's trial balance.
- Step 5: Let each pair share its findings with the rest of the class.
- Step 6: Assess through conversation how the learners effectively present relevant information related to preparation of a trial balance.
- Step 7: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

The Trial Balance extracted from the balances of the above ledger accounts will be as follows;

NAGAWA Enterprises
Trial balance
As at 31st January 2022

Details	Debit (UGX.)	Credit (UGX.)
Capital		3,500,000
Cash	978,000	
Purchases	1,250,000	
Sales		1,510,000
Motor vehicle	2,000,000	
Sam	250,000	
Rent	135,000	
Salaries	300,000	
Okello		130,000
Electricity	35,000	
Drawings	72,000	
General expenses	120,000	
Total	5,140,000	5,140,000

Note: Rubangakene's account is not recorded in the trial balance because its debit side total was equal to its credit side total therefore no balance remained on such an account. It is an example of a closed off account.

Preparing a trial balance from direct ledger balances.

Once given lay information, it is also possible to extract a trial balance. This is especially true once you know how the five classes of accounts are treated while observing Double entry rule. The table below can help you best understand the treatment of such account classes.

The double entry system operates on the different categories of accounts as follows.

ACCOUNT CLASS	NORMAL BALANCE	INCREASE IN VALUE	DECREASE IN VALUE
REVENUE	CREDIT	CREDIT	DEBIT
EXPENSES	DEBIT	DEBIT	CREDIT
CAPITAL	CREDIT	CREDIT	DEBIT
ASSETS	DEBIT	DEBIT	CREDIT
LIABILITIES	CREDIT	CREDIT	DEBIT

The table above is summarised as follows;

Revenue: All revenue accounts normally have a credit Balance because income earned goes to the business owner (an outsider) for example Sales, discount received, Rent received, commission received etc

Expenses: All expenses normally have a debit balances because they facilitate the proper functioning of assets for example Salaries and wages, transport, Rent, carriage outwards, carriage inwards, advertisement, insurance, commission, rates, water and electricity bills etc.

Capital: The capital account is always credited because it's an account of the owner and a reduction in capital for example drawings is debited.

Assets: All assets, fixed and current are always debited because they are possessions of the business. For example, Land, buildings, plant and Machinery, motor van, fixtures and fittings, furniture, stock, debtors, cash at bank and cash at hand among others.

Liabilities: All claims of outsiders in the business are recorded normally on the credit side for example Loans, debentures, creditors, bank overdraft among others.

You should guide learners on how ledger account balances are directly recorded using Activity 2.30 on page 127 of the Learner's Book:



Activity 2.30 Preparing a trial balance from ledger accounts

Methods: Guided group discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation and mathematical skills.

Resources to use: notebook, pen, ruler, internet access where possible and a calculator.

The following balances were extracted from the ledger book of Kotido Juice Processors Ltd as at 31st December, 2021.

Particulars	UGX
Opening stock	500,000
Buildings	24,000,000
Sales	52,000,000
Returns inwards	3,000,000
Purchases	28,000,000
Salaries and wages	3,500,000
Fixtures and fittings	2,500,000
Discount allowed	750,000
Discount received	450,000
Returns outwards	180,000
Machinery	14,000,000
Rent	560,000
Advertising	1,040,000
Insurance	380,000
General expenses	720,000
Debtors	6,000,000
Creditors	4,300,000
Cash	240,000
Bank overdraft	1,860,000
Drawings	600,000
Capital	31,500,000
Closing stock	6,000,000
Depreciation of machinery	2,800,000



Tasks:

- 1 Identify which accounts are to be debited or credited.
- 2 Extract Kotido Juice Processors Ltd's trial balance as at 31st December, 2021.
- 3 Try to find out why your trial balance does not balance if it does not.
- 4 Share your work with another group and try to find out why you may have different answers.

Instructions to the teacher

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations where necessary.
- Step 2: Ask learners to study the ledger account balances given and discover which account balances are to be debited or credited.
- Step 3: Let learners extract the Trial Balance from the given Ledger account balances.
- Step 4: Observe as they record balances accurately into the Trial Balance and let each group comment on the other groups' trial balance presentation.
- Step 5: Let each group share its findings with the rest of the class.
- Step 6: Assess through conversation how the learners effectively present relevant information related to preparation of an accurate trial balance.
- Step 7: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

After identifying which accounts are to be debited or credited, the accurate Trial Balance for Kotido Juice Processors Ltd would be presented as follows;

KOTIDO JUICE PROCESSORS LTD
TRIAL BALANCE
AS AT 31ST DECEMBER, 2021.

PARTICULARS	DEBIT(UGX.)	CREDIT(UGX.)
Opening stock	5,000,000	
Buildings	24,000,000	
Sales		52,000,000
Returns inwards	3,000,000	
Purchases	28,000,000	
Salaries and wages	3,500,000	
Fixtures and fittings	2,500,000	
Discount allowed	750,000	
Discount received		450,000
Returns outwards		180,000
Machinery	14,000,000	
Rent	560,000	
Advertising	1,040,000	
Insurance	380,000	
General expenses	720,000	
Debtors	6,000,000	
Creditors		4,300,000
Cash	240,000	
Bank overdraft		1,860,000
Drawings	600,000	
Capital		31,500,000
Total	<u>90,290,000</u>	<u>90,290,000</u>

Additional information: **Closing stock was UGX. 6,000,000.**

Note: Closing stock is not always recorded in the trial balance. It is always recorded below it under additional information.

Did you know!

A trial balance is not a financial statement. It is only an internal report.

2.5.4 Identifying and Correcting Errors in the Trial Balance

We have already mentioned that when preparing a trial balance, you follow the double entry system of book keeping which means that both sides of the trial balance have to be equal. However, a balanced trial balance is no guarantee that your books are totally free of errors. It only means that all your transactions have been entered in the trial balance. You may still have errors in the books which the trial balance cannot reveal.

Guide learners through the two types of errors committed in the trial balance. They include; errors revealed by the trial balance and errors that are not revealed by trial balance.

Errors revealed by the Trial Balance

Errors revealed by the trial balance are those errors which cause the trial balance totals not to be the same. When such errors are committed, the totals of one side are usually larger than those of the other side. To understand this subtopic well, use Activity 2.31 on page 129 of the Learner's Book to research on the different errors revealed by the trial balance.



Activity 2.31 Understanding errors revealed by the trial balance

Methods: Guided group discussion, brainstorming, guided discovery

Skills: Analysis, critical thinking, presentation and mathematical skills

Resources to use: Pen, notebook, internet access where possible

In pairs:

- 1 Use the Internet, library, or any written literature on errors in the trial balance to make your own notes about the following errors and give examples in each case:

- a) Errors in calculation
- b) Errors in omission of one entry
- c) Posting to the wrong side of an account
- d) Errors in amount
- e) Transposition errors

2 Make a report and share your findings with other pairs.

Instructions to the teacher

- Step 1: Review the previous activity and divide learners into pairs while ensuring gender balance in pair allocations where necessary.
- Step 2: Ask learners to research using internet, the school library or any other source to develop note about the errors specified
- Step 3: Let learners make a report about their findings to the class for general harmonisation.
- Step 4: Observe as they use ICT skills to explore the internet and how others quickly identify information from the library books.
- Step 5: Assess through conversation how the learners effectively present relevant information.
- Step 6: Let the fast learners assist others so that the whole class progresses at the same pace.

Expected responses

Errors which are revealed by the Trial Balance are those errors which cause the Trial Balance totals to be in disagreement. They include the following;

- 1 Errors in calculation:** If there is any miscalculation of the Trial Balance totals or the net account balances, the Trial Balance will not balance for example, there was an error in the calculation of the cash balance, causing the Trial Balance totals not to balance too.
- 2 Errors in omission of one entry:** Omission of either the debit or credit entry of a transaction will cause the totals of the Trial Balance not to agree, for example a cheque UGX 500 received for commission was debited to the Bank Account only.
- 3 Posting to the wrong side of an account:** Entry into the wrong side of an account will cause one side of the ledger to be more than the other, for example A cheque of UGX 800 paid to creditor, John was credited instead of debited to his account.

- 4 Errors in amount:** If the debit entry of a transaction differs in amount with the credit entry, the Trial Balance will not balance, for example Cash of UGX 134 received from Omeja was debited to the Cash Account as UGX134 and credited to the account of Omeja as UGX 143.

How to correct errors that are revealed by the trial balance

In order to correct the errors revealed by the trial balance, you need to use an account termed as a **suspense account**. This account will be opened with the difference in totals identified in the trial balance.

Once the debit side total of the trial balance is more than the credit side total, the difference is recorded on the credit side of the suspense account and if the credit side total is more than the debit total, then the difference is recorded on the debit side of the suspense account. In other words, **the difference is recorded on the side that is less in the suspense account**.

After the correction of the identified errors, both sides of the suspense account totals should be equal. Use Activity 2.32 on page 129 of the Learner's Book to guide learners on how to correct errors that affect the agreement of the Trial Balance.



Activity 2.32 Correcting errors revealed by the trial balance

Methods: Guided group discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation, mathematical skills.

Resources to use: notebook, pen, ruler and internet access where possible.

- 1 In groups, study the following transactions and use them to carry out the tasks that follow:
 - a) After checking the books of Mama Tasha Enterprises, it was discovered that the debit side of the trial balance as at 28th February 2022 was bigger by UGX 600,000. A thorough examination of the records was made and the following errors were discovered:
 - b) The discount received of UGX 80,000 was not posted into the ledger.
 - c) Rose's account was debited with UGX 240,000 instead of UGX 140,000.
 - d) The sales account was undercast/underestimated by UGX 130,000.
 - e) The purchases account was overestimated by UGX 290,000.

**Tasks:**

- 1** Correct the errors in the given transactions using the following suspense account.

Date	Particulars	F	Amount (UGX)	Date	Particulars	F	Amount (UGX)

- 2** Present your work in a class discussion for comparison and further discussions.

Instructions to the teacher:

- Step 1: Review the previous activity and divide learners into groups while ensuring gender balance in group allocations.
- Step 2: Ask learners to go through accounts drawn with errors.
- Step 3: Let learners identify the errors in the accounts provided.
- Step 4: Observe as they show how the specified errors are corrected.
- Step 5: Let each group share its findings with the rest of the class.
- Step 6: Assess through conversation how the learners effectively present the suspense account while correcting errors.
- Step 7: Let the fast learners assist others so that the whole class progresses at the same pace.

Expected responses:

If we draw up the suspense account to correct these errors, the entries would be

- a) Debit suspense account, Credit Discount received account with UGX. 80,000
- b) Debit suspense account, Credit Rose's account with UGX. 100,000
- c) Debit suspense account, Credit sales account with UGX. 130,000
- d) Debit Suspense account, credit purchases account with UGX. 290,000

If we are to correct those errors, the suspense account would appear as below

SUSPENSE ACCOUNT

DR				CR			
Date	Particulars	F	Amount UGX	Date	Particulars	F	Amount UGX
2021 Feb	Discount Received		80,000	2021 Feb	Difference in books		600,000
	Rose		100,000				
	Sales		130,000				
	Purchase		290,000				
			600,000				600,000

Let learners know that errors in the direct balances recorded in the trial balance are corrected by reviewing the whole information to ensure that each account is recorded on the proper side. There after, the trial balance will definitely agree. Explore correction of errors revealed by the Trial Balance using Activity 2.33 on page 130 of the Learner's Book.



Activity 2.33 Correcting errors revealed by the trial balance

Methods: Guided group discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation, mathematical skills.

Resources to use: notebook, pen, calculator, ruler and internet access where possible.

In groups, study the following trial balance and use it to carry out the tasks that follow.

FAMILY SHOPPERS
TRIAL BALANCE
AS AT 31ST DECEMBER 2021

Details	Debits (UGX)	Credit (UGX)
Sales	128,000	
Purchases	90,000	
Returns inwards		6,000
Returns outwards		5,000
Carriage inwards		10,000
Stock (1 st Jan, 2021)	28,000	

Details	Debits (UGX)	Credit (UGX)
Rent	4,000	
Advertising		8,000
Premises		122,000
Machinery		75,000
Debtors	18,000	
Creditors		31,000
Bank loan (2 years)	60,000	
Cash in hand	14,000	
Cash at bank		27,000
Drawings	10,000	
Discount allowed	5,000	
Discount received		60,000
Bank overdraft	20,000	
Capital		190,000
Carriage outwards	8,000	
Wages and salaries		15,000
Total	xxxxxx	xxxxxx

Stock at 31st December 2021 was UGX 48,000



Tasks:

- 1 Re-extract the above trial balance, making the necessary adjustments to the accounts so that the two sides agree.
- 2 Compare your entries with those of other groups and agree on the correct ones.

Instructions to the teacher:

Step 1: Review the previous activity.

Step 2: Divide learners into groups and present them with the trial balance that has errors that cannot allow it to balance.

- Step 3: Let learners identify the errors in the statement provided.
- Step 4: Ask the learners to redraft the trial balance while ensuring that balances are recorded on the proper side.
- Step 5: Let each group share its findings with the rest of the class.
- Step 6: Assess through conversation how the learners effectively present the trial balance while correcting errors.
- Step 7: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

Mistakes observed in the Trial balance given;

- a) Revenue such as Sales that have been debited instead of being credited.
- b) Sales returns have been credited instead of being debited.
- c) Expenses such as carriage inwards, advertising and wages and salaries have been credited instead of being debited.
- d) Assets like premises, machinery and cash at bank have been credited instead of being debited.
- e) Liabilities like bank loan and bank overdraft have been debited instead of crediting them.

The re drafted accurate Trial Balance will appear as follows;

FAMILY SHOPPERS ENTERPRISES
TRIAL BALANCE
AS AT 31ST DECEMBER, 2021.

PARTICULARS	DEBIT(UGX.)	CREDIT (UGX.)
Sales		128,000
Purchases	90,000	
Returns inwards	6,000	
Returns outwards		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	

PARTICULARS	DEBIT(UGX.)	CREDIT (UGX.)
Creditors		31,000
Bank loan		60,000
Cash in hand	14,000	
Cash at bank	27,000	
Drawings	10,000	
Discount allowed	5,000	
Discount received		6,000
Bank overdraft		20,000
Capital		190,000
Carriage outwards	8,000	
Wages and salaries	15,0000	
Total	440,000	440,000

Stock at 31st December, 2021 UGX 48,000

Errors that are not revealed by the trial balance

The trial balance may still agree even if some accounting errors. This mainly results from loss or misplacement of source documents. Such errors are usually detected by auditors during **stock taking**. Let us look at each of these errors and how you can correct them. Guide learners on each error stipulated in the important notes below and how to correct them. This will help them to correctly attempt Activity 2.34 on page 132 of the Learner's Book.



Activity 2.34 Exploring errors that are not revealed by the trial balance

Methods: Guided group discussion, brainstorming, guided discovery.

Skills: Analysis, critical thinking, presentation, mathematical skills.

Resources to use: notebook, pen, calculator, ruler and a source of internet.

- 1 Using any research resource available to you, discuss each of the following errors that are not revealed by the trial balance.
 - a) Errors of omission
 - b) Errors of principle
 - c) Errors of commission
 - d) Errors of original entry
- 2 Briefly explain how each error can be corrected.
- 3 Compare your finding with those of other groups and agree on the correct answers.

Instructions to the teacher:

- Step 1: Review the previous activity.
- Step 2: Divide learners into groups and present them with the trial balance that has errors that cannot allow it to balance.
- Step 3: Let learners discuss and write short notes on the errors provided.
- Step 4: Ask the learners to present the ways through which such errors can be corrected.
- Step 5: Let each group share its findings with the rest of the class.
- Step 6: Assess through conversation how the learners effectively present the correction of such errors.
- Step 7: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

- 1 Error of omission:** Did you know that at times a transaction may take place and may not be recorded in the books of accounts? Let us say an invoice for a transaction gets misplaced and it is not recorded anywhere in the books. This kind of error will not affect the agreement of a trial balance. For example, a credit sale of goods worth UGX 15,000 to Mitchell was neither recorded in the sales account nor in the debtor's (Mitchell) account. How would you correct this error?

To correct this error	Debit Mitchell A/C
	Credit sales A/C

The journal entries would appear as follows:

Date	Account titles and narration	Debit (UGX)	Credit (UGX)
	Mitchell A/C Sales A/C Being an entry of a sale not recorded in any book and now recorded	15,000	15,000

- 2 Errors of principle:** Here, you may record an entry of a transaction in a wrong class or type of accounts. Such an error will not affect the agreement of a trial balance. For example, a purchase of a motor vehicle worth UGX 2,000,000 from Opio was entered in the purchases account instead of the motor vehicle account.

To correct this error	Debit motor vehicle A/C
	Credit purchases A/C

The journal entry would appear as follows:

Date	Account titles and narration	Debit (UGX)	Credit (UGX)
	Motor vehicle A/C Purchases A/C Being a correction of an entry made in a wrong A/C	2,000,000	2,000,000

- 3 Errors of commission:** This is when an entry is made in a wrong account name but still in the same class of accounts and on the right side. So, this cannot affect the agreement of a trial balance. It usually occurs when the business books have many accounts with similar names like, Kasaija and Kashaija, Okello and Akello. For example: goods sold to Mugisha Alex worth UGX 10,000 were entered in Mugisa Alex account, but both of them are debtors.

To correct this error	Debit Mugisha Alex A/C
	Credit Mugisa Alex A/C

The journal entries would appear as follows:

Date	Account titles and narration	Debit (UGX)	Credit (UGX)
	Mugisha Alex A/C Mugisa Alex A/C Being a correction of an entry made in a wrong personal account	10,000	10,000

- 4 Errors of original entry:** Here, a wrong entry is done in the journals (or books of original entry) or even from the source documents and incorrectly entered in to the ledgers. Such an error cannot affect the agreement of the trial balance. For example, sale of goods to Kamau on credit worth UGX 25,000 was wrongly transferred from the sales day book and debited to Kamau account as UGX 52,000. Consequently, it was credited in the sales account as UGX 52,000.

To correct this error	Debit sales A/C with the overcast amount
	Credit Kamau A/C with the overcast amount

The journal entries would appear as follows:

Date	Account titles and narration	Debit (UGX)	Credit (UGX)
	Sales A/C Kamau A/C Being a correction of an overcast in the books of original entry now corrected.	27,000	27,000

- 5 Errors of complete reversal of entries:** In this situation, an account to be debited is credited and the account to be credited is debited with the same correct amount. This completely reverses what would have been correctly done. However, this cannot affect the agreement of the totals in the trial balance as the error has been made on both sides and with the same amount. For example, payment of rent in cash of UGX 50,000 is entered on the debit side of the cash account and credited on the credit side of the rent account in the ledger instead of debiting rent account and crediting cash account.

To correct this error, double the figure and record it on the proper side	Debit rent A/C
	Credit cash A/

The journal entries would appear as follows:

Date	Account titles and narration	Debit (UGX)	Credit (UGX)
	Rent A/C Cash A/C Being a correction of an error of complete reversal of entries.	100,000	100,000

In Activity 2.35 on page 135 of the Learner's Book, guide learner to correct errors that are not revealed by the trial balance in the given transactions.



Activity 2.35 Correcting errors that are not revealed by the trial balance

Methods: Guided group discussion, brainstorming, question and answer.

Skills: Analysis, critical thinking, presentation, mathematical skills.

Resources to use: A notebook, pen, ruler, calculator and internet access where possible.

- 1** In groups, journalise the following information clearly showing their narrations:
 - a)** The discount received of UGX 80,000 was not posted into the ledger.
 - b)** A credit purchase of goods worth UGX 100,000 from Jonah was not recorded in any book.
 - c)** A receipt of cash from sales worth UGX 58,000 was debited in the sales account instead of crediting it.
 - d)** A sale of an old machine worth UGX 450,000 to Musa Body on credit was credited in the sales account instead of that machine's account.
 - e)** A credit purchase of goods from Peter Collins worth UGX 27,000 was poorly recorded in both books as UGX 72,000.
 - f)** Mukasa, a debtor, has his account under cast by UGX 100,000 and Musoke, a creditor, has his account overcast by UGX 100,000.
- 2** Choose a group secretary to record your findings and present before the class for discussion and comparisons.

Instructions to the teacher:

- Step 1: Review on the previous activity.
- Step 2: Divide learners into groups and present them with work which has errors not detected by the trial balance.
- Step 3: Ask learners to go through the statements made with errors.
- Step 4: Let learners identify the errors in the statements provided.
- Step 5: Observe as they show how the specified errors are corrected.
- Step 6: Let each group share its findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively present the journal entries while correcting errors.
- Step 8: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

- a)** A credit purchase of goods worth UGX 100, 000 from Jonah was not recorded in any book.

The Journal entries would appear as below;

Date	Account Tittles and Narration	Debit (UGX)	Credit (UGX)
	Purchases A/C Jonah A/C Being an entry of a purchase not recorded in any book and now recorded.	100,000	100,000

- b) A receipt of cash from sales worth UGX 58,000 was debited in sales account instead of crediting it.

The Journal entries would appear as below

Date	Account Tittles and Narration	Debit	Credit
	Cash A/C Sales A/C Being a correction of an error of complete reversal of entries.	58,000	116,000

- c) A sale of an old machine worth UGX.450,000 to Musa Body on credit was credited in the sales Account instead of machine account.

The journal entries would appear as below

Date	Account Tittles and Narration	Debit	Credit
	Sales A/C Machine A/C Being a correction of an entry made in a wrong A/C (correction of an error of principle)	450,000	450,000

- d) A Credit purchase of goods from Peter Collins worth UGX 2,700 was poorly recorded in both books as UGX 7,200.

The journal entries would appear as below;

Date	Account Tittles and Narration	Debit	Credit
	Peter Collins A/C Purchases A/C Being a correction of an overcast in the books of original entry now corrected.	4,500	4,500

- e) Mukasa a debtor has his account overcast by UGX 100,000 and Musoke a creditor has his account overcast by UGX 100,000.

The Journal entries would appear as below;

Date	Account Tittles and Narration	Debit	Credit
	Musoke A/C Mukasa A/C Being a correction of an overcast made on both accounts and now corrected.	100,000	100,000

Guide learners on how to correct errors in the trial balance by giving them the following guiding questions.

- 1 Which errors have been made in the books of accounts?
- 2 What ought to have been done in the books of accounts?
- 3 What should be done to put the matter right?

2.6: Statement of Profit or Loss and Other Comprehensive Income

Number of periods: 15

Learner's Book on page 237

The screenshot shows an Excel spreadsheet titled "Income Statement Template". The data is organized into several sections: Revenue, Cost of goods sold, Add: Other incomes, Less: Operating expenses, and Net profit after tax. The "Revenue" section includes Gross sales, LESS: Returns inwards, and Net sales (72,980,000). The "Cost of goods sold" section includes Opening stock, Add: Purchases, Add: Carriage inwards, Total purchases (39,000,000), LESS: Returns outwards, Net purchases, Total goods available (41,490,000), LESS: Closing stock, Cost of goods sold (39,490,000), and Gross profit (33,490,000). The "Add: Other incomes" section includes Discount received (12,510,000) and Gross income (46,000,000). The "Less: Operating expenses" section includes Corriago outwards, Bad debts, Rent, Commission, Depreciation, Total operating expenses (21,000,000), Net profit before tax (25,000,000), Less: Corporation tax (30%) (7,500,000), and Net profit after tax (17,500,000). The bottom of the sheet has tabs for Balance Sheet, Spreadsheets, Balance #, Sheet2, and a plus sign.

B6		X	✓	fx	Net sales											
Income Statement Template																
JAGGWE SHOPPERS INCOME STATEMENT FOR 2022																
Revenue																
4	Gross sales		75,000,000													
5	LESS: Returns inwards		2,020,000													
6	Net sales		72,980,000													
Cost of goods sold																
9	Opening stock		3,000,000													
10	Add: Purchases		35,900,000													
11	Add: Carriage inwards		100,000													
12	Total purchases		39,000,000													
13	LESS: Returns outwards		510,000													
14	Net purchases		38,490,000													
15	Total goods available		41,490,000													
16	LESS: Closing stock		2,000,000													
17	Cost of goods sold		39,490,000													
18	Gross profit		33,490,000													
Add: Other incomes																
20	Discount received		12,510,000													
21	Gross income		46,000,000													
Less: Operating expenses																
23	Corriago outwards		3,000,000													
24	Bad debts		5,000,000													
25	Rent		6,000,000													
26	Commission		2,000,000													
27	Depreciation		5,000,000													
28	Total operating expenses		21,000,000													
29	Net profit before tax		25,000,000													
30	Less: Corporation tax (30%)		7,500,000													
31	Net profit after tax		17,500,000													
32																



Keywords

- comprehensive income
- income statement

After studying and practising the activities in this section, you will be able to:

- know the statement of profit or loss and other comprehensive income
- prepare a statement of profit or loss and other comprehensive income

2.6.0 Introduction

It is a fundamental objective of every business to make profit. The profit is the 'life' and 'blood' of any business. Some people's businesses fail simply because they do not know how to compute profits. Some businesses profit out of chance. Others mistake cash received to imply profitability. Some other businesses do not consider some internal expenses and they mistake the excess of sales over the cost to be the true profit.

In this subtopic you will guide learners to;

- 1 Know the statement of profit and loss and other comprehensive incomes; and
- 2 Prepare a statement of profit or loss and other comprehensive incomes

Points to keep in mind:

- Definition of the income statement
- Illustration of the income statement
- Items recorded in the income statement
- Definition and calculation of terms in the income statement.
- A calculator is still important for most activities in this subtopic.

Definition of keywords

Guide learners while defining the following keywords given i.e. (Income statement, Comprehensive income, Change in equity, direct costs and Indirect costs)

2.6.1 Statement of Profit or Loss and other comprehensive income

The statement of profit or loss & other comprehensive income commonly known as **income statement** is a statement that shows an organisation's trading performance for a particular period of time, usually one accounting year in terms of its profit or loss. It shows the operating results of an organisation. The income statement comprises many items which all aid in arriving at a profit or loss. Guide learners to understand the use and components of the income statement using Activity 2.36 on page 137 of the Learner's Book.



Activity 2.36 Meaning of statement of profit or loss and other comprehensive income

Methods: Discussion, explanation, think pair share, brainstorming, guided discovery.

Skills: Critical thinking, observation and interpretation.

Resources to use: Pen, notebook, internet access where possible, calculator.

In groups, study the following statement and carry out the tasks that follow.

Madina produced and sold pancakes worth UGX 200,000. Pancakes worth UGX 15,000 were returned by customers for being dusty. She had used sweet bananas of UGX 80,000, cooking oil of UGX 30,000 and other ingredients worth UGX 45,000 to make and fry the pancakes.



Tasks:

- 1 Compute the net revenue earned from selling the pancakes.
- 2 Calculate the cost of the items used to make and fry the pancakes.
- 3 Do you think Madina made a loss or profit. Support your answer.
- 4 From your observations above, explain in your own words what you think is the meaning of the statement of profit or loss and other comprehensive income.
- 5 Choose a group secretary to record your findings and present before the class for comparison and further discussion.

Instructions to the teacher

- Step 1: Review on the previous subtopic and divide learners into groups.
- Step 2: Ask learners to study and internalise the case study and identify the net revenue or income.
- Step 3: Task them to compute the costs incurred to produce the pancakes.
- Step 4: Ask them to get the difference between the revenue and cost and whether the business will earn a profit or loss.
- Step 5: Let them brainstorm the meaning of statement of profit or loss and other comprehensive income from the information given.
- Step 6: Ensure all learners participate in doing the activity and encourage them to assist each other so that they can progress at a same pace.

Step 7: Ask group representatives present their finding before the class for comparison and agree on correct answers.

Expected responses

Task 1: Net sales Revenue = Sales (selling price) – value of returns

$$= 200,000 - 15,000$$

$$= \text{UGX } 185,000$$

Task 2: Cost of items used in production = (Cooking oil + sweet bananas + ingredients)

$$= 30,000 + 80,000 + 45,000$$

$$= \text{UGX } 155,000$$

Task 3: Difference between revenue and cost = Net sales (selling price) – cost of production

$$= 185,000 - 155,000$$

$$= \text{UGX } 30,000 \text{ (profit)}$$

It is a profit of UGX 30,000 because the Net sales (selling price) exceeded the cost of production (cost of sales)

Task 4: The definition of income statement will vary from learner to learner but must mention the consideration of profit or loss in business.

Preparing a statement of profit or loss and other comprehensive income

When calculating the profitability of a business, you should know the different items recorded in the statement of profit or loss and other comprehensive income. The following should be observed:

- 1 Net profit = Gross income – Total expenses
- 2 Gross income = Gross profit + Other incomes

Whereby:

- Other incomes include: Rent received, commission received and discount received among others.
 - Gross profit is the revenue got or gains received from sales.
 - Gross profit = Net sales – Cost of sales.
- 3 Net sales refer to the actual value of goods sold after deducting returns.
 - Net sales = Total sales – Sales returns (returns inwards)
 - 4 Cost of sales or cost of goods sold refers to the total costs incurred when buying goods that were actually sold.

- Cost of sales = Cost of goods available for sale – Closing stock
- Cost of goods available for sale = Opening stock + Cost of purchases
- Cost of Purchases = Net purchase + Wages + Carriage inwards
- Net purchase = Purchases – Purchase returns

Important notes

Opening stock is the value of goods at the start of a trading period.

A business that has just commenced operations does not have opening stock, hence its opening stock is zero and purchases become the goods available for sale.

- **Closing stock:** The value of goods that remain unsold in the business at the end of a given trading period.
- **Cost of purchases:** Include money used to buy the goods as well as money spent to put the goods in a form and place where the customer wants them.
- **Carriage inwards:** Costs incurred by a business in order to get goods to the business and make them ready for sale; for example, transport on purchases.
- **Average stock:** The average quantity of stock available in a specific period of time. It is given by the formula:

$$\text{Average stock} = \frac{\text{Opening stock} + \text{Closing stock}}{2}$$

- **Net loss:** This is when operational expenses exceed the total revenue earned for a given period of time

$$\text{Net loss} = \text{Operating expenses} - \text{Gross profit}$$

OR

$$\text{Net Loss} = \text{Gross loss} + \text{Operating expenses}$$

- **Earnings after tax:** This refers to the profit a business remains with after subtracting government taxes (corporation tax) and any interest paid on borrowed funds.

$$\text{Earning after tax} = \text{Net profit} - \text{corporation tax}$$

Once a business incurs a net loss, no taxes are paid because government only taxes the net profits.

ICT

Use the Internet or library resources to look for the meaning and formulae of items recorded in the profit or loss account to better understand this subtopic.

2.6.2 Methods of Presenting the Income Statement

There are two methods used to present the statement of profit or loss and other comprehensive income. These are the horizontal or T-format and the vertical format.

The vertical format of the income statement

This is the modern way of presenting the income statement. It is so detailed and gives accounting information in a detailed and easy way for all users to understand.

Illustration of the vertical format

APEX MANUFACTURERS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDING20.....

Particulars	(UGX)	(UGX)	(UGX)
Total sales		xxx	
Less: sales returns		<u>xx</u>	
Net sales			xxx
Less: cost of sales:			
opening stock		xxx	
Add purchases	xxx		
Less purchases returns	<u>xx</u>		
Net purchases	xxx		
Add: direct wages	xx		
Add carriages	<u>xx</u>		
Cost of purchases		<u>xxx</u>	
Cost of goods available for sale		xxx	

Less closing stock		<u>xx</u>	
Cost of sales			<u>xx</u>
Gross profit			xxx
Add: other incomes:			
e.g., Commission income		xx	
Rent income		xx	
Discount received		<u>xx</u>	
Total other incomes			<u>xx</u>
Gross income			xxx
Less operating expenses:			
e.g., Administrative expenses		xx	
Selling and distribution costs		xx	
Overhead costs		<u>xx</u>	
Total operating costs			<u>xx</u>
Net profit/net loss			xx

The income statement always has two columns; the details and the amounts columns. The amounts column is however divided into sub columns in order to ease addition and subtraction and make work neat. This statement is reflected in the table format above.

ICT

You can use the Internet to find out the horizontal or T-format of presenting profit or loss and other comprehensive income.



Activity 2.37 Preparing a statement of profit or loss and other comprehensive income

Methods: Guided group discussion, brainstorming, question and answer.

Skills: Analysis, critical thinking, collaboration, mathematical skills.

Resources to use: A notebook, pen, ruler and internet access where possible.

In groups, study the following information that was extracted from the trial balance of Bulamu Traders as at 31 December, 2021 and use it to do the tasks that follow:

Particulars	Debit (UGX)	Credit (UGX)
Sales		2,500,000
Purchases	1,800,000	
Opening stock	150,000	
Returns inwards	50,000	
Returns outwards		40,000
Rent expense	60,000	
Insurance	20,000	
Water bills	1,235,000	
Advertising	25,000	
Wages and salaries	80,000	
Discount allowed	20,000	
Discount received		150,000
Rent received		800,000
Stationery	50,000	
Total	3,490,000	3,490,000

Closing Stock was UGX 60,000



Tasks:

- 1 Prepare the statement of profit or loss and other comprehensive income for Bulamu Traders for the year ended 31 December, 2021.
- 2 Choose a group secretary to record and present your findings before the class for comparison and further discussion.

Instructions to the teacher:

- Step 1: Review on the previous activity.
- Step 2: Divide learners into groups and ask them to analyse the trial balance drawn from the Activity 2.37 on page 141 of the Learner's Book
- Step 3: Let the learners identify the items that should be included in the drawing of the income statement.
- Step 4: Ask them to draw an income statement from the trial balance given.

- Step 5: Let them present their income statements on the chart as others support criticise their presentation.
- Step 6: Observe as they use the records written to draw the statement of profit or loss and other comprehensive income.
- Step 7: Let each group share its findings with the rest of the class.
- Step 8: Assess through conversation how the learners effectively present the statement of profit or loss and other comprehensive income.
- Step 9: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses

Once the items are properly identified, BULAMU TRADERS' income statement would be presented as follows;

BULAMU TRADERS
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

Particulars	UGX	UGX	UGX
Sales			2,500,000
Less returns inwards			<u>50,000</u>
Net Sales			2,450,000
Less cost of sales:			
Opening Stock		150,000	
Add Purchases	1,800,000		
Less Purchases Returns	<u>40,000</u>		
Net Purchases		1,760,000	
Goods available for sale		1,910,000	
Less Closing Stock		<u>60,000</u>	
Cost of Sale			1,850,000
Gross Profit			<u>600,000</u>
Add other incomes:			
Discount Received		150,000	
Rent Received		<u>800,000</u>	950,000
Gross Income			1,550,000

Particulars	UGX	UGX	UGX
Less operating expenses:			
Rent expense		60,000	
Insurance		20,000	
Water bills		1,285,000	
Advertising		25,000	
Wages & Salaries		40,000	
Discount Allowed		10,000	
Stationery		<u>50,000</u>	
Total expenses			<u>1,490,000</u>
Net Profit			<u>60,000</u>

Let learners know that for a profit-making business, the gross profit earned or gross income, is usually greater than the operating expenses. Use Activity 2.38 on page 144 of the Learner's Book to guide learners in drawing an income statement for a profit-making business.



Activity 2.38 Preparing a statement of profit or loss and other comprehensive income

Methods: Guided group discussion, brainstorming, question and answer.

Skills: Analysis, critical thinking, collaboration, mathematical skills.

Resources to use: A notebook, pen, ruler, calculator and internet access where possible.

In groups, study the following information extracted from the books of Ann Nambooozo Company Ltd for the year ended 31st December, 2021 and use it to carry out the tasks that follow:

Details	(UGX)
Purchases	4,000,000
Sales	9,500,000
Discount allowed	50,000
Discount received	45,000
Rent	160,000
Rent received	550,000

Details	(UGX)
Insurance	350,000
Carriage outwards	280,000
Electricity	250,000
Salaries	220,000
Bad debts	140,000
Office expenses	150,000
Carriage inwards	180,000
Returns inwards	50,000
Returns outwards	100,000
Opening stock	1,000,000
Closing stock	300,000

Additional information

The income tax act required that 30% of the net profit is paid as corporation tax before profits are shared.



Tasks:

- 1 Prepare Ann Nambooza Company Ltd's statement of profit or loss and other comprehensive income for the year ended 31st December, 2021.
- 2 Write a report on your findings and compare your answers with those of other groups to agree on the correct one.

Instructions to the teacher:

- Step 1: Review the previous activity.
- Step 2: Ask Learners to individually study the information given.
- Step 3: Let learners as individuals use that information to draw an income statement.
- Step 4: Let learners show how some items in the income statement are derived.

- Step 5: Observe as each learner uses the internet and other resources to identify the items to record in the income statement.
- Step 6: Let each learner share his/her findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively present the definitions and formulas of the different items.
- Step 8: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

A well-presented statement of profit or loss and other comprehensive income would appear as follows;

Ann Namboozo Company Ltd's
Income statement
For the year ended 31st December 2021

Particulars	UGX.	UGX.	UGX.
SALES		9,500,000	
Less; returns inwards		50,000	
Net sales			9,450,000
Less: COST OF SALES			
Opening stock		1,000,000	
Add: purchases	4,000,000		
Add: carriage inwards	180,000		
Purchases before returns	4,180,000		
Less: returns out wards	<u>100,000</u>		
Net purchases		<u>4,080,000</u>	
Goods available for sale		5,080,000	
Less: closing stock		<u>300,000</u>	
Cost of sales			4,780,000
Gross profit			4,670,000
Add: other incomes			

Particulars	UGX.	UGX.	UGX.
Discount received		45,000	
Rent received		550,000	595,000
GROSS INCOME			5,265,000
LESS: OPERATING EXPENSES;			
Discount allowed		50,000	
Rent		160,000	
Insurance		350,000	
Carriage outwards		280,000	
Electricity		250,000	
Salaries		220,000	
Bad debts		140,000	
Office expenses		150,000	
Total expenses			1,600,000
Net profit before tax			3,665,000
Less corporation tax 30%			1099500
Earnings after tax			2,565,500

Income statement for a loss-making business;

For a loss-making business, the gross profit earned or gross income, is usually less than the operating expenses. Use Activity 2.39 on page 145 of the Learner's Book to guide learners in drawing an income statement for a loss-making business.



Activity 2.39 Preparing a statement of profit or loss and other comprehensive income

Methods: Guided group discussion, brainstorming, question and answer.

Skills: Analysis, critical thinking, collaboration, mathematical skills.

Resources to use: A notebook, pen, ruler, calculator and internet access where possible.

In groups, study the following trial balance extracted from Kagarama Dairy Processors.

KAGARAMA DAIRY PROCESSORS' TRIAL BALANCE AS AT 31ST AUGUST 2021

Details	Debit (UGX)	Credit (UGX)
Capital		10,000,000
Cash	3,000,000	
Wages	100,000	
Salaries	1,400,000	
Stationary	140,000	
Debtors	5,000,000	
Creditors		5,500,000
Lighting	600,000	
Bank	5,500,000	
Fuel	360,000	
Repairs	200,000	
Stock	1,200,000	
Purchases	800,000	
Sales		3,380,000
Carriage inwards	250,000	
Returns inwards	40,000	
Carriage outwards		60,000
Carriage outwards	300,000	
Rent	50,000	
Total	18,940,000	18,940,000

Closing stock at 31.08.2021 was UGX 50,000



Tasks:

- 1 Prepare the statement of profit or loss and other comprehensive income for the year ending 31st August 2021.
- 2 Present your work to the rest of the class.

Instructions to the teacher:

- Step 1: Review on the previous activity.
- Step 2: Ask Learners to individually study the trial Balance given.
- Step 3: Let learners as individuals use that information to draw an income statement.
- Step 4: Let learners show how some items in the income statement are derived.
- Step 5: Observe as each learner uses the internet and other resources to identify the items to record in the income statement.
- Step 6: Let each learner share his/her findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively present the definitions and formulas of the different items leading to losses.
- Step 8: Encourage the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

The well-drawn income statement would appear as follows:

KAGARAMA DAIRY PROCESSORS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME,
FOR THE YEAR ENDING 31ST August 2021

DETAILS	UGX.	UGX.	UGX.
Sales		3,380,000	
Less: Returns inwards		40,000	
Net sales			3,340,000
Less: Cost of Sales			
Opening stock		1,200,000	
Add: Purchases	800,000		
Add: Carriage inwards	250,000		
Total Purchases	1,050,000		
Less: Returns outwards	60,000		

DETAILS	UGX.	UGX.	UGX.
Net Purchases		990,000	
Goods available for sale		2,190,000	
Less: Closing stock		50,000	
Cost of sales			2,140,000
Gross profit			1,200,000
Less: Operating expenses			
Wages		100,000	
Salaries		1,400,000	
Stationary		140,000	
Lighting		600,000	
Fuel		360,000	
Repairs		200,000	
Carriage outwards		300,000	
Rent		50,000	
Total expenses			<u>3,150,000</u>
Net loss			<u>1,950,000</u>

Additional information: **Closing stock at 31.08.2021 was UGX. 50,000**

2.6.3 The Income Statement and Business Growth

As they found out in the previous subtopic, the income statement is used to determine whether the business is doing well enough to expand. As learners: What do you think is the point at which a business should consider further investment?

Management should also lay strategies for recovery if the income statement starts to record losses. What do you think are these strategies? In Activity 2.40 on page 146 of the Learner's Book, guide learners to discuss the point at which profits can lead to further investment.



Activity 2.40 Discussing business development and further Investment

Methods: Guided group discussion, brainstorming, question and answer.

Skills: Analysis, critical thinking, collaboration, mathematical skills.

Resources to use: A notebook, pen, ruler, calculator and internet access where possible.

In groups:

- 1 Use the Internet or any available resource to identify the benefits of profits to a business.
- 2 Suggest the strategies that a business should undertake to effectively use the profits if earned.
- 3 At what point should profits lead to further investment or expansion of the business.
- 4 What do you think a business should do when it starts making losses?
- 5 Choose a group secretary to record your work and present them before the class for comparison and further discussions.

Instructions to the teacher:

- Step 1: Review on the previous activity.
- Step 2: Divide learners into groups and ask them to discuss the level at which a firm should think about business growth or further investment.
- Step 3: Let learners discuss the steps the business should take when it starts incurring losses.
- Step 4: Let learners show the level at which such losses are earned.
- Step 5: Observe as learners discuss the level at which profits lead to business growth or further investment.
- Step 6: Let each group share its findings with the rest of the class.

- Step 7: Assess through conversation how the learners effectively present their findings to the rest during interaction.
- Step 8: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

- a) Decision of whether to expand/have business growth depends on the original objective of the business. If the aim of the firm is to go public i.e., sell shares to the public or to be acquired at a very high price by another company, then the best option is business growth. However, if the aim is to preserving employees or maximising welfare of management, the only option available is maximising profits which are used to cater for the above.
- b) Suggested solutions in case of losses appearing in the income statement include;
 - Reduce or increase inventory to match sales requirements.
 - Negotiate with suppliers for an extension of payment dates.
 - Shop for favourable interest rates funds and availability of fund to borrow.
 - Control credit customers to collect money as soon as possible.
 - Analyse expenses to reduce costs and eliminate waste.
 - Raise prices to increase gross profits or lower them to increase sales volume.
 - Develop good purchasing practices to take advantage of special price and discounts.
 - Take less salary out of the business.
 - Learn to use forecasts to develop useful cash budgets so that cash is able to meet all future obligations.
 - Do not use cash from the business for personal use.

To be successful and remain relevant in business, both profitability and growth are important and necessary. Profitability is vital for any business's existence and growth is crucial to long-term survival.

2.7: Statement of Financial Position (The Balance Sheet)

Number of periods: 15

Learner's Book on page 258

AISHA KIYONGA BALANCE SHEET FOR 2022			
Assets	2022 (UGX)	2022 (UGX)	2022) (UGX)
Fixed (Non current asset)			
Buildings and premises			9,000,000
Machinery and equipment		11,000,000	
LESS: Depreciation		500,000	
Net book value			10,500,000
Total fixed assets			19,500,000
Current assets			
Stock		9,500,000	
Debtors		10,050,000	
Cash		15,750,000	
Total Current assets		35,300,000	
LESS: Current liabilities			
Creditors	7,100,000		
Bank overdraft	1,300,000		
Total current liabilities		8,400,000	
Working capital			26,900,000
Capital employed			46,400,000
Sources of finance:			
Capital		24,000,000	
Add: Net profit		400,000	
capital Owned			24,400,000
ADD: Longterm liabilities:			
Bank loan		22,000,000	
Capital employed			46,400,000



Keywords

- accounting equation
- assets
- balance sheet
- liabilities

After studying and practising the activities in this section, you will be able to:

- understand the key components of a balance sheet and how spreadsheets support them
- know the accounting equation, create and edit simple worksheets using the correct formulae
- prepare a balance sheet using spreadsheets and a calculator where appropriate

2.7.0 Introduction

In our previous subtopic, learners were guided on how to compute the profit or loss of a business at the end of a financial year. They were helped to compute Gross Profit/Loss and Net Profit/Loss. They also discovered the different types and examples of operating expenses that most businesses incur in the day-to-day running of the business. Whereas making profit is the fundamental objective of any business, it is equally important to tell the financial position of your business.

In this subtopic, you will guide learners to discover how one can determine the financial position of his or her business as at a given period in time. It is the balance sheet that will make it possible for you to describe the financial position of a business.

By the end of this subtopic, learners should be in position to;

- 1 Understand the key components of a balance sheet how spread sheets support them.
- 2 Know the accounting equation, create and edit simple worksheets using the correct formulae.
- 3 Prepare a balance sheet, using spreadsheets and a calculator where appropriate.

Points to keep in mind:

- 1 A balance sheet is drawn from the accounting equation that is:

$$\text{Assets} = \text{Capital} + \text{Liabilities}$$

- 2 There are two formats of presenting the balance sheet that is, the horizontal and vertical format
- 3 Spreadsheets can help produce a balance sheet in a better way.

Definition of key words:

Ask learners to research the meaning of the following key words; Balance sheet, Accounting Equation, Assets, Liabilities and owner's equity.

2.7.1 Concept of a Balance Sheet

As the name suggests, a balance sheet is a financial statement which shows that what a business owns is always equal to what it owes. But what are the key components of a balance sheet? And which items are recorded under each component? Study the following balance sheets. What features do they have in common?

Illustration of the horizontal format

**APEX UNITED SHOPPERS
BALANCE SHEET
AS AT 31ST OCTOBER 2021**

Assets		Capital and Liabilities		
	UGX	UGX		UGX
Fixed assets			Capital	15,000
Fixtures and fittings	3,000		Add: net profit	<u>5,000</u>
Motor van	<u>2,000</u>			
Total fixed assets		5,000	Gross capital	20,000
Current assess			Less: drawing	7,000
Stock	3,800		Net capital	13,000
Debtors	3,000		Long term liabilities	
			Loan	5,000
Cash at bank	15,100		Current liabilities	
Cash at hand	<u>200</u>		Creditors	5,100
			Bank overdraft	<u>4,000</u>
Total current assets		22,100	Total current liabilities	9,100
Total assets		<u>27,100</u>	Total capital and liabilities	<u>27,100</u>

Illustration of the vertical format:

ABC ENTERPRISES
STATEMENT OF FINANCIAL POSITION/BALANCE SHEET
AS AT, 20....

	UGX	UGX	UGX
Fixed Assets			
Land		XXX	
Buildings	XXX		
Less depreciation	<u>XX</u>	XXX	
Furniture and fittings		<u>XX</u>	
Fixed capital			XXX
Add working capital:			
Current assets:			
Stock	XX		
Debtors	XX		
Cash at bank	XX		
Cash in hand	<u>XX</u>		
Total current assets		XXX	
Less current liabilities			
Creditors	XX		
Bank overdraft	<u>XX</u>		
Total current liabilities		<u>XX</u>	
Working capital			XXX
Capital employed			<u>XXX</u>
Financed by:			
Capital	XXX		
Add net profit	XX		
Less drawing	<u>XXX</u>		
Net worth/Owner's Equity		XXX	

Add longterm liabilities:			
Loan		<u>xxx</u>	xxx
Capital employed			<u>xxx</u>

Guide learners using Activity 2.41 on page 151 of the Learner's Book.



Activity 2.41 Understanding the statement of financial position

Methods: Think pair discussion, brainstorming, question and answer.

Skills: Analysis, critical thinking, collaboration, mathematical and ICT skills.

Resources to use: A notebook, pen, ruler, calculator and internet access where possible.

In pairs:

- 1 Study the formats of a balance sheet provided and identify their key components.
- 2 Engage in a discussion with another pair on why each of these components is included in the balance sheet.
- 3 Point out any item you find unusual and explain to the other member why you find it odd in the balance sheet.
- 4 Suggest the meaning and purpose of a balance sheet in a business.
- 5 Make a presentation of your findings to the whole class in a class discussion.

Instructions to the teacher:

- Step 1: Review on the previous subtopic.
- Step 2: Divide learners into pairs and ask them to identify the key components of the balance sheet from the information provided.
- Step 3: Let learners discuss the meaning and purpose of drawing the statement of financial position.
- Step 4: Let learners brainstorm the reasons the functions of the balance sheet.
- Step 5: Observe as pairs discuss and challenge the points given by other pairs.
- Step 6: Let each pair share its findings with the rest of the class.
- Step 7: Assess through conversation how the learners effectively present their findings to the rest during interaction.

Step 8: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses

1 A balance sheet/statement of financial position is a financial statement that shows the financial position of a business as at a particular date.

Or

A balance sheet refers to a financial statement that analyses the business assets, capital and liabilities as at a particular date.

2 The reasons for preparing a statement of financial position include the following;

- To determine the financial position of the firm/Business as at a particular date
- To show the assets of the business as at a particular date.
- To show the liabilities of a business as at a particular date.
- To compare a firm's financial performance with similar firms or previous periods
- For effective decision making and planning purposes in the business.
- For proper assessment by creditors and bankers to decide the amount of credit and loans to extend to a firm.

3 Components of the balance sheet:

It is important to know the major components of a balance sheet and the items recorded under each component. This is because a balance sheet without errors can help one to easily determine the financial position of a business at a particular date. Use the activity below to help learners understand the components of a balance sheet and the sources of the different items recorded in the balance sheet.

1 The different components of the balance sheet and the records put under them include;

- a)** Assets which refer to all belongings/possessions or items of economic value owned by a business or a person. These are subdivided into Fixed Assets/Non-current Assets and Non- fixed Assets or Current Assets.

Fixed Assets/Non-Current Assets: These are belongings/possessions of a person or a business that are held and used continuously for a long period of time exceeding 1 year. These include: Land, Buildings, Plant and Machinery, Fixtures and fittings, Furniture, Motor vehicles, computer and equipment, tools, patent rights and Good will among others. Fixed assets show stability of the business financial position over a period of time.

Current Assets: These are belongings/possessions of a person or business held for a short period of time usually less than 1 year. Examples of current assets include: Stock, Debtors (Accounts Receivable), Cash at Bank, Cash in hand, expenses paid in advance, accrued incomes etc. Current assets are usually kept in order to enable the business pay off the current liabilities in order to maintain the working capital.

- b)** **Liabilities:** These are claims of outsiders in the business that are payable after a short or long period of time. Liabilities are either long term or current.

Long term liabilities. These are claims against the business payable after a considerably long period of time usually exceeding a financial year. Examples include: 5 years loan, long term debentures etc.

Current liabilities: These are claims against the business or an individual payable in a short period of time usually within one financial year. These include: Creditors (accounts payable), Bank overdraft, Short term loans, outstanding bills, incomes received in advance etc.

- c)** **Capital:** This refers to the amount of owner's worth in the business. It is that amount of money invested into the business by the owner used in starting and running business. It includes; capital owned, working capital and capital employed among others.

Types of capital

Owner's equity or net worth: This is the number of resources in the business that belongs to the owner at a given date. Or It's the amount of money that remains in the business after adding new investments and net profit or loss and subtracting drawings and any liabilities of the business. or

This is the difference between the business assets and liabilities of the business.

$$\text{Capital owned} = \text{initial capital} + \text{Net profit} + \text{additional investment} - \text{Drawings} - \text{loss}$$

Loan capital or borrowed capital: This is the total amount borrowed by the business inform of long-term liabilities. That is;

$$\text{Borrowed capital} = \text{Total long - term liabilities}$$

Fixed capital: This refers to the value of fixed assets in the business in a given financial year.

$$\text{Fixed capital} = \text{Total fixed assets}/\text{Non - current assets.}$$

Liquid capital: This refers to the value of current assets that can easily and conveniently be turned into cash. For example, cash at hand, cash at bank, debtors and bills receivable among others.

Liquid capital = total current assets – closing stock

Working capital/Running/circulating capital/Net current assets: This is the excess of current assets over current liabilities of the business. Or Working capital is the difference between current assets and current liabilities. It is that amount of money used for the day to day running of the business.

Working capital = Current Assets – Current liabilities.

Capital employed: This refers to the amount of funds invested in business assets and its daily operations. It is the sum total of the fixed assets and the working capital of a business in a business. Or It's the sum of the owner's equity and the long-term liabilities of the business.

Capital employed = Fixed assets + Working capital. Or

Working capital = Capital owned + Long term liabilities

- Trading capital or gross capital employed=the total value of all the assets in the business. That is to say sum of fixed assets and current asset.

Important notes

A balance sheet is drawn following the accounting equation i.e. Assets = Capital + Liabilities. There is therefore no way a balance sheet can fail to balance.

2.7.2 The Basic Accounting Equation

From the idea that liabilities and equity capital show the money that has been made available to the business, and the assets show how this money has been used by the business. For any business to begin or expand operations, it needs Resources (Assets), some of such resources/assets are provided by the business owner (capital), while others are borrowed from outsiders (liabilities). This gives rise to the basic accounting equation.

Assets	=	Capital + Liabilities
Resources/things of value that the business owns	=	What the business owes to the owner(s) and outsiders

The accounting equation is sometimes referred to as the **balance sheet equation**.

Worked Example

What you need:

- Pen
- Calculator
- Notebook
- internet access where possible

Mukasa started business by buying land and furniture worth UGX 7,000,000 and remained with cash of UGX 4,000,000. He got this money from his own savings of UGX 5,000,000 and a loan of UGX 4,000,000. His bank also offered him an overdraft of UGX 2,000,000. His accounting equation then will be:

ASSETS (UGX 4,000,000 cash + furniture UGX 7,000,000) = UGX 11,000,000	=	(Capital UGX 5,000,000) + Liabilities (Loan UGX 4,000,000 and Bank overdraft UGX 2,000,000) = UGX 11,000,000
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The total amount of assets will always be equal to the total of capital and liabilities regardless of the changes in the value of business assets.



Activity 2.42 Applying the basic accounting equation

Methods: Guided discovery, brainstorming, field research.

Skills: Analysis, critical thinking, collaboration, mathematical and ICT skills.

Resources to use: A notebook, pen, ruler, camera, library resources and recording gadgets.

In pairs;

- 1 Identify the assets and liabilities of your school as well as their origin.
- 2 Find the difference between the assets and liabilities you have identified above. Name this difference 'Shareholders' Capital'.
- 3 Visit a nearby trading centre, identify any business and compare its assets with those you have identified from your school.
- 4 Help the trader to prepare a suitable balance sheet for his/her business.
- 5 Compare and contrast the balance sheet of the trader with the one of your school.
- 6 Use the above information to prepare a simple balance sheet for your school following either of the formats we saw earlier.
- 7 Find out how the school obtained these assets and liabilities.
- 8 Share your findings with the rest of the class.

Instructions to the teacher:

- Step 1: Review on the previous activity.
- Step 2: Divide learners into manageable groups and ask them to identify assets and liabilities from your school.
- Step 3: Visit a nearby trading centre and identify any successful business of your choice and record the assets and liabilities.
- Step 4: Ask learners identify businesses and take note of items present that can be used to draw a balance sheet.
- Step 5: Let learners list the items recorded under the different components of the balance sheet.
- Step 6: Observe as groups list the different assets and liabilities in those businesses.
- Step 7: Let each group draw a balance sheet from the information collected.
- Step 8: Assess through conversation how the groups support and criticise the different illustrations of a balance sheet.
- Step 9: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

All responses to all those queries will depend on the school and businesses visited and the assets and liabilities found.

Let learners know that the total amount of assets will always be equal to the total of capital (owner's equity) and liabilities, regardless of the changes in the value of business assets. Guide them through the following worked example and ask them to do the activity that follows.

Worked Example

Methods: Guided group discussion, brainstorming, question and answer.

Skills: Analysis, critical thinking, collaboration, mathematical skills.

Resources you need: Pen, notebook, calculator, ruler, internet access where possible

The following trial balance is extracted from the books of Good Black Enterprises as at 31st December 2020.

**GOOD BLACK ENTERPRISE'S
TRIAL BALANCE
AS AT 31ST DEC 2020**

Particulars	Dr (UGX)	Cr (UGX)
Sales		385,000
Purchases	290,000	
Rent	24,000	
General expenses	15,000	
Fixtures and fittings	50,000	
Debtors	68,000	
lighting expenses	6,000	
Creditors		91,000
cash at bank	151,000	
Cash in hand	2,000	
Drawings	70,000	
Capital		200,000
Total	676,000	676,000



Tasks:

- Follow the formats of income statement and balance sheet to;
- 1 From the Trial balance, identify the items that go to;
 - a) Income statement
 - b) Balance sheet
 - 2 Prepare an income statement for the above business.
 - 3 Extract a balance sheet for the business as at 31st December 2020.

Worked out solution

1

c) Items that go to income statement include:

- sales
- purchases
- rent
- general expenses
- lighting expenses

d) Items that go to balance sheet include:

- fixtures and fittings
- debtors
- cash at bank
- drawings
- creditors
- capital
- cash at hand

GOOD BLACK ENTERPRISES
INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2020

DETAILS	UGX	UGX	UGX
Sales		385,000	
Net sales			385,000
Less: Cost Of Sales			
Purchases	290,000		
Net purchases		290,000	
Goods available for sale		290,000	
Cost of sales			<u>290,000</u>
Gross profit			95,000
Gross income			95,000
Less: Operating expenses			
Rent		24,000	
General expenses		15,000	
Lighting expenses		6,000	
Total expenses			<u>45,000</u>
Net profit			40,000

GOOD BLACK ENTERPRISES
BALANCE SHEET
AS AT 31ST DECEMBER, 2020.

ASSETS		CAPITAL AND LIABILITIES		
	UGX	UGX		UGX
Fixed assets			Capital	200,000
Fixtures and fittings	50,000		Add: Net profit	<u>50,000</u>
Total fixed assets		50,000	Gross capital	250,000
Current assets			Less: Drawings	<u>70,000</u>
Debtors	68,000		Net Capital	180,000
Cash at bank	151,000		Current liabilities	
Cash at hand	<u>2,000</u>		Creditors	91,000
Total current assets		<u>221,000</u>	Total current liabilities	91,000
Total assets		<u>271,000</u>	Total capital and liabilities	<u>271,000</u>

Tip

A balance sheet is usually drawn as a financial document accompanying the income statement at the end of a given period.

In Activity 2.43 on page 156 of the Learner's Book, you will prepare statement of financial position (balance sheet)



Activity 2.43 Preparing a balance sheet

Methods: Guided group discussion, brainstorming, question and answer.

Skills: Analysis, critical thinking, collaboration, mathematical skills.

Resources you need: Pen, notebook, calculator, ruler, library resources, internet access where possible

In groups, study the following information extracted from the books of EMUKO Coffee Processors as at 31st December, 2019

	UGX
Cash at hand	8,850,000
Cash at bank	8,400,000
Stock (31st December 2019)	5,600,000
Debtors	12,450,000
Machinery and equipment	2,000,000
Bank loan	22,000,000
Buildings	6,000,000
Motor vehicle	8,500,000
Creditors	8,400,000
Premises	3,000,000



Tasks:

- 1 Prepare a balance sheet for **EMUKO Coffee Processors** as at 31st December 2019 and determine the capital.
- 2 Share your findings with the rest of the class.

Instructions to the teacher:

- Step 1: Review on the previous activity.
- Step 2: Divide learners into manageable groups and ask them to study the information given.
- Step 3: Let them identify the items suitable for preparation of a balance sheet.

- Step 4: Ask learners to draw a balance sheet from the information given.
- Step 5: Observe as groups record the different assets and liabilities in their correct categories or sides.
- Step 6: Let each group draw a balance sheet from the information collected.
- Step 7: Assess through conversation how the groups support and criticise the different illustrations of a balance sheet.
- Step 8: Let the fast learners assist others so that the whole class progresses at the same pace.

Expected responses

EMUKO Coffee Processors'

Balance sheet

As at 31st December 2016

Details	UGX	UGX	UGX
Fixed Assets			
Machinery and equipment		2,000,000	
Buildings		6,000,000	
Motor vehicle		8,500,000	
Premises		<u>3,000,000</u>	
Total fixed assets			19,500,000
Current Assets			
Cash in hand	8,850,000		
Cash at bank	8,400,000		
Stock	5,600,000		
Debtors	<u>12,450,000</u>		
Total current assets		35,300,000	
Current liabilities			
Creditors	<u>8,400,000</u>		
Total current liabilities		<u>8,400,000</u>	
Working capital			26,900,000
Capital employed			<u>46,400,000</u>
Financed by:			

Details	UGX	UGX	UGX
Capital		24,400,000	
Long term liabilities			
Bank loan		<u>22,000,000</u>	
Capital employed			<u>46,400,000</u>

NOTE: Calculate Capital from the Accounting Equation (Assets = Capital + Liabilities)

Using spreadsheets to prepare a balance sheet

A spreadsheet is a computer program in which data is arranged in rows and columns of a grid and can be manipulated and used in calculations. Spreadsheets have transformed bookkeeping by making it easier to record, organise, manipulate, store and retrieve information.

Like you saw in **Subtopic 2.4**, spreadsheets are used to prepare books of accounts as well as financial statements such as the income statement and the balance sheet.

Spreadsheets can even be used to link the books of accounts to these financial statements. This feature is useful when there is need to check how some figures were arrived at.

Assets		
Balance Sheet		
Current assets:	Previous Year	Current Year
Cash	xxx	xxx
Investments	xxx	xxx
Inventories	xxx	xxx
Accounts receivable	xxx	xxx
Pre-paid expenses	xxx	xxx
Other	xxx	xxx
Total current assets	xxx	xxx
Fixed assets	Previous Year	Current Year
Property and equipment	xxx	xxx
Leasehold improvements	xxx	xxx
Equity and other investments	xxx	xxx
Less accumulated depreciation	xxx	xxx
Total fixed assets	xxx	xxx
Other assets	Previous Year	Current Year
Goodwill	xxx	xxx
Total other assets	xxx	xxx

Income Statement Temp | Balance Sheet | Spreadsheets | Balance # | Sheet2 | +

In Activity 2.44 on page 158 of the Learner's Book, learners will learn how to prepare a balance sheet using spreadsheet



Activity 2.44 Preparing a balance sheet using spread sheets

Methods: Guided discovery, brainstorming, field research.

Skills: Analysis, critical thinking, collaboration, mathematical and ICT skills.

Resources required: A notebook, pen, ruler, camera, and recording gadgets.

In pairs:

- 1 Open a Microsoft Excel worksheet and learn its basics. You may use a video tutorial from the Internet (search for: 'How to use Microsoft Excel' on YouTube).
- 2 When you get an idea of how to use it, enter the following information into the worksheet.

Balance Sheet		
	Assets	UGX
3	Cash	111,273
4	Bank	4,500
5	Debtors	74,018
6	Fixed assets	264,761
7	Total assets	454,552
8		
9		
10	Liabilities & Capital	
11	Creditors	57,003
12	Loan	20,000
13	Total liabilities	77,003
14		
15	Capital	377,549
16	Total liabilities & capital	454,552

Income Statement Temp | Balance Sheet | Spreadsheets | Balance # | Sheet2 | +

Instructions to the teacher

- Step 1: Review on the previous activity.
- Step 2: Divide learners into manageable groups and ask them to record the information given in spreadsheets.
- Step 3: Let the learners use the spreadsheet formulars to get the sub totals of the balance sheet.
- Step 4: Observe as groups feed right information in the spreadsheets.
- Step 5: Assess through conversation how the groups support and criticise the different illustrations of a balance sheet.
- Step 6: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses

The answers provided will depend on the information given.

ICT

You may consult your ICT teacher on how to use spreadsheets.

Project: Preparing a balance sheet using a spreadsheet

Methods: Guided discovery, brainstorming, field research.

Skills: Analysis, critical thinking, collaboration, mathematical and ICT skills

Resources required: A notebook, pen, ruler, camera, and recording gadgets

In groups, visit any local business you know reasonably well in your community and ask the attendant for the information you need to prepare a balance sheet for it.



Tasks:

- 1 Use a spreadsheet program, or calculator, or any other resource to prepare a suitable balance sheet for this business.
- 2 Compare the balance sheet prepared with the one you prepared earlier for your school.
- 3 Choose a group secretary to record your findings which you will compare with those of other groups.

Instructions to the teacher

- Step 1: Review on the previous activity.
- Step 2: Divide learners into manageable groups and take them to a nearby trading centre.
- Step 3: Let the learners identify businesses that can easily provide them with information about assets, liabilities, capital structure, revenue and expenses.
- Step 4: let the learners as groups feed the information in the spreadsheets while preparing the business balance sheet.
- Step 5: Ask them to compare the balance sheets drawn with their own that they prepared earlier.
- Step 6: Assess through conversation how the groups support and criticise the different illustrations of a balance sheet.
- Step 7: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses

- 1 The answers provided will depend on the information obtained from the businesses visited.
- 2 The comparisons drawn will also depend on the information gathered in relation to the one they used while developing their own balance sheet.

The balance sheet like the income statement, may take one of the two formats, vertical or horizontal format. Once your business chooses a particular format, accounting principles recommend that it be used consistently so that stakeholders are not misled.

Errors in a balance sheet

Balancing the assets, liabilities, and capital or equities of a business is what a balance sheet is all about. For a business to be in a healthy condition, assets must be equal to the sum of debts and equity in the balance sheet. If one wants the business to progress, it is essential to give complete attention to the accounting process as it gives you a good picture of the business performance. Since we are not part of an ideal world, a minor act of ignorance can cause vital errors in the balance sheet. Even the accountants are prone to errors and mistakes that can change the financial equations and lead to turbulence in the business plans. Use Activity 2.45 on page 159 of the Learner's Book to guide learners through the errors in the balance sheet.



Activity 2.45 Exploring errors in a balance sheet

Methods: Guided discovery, brainstorming, question and answer.

Skills: Analysis, critical thinking, collaboration, mathematical and ICT skills.

Resources to use: A notebook, pen, ruler, camera, and recording gadgets.

In pairs:

- 1 You have been provided with the following information from the books of WINNIE KEMBABAZI Enterprises for the period ended 31st December 2021.

Details	(UGX)
Business premises	10,000,000
Opening stock	1,940,000
Bank overdraft	600,000
Capital	11,500,000
Cost of sale	41,700,000
Debtors	5,600,000
Furniture and fittings	5,800,000
Loan (7 years)	8,500,000
Operating expenses	5,450,000
Sales	48,200,000
Cash	1,200,000
Closing stock	2,750,000
Creditors	3,700,000
Gross profit	6,500,000
Net profit	1,050,000

2

WINNIE KEMBABAZI ENTERPRISES'
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER, 2021

Details	(UGX)	(UGX)	(UGX)
Fixed Assets:			
Business premises		10,000,000	
Furniture and fittings		5,800,000	
Gross profit		6,500,000	
Net profit		1,500,000	
Total fixed assets			23,350,000
Current assets:			
Opening stock	1,940,000		
Bank overdraft	600,000		
Debtors	5,600,000		
Cash	1,200,000		
Total current assets			9,340,000
Total assets			
Current Liabilities:			
Creditors	3,700,000		
Operating expenses	5,450,000		
Cost of sales	41,700,000		
Total current liabilities		50,850,000	
Working capital			
Capital employed			
Financed by:			
Capital			11,550,000
Sales			48,200,000
Capital employed			59,750,000



Tasks:

The following balance sheet was prepared, study it and carry out the tasks that follow.

- 1 Identify the errors made while developing the balance sheet.
- 2 What can the owner do to correct such errors?
- 3 Re-draft the balance sheet using spreadsheets showing all correct entries for the business owner.
- 4 What effects can such errors have on the business performance and progress?
- 5 Share your findings with the rest of the class.

Instructions to the teacher:

- Step 1: Review the previous activity.
- Step 2: Divide learners into manageable groups and ask them to review the balance sheet provided.
- Step 3: Ask learners identify errors that exist in the balance sheet presented.
- Step 4: Let learners suggest ways through which such errors are corrected.
- Step 5: Observe as groups present the corrected balance sheets.
- Step 6: Let each group share the balance sheets drawn with each other.
- Step 7: Assess through conversation how the groups support and criticise the different illustrations of a balance sheets presented.
- Step 8: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

- 1 Errors from Winnie Kembabazi Enterprises Statement of financial position as at 31st January, 2019.
 - Gross profit is wrongly posted as a fixed asset of the business hence an error of principle and mis classifying figures since gross profit does not appear in the balance sheet .
 - Net profit is wrongly posted as a fixed asset of the business which is a misclassification.
 - The net profit has also been over estimated at UGX. 1,500,000 yet in the raw data, it is 1,050,000
 - Opening stock is wrongly recorded as a current asset yet it is only closing stock must be posted as a current asset of the business hence creating errors in data entry.

- Bank overdraft is wrongly posted under current assets yet it is a current liability leading to incorrect classification.
- Operating expenses are wrongly posted under current liabilities yet expenses are not supposed to appear in the balance sheet.
- Cost of sales are wrongly posted under current liabilities yet they appear only in the income statement.
- A long term liability loan of UGX. 8,500,000 has completely been omitted while preparing this balance sheet.

Additional teachers notes:

Accounting errors in the balance sheet are as follows;

- Poor entry of data . This is one where data is wrongly entered in the balance sheet. It takes the form of digit exchange and transposition of figures ie 1,500,000 instead of 1,050,000
- Deviation from chronology. This is one where data in the balance sheet is not arranged in the actual sequence eg entering current liabilities before current assets thereby wrongly subtracting current assets from current liabilities in a bid to get working capital.
- Challenges with classification. This takes the form of wrongly classifying an entry e.g., posting an asset as a liability or a liability as an asset.
- Omitting some items while preparing a balance sheet due to stress, sight challenges or sometimes to deliberately divert some business funds for the accountant's own use.
- Technical issues where technology overturns the would-be accurate records. This is due to failure to retrain accountants whenever technology changes.
- Incorrect balance in asset or liability balance. This one where a wrong amount of the asset or liability is entered.
- Incorrect balance in revenue or expense balance. This one where a wrong amount of revenue or expenses is entered.
- Misclassifying expenses. This is one where personal expenses are entered as business expenses.

2 Ways of correcting such errors include;

- Removing the gross profit, opening stock , operating expenses and cost of sales completely from the balance sheet since they are only recorded in the statement of profit or loss and other comprehensive income.
- Removing net profit from class of fixed assets since it's not an asset and adding it to capital to get the proper capital owned
- Recording net profit accurately as UGX. 1,050,000 instead of the recorded UGX.1500,000.

- The loan of UGX. 8,500,000 which was omitted should be included among the long term liabilities
- 3 The corrected version of Winnie Kembabazi Enterprises Statement of Financial Position is as follows.

**WINNIE KEMBABAZI ENTERPRISES
BALANCE SHEET (corrected version)
AS AT 31ST January,201**

	UGX	UGX	UGX
Fixed assets			
Business premises		100,000,000	
Furniture and fittings		<u>5,800,000</u>	
Total fixed assets			15,800,000
Current assets			
Stock	2,750,000		
Debtors	5,600,000		
Cash	<u>1,200,000</u>		
Total current assets		9,550,000	
Less: Current liabilities			
Creditors	3,700,000		
Bank overdraft	<u>600,000</u>		
Total current liabilities		<u>4,300,000</u>	
Working capital			<u>52,250,000</u>
Capital employed			<u>21,050,000</u>
Financed by:			
Capital		11,500,000	
Add: Net profit		<u>1,050,000</u>	
Gross capital		12,550,000	
Owner's equity			12,550,00
Add: Longterm liabilities			
Loan		8,500,000	
Total long-term liabilities			<u>8,500,000</u>
Capital employed.			21,050,000

NB: Double underline the values for capital employed. They must be equal to show accuracy in entries and relevant calculations.

- 4 Effects of errors committed in the balance sheet on business performance may include;
 - Interpretation of business financial performance becomes hard and misleading
 - It leads to under or over valuation during tax assessment
 - Misleading accounting figures scare away serious investor due to the uncertainty about profitability.
 - It may lead to temporary or permanent closure of business by government once its done deliberately to confuse the unsuspecting public.
 - It may lead to prolonged court battles with management, debtors, creditors or other stakeholders.
 - The business may fail to keep track of payment of creditors and government commitments which creates poor reputation.

A balance sheet is prepared following the accounting equation. Therefore, your business assets should be equal to your total liabilities and total equity. If they are not, the balance sheet is unbalanced. If your balance sheet does not balance, it means that there is some kind of mistake. These mistakes are usually caused by omitting transactions, recording transactions incorrectly, forgetting to record changes and not classifying data correctly or accountants sometimes deliberately changing figures inorder to take advantage of especially weak management supervision to steal business funds.

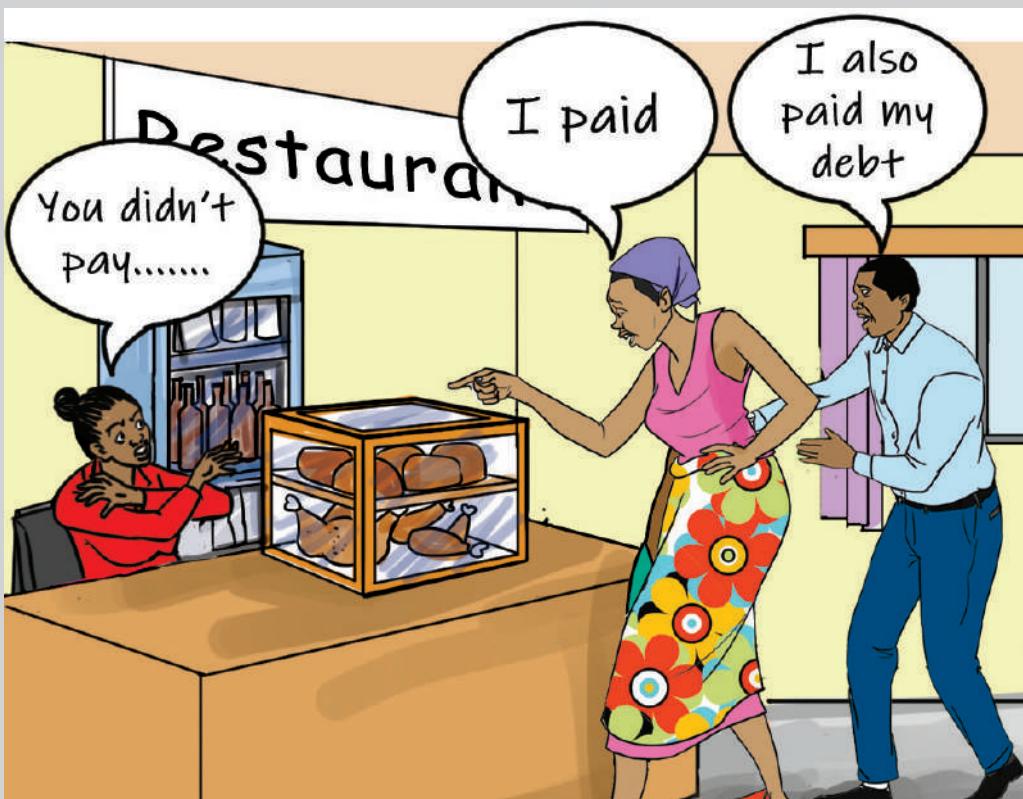
However, you can control this by extracting a trial balance before creating a balance sheet, reviewing the balance sheet transactions regularly and keeping documents organised.

Sample Activity of Integration

Many people in Kalembe Town Centre have opened up retail shops which are picking up very fast because of the increasing population in the area. However, most of these retailers have limited or no knowledge about bookkeeping and hence do not keep business records.

A sizable number of customers are complaining that when they settle their debts, these retailers sometimes deny receiving payments from them.

You have been approached to give some guidance to the retailers who are organising to have a meeting in relation to maintaining business records.



Task:

Prepare a sensitisation message to the retailers clearly explaining to them the financial statements, source documents and the books of original entry which should be maintained in their businesses clearly showing how each will be used.

OUTPUT	BASIS OF EVALUATION (A)	CRITERION 1 Relevance	CRITERION 2 Accuracy	CRITERION 3 Coherence	CRITERION 4 Excellence
Sensitisation message.	<p>BASIS ONE;</p> <p>Source documents used in business eg</p> <ul style="list-style-type: none"> • Receipt • Cash sales slip • Purchase order • Inquiry • Price list • Quotation • Invoice • Delivery note etc 	<p>Learners scores 3 if he/she identifies atleast 5 source documents used in business.</p> <p>Learner scores 2 if he/she identifies 3 to 4 source documents in business.</p> <p>Learner scores 1 if he/she identifies less than 3 source documents used in business.</p>	<p>Learner scores 3 if he/she describes accurately at least 5 source documents in business.</p> <p>Learner scores 2 if he/she describes correctly information in just 3 to 4 documents used in business.</p> <p>Learner misses most of the right information drawing source documents.</p>	<p>Learner scores 3 if he/she describes logically atleast 5 documents in the right order of business activities.</p> <p>Learner scores 2 if he/she describes logically 3 to 4 source documents using the proper flow of business activities.</p> <p>A lot of steps are not given and work is mixed up.</p>	<p>Scores 1 extra if at least 5 source documents are correctly described and drawn in a logical flow following business activities.</p>

OUTPUT	BASIS OF EVALUATION (B)	CRITERION 1 Relevance	CRITERION 2 Accuracy	CRITERION 3 Coherence	CRITERION 4 Excellence
Sensitisation message.	BASIS TWO; Description of books of original entry eg <ul style="list-style-type: none">• Sales journal• Sales returns journal• Purchases journal• Returns outwards journal• General journal.	Learners scores 3 if he/she identifies atleast 4 journals s used in business. Learner scores 2 if he/she identifies 2 to 3 journals used in business. Learner scores 1 if he/she identifies less than 2 journals used in business.	Learner scores 3 if he/she correctly presents the formats of at least 4 journals. Learner scores 2 if he/she presents correctly the formats of just 2 to 3 journals in business. Learner scores 1 if he/she misses most of the correct formats of business journals.	Learner scores 3 if he/she describes logically atleast 5 documents in the right order of business activities. Learner scores 2 if he/she describes logically 3 to 4 source documents using the proper flow of business activities. A lot of steps are not given and work is mixed up.	Scores 1 extra if at least 5 source documents are correctly described and drawn in a logical flow following business activities.

OUTPUT	BASIS OF EVALUATION (B)	CRITERION 1 Relevance	CRITERION 2 Accuracy	CRITERION 3 Coherence	CRITERION 4 Excellence
Sensitisation message.	BASIS THREE; Description of the business financial statements that is, The statement of profit or loss and other comprehensive income and Balance sheet	Learners scores 3 if he/she presents the formats and at least 6 items in each of the income statement and balance sheet.	Learner scores 3 if he/she correctly presents the formats of both the income statement and balance sheet with atleast 6 items recorded in it.	Learner scores 3 if he/she presents the formats of both the income statement and shows logically atleast 6 items recorded in each.	Scores 1 extra if both formats of financial statements are correctly described and drawn in a logical flow following business activities.
		Learner scores 2 if he/she presents the formats and 4 to 5 items in each of the income statement and balance sheet.	Learner scores 2 if he/she correctly presents the formats of both the income statement and balance sheet with 4 to 5 items recorded in it.	Learner scores 2 if he/she presents the formats of both the income statement and shows logically 4 to 5 items recorded in each.	
		Learner scores 1 if he/she presents the formats and at least less than 4 items in each of the income statement and balance sheet.	Learner scores 1 if he/she misses most of the correct formats of both the income statement with atleast 4 items presented in each.	Learner scores 1 if he/she presents wrong formats of both the income statement and shows logically less than 3 items recorded in each.	



Chapter Summary

In this chapter, you have learnt:

- bookkeeping and related accounts.
- the importance of bookkeeping and how to use spreadsheets in accounting.
- how to use accounting records.
- the various source documents used in bookkeeping.
- how to prepare source documents.
- the various books of original entry.
- how to prepare books of original entry.
- the ledger.
- the different types of ledgers.
- how to prepare ledger accounts.
- the trial balance.
- the uses of a trial balance.
- how to identify and correct errors in a trial balance.
- the statement of profit or loss and other comprehensive income.
- how to prepare a statement of profit or loss and other comprehensive income.
- the key components of a balance sheet and how spreadsheets support them.
- the accounting equation and how to create and edit simple worksheets using the correct formulae.
- how to prepare a balance sheet, using spreadsheets and a calculator.

THEME: BUSINESS MANAGEMENT

Tax Administration in Uganda

Number of periods: 92



Uganda Revenue Authority
DEVELOPING UGANDA TOGETHER

www.ura.go.ug

eServices
Easily manage your URA Account Online.

Tax Assistant
Quickly get answers to your Tax questions using the Interactive Tax Assistant.

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Easily calculate your Tax obligations to URA using the new Tax Calc.

Compliance
Always fulfil your tax obligations and report any non-compliance.

Digital Tracking Solution
My TIN
List of Agents
More...

Service Desk Help
A-Z Tax Topics
More...

Motor Vehicle Tax Calculator
Verify Advance Income Tax
Payment
Document Authentication

Report Non-Compliance



Keywords

- non-tax revenue
- tax administration
- tax revenue

After studying and practising the activities in this chapter, you will be able to:

- know tax administration
- appreciate the role of URA in tax administration
- know the taxes collected by URA
- know the taxes and duties collected by the local government authorities
- know the non-tax revenue collected by other government agencies

3.1.0 Introduction

In Senior Two Chapter 9, Subtopic 2 of the Central Bank, learners discovered that Bank of Uganda is responsible for keeping all the **tax revenue** collected by government. What they did not cover however is the details of where government collects money from.

In this subtopic, you are going to guide learners discover how taxes are administered in Uganda and the role of Uganda Revenue Authority (URA) in tax collection. You will also help them know the taxes collected by URA and those collected by Local Authorities. It will also help them explore the non-tax revenue collected by different government agencies.

In this sub topic, you are going to guide learners to:

- 1 Know tax administration;
- 2 Appreciate the role of URA in tax administration
- 3 Know the taxes collected by URA;
- 4 Know the taxes and duties collected by the local government Authorities; and
- 5 Identify the non-tax revenue collected by other government Agencies

Points to keep in mind:

- Tax administration is a function of URA.
- Taxes are the main source of government revenue.
- URA and other authorities also collect non tax revenue.
- All businesses and individuals earning income must register for taxation purposes and obtain a Tax Identification Number (TIN)

Definition of keywords:

Guide learners through the definition of the keywords given that is to say, government agency, **Tax administration**, **Tax revenue** and **Non tax revenue**.

3.1.1 The of Tax Administration

The process of identifying potential taxpayers, collecting data on them, assessing taxes and enforcement of tax laws is what we call **tax administration**.

Uganda Revenue Authority and local government administration are two tax authorities in Uganda. URA is responsible for the central government revenue and the local government administration is responsible for the collection of local government revenue. URA was formed by the government on 5th September 1991 to modernise the process of tax administration and reduce the revenue leakage and corruption in the tax administration. These two parties identify potential tax payers, collect data on them, assess taxes and enforce tax laws. Use Activity 3.1 on page 166 of the Learner's Book to guide learners on the meaning of tax administration.



Activity 3.1 Finding out the meaning of tax administration

Methods: Guided discovery, brainstorming, field research.

Skills: Analysis, critical thinking, collaboration, mathematical and ICT skills.

Resources to use: A notebook, pen, ruler, camera, URA tax manuals and recording gadgets.

A guest speaker will be visiting your school to talk about tax administration.

In groups:

- 1 Prepare a series of questions to ask him or her. Base your questions on the following:
 - The role of URA, local authorities and other government agencies in tax administration.
 - Types of taxes collected by URA.
 - Types of taxes collected by local government authorities.
 - Types of taxes collected by other government agencies.
- 2 Use the Internet or any available resource to research on one of the above categories of questions.
- 3 From the guest speaker's presentation and the research you have carried out, write an informative report on the contribution of URA, local authorities and government agencies in tax administration.
- 4 Note down the findings of your group as well as those of other groups on each of the above categories.
- 5 Present your findings in the plenary.

Instructions to the teacher:

- Step 1: Review on the previous subtopic and introduce the guest speaker.
- Step 2: Divide learners into manageable groups and ask them to listen to the guest speaker.
- Step 3: Ask learners to note down the role of URA in tax administration.
- Step 4: Let learners brainstorm other roles of URA.
- Step 5: Observe as groups discuss the role of URA.
- Step 6: Let each group read through the work presented by others.
- Step 7: Assess through conversation how the groups support and criticise the work presented by other groups.
- Step 8: Let the fast learners assist others so that the whole class progresses at the same pace.
- Step 9: Wrap up the activity by encouraging learners to do further research in their free time.

Possible responses:

Task 1: The role of URA in tax administration include;

- Assessment of tax: URA is assigned with the duty of determining correct taxes to be paid by taxpayers.
- Collection of taxes: URA ensures that the assessed taxes are paid by the taxpayer on time.
- Registration of taxpayers. This is done by issuing Tax Identification Number (TIN) to eligible taxpayers.
- Advising the Minister of Finance, Planning and Economic Development on policy matters relating to taxation.
- Tax advisory services by URA enables taxpayers to comply through tax contact centre, web portal, footprint expansion, community outreach.
- Facilitating trade and investment, through issuing tax clearance certificates, transiting goods, registration of tax agents and provision of quality services that reduce the cost of doing business.
- Providing relevant and accurate data to other government agencies such as Bank of Uganda, Uganda Investment Authority for policy and planning purposes.
- Tax education. It provides relevant information and guidance to the public on tax matters to promote taxpayer compliance.

Taxes collected by Uganda Revenue Authority in the various departments include:

Domestic taxes. These are collected under the domestic taxes department. They include:

- Income tax (Pay As You Earn).
- Value Added Tax.
- Excise duty.
- Rental tax.
- Gaming and pooling tax.
- Corporation tax.

International trade taxes. The customs and excise duty department handles the collection of taxes charged on goods entering and leaving Uganda which include:

- Import duty.
- Export duty.
- Withholding tax.
- Excise duty.
- Value added tax.
- Environmental levy.
- Infrastructure tax
- Octroi tax.

Taxes and duties collected by the local government authorities. I.e. Cities, Municipalities, Town Councils and Sub-counties. They include the following:

- Ground rates and property tax in urban centres.
- Fees and dues, for example licence fees, market dues, fees for plan approval, taxi stage fees, parking fees, registration fees, land fees, parking fees etc.
- Local Service Tax (LST). It is charged on wealth and income of persons in gainful employment, self-employed, artists, businessmen and business women.
- Road tolls fees. Paid for use of certain roads

Taxes collected by other government agencies include:

Ministry of Works and Transport collects passport fees, Ministry of Internal Affairs which collects driving permit fees, National Identification and registration Authority collects fee UGX 50,000 for National ID replacement, Posta Uganda, Uganda Registration Services Bureau and Uganda Police collects fines.

Task 2:

Task 3: They have helped in assessing, collecting and accounting for all tax revenue (including non-tax revenue) and advising Government on revenue implications, tax administration and aspects of policy changes relating to all taxes as spelt out in the URA Act.

3.1.2 Role of URA in Tax Collection in Uganda

In Uganda the main body responsible for collecting taxes is the Uganda Revenue Authority (URA). However, there are other taxes and revenues that are collected at the local council level by cities, municipalities, town councils and sub-counties. Others still are collected by government entities like passport control offices. Explore more using the Case study 3.1 on page 167 of the Learner's Book.

Case study 3.1 The Uganda Revenue Authority

Methods: Guided discovery, brainstorming, field research, reading aloud.

Skills: Analysis, critical thinking, collaboration, communication.

Resources required: A notebook, pen, ruler, camera, and recording gadgets.

In groups, read the following case study and use it to carry out the tasks that follow.

In Uganda, tax administration is carried out by the Uganda Revenue Authority, an independent body under the Ministry of Finance , Planning and Economic development. The government revenue collection agency was established through an Act of Parliament on 15th September 1991. URA is responsible for enforcing, assessing, collecting and accounting for various taxes imposed in Uganda.

The URA statute of 1991 combined the former departments of customs and excise, inland revenue and income tax to form the Uganda Revenue Authority (URA).

URA was established mainly to improve tax administration in Uganda and correct the weaknesses of the former tax administration.

Taxes and other non-tax revenues are also collected at the local level by local councils, cities and municipalities as well as other designated entities. URA works hand in hand with other key stakeholders to ensure accuracy in performing its duties.



Tasks:

- 1 From the case study:
 - a) Highlight the role of URA in tax administration.
 - b) Describe the other key stakeholders in Uganda's tax administration.

**Tasks:**

- 2** Use the Internet, library or the URA taxation handbook to research about:
 - a)** The taxes collected by URA.
 - b)** The impact URA has on tax administration in Uganda?
- 3** Present your findings to the rest of the class for further discussion.

Instructions to the teacher:

- Step 1: Review on the previous activity and introduce the new task.
- Step 2: Divide learners into manageable groups and ask one of them to read and internalise the case study while others are making important notes.
- Step 3: Engage learners in a discussion on how URA is organised in tax collection.
- Step 4: Task them to highlight the role of URA in tax administration.
- Step 5: Let the learners describe other key stakeholders in Uganda's tax administration.
- Step 6: Guide learners to use internet, library or URA handbook to research about taxes collected by URA and other authorised bodies and impact of URA has on tax administration in Uganda.
- Step 7: Let learners present as many taxes as possible.
- Step 8: Observe as groups present the different taxes to the rest.
- Step 9: Assess through conversation how the groups present the different taxes.
- Step 10: Let the fast learners assist others so that the whole class progresses at the same pace.
- Step 11: Ask group secretaries to record and present their findings to the rest of the class for further discussion.

Possible responses:**Task 1:**

- a)** URA is organised in the following ways:
- b)** Refer to solution question 1activity 3.1for role of URA in tax administration:
- c)** Key stakeholders in Uganda's tax administration include the following:

Taxpayer: This is a person who is subjected to pay tax.

Parliament: This is responsible for making tax laws.

Ministry of finance, planning and Economic Development. This is responsible for all aspects of policy changes related to taxation in Uganda.

Courts of law i.e., Tax Appeal Tribunal (TAT). To settle disputes between taxpayers and Uganda Revenue Authority.

Local government authorities and local councils. These manages the registration process for tax purposes.

Tax agents. They are individuals or companies that prepare taxes on your behalf. For example, customs clearing agents facilitate trade in clearing, forwarding and making customs declarations on behalf of a taxpayer.

Insurance companies. These provide securities between bond operators, clearing agents, importers of temporary goods, goods in transit, and URA for safeguarding tax revenue and business transactions.

Government agencies like NIRA and URSB for management of registration process for tax purposes.

Central banks. Consolidates tax revenue collected by other banks into the consolidated fund.

Role of local government authorities in tax collection

The local government authorities like, KCCA, other city authorities, local councils and municipalities as well as other government bodies are also charged with the responsibility of collecting revenue for government. They usually deal with those taxes that are not directly collected by the Uganda Revenue Authority. Guide learners to explore the taxes collected by KCCA and other local government authorities in Case study 3.2 on page 168 of the Learner's Book;

Case study 3.2 Identifying the role of local government authorities in tax collection

Methods: Guided discovery, brainstorming, field research.

Skills: Analysis, critical thinking, collaboration, mathematical and ICT skills

Resources required: A notebook, pen, ruler, camera, and recording gadgets

In groups, read the following case study and use it to carry out the tasks that follow.

By definition, local government is the administration of a particular county or district, with representatives elected by those who live there. It is made up of cities, divisions, municipalities, towns, and trading centres, sub-counties and counties.

The Government of the Republic of Uganda devolved functions, powers and responsibilities to Local Governments through its decentralisation policy, officially provided for in the Constitution and operationalised by the Local Government Act, cap 243. Article 176(2) (d) of the Uganda Constitution provides that: there shall be established for each local government unit a sound financial base with reliable sources of revenue. Also, Article 191 (1) of the same Constitution provides that: Local Governments shall have power to levy, charge and collect appropriate fees and taxes in accordance with any law enacted by Parliament.

The Local Governments Act operationalises and enhances these provisions and section 80 provides that: Local Governments may levy, charge and collect fees and taxes, including rates, rents, royalties, stamp duties and registration and licensing fees and the fees and taxes that are specified in the Fifth Schedule to this Act. In 2008, the Parliament of Uganda passed the Local Governments (Amendment) Bill, 2008 which later became law, introducing new taxes for Local Governments thus; Local Service Tax and Local Government Hotel Tax.

The major sources of local revenues collected and utilised by Local Governments are either of low yields or not fully exploited. They include: property rates, market gate charges, business licenses etc. Therefore, Local Governments continue to be forced and are not able to finance critical services such as: meeting Council sitting expenses, council Committee sittings, office operational expenses at the various levels of local governments & Administrative Units, supervision and Monitoring of local government projects/investments and other priority activities, repair and maintenance of local government facilities and infrastructure, co-funding of donor funded projects in Local governments, supplementing salaries and wages and other local development programmes.



Tasks:

- 1 Explain the taxes collected by different local government authorities from the case study.
- 2 Discuss the positive and negative effects of the taxes and other fees collected by for example KCCA and other local authorities on businesses and communities.
- 3 What challenges do local authorities face while administering and collecting taxes and other non-tax revenue?
- 4 Share and present your findings before the class for comparison and further discussion.

Instructions to the teacher:

- Step 1: Review on the previous activity and introduce the new task.
- Step 2: Divide learners into manageable groups and ask them to study and internalise the case study.
- Step 3: Ask learners research and report on the taxes collected by KCCA according to the law.
- Step 4: Let learner them discuss the positive and negative effects of the taxes and other fees collected by KCCA and other local authorities on businesses and communities.
- Step 5: Let learners discover the challenges do local authorities face while administering and collecting taxes and other revenue.
- Step 6: Let the fast learners assist others so that the whole class progresses at the same pace.

Expected responses

Task 1: Refer to responses for question 1 activity 3.1.

Task 2:

Positive effects of taxes and other fees include:

- Enables the Government finance re-current expenditure, such as paying salaries for civil servants like teachers, doctors etc.
- Enable government finance its parastatals such as Uganda Coffee development Authority, Uganda export promotion Board, Uganda Aids Commission etc.

- Enable the government finance its budgetary deficits.
- Facilitate the financing of government debts.
- Help government finance and manage calamities for example wild locusts invasion, COVID19, floods etc. Enable the government to pay its international subscriptions like membership fees e.g., Membership to the East African Community.
- Enable government to finance and facilitate security related costs in order to ensure political stability in the country.
- Enable the government finance health related costs for example renovation of Hospitals, building of new ones and equipping the hospitals as well as fighting health related calamities like the CORONA outbreak

Negative effects include:

- Reduces people's disposable income.
- Some taxes such as direct tax which is imposed on goods and services makes them expensive.
- Discourages savings and investments.
- Taxes are burden to people.

Task 3:

- High levels of tax evasion and avoidance.
- Narrow tax base.
- Poor tax paying culture.
- Poor infrastructure.
- Limited information about tax payer's transactions.
- High level of corruption by some officials.
- Political instabilities such as demonstration, strikes affects the business community which pays tax.
- Limited skill in tax administration which leads to revenue leakages resulting from failure to handle complex transactions.

3.1.3 Non-Tax Revenue

Government charges duties, fees and levies for specific services and penalties for specified offences? They are usually collected by URA and other government bodies. These are called **non-tax revenues**.

The Uganda constitution requires URA, government ministries and local authorities to collect non-tax revenue on behalf of government. Activity 3.2 on page 170 of the Learner's Book will help you identify the non-tax revenue collected in Uganda.



Activity 3.2 Exploring sources of non-tax revenue

Methods: Guided discovery, brainstorming, field research, question and answer.

Skills: Analysis, critical thinking, collaboration, communication.

Resources to use: A notebook, pen, ruler, internet access where possible.

In groups:

- 1 Use the Internet or any available resource to create a list of non-tax revenue collected by URA and other government agencies.
- 2 Explain how these levies/charges affect the communities from where they are collected.
- 3 What do you think are the challenges faced while collecting these non-tax revenues.
- 4 Choose a group secretary to record and present your findings to the rest of the class for comparison and further discussion.

Instructions to the teacher:

- Step 1: Review on the previous activity.
- Step 2: Divide learners into manageable groups and ask them to research about the non-tax revenue in Uganda.
- Step 3: Ask learners to note down the non-tax revenue collected by URA and other authorised bodies.
- Step 4: Let learners present the effects of taxes and non-tax revenue on their communities.
- Step 5: Observe as groups present the challenges faced while collecting taxes and non-tax revenue.
- Step 6: Let each group read through the work presented by others.

- Step 7: Assess through conversation how the groups present the different ideas.
- Step 8: Let the fast learners assist others so that the whole class progresses at the same pace.

Possible responses:

- 1 Non tax revenue collected by URA and other authorities include;
 - o Road Toll Fees. This is charged for using particular roads specified. For example, Entebbe Express Highway.
 - o Revenues collected from government businesses like public schools, National Water and Sewage Corporation etc.
 - o Gifts, grants and donations offered to government or government bodies.
 - o Fees. For postal service fees, government education service fees, passport processing fees, driving permit among others.
 - o Stamp duties. For example, 1 % land transfer duties for every one purchasing land.
 - o Fines and penalties. These are imposed on people who break government laws and regulations. For example, fines for over speeding, over loading, court fines etc.
- 2 Effect of tax and non-tax revenue on communities include;

Positive effects of taxes and other non-tax revenue.

- a) They help to generate government revenue which is used in constructing infrastructures like roads, hospitals, schools and provision of social services.
- b) Paying taxes helps to protect domestic funds and procedures from aggressive foreign competition through the government imposing taxes in form of import duties so as to increase the price of imports.
- c) Paying taxes helps to ensure repeatable distribution of income or income inequality through the government imposing progress taxes to reduce on the high incomes of rich people.
- d) Paying taxes helps to discourage production of harmful products through the government imposing high taxes on harmful products.
- e) Paying taxes helps to improve on the country's balance of payment position through the government charging heavy import duties.
- f) Paying taxes helps to control the demand full inflation through direct taxes being charged on incomes of individuals.

- g) Paying taxes helps to discourage dumping since the government charges high taxes on certain products that are being sold at the home market.
- h) Paying taxes helps to influence resource allocation in a given economy since the government imposes low taxes on some sectors like education health and so many others.
- i) Paying taxes helps to provide a method through which the government charges those who use its facilities like roads, public toilets and so many others.

Negative effects of taxes and non-tax revenue

- a) It reduces the welfare of people. Direct taxes and non-tax revenue charged reduces the disposable income of payers and their purchasing power hence subjecting them to poor quality goods and services.
 - b) Some taxes worsen the problem of income inequality. Heavy taxes imposed on commodities which are consumed by the poor widen the gap between the rich and the poor.
 - c) They encourage smuggling of trade malpractices. Uniform taxes charged force the disadvantaged groups to practice smuggling which retards development of the country.
 - d) They discourage investments. This causes the country to reduce personal savings due to reduced disposable income.
 - e) High taxes make the ruling government unpopular and this leads to political insecurity in the country in form of strikes etc.
 - f) Some taxes discourage hard work or kill the incentive to work high taxes reduce the attitude of hard work in people.
 - g) Import duties shield or protect domestic industries which lead to production of poor quality good since they reduce direct competition from direct firms.
- 3 The following are possible challenges faced while collecting non-tax revenues.
- A number of non-tax revenue are not understood by taxpayers and sometime by staff.
 - Corruption is one of major challenge in broadening the tax base in Uganda. There are many cases of stolen public funds appearing in the media.
 - Uganda has a narrow tax base from which taxes can be collected.
 - There is no clear accountability of how the taxes have been used and therefore the taxpayers do not see the benefits of paying taxes.
 - Increasing chances of tax evasion and avoidance.

- There are a number of income earners especially in agriculture sector who are not taxed. The government should establish a rational, modern, and efficient tax system.
- There are also challenges of uneven income distribution in Uganda. There are quite many Ugandans who do not earn a dollar per day.

Some non-tax revenue like fines for overloading, over speeding, driving vehicles in dangerous mechanical condition etc., are not meant to raise revenue from the public but to enforce law and order in the country. Fees such as money paid when applying for passports, driving permits, lost national identity cards, road tolls, work permits, citizenship among others however, are meant for the provision of good services. It is collected and then reinvested into the continuity and expansion of that service, product or facility.

Sample Activity of Integration

Kagezi Anna is a trader dealing in foodstuffs. He was contacted one time by a friend to supply maize flour to a government school and he agreed. The school retained some money which it called withholding tax and explained to her buts he did not believe it. She told them that he knew very well that it was only the Uganda Revenue Authority (URA) that collects taxes and not the school.

The school is now insisting that she either agrees to the terms or risks termination of the contract. She has consulted some of his fellow traders who agree that the school does not have authority to retain the money for this is the work of URA only and NOT the school or any other institution.

A seminar has been arranged to address the traders on the role of URA and the different taxes collected by URA and other agencies. You have been approached as an expert in taxation to address them.



**Task:**

Prepare a written speech that you will use to address the traders.

Assessment Grid

OUTPUT	Basis of Evaluation (A)	CRITERION 1 Relevance	CRITERION 2 Accuracy	CRITERION 3 Coherence	CRITERION 4 Excellence
Speech	Roles of URA and other agencies in tax administration <ul style="list-style-type: none"> • Assessment of tax • Collection of taxes • Registration of taxpayers. • Advising the Minister of Finance, Planning and Economic Development on policy matters relating to taxation. • Tax advisory services • Facilitating trade and investment. • Providing relevant and accurate data to other government agencies such as Bank of Uganda, UIA • Tax education 	Learner scores 3 if he/she gives at least 5 roles of URA and other agencies in tax administration. Learner scores 2 if he/she gives 3 to 4 roles of URA and other agencies in tax administration. Learner scores 1 if he/she gives less than 3 roles of URA and other agencies in tax administration.	Learner scores 3 if he/she gives at least 5 well explained roles of URA and other agencies in tax administration.	Learner scores 3 if he/she gives at least 5 roles of URA and other agencies in tax administration that are in order.	Learner scores 1 if he/ she presents well in all responses and also gives an exceptional point regarding to roles of URA and other agencies in tax administration.

OUTPUT	Basis of Evaluation (B)	CRITERION 1 Relevance	CRITERION 2 Accuracy	CRITERION 3 Coherence	CRITERION 4 Excellence
Speech	Taxes collected by URA: <ul style="list-style-type: none">• Income tax (PAYE)• VAT (Value Added Tax)• Excise duty• Rental tax• Gaming and pooling tax• Corporation tax• Import duty• Export duty• Withholding tax• Octroi tax• Environmental tax	Learner scores 3 if he/she gives at least five taxes collected by URA and 5 collected by local authority and other agencies	Learner scores 3 if he/she gives correctly at least 5 taxes collected by URA and those of local authorities and agencies	Learner scores 3 if he/she gives without mix up at least 5 taxes collected by URA and those of other agencies	Learner scores 1 if he/ she presents well in all responses and also gives an exceptional point regarding distinction between taxes collected by URA and those of local authorities
	Taxes collected by other agencies <ul style="list-style-type: none">• Ground rates and property tax• Fees and dues• Local service tax• Road toll fees• Passport fees• ID replacement fees• Fines	Learner scores 2 if he/she gives 3 to 4 taxes collected by URA and those collected by Local authorities and agencies	Learner scores 2 if he/she gives correctly 3 to 4 taxes collected by URA and those of other local authorities	Learner scores 2 if he/she mixes up 3 to 4 taxes collected by URA with those collected by local authorities and other agencies	
		Learner scores 1 if he/she gives less than 3 taxes collected by URA and those of local authorities and other agencies.	Learner scores 1 if he/she gives correctly only less than 3 taxes collected by URA and other agencies	Learner scores 1 if he/she mixes up less than 3 taxes collected by URA with those collected by local authorities and other agencies	



Chapter Summary

In this chapter, learners have learnt the following:

- the concept of tax administration.
- the roles of URA in tax administration.
- the taxes collected by URA.
- the taxes and duties collected by local government authorities.
- the non-tax revenue collected by other government agencies.

Glossary

A

Accounting equation: mathematical relationship between assets, liabilities and equity. It is the basis of the double entry accounting system

Accounting: a process of recording, summarising, analysing and reporting financial transactions of a business

Accuracy: the quality or state of being correct or precise

Action plan: a checklist for the steps or tasks you need to complete in order to achieve the goals you have set

An account: is a record of transactions of a similar nature

Arithmetical: a science that deals with the addition, subtraction, multiplication, and division of numbers

Assets: something that provides a current, future, or potential economic benefit for an individual or other entity

Auditors: persons authorised to review and verify the accuracy of financial records and ensure that companies comply with tax laws

B

Balance sheet: a statement of the assets, liabilities, and capital of a business or other organisation at a particular point in time

Bookkeeping: the daily tasks of recording, summarising and classifying business transaction

Books of accounts: the place where all financial information for a person or business is recorded

Brand loyalty: the tendency of some consumers to continue buying the same brand of goods rather than competing brands

Browse: looking through a set of information quickly, with a specific sense of purpose

Business ethics: the accepted set of moral values and corporate standards of conduct in a business organisation

Business plan: a document setting out a business's future objectives and strategies for achieving them

C

Cash account: a record of money received and money paid out by the business in a given period of time

Cash balance: the amount of money in an account

Cash transaction: any dealing between two or more people involving immediate payment of cash for the purchase or sale of any goods or services

Change in equity: a business' financial statement that measures the changes in owners' equity throughout a specific accounting period

Code of conduct: a set of rules outlining the norms, rules, and responsibilities or proper practices of an individual party or an organisation

Comprehensive income: consists of all of the revenues, gains, expenses, and losses that caused stakeholder's equity to change during the accounting period

Contra entries: these are entries recorded when the debit and credit affect the same parent account resulting in a net zero effect to the account

Credit balance: the amount which states that the total amount of credit entries in a general ledger is more than the total amount of the debit entries

Credit note: a receipt given by a shop to a customer who has returned goods, which can be offset against future purchases

Credit transaction: any dealing between two or more people where the repayment of money loaned or loan commitment made, or payment for goods, services, or properties sold or leased, is to be made at a future date or dates

Credit: an accounting entry that either increases a liability or equity account, or decreases an asset or expense account. It is positioned to the right in an accounting entry

Customer attraction: persuading customers to purchase product from you and not from your competitors

Customer care: all activities performed by a business during delivery of products that allows customers receive them in the most convenient, satisfying and pleasant way

Customer retention: keeping an existing customer should be as important as getting a new one

D

Debit balances: the amount which states that the total amount of debit entries in a general ledger is more than the total amount of the credit entries

Debit notes: a receipt issued from a buyer to the seller to indicate or request a return of funds due to incorrect or damaged good received, purchase cancellation, or other specified circumstances

Debit: an accounting entry that either increases an asset or expense account, or decreases a liability or equity account. It is positioned to the left in an accounting entry

Deficit: the amount by which something, especially a sum of money, is less

Direct cost: the expenses a business incurs directly to make a product or service, or buy a wholesale product for resale

Distribution strategy: a plan to make a product or a service available to the target customers through a supply chain

E

Ethics: moral principles that govern a person's behaviour or the conducting of an activity

Etiquette: the customary code of polite behaviour in society or among members of a particular profession or group

F

Fixed assets: a long-term tangible piece of property or equipment that a firm owns and uses in its operations to generate income

I

Imprest amount: a constant or unchanging amount that is often used when referring to petty cash

Imprest: a cash account that a business relies on to pay for small, routine expenses

Income statement: a financial statement that shows you the company's income and expenditures

Invoice: an accounting document issued by a business to its customers that outlines the products and services provided and details the amount of money owing for the work

J

Journal: a detailed record of all the transactions done by a business

Journalising: the process of recording a business transaction in the accounting records

L

Launch: the process of introducing a new product for sale for the first time and attracting people's attention to it

Ledger: a book containing accounts in which the classified and summarised information from the journals is posted as debits and credits

Liability: something a person or company owes, usually a sum of money

M

Marketing opportunities: a sales-accepted lead that has been qualified as being in need of your product or service

Marketing plan: a report that outlines your marketing strategy for the period ahead

Mission: explanation of the organisation's reason for existence

N

Narration: brief description of a transaction recorded in the books of accounts

Necessities: things that are essential.

Networking: the process of establishing a mutually beneficial relationship with other business people and potential clients or customers

Non-tax revenue: the recurring income earned by the government from sources other than taxes

Norms: accepted standards, or ways of behaving or doing things that most people agree with

O

Objectives: something that you plan to do or achieve

Organisational plan: how business owners organise the day-to-day operations of a business

Overhead costs: business costs that are related to the day-to-day running of the business but excludes the direct costs associated with creating a product or service

Owe: an obligation to pay or repay (something, especially money) in return for something received

P

Petty cashier: a person responsible for keeping petty cash and the petty cash book

Posting: the step in the accounting cycle where balances from journal accounts are transferred to ledger accounts

Pricing strategy: method companies use to price their products or services

Pricing strategy: methods companies use to price their products or services. Almost all companies, large or small, base the price of their products and services on production, labour and advertising expenses and then add on a certain percentage so they can make a profit

Production plan: act of developing a guide for the design and production of a given product or service

Purchases journal: special journal used by an organisation to keep track of all the credit purchases

Q

Quotation: document that a supplier submits to a potential client with details of goods or services and their respective prices

R

Remuneration: money paid for work or a service

Renumeration: amount of money paid to someone for the work that person has done

Returns inwards: goods returned to a business by its customer(s)

Returns outwards: goods returned by the customer to the supplier

S

Sales ledger: an account for every customer of a business and records the money received for products or services, plus what is still owed

Source documents: original document that contains the details of a business transaction

Stakeholders: persons with an interest or concern in something, especially a business

Stock level: the quantity or number of goods or raw materials kept on the premises of a shop or business

Stock taking: assessing and recording the amount of stock held by a business

Strategy: a plan of action designed to achieve a long-term or overall aim

Subsidiary book: books of original entry in which transactions of similar nature are recorded in chronological order

Supply: an amount of something left over when requirements have been met; an excess of production or supply

SWOT analysis: a study undertaken by an organisation to identify its internal strengths and weaknesses, as well as its external opportunities and threats

T

Target market: a group of potential customers to whom a company wants to sell its products

Tax administration: the verification of a tax return or claim for credit, rebate or refund; the investigation, assessment, determination, litigation or collection of a tax liability of any person; the investigation or prosecution of a tax-related crime; or the enforcement of a tax statute

Tax revenue: the revenue collected from taxes on income, profits, plus goods and services, taxes on the ownership and transfer of property, and other taxes

Timeline: a plan or idea of how much time something will or should take

Transaction: a dealing between two or more people involving exchange of goods or services for a consideration which is usually money in terms of price.

Trial balance: is a list of all debit and credit balances extracted from ledger accounts as at a particular date

V

Vision: a vivid mental image of what you want your business to be at some point in the future, based on your goals and aspirations

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