Business Plan Writing Simplified

(Substantive Materials for Entrepreneurs)

JAMES ACIRE-ARWENY

BUSINESS PLAN

WRITING

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Foreword

I am excited about James Acire-Arweny, his writing career that's always on the cutting edge and this most unusual book. If you read it as carefully as I did the manuscript, you simply won't put it down. It will provoke you and make you pay more attention than you ever have to the real myth of writing a successful business plan.

In my humble opinion, Business plan writing simplified by James Acire-Arweny provides much needed answers to the question about how to write a successful business plan. Not only has he demystified all the theories and waffles that exist about business plans but has demonstrated a standard layout of a complete business plan that he writes about. You'll be able to understand professionalism in business, Uganda's tax system, protecting your business and financial solvency. Every individual from every walk of life will use it as a guidebook for dreaming bigger financial dreams, planning bigger outcomes, taking actions in a bigger way, and enjoying the kind of expanded, abundant financial success that never seemed possible before.

Business plan writing simplified gives you step-by-step techniques of converting your knowledge and ideas into cash through planning. It leads you to whatever your business goals are – whether they're to get your life out of a rut, restart your career in business and redirect your life towards financial destiny.

I'm happy to say that time is now to start the journey to become financially free and in your quest to journey from poverty to wealth become dedicated to creating a life of abundance and personal accomplishment.

I am proud of James Acire-Arweny and of this book that it's now available to the readers and to those who earnestly desire to start-up businesses, sustain them and attain financial freedom when they read it.

Ambrose Ongol – MSW

Preface

I have over the years, served at various levels in banking, accounting and taxation for small and medium size businesses.

Many businesses go under for various reasons. One reason that may surprise you is that, there is a common tendency for entrepreneurs to overlook the importance of a business plan.

Understandably, creating a strong business plan from my experience is a task not many people running businesses relish.

Every business regardless of its size at some point will need funds to expand or acquire start-up capital and without a strong business plan in place no bank or lender will advance your business any form of credit facilities.

This simple guide takes you through the preparatory processes of writing a business plan that must include subjects like market research, mission statements, financial statements, competitor analysis among others.

A business plan should always be treated as a life document and not locked away as most businesses do.

I have also included topics on customer service, security, tendering and so forth that in my experience is equally necessary to successfully operating a business.

J. A. Arweny.

Introduction

The million dollar question is: "Why do businesses fail to succeed or survive?"

There may be many reasons, but it all comes down to planning unless the situation is beyond human control.

If you are in business or wish to start a business, then this is the book for you to read on.

A business plan is a road map, not just a document to raise money and then shelve after you have finished with it but a powerful tool that is bound to make your business a better place to work and a more successful enterprise.

You may at the minute not know what it takes to write a business plan but I am certain you are aware of its importance. This book will take you step-by-step to create your own business plan. You will most definitely be surprised at how much you already know or not know about your business.

Like many things in life, business plan writing can be a bit of an excruciating pain but the more you get into it, the more you will appreciate the importance of each section of a business plan.

Many small business owners leave the entire responsibility to experts to draft their business plan without questioning the outcome, what that means is they simply gloss over without questioning why and how the figures are arrived at, which is a gross mistake on the owners' part.

Before I move on, let me explain some of the key terminologies that frequently come up in business plan writing.

Plan or Strategy: This basically means what you want to do and why you believe you can do it. In other words, evaluate or determine your ability to keep pushing to achieve your goals.

Implementation of your strategy: This basically means you need to write down what you require or what support you need to be able to achieve your plans. For example, if you wish to start a kindergarten, you need a classroom, playground, qualified teachers, authority from ministry of education, chairs and desks for pupils, books, source of funds, other amenities, and so forth. This information is crucial to writing a successful business plan.

Operational feasibility studies: This is basically a written report and analysis of all aspects of your business plans. This must be broken down in logical sub-sections for example:

a) Economic feasibility- refers to the costs of the business. If the business is for profit, then explain how you are likely going to make any profit? Or if it is for non-profit, then explain why it is worth the costs?

b) Technical feasibility- refers to technical ability of persons involved in the business. In our example of kindergarten, do we have qualified teachers for children under 4 years old?

c) Operation feasibility-refers to how the business meets or satisfies requirement of government authority like ministry of education for one to set up a school in Uganda. (reference to a nursery school establishment)

d) Legal feasibility-refers to the legal entity of the business; is it a limited company, charity or other an unincorporated body? Legality of a business has different implications in terms of responsibility especially on insolvency situations.

Market research analysis: This basically means a report on your customers and suppliers. For example a market research for a nursery school will report on:

1) How many children of nursery age are within a radius of say five kilometres from the school?
2) How many parents are able to afford the school fees?
3) What are the chances of filling up the classrooms when kids leave for primary one?
4) Who are your competitors in the market and what advantages do they have over your school?
5) What advantages does your school have over your competitors?

Financial forecasts: Is a statement of income and expenditure also known as budget forecast for a period of not less than six months.

Start-up capital- Whether you intend to use your own savings, borrow from relatives, friends or from commercial lenders you need to conduct an honest study or analysis and make a detailed report on what you need in terms of capital and how much it is going to cost you.

For example our nursery school will need a start-up capital of shillings 38,500,000.00 broken down as follows:

Rent charges	**Furniture**	**Salary**	**Books / Stationary**	**Play ground**	**School meals**	**Transport**
6m	7.5m	5m	12m	5m	2.5m	0.5m

What makes a business plan work?

For a business plan to work properly, you the owner together with your management team ought to regularly interrogate your plans, think about what you are doing and amend your plans as you go along your daily operations.

Your business plan is an evergreen document. It acts as a tool or template that you must follow section by section so that any decisions you make are aligned to your desire to meet your goals.

CHAPTER ONE

Business plan:

A structured economic feasibility study is better presented in a business plan report which covers more or less all aspects of economic activities of any entity whether for profit, non-profit or charitable purpose.

A business plan is basically a projected frame work of actions that a starter in business or an existing business works on as a guide to be able to provide goods and or services to his or her customers in the most effective and efficient manner.

For example a business plan will direct you on what you need to do to improve productivity including quality of goods and or services, how to be competitive in the market place.

What you need to do to be recognised as a serious business entity by prospective investors or suppliers and above all what you need to do in order to meet customers' expectations.

Basics of a business plan:

Start by developing in your mind a clear picture of what your goals and objectives are.

Objective means, what steps or actions you need to take in order to improve overall performance of your business.

Goal means, where you want your business to be in the foreseeable future. For example "be the most popular & profitable business or provider of best quality of services or goods or most successful non-profit enterprise and so forth".

Your goals and objectives will entirely depend on how well informed you are about your business including external factors that influence your views in making the right decision. Making the right decision will assist you in evaluating progress on objectives you set out in your business plans.

Some of the objectives of a business idea could be summarised as follow:

- How do you improve on marketing your business to maximise customer and supplier satisfaction.
- Do you know or understand what your strengths are and what you need to do to maintain that strength?
- Do you know or understand what your weaknesses are and what you need to do to address those weaknesses?
- Do you know or understand the strengths of your staff members and what you need to do to maintain that strength?
- Do you know or understand the weaknesses of your staff members and what you need to do to uplift their competences?
- Do you know or understand who your competitors are in the business you are in, and what you need to do to keep your business ahead of the game?
- Do you know or understand your financial situation and what you need to do to keep your business sol-

vent or afloat?

- Where do you envisage your business will be in two, five or ten years' time?

These are some of the important questions you should consider to be able to write a comprehensive and meaningful business plan.

Realism: You need to be realistic, so think carefully of your current situation and where you want to be in the short term two years, medium term five years and long term is ten years or more.

Bear in mind, medium and long terms are difficult to predict, so be cautious in your expectations when preparing your business plans.

Goals & objectives of a business plan summary:

Goals are what a business **aims** to achieve in a specified period of time for example, to increase productions or to improve quality of products or to improve customer services or to maximise profits etc.

Objectives are therefore steps you take to reach your goals or aims.

Choosing the correct goals will certainly make your business more effective and choosing the right objectives will definitely make your business more efficient.

A business plan is also useful for other purposes, for example, you may want to borrow money from money lenders in the form of bank overdraft, bank loan or for securing long term arrangements with your suppliers.

A well prepared business plan may also come handy when you are seeking for financial assistance in case you wish to expand or diversify your business activities or wish to partner with potential investors.

Preparing a business plan:

The initial step is to think of every day questions an outsider or someone who has no knowledge of your idea would ask you about your business.

Your answers to these basic questions should provide you with facts and useful information that will enable you to put together coherently and write a constructive business plan.

Below are some of everyday questions an outsider would possibly throw at you.

- A description of your business activities: *What do you make or what goods and or services do you sell or provide to customers.*
- Where your business is situated: *for example in town centre, residential area, village shop, shopping mall, industrial estate etc. provide address of principle place of business and means of transport available, car parks etc.*
- What type of premises is the business operated from: *for example, is it an office block, industrial estate, an open market space, farm house, shopping mall, roadside market? etc.*
- What assets are held in the business: *for example, Machineries, computers, vehicles, farm land etc.*
- What goods or services does your business provide

or sell to customers? *For example food staff, domestic goods, building construction materials, farming, convenient store, restaurant, insurance, general medical practice, accountancy, travel agent, road haulage, legal services etc.*

- What goods and services do you buy from your suppliers? *For example retail goods, goods for processing, goods for manufacturing etc.*
- What are the qualities of your products compared to similar products provided by your rivals? *You need to expand a bit more on why you believe your products are superior.*
- Who or what type of people work for you in terms of their qualifications and experience.*You need to expand on their knowledge and competences.*
- What are the strengths and weaknesses of your business? Explain what makes your business stands out compared to your competitors and what weaknesses or pitfalls your business face compared to your competitors.

  Strengths and weakness simply mean:

  Your ability or inability in organising and managing your business.
  Your ability to retain and expand your customer base.
  Your ability to access adequate resources for research and development of your business.

Your ability to conduct market research to increase sales.
Your ability to increase distribution and delivery of products.
Your ability to meet financial commitments for example, paying your employees and suppliers promptly, paying taxes and other financial demands on time and so forth.
What do you know about your competitors? For example how long have they been in the business and what is their level of success in the business.

- What advantage do your competitors have over your business?
- What do you know about the "Market Place" for example who are your customers? Are they locals, visitors or tourists, what is their demography, what time of the year is your busiest period? For example school days, summer holidays, winter season among others.
- What challenges do you foresee in the next two to five years and how will it impact on your business? For example new or upcoming developments in the area, increase or decrease customer base and so forth.
- Have you had financial support from family or friends to pay for day to day expenses of the business?
- What is your finance like presently? Be frank if you are struggling to pay your suppliers, employees, taxes etc. Explain what actions you are taking and how long you anticipate the situation will take before things begin to improve.

- ○ Have you got sufficient cash reserve or other arrangements to support your finances to continue trading and possibly make some profit? State how much cash you currently have in your business including values of stock, work in progress, finished goods, debtors and so forth.
- ○ What amount of capital do you require to inject into the business to improve your cash flow to meet your goals and objectives? State how much money you require and provide a breakdown on what you intend to spend the money on. For example buy computers, vehicles, land and machinery among others.

Sources of information that can assist you in addressing these questions are:

The answers to most of these questions can be obtained from records or information you already hold in the business such as sales, purchases, asset, stock or inventory and many others.

Government departments, such as your local council, local library or local trading associations usually published useful information on future development plans.

Development plans that may affect your business in one way or another could include things like construction of roads, residential accommodations, office blocks, public parks, factories, schools, shopping malls, hospital, hotels, car parks the list is endless.

Your regular customers will tell you directly their opinions on the goods or services you provide compared to that of your competitors.

Your regular suppliers can give you lots of information about how your competitors are doing in terms of orders of products you may not be aware of.

For example trade discounts, transportation network and so on.

You can obtain financial or legal advice from market consultants, accountants or solicitor among others in your area.

Financial statements:

Financial statement is an integral part of a business plan and so it is essential that you prepare cash flow forecast, management account and profit & loss forecast accounts for a period not less than twelve months.

Your business plans, should be well structured so that it is easy for persons interested to follow and understand what your aims or goals are and why you require funds or capital.

Products: - Goods and or Services:

State in detail the main features of goods and services that either you produce, manufacture or sell in your business.

Give a brief description of process of production, quantity, quality and methods of distribution of products to consumers.

(Include sales and purchases records, brochures or leaflets, stock records, raw material records, work in progress records, finished goods records, product order records and so on).

Standard business plan outlay:

It is recommended that you do not exceed **250** words per section of your business plan unless it is absolutely necessary.

- **Executive summary**-*include key successes:*

Write about the history of the business activities, its location, who are the key individuals involved.

Details of assets held in the business

What actions the business is taking to improve productivity.

What measures the business is taking to overcome various challenges such as how to secure financial support, attract investors, improve efficiency and many others.

(Remember to include relevant documents or information in your appendix as proof to support what you have written above).

- **Manpower:** *Personnel.*

It is important to state clearly who are the key officials involved in the operations of the business activities.

What are their skills, knowledge or expertise? State their specific role in the business for example areas of research and development, marketing and distribution, finance, human resources and administration among others.

State their strengths and weaknesses and how they fit together to make a good team in your business.

(Remember to include relevant documents and information in your appendix as proof to support what you have written).

○ **The Market:** *you and your competitors' customers.*

State who your customers are, their number, their purchasing habit, their location.

State who your competitors are, their location, size, their strength and weaknesses you are aware of.

Write about the "market place" itself. State the location, the size, opening and closing hours. State what type of premises you operate in for example a shop, open market, processing site, warehouse, motor garage and so on.

State your honest opinion on future prospects be it a negative or positive impact to your business in terms of up-coming developments in the area.

(Remember to include relevant documents and information in your appendix as proof to support what you have written above).

○ **Location:** *Where your business is situated.*

State the reasons why your business is situated where it is, explain the advantages and disadvantages and what you are doing to overcome the disadvantages.

State any anticipated changes likely to take place in the location and what impact it will bring to your business.

State how you intend to deal with the opportunities and challenges that may arise as a result of those anticipated developments in the area.

(Include a map of your business location and highlight areas that attract consumers or customers in the vicinity for example public parks, car parks, schools, residential accommodation, sports arena, theatre and so forth).

○ **Business Premises:**

State details of what type of premises you operate your business for example, is it a freehold, leasehold or rental

property. Include a copy of lease or rental agreement or contract with the landlord.
(Provide supporting documents in your appendices).

○ **Business goals & objectives:**

State how and when you are going to achieve your goals, what are your aims in the short, medium and long term and remember your statement have to be realistic.

Short term means a period not exceeding 12 months.

Medium term means a period not exceeding five years.

Long term means a period not exceeding 10 years.

(Remember to include relevant documents and information in your appendix as proof to support what you have written above).

○ **Financial report:**

Your business plan should include a cash flow forecast, profit and loss trading account and balance sheet forecast.

Cost benefit analysis (management account) is an additional tool of financial performance evaluation, quite apart from cash flow forecasts and P&L accounts.

If your intention is to raise funds or capital by borrowing money, you need to put this clearly in your business plan statement what you are going to do with the money.

State clearly what security you intend to put against the loan.
Prepare a schedule showing a repayment plan to pay off the money borrowed.

A finance forecast is a statement that shows money coming in the business as a result of sale of your product and money going out of the business as a result of purchases you make for purposes of your business.

This is commonly known as cash inflow and outflow hence the term "cash flow" and "budget forecasts" are used interchangeably.

Your budget forecast or cash flow statements must be accompanied by explanatory notes and supporting documents.

Explanatory notes tell the reader what the figures in finance forecast relate to.

Supporting documents backs up figures stated in the forecasts for example sales orders, estimates, quotations, supplier orders, sales records, purchases records and other administrative cost records and so forth.

Financial forecasts statements prepared on an excel spread sheet is more presentable than on a word document.

When preparing your business plans, always keep in mind or think of your goals, why you strongly believe your projected forecast addresses your goals and where you see your business in the short, medium and long term.

This is important because the recipient of your business plan, be it the bank, or an investor and so forth needs to understand what your visions are and above all what is in it for him or her to do business with your company.

Lenders will need some level of assurance that investing in your business is not a high risk investment, so be real and objective in drafting your cash flow forecast.

To recap, your business plan should incorporate the following sub-headings with a foot note summary of not more than 250 words for readers to understand your business plans.

(Remember readers' interests in your business do vary, so try as much as possible to cover all areas to avoid

curiosities)

Below are key topics that you need to write about as part of your business plan. I have given a brief explanation of what the terminology means to keep it simple.

- **Executive summary:** An introduction of what your business is about such as your plan and your goals.
- **Mission:** A statement describing what your visions are about your business aims and purpose.
- **Key successes:** A statement of what your business has achieved so far, for example securing a major contract, approvals from government agencies, and awards from recognised authority or institution and so on.
- **Products:** A statement describing the goods and services you provide, what are they made of and what are they used for.
- **Markets:** A statement describing the type of market to which you provide your goods or services for example, is it a whole sale market? A retail market? Consultancy market?
- **Management team:** A brief description of experiences and qualifications of members of your management team.
- **Financial planning:** A brief description of your business' current financial situation and how you intend to manage as well as improve the situation in the next 12 to 36 months.
- **Objectives:** Describe what your business require in terms of resources and time in order to be able to

achieve its goals.

- **Company summary:** A brief statement of an overview of the main aspects of your business for example on structure of your business including responsibilities and role of senior officers of your business.
- **Standard operating practice (SOP):** A statement of step by step instructions to guide members of staff and customers.
- **Market analysis:** A brief statement of assessment of the size or volume of the market, the different segments of customers and their buying pattern including the values of the goods and services provided in the market place.
- **Industry analysis:** A brief statement of assessment of present market place including economic factors or variables that you can use to gain competitive advantage.
- **Strategy and implementation summary:** A brief statement of step by step actions you require to fulfil your goals or plans.
- **Competitive edge:** A statement of facts about your business that is unique or different from others that make your business much better than others.
- **Sales strategy:** A statement of clear objectives and guidance to your sales people that makes them better than the others.
- **Financial plans:** A statement of cash flow forecasts, budget or profit and loss forecasts and actual year end financial accounts.

- **Bank statements:** A statement provided by your banks that shows deposits and withdrawals from your business accounts.
- **Appendices must include:** (Product samples, maps, images or photographs, leaflets, menus, legal documents or agreements, application forms, letters of references the list is endless)

Example of a business plan

- **Business name: LA-Goat farm Ltd**

Company executive summary:

LA-Goat farm is a limited company incorporated in 2012 and the directors are Ben, Tim and Joe.

LA-Goat farm Ltd is located in northern Uganda at Bwana sub-county.

LA-Goat farm Ltd covers an area of 41 acres with livestock of 5,700 goats.

LA-Goat farm Ltd's business activity is rearing high breed goats for commercial sales of goat meat, goat skin and livestock.

LA-Goat farm Ltd management team is working hard to become a leading producer of high quality goat skin for export, high quality goat meat and well- bred livestock for local and commercial consumption within the region of Northern, Eastern and West Nile region of Uganda.

LA-Goat farm Ltd management team have put in place a well thought out business plan and is confident that the farm will generate over 25 million shillings in sales per year over the next three years - 2019 to 2021.

Company mission:

LA-Goat farm Ltd aims to become a leading supplier of high quality goat skin or hides, supplier of healthy livestock and supplier of high quality goat meat in the region.

LA-Goat farm Ltd aims to reach a point of self-financing sustainability and at the same time maintain a profitable business year in year out.

LA-Goat farm Ltd have taken on the tasks to encourage neighbouring farmers to get involved in goat farming as the next best option available to crop farming.

The weather changes in the region, is evidently being felt by crop farmers due to erratic rainfall experienced in the region over the last 25 years and so it is a matter of urgency for all farmers to rethink on how they can avoid facing difficult times ahead.

Key successes:

Over the years, our expert management team have identified key factors that are pivotal to our success.

First we have put in place strict financial control processes for checks and balances on how we expend available cash or funds.

Secondly we have adopted a rotational method of grazing land so the animals have a continuous supply of fresh and rich feeding grass.

Thirdly we recognised that our success depends on 100% commitments of our management team to ensure that our customers' expectation is delivered consistently.

LA-Goat farm Ltd is therefore proud to announce that this target has been met in the last five years and we continue to do so for the foreseeable future.

LA-Goat farm Ltd's motto is ***"quality product is king"*** and we strive to fulfil that promise.

Company summary:

LA-Goat farm ltd has specialised in rearing South African and Ethiopian mountain goats both species are renowned for skin/hide that is in high demand for making of ladies leather hand bags the world over.

LA-Goat farm Ltd also specialises in rearing breeds from western Uganda and the rift valley region of Kenya that is known for their high quality meat products.

The goat meat products are mostly favoured by hoteliers, restaurateurs, hospitals, higher institutions of learning and supermarkets.

The company intends to supply goat skin to wholesale dealers and manufactures of hand bags in the far east countries particularly Singapore, Taiwan, Japan and China.

Company history:

LA-Goat farm Ltd has been in operation for seven years. Upon retirement, the two brothers Ben and Tim decided to use a bit of their savings and embark on full time commitment in rearing high breed goats on commercial basis and so the company was incorporated to become a legal entity now known as LA-Goat farm Ltd.

Goat rearing has been a family hobby going back over 90 years and there is high enthusiasm from the three brothers to engage in commercial rearing of goats this time round.

Management summary:

LA-Goat farm Ltdis led by three brothers Ben, Tim and Joe. Ben brings into the business his extended knowledge in rearing goats for over 56 years, Tim was a business consultant and a project manager for over 27 years, and he brings his marketing and business management skills required to make this project a success. Joe brings in his experience in sales and marketing as well as his knowledge in animal husbandry acquired while working in government farms for 31 years. He obtained a Masters Degree in Agriculture and farm animal psychology.

Personnel summary:

Ben's responsibility–operations include vendor relations, finance and marketing.

Tim's responsibility- welfare of livestock, supervising their feeding, veterinary checks, animal keepers, sales and marketing.

Joe's responsibility- general administration of day to day operations of the farm

Labourers: Four full time employees responsible for all round activities in the farm.

Products:

LA-Goat farm ltd produces the following products

- Goat skin for export to Singapore , Taiwan, Japan and China
- Fresh goat meat to commercial goat meat sellers in the region and local consumers.
- Livestock to commercial markets

Market analysis:

LA-Goat farm ltd has identified three main customer groups: livestock, goat skin and fresh goat meat. The customer segments are distinct enough to target each differently.

LA-Goat farm ltd services the different industry segment by leveraging their competitive edge. We do this by rearing our animals using intensive farming method that produces healthier animals that competitors cannot match.

Markets for meat sector- hotels & restaurants, educational institutions and general public markets.

Markets for hide and skin- the company has signed a memorandum of understanding with dealers in hide & skin to facilitate export to the far east importers.

Market for livestock: the company has a memorandum of understanding with commercial and local dealers in the region and country wide.

Financial planning:

Rearing goats began as a means of providing meat for family consumption nearly 90 years ago. Ben, Tim and Joe (directors) have retired from employment and taken the challenge and have committed themselves to run this farm as a commercial entity.

In the last three years, a new breed of goats from South Africa and Ethiopia was introduced in the farm.

Farm lands have been expanded and transformed into paddocks for rotation of grazing the animals with fresh and healthy grass land.

To finance growth and fulltime production of hide and skin, fresh meat and livestock for sale, funds are needed to facilitate this venture.

La-Goat farm Ltd requires a larger farm house to keep the animals.

Regular checks from veterinary doctors, animal feeds, transport, animal keepers.

Specialised equipment for shearing fur from the goat skin, built sheds for drying the goat skin and funds to hire vehicle to transport the products to dealers in goat skin for export.

To meet these costs, the business requires a sum of 50 million shillings as a loan repayable over three years.

Sales forecast conservatively indicates that sum of 75 million shillings will be generated in the first three years.

Industry analysis:

Goat farms in the region are rather on small scales. A recent survey of the ministry of animal husbandry, indicate there are huge opportunities to expand goat farming in the region.

YEAR		**2020**	**2021**	**2022**
Potential customer growth	%			
Goat meat sector	7%	13%	15%	17%
Livestock sector	11%	15%	18%	21%
Hide & Skin sector	3%	9%	11%	12%
Total	**21%**	**37%**	**44%**	**50%**

Strategy and implementation summary:

La-Goat farm ltd has chosen the three market sectors on animal husbandry industry based on rising demand for goat skin, goat meat and livestock.

La-Goat farm ltd has obtained a memorandum of understanding (MOU) with a major exporter of goat skin/hide which means we have to work tirelessly to meet their expectations on quality and volume.

La-Goat farm ltd intends to involve neighbouring goat farmers to up skill their ability to become first class producers of goat products.

The demand for goat products is increasing year after year and so the management has taken initiative to engage neighbouring farmers to form a small scale cooperative with a mindset to commercialise production by adapting a better method to improve welfare of their animals.

By implementing certain measures, we believe farmers will improve quality of products as well as be able to expand production levels and capture wider markets.

Financial report: is a monetary statement outlining income and expenditure at agiven period of time in the past-also known as Profit and loss accounts and balance sheet.

Financial forecast: is a monetary statement outlining income and expenditure in a given foreseeable period of time - also known as profit and loss accounts and balance sheet forecast or Budget accounts.

Example of profit and loss forecast accounts or budget for the year 2020 to 2022

YEAR	**2020**	**2021**	**2022**
Sales	17.5m	23.8m	30m
Cost of Sales	10m	8m	9m
Gross profit	7.5m	15.8m	21m
Gross profit Margin	42.85%	66.38%	70.00%
General expenses	**2m**	**2.4m**	**2.8m**
Net Profit	**5.5m**	**13.4m**	**18.2m**
Net Profit Margin	**31.42%**	**56.30%**	**60.66%**

Cash flow: Is monetary statement outlining cash or revenue coming in and expenditure going out of the business in a given period of time.

Cash flow forecast: Is a monetary statement outlining cash or revenue coming in and expenditure going out of the business in a given foreseeable period of time. For example weekly, monthly, quarterly, half yearly or yearly.

A typical cash flow statement is made up of four sections.

The first section will show income such as **sales, fees, cash receivables** like interest, debtors, capital introduced in the business and so on.

The second section will show expenditures such as **cost of goods, purchases and other expenses** like rent, rates, wages, repairs and maintenance, legal fees, interests among others.

The bottom section will show cash balances brought forward and carried forward.

The bottom bit will show either positive or negative NET cash balances.

A negative cash balance means cash coming in the business is less than cash going out of the business.

Example of a cash flow forecast or budget forecast for the year 2020 to 2022

YEAR	**2020**	**2021**	**2022**
Cash received	25m	28.8m	31m
Cash receivable	2m	3.2m	5m
Cash expanded	21m	24m	27m
Cash balance carried forward	#	6m	14m
Net Cash balance	**6m**	**14m**	**23m**

Financial analysis: Financial analysis uses percentages and ratios as a method to further inform you the trend or growth your business is heading to.

It is therefore necessary and essential to compare previous period performances with the present time to give you an accurate overview.

The main areas that this methods focus on are **profitability, solvency, liquidity** and **operation** levels of your business. These measures are expressed in percentages and ratios.

Profitability:

You measure profitability of your business by comparing Gross profit margins of previous years with current year's and you do this by dividing gross profit by Net income (GPM/Net Income) x100%

The result has two main effects

1. A higher percentage margin indicates that your business has a competitive advantage in the market place in quantity, perception or branding enabling the business to charge more for its product.
2. Your business may be a leader in innovations and efficient production or has greater economies of scale than your competitors. (lower cost of production)

Profitability can also be measured by comparing current assets and current liabilities by ratio. Commonly known as "Net current asset tests"

Net current asset test tells you whether your business is able to pay everything it currently owes: (Current asset/ Current liabilities).

The result has three main effects:

1. If the ratio is more than 1, then it means your business is able to pay everything it currently owes.
2. If the ratio is more than 2, then it means either your business is cash rich, or carrying an excess of stock.
3. If the ratio is less than 1, then it means your business is not able to pay everything it currently owes which is an indication that your business is not **solvent**. (being insolvent means your business is likely to be declared bankrupt)

Debt to Assets ratio is another important test used to measure the percentage of total liability your business owes covered by total Assets of your business.

Debt to Asset ratio = Total liability/Total Assets.

The result has two main effects:

1. If the ratio is equal to or less than 1, then it means your total business asset is able to cover your total business liabilities.
2. If the ratio is more than 1, then it means your total business asset is not able to cover your total business liabilities. The business may be at risk if interest rate increases significantly, you may not be able to pay what your business owes.

Below are some of the financial accounting ratios you may use to check your business profitability and solvency.

Profitability ratios	
Gross profit margin:	Gross profit over total sales x100%
Operating profit margin:	Gross sales over net profit x 100%
Mark-up margin:	Cost of goods over gross profit x 100%
Net profit margin:	Net sales over total sales x 100%
Liquidity ratios:	
Current ratio:	Current assets over current liabilities
Quick ratio:	Current assets less inventory over current liabilities
Solvency ratios:	
Debt to worth ratio:	Total liabilities over net Assets
Working capital ratio:	Current assets over current liabilities
Operating ratios:	
Inventory turnover ratio:	Costs of goods over inventory
Sales to receivable ratio:	Net sales over net receivable (Debts)
Times interest earned ratio:	Net Income before tax over total interest charges
Return on equity ratio:	Net Income over net asset at beginning of a period.

Appendices: List of additional information or documents that should be attached to your business plans.

- **Map-** showing location of your business premises or farm area.
- **Supplier or customer-** contracts or agreements.
- **Market surveys published-** by recognised agency.
- **Feasibility report-** by an independent agency.
- **Complementary letter-** from suppliers and customers.
- **Business-** brochures or leaflets.
- **Photographs-** of goods or services provided.
- **Reports-** from financial or bank advisors.
- **Past years-**financial statements.
- **List of corporate** customers.
- **Certificates-** of qualifications of key team personnel.

Alternative business plan template:

Company names:	
Legal entity:	
Year of incorporation or establishment:	
Industry sector:	
Business activity or project name:	
Total value of business:	
Total funding required:	
Principle place of business:	

District or Region:	
County or Sub-county:	
Contact details of responsible officers and position held in the business: 1. 2. 3. 4. 5. 6.	
Telephone contact:	
Mobile phone numbers:	
Land line phone numbers:	
Email address:	

<table>
<tr><td colspan="2">Executive Summary:
Provide a brief description of the business or plan or project including objectives, expected outcome, expected revenue or profit, expected developmental impact to the community and funding required.

Your responses:</td></tr>
<tr><td>Information on sponsorship and management
Provide a profile of the sponsors involved in the project or business.

For example local banks, private Investors, Non-Government organisations, Charities, District development programmes and so forth Indicate who or what management team are involved in the sponsorship and management of the project or business.

Your responses:</td><td></td></tr>
</table>

List the names of persons in your business responsible for management of the business or project. **Your responses:** 1- Shareholders and percentage of shares held 2- Senior managers-their qualifications as well as responsibilities in the business or project.	

Supply dynamics and strategy: *Provide a brief description on what forces are likely to stimulate growth and changes such as* *Potential suppliers,* *Source of raw materials,* *Supply channels for goods and services,* *How you are going to manage challenges from competitor* *How you will contribute to the development of the area.* **Your responses should cover:** ○ Potential suppliers ○ Source of raw materials ○ Management of supply channels ○ Supply strategy ○ Managing competition for supplies of raw materials ○ Managing and protecting the environment etc.

Market dynamics and strategy or Plans designed to achieve your goals

Provide a brief information on market potentials and state what challenges you face and how you are going to address those challenges

Your responses should cover:

- Potential customers or consumers of your goods or services and the distribution channels you will be using.
- Providing a one stop shop for a variety of products
- Distribution channels such as home delivery, on line sales and so on.
- Marketing strategies or plans designed to achieve your goals such as generating awareness of your product, participating in trade shows, networking, advertisements in local newspapers and magazines well known to buyers and sellers in the trade sector.

Prior year performance:

Provide brief information about business performance in the past years, these are financial statements or report including description of activities carried out.

Your responses should cover:

High light critical factors that determined profitability. For example, increase in production, decrease in production costs, increase in customer base, improvement in quality etc.

Include breakdown of units produced, cost per unit, selling price per unit, quantity sold and so on.

Finance year	2020	2021	2022
Statement of comprehensive **Income**			
Total income (A)			
Cost of goods sold			
Gross profit			
General expenses			
Total expenses (B)			
Net profit before tax (A)-(B)			
Statement of financial position			
Fixed assets (A) Land & Building Plant & Equipment Motor Vehicle Fixtures & Fittings			
Current assets (B) Stock Work in progress Finished goods Pre-payments Debtors Cash in hand & Bank			
Current liabilities (C) Trade creditors Other creditors Accruals Bank overdrafts			
Long term liabilities (D) Bank loan Other loans			
Net assets **(A+B)-(C+D)**			

Capital & Reserves Share capital (A) Retained Earnings (B) Other Reserves (C) Profit & Loss (D)			
Share holders' funds (A+B+C+D)			

Investments or funding requirements and Returns;

Describe the project cost breakdown with projections on repayments base on profit projections shown on your Profit and Loss forecast or budget above

Your responses:

Describe what factors in your opinion influences profitability over the years in your projection or forecast.

Your example could include factors like low labour costs, surge in demand, Government policy, new markets, low transportation costs, diversification of products, advances in information and communication technology and so on.

Your responses:

Technical feasibility study or Resources and Environment:

This is basically a report conducted to help your business make informed decision on your capability to carry out your plans.
The study looks at for example costs of labour and raw materials.
Skills or technical ability of workers,
Government policy on matters like the environment protection,
Public opinion on your products or project,
Evaluation of operational structures you have in place to make your plan or project economically viable and so on.

Your responses:

Implementation plan:

Basically these are plans you have put in place, to carry out your business activity.
Your plans should include expected time or date to complete a task to accomplish your aim and objectives.

- Refer to your (SOP manuals), the standard operating procedures for guidance on implementation plans.

Your responses:

Regulatory framework information/compliance:

Basically this is a report on actions your business has taken to ensure that it complies with government regulations.

For example:

- Regulation on animal vaccinations or any specific incentives to support or promote animal husbandry in the region.
- Regulation on transportation of farm produce or animals
- Regulation on trading standards
- Regulation on employment
- Regulation on business registrations
- Regulation on taxation
- Encourage government development initiatives and so on.

Your responses:

Development impact: Describe the expected development impacts from the investment accruing to the affected communities For example ○ Job creation. ○ Income generation. ○ Empowerment of disadvantage groups like women, youths and the general rural populations. ○ Trade and market opportunity for the community. ○ Improvement of living standards in the community. ○ Improvements of structures like hospitals, schools, roads and so on. **Your responses:**
Provide description of other business activities that benefit from your presence in the locality and how you intend to engage them in supply chain of raw materials, distribution, employments and so on. **Your responses:**
How will the environment benefit from your product or services? **Your responses:**
Explain the nature or type of employment your business will create. **Your responses:**
How will the youth benefit from your business activities? **Your responses:**
How will the women benefit from your business activities? **Your responses:**

How will you deal with environmental and social risks your business will bring in the area? **Your responses:**
Describe any other development you are aware of and how it will impact the community in the area. Your responses: **Appendices:** list of additional information or documents that should be attached to your business plans. ○ **Maps-** showing location of your business premises or farm area. ○ **Supplier or customer-** contracts or agreements. ○ **Market surveys published-** by recognised agency. ○ **Feasibility report-** by an independent agency. ○ **Complementary letter-** from suppliers and customers. ○ **Business-** brochures or leaflets. ○ **Photographs-** of goods or services provided. ○ **Reports-** from financial or bank advisors. ○ **Past years-** financial statements. ○ **List of corporate** customers. ○ **Certificates-** of qualifications of key team personnel

CHAPTER TWO

Financial insolvency:

An entity or a business is financially solvent when it is able to pay its bills such as taxes, wages, suppliers or creditors and is likely to continue doing business for a foreseeable future. Commonly known as a **“going concern”**.

Banks or lenders will only provide your business financial help if the business is able to demonstrate its ability to repay the loan or over draft it is seeking.

In other words, a test for solvency is necessary to support your search for funds for either start-up capital or to prop-up an existing business’ finances.

That said, you have to bear in mind when preparing your business plan that banks or lenders take into consideration the following as a point of reference before even considering funding your business.

The point of reference banks or lenders consider are summarised below:

- Your business is not in an insolvency situation. For example, the owners or directors are not serving a bankruptcy court order.
- Your business is not under liquidation or winding up or receivership or administration court order.
- Your business does not owe taxes due to the state.
- Your business is able to demonstrate it has or will

have sufficient funds or resources to meet its loan repayment obligations.

- The value of your business' current assets should not be less than the value of your business' current liabilities.
- Lenders would like to have sight of your previous year end accounts or financial statements to check if your business has been solvent in the past years.
- If you are a starter in business, you will need to provide your records of sales, customer orders and management accounts.
- Lenders will also be interested to know what security or collateral you are prepared to provide to protect them in case you fail to pay the loan. For example guarantees, land or property titles among others.
- Lenders will want you to provide them with financial forecast statements or a budget which covers the loan repayment period.

For a lender to process your loan application, they will examine in detail your financial statements and forecasts in order to make an informed decisions.

So a visionary statement outlining your business strategy of what you want to achieve must be very clear.

Financial statements like cash flow forecast, profit and loss and balance sheet forecasts, management accounts and so forth should be made available to lenders for scrutiny.

If your company or business is a subsidiary company, which depends on its parent company for finances, the lender will be interested in having sight of the financial statements of the parent company as well.

If you are looking for financial support, you will need to submit a loan application form duly completed in addition to your business plan. Ensure all documents and information requested in the loan application forms are enclosed before submission.

Examples of documents to be included are:

- Copy of most recent sets of annual accounts or statements
- Cash flow forecast statements
- Profit & loss and balance sheet forecast statements
- Most recent management accounts or statements
- A complete set of your most recent business plan
- Standard operating practice (SOP)-Step by step instructions to help persons involved in the business to carry out the activities of the business efficiently and effectively.

A well prepared financial statement or set of annual accounts will contain nearly 80% of information required to determine whether your business is solvent or not.

That said it is important that you submit a full set of accounts and not one which is abbreviated.

A full set of accounts or financial statement must contain the following:

- Director's report unless it is not a limited company.
- Auditor's report unless exempted by company law or the company is not a limited company.
- Profit & loss and balance sheet accounts
- Explanatory notes on each item declared in profit & loss and balance sheet accounts.

Financial accounts for sole-traders, partnerships, small & medium size companies are not required to provide auditor’s report.

Director’s report:

Directors have the obligation to report to shareholders the financial performances of the business over a period of at least 12 months.

The report should include the following:

- Description of business activities in the previous 12 months.
- Description of any future development plans.
- Review of company performances in the last 12 months.
- Acknowledgement of any significant events or issues that the directors are aware of which may impact on the business performances in the near future.

Directors also have the obligation to report on business performances during the accounting period.

The report must include the following matters if applicable:

- Contingent liabilities: This is not often mention on director’s report but it is prudent to highlight possible liabilities not recognised or shown in the balance sheet.

For example, when a business is going through litigation. The directors may be confident of not losing the case but it is prudent to report this in your report any provision made on contingency liabilities.

In addition, you should include matters of uncertainty and declare estimated financial impact to your business.

For example:

- Controlling parties: Directors have the obligation to disclose all financial interest of the immediate controlling parties including interests of their Parent company or holding company.

How much is owed to the controlling party and how much the controlling party owes your company.

This is important because lenders or banks will ask you to provide the details especially when your company is financially reliant on the parent or holding company.

Auditor's report:

In order to avoid complacency, it is necessary for a business to obtain a constructive opinion of an expert on the performance of a business over a period of 12 months.

Auditor's report serves the purpose for it is independent of shareholders' views as to whether the company's financial statements of accounts meet legal accounting standards.

Auditor's report or notes to the accounts presented to directors, is an overview on the following matters.

- Audit checks on amounts declared on the financial accounts.
- Assurance report on company's ability to continue to operate in the foreseeable future.
- Highlights on areas of concern that could affect the company's "solvency" this is particularly relevant to lenders or banks to assess your ability to repay any loan given to the business.
- Own judgement or opinion of whether in their view the accounts present a "true and fair" statement of affairs.

Directors have to pay attention to auditor's opinion because the judgments are a testament to how the directors have handled affairs of the business in a period of 12 months.

Auditors will usually make their report under the following headings depending on their findings.

Emphasis of matters:

This draws attention to directors and shareholders on matters identified in the financial account that is fundamentally important to the understanding of the accounts presented.

It is a matter that affects the company's ability to continue to trade

For example, when auditors discover that money taken out by directors is excessive such that the business is dependent on bank overdrafts to pay for overhead costs like wages, creditors or suppliers, rent and so on.

In such situations, auditors will alert the directors of the potential risks so that the directors can look into the matter and come up with actions to reverse the trend.

Emphasis of matter only requires auditors to make directors aware that excessive withdrawal of money out of the business is potentially a risky act.

Auditors will in this circumstance issue an unqualified opinion to the accounts as true and fair in their view.

Qualified opinion:

When auditors are not satisfied with declarations made by the business on its financial accounts, they will issue a "Qualified opinion".

This means in their view the accounts are not true and fair.

For example, where debtors shown on the accounts have ceased to trade which means they are unlikely to pay debt owed to the business and the company have not put in place any provisions for bad debt in their accounts.

This is particularly important where the debt amount is significant and is likely to affect the company's ability to continue trading.

Disclaimer opinion

Where auditors are unable to make sense of records of accounts presented to them due to insufficient evidence.
In such circumstances, auditors will decline to act for the business, and issue a "Disclaimer opinion" to the directors of the business.

For example, excess income or excess expenses with no supporting evidence or disregard to accounting principles and regulations.

Adverse opinion

Auditors will issue an "Adverse opinion" when items listed in the accounts are misleading.

For example, when no provisions are made on anticipated losses especially on long term contracts.

This may be when directors assume any losses will be covered by another long term contracts.

This assumption contravenes the SSA9 (Statement of standard of accounting principles) on stocks and long term contracts, which states that losses should be recognised in the accounts by reducing work in progress and profit retained or retained earnings. [1]

[1]*(Ref: United Kingdom government legislation insolvency Act 1986) & The accounts and Audit regulation statutory instrument 2015 no 234)*

Trading profit and loss accounts

Statements of trading profit & loss accounts show details on income earned or received and expenses incurred or paid by a business in a set period of time usually 12 months. It also shows whether the company made profit or loss in that same period of time.

Banks or lenders would want to see your last three years' set of Profit & Loss Accounts.

If your business is less than 12 months old, you should provide financial forecasts so lenders can make informed decisions on the trajectory or path the business is heading to in terms of stability, continuity and solvency.

Where financial accounts show losses or significant downward trend, lenders will need to consider further evidence in the form of budgets, cash flow forecasts or profit & loss forecasts for the next 12 to 60 months.

Balance sheet statement

A balance sheet statement is a snap shot of your business' position at a moment of time in terms of assets that is owned by the business.

A balance sheet also includes liabilities or money owed by the business to its creditors like suppliers of goods and services.

Assets of a business are made up of fixed assets and current assets.

Fixed assets are assets that have long life of five or more years.

For example: land and property, machinery and equipment, fixture and fittings, investments and intangible assets like royalty, goodwill and so on.

Investment is when a business puts money in another business entity to earn, either income or dividend or interest. Investments can be classified in many ways depending on the level of control your business has over that particular entity.

Lenders or banks assessing your loan application will often disregard intangible assets simply because intangible assets cannot be converted into cash immediately in the event that you fail to pay back funds or loan extended to your business.

Current assets: are assets owned by a business and-those assets have a shorter life span of five years or less.

For example:

- Work in progress- products undergoing processing; these are common in manufacturing and farming businesses.
- Finished goods- these are products that are ready for sale
- Stock- these are products bought for resale including goods bought to be processed to finished goods.
- Accrued income- is income earned by your business on goods or services you supplied or provided to your customer but you have not issued demand notice to the customer for payment.
- Pre-payment-is payment your business made in advance for goods or services to be supplied to you at a future date.
- Group undertaking-is money due to your business

from other members of the group of which your business belongs

- Cash in hand or in bank- this is money held in the business on the last day of your business accounting period.
- Debtors- are money due to the business for goods or services provided that have not been paid by your customers.

Current liabilities- this is money your business owes creditors that are due over a short period of less than 12 months.

For example:

- Bank overdrafts.
- Short term loans.
- Trade creditors (suppliers of goods and services)
- Accruals-goods or services received but have not been invoiced by the supplier.
- Group undertaking-is money due from your business to other members of the group of which your business belongs.

Long term liabilities- this is money your business owes creditors and the money is due over a period of more than 12 months.

For example:

- Bank loan payable over a period of more than one year.
- Long term investments- money invested in your business by other group members, joint ventures,

subsidiary, associates.

Capital- represents money put into the business by the owners or shareholders to finance the business activities.

Revenue reserve is an undistributed profit that is retained in the business to absorb urgent cash requirements.

Notes on financial report: accountant, who prepared the accounts, must provide notes of explanation to all items or figures declared in the financial statements.

The notes to each item in accounts are important to lenders and banks because it helps them to better understand the performances of the business during a prescribed accounting period.

Accountant's notes to the accounts, should explain clearly what general accounting principles or guidelines was used in preparations of the financial statements of accounts.

For example, accountant's notes could include the following:

- Accounting policy used to prepare financial statement of accounts.
- Accounting policy used to value sales or turnover declared.
- Accounting policy used to compute depreciation of assets held in the business at the end of accounting period.
- Accounting policy used to value closing stock at the end of accounting period.
- Taxation: on what basis are taxes for the accounting period recognised.
- Deferred taxation: on what basis are deferred taxes recognised.

- Tangible fixed assets and how it was valued
- Intangible assets and how it was valued
- Debtors:
- Creditors: long term creditors
- Call up share capital.

I hope by now, you have a fairly good idea and understanding of what is expected of you to produce a comprehensive business plan.

I must stress at this point, that it is not wrong for you to engage or hire an expert to prepare for you a business plan.

What is required is that, you commit yourself fully at every stage and ensure that the relevant information and documents required are made available because no one understands your business better than you do.

Cost benefit analysis

In business, breaking down the costs of running your business is commonly referred to as "Cost benefit analysis"

The benefit of cost analysis is to assist business owners and senior management to decide on how best to handle or manage the finances of the business.

Decisions made on costs savings and improve performances should be based on facts depicted from cost analysis results.

Cost benefit analysis is also used to compare actual costs with budgeted costs for a period of time.

Period of time could be weekly, monthly or quarterly. The choice of interval depends on what suites your purpose and of course the costs to the business to hire experts to populate the necessary data.

For example, a dairy farmer would want to know how much it costs to run a dairy farm business.

So he will need to analyse costs incurred at every stage of milk production beginning from cost of grazing land to costs of transporting milk to milk market.

See below a sample of cost analysis the dairy farmer would need in order to make an informed decision where he can cut costs to increase profit.

DAIRY FARM- COST ANALYSIS			
	Jan-2020	**Feb-2020**	**Mar-2020**
Grazing land cost	250.00	250.00	250.00
Animal feed cost	300.00	280.00	310.00
Milk Processing cost	40.00	50.00	40.00
Milk storage cost	120.00	120.00	120.00
Milk transportation cost	80.00	75.00	90.00
Veterinary cost	70.00	90.00	60.00
Employee cost	400.00	500.00	450.00
Insurance cost	120.00	120.00	120.00
Total Cost	**1380.00**	**1485.00**	**1440.00**

If the dairy farmer wants to cut costs of producing milk, then his decisions has to be made based on facts depicted on the cost analysis statement shown above.

To reduced cost, the farmer therefore has the following options.

1. Switch to a cheaper insurance provider
2. Lay off some employees
3. Negotiate a better deal for animal food
4. Hire milk processor instead of owning one
5. Switch to cheaper transport means and so on

Below is a consolidated sample of statement that compares actual income and costs with Budgeted income and costs over a period of six months.

- **Budget accounts compared with Actual accounts**

1st January 2020 to 30th June 2020

	Actual	Budget	Year to date Budget	Year to date Actual 2019	Year to date Actual 2018
Turnover	2,800.00	2,770.00	16,205.00	16,950.00	15,185.00
Cost of sales	-1,689.00	-1,680.00	-10,083.00	-10,286.00	-9,603.00
Gross profit	1,111.00	1,090.00	6,122.00	6,664.00	5,582.00
Salaries	300.00	270.00	3000.00	2,600.00	2,400.00
Rent & Rates	150.00	160.00	1200.00	950.00	550.00
Management fees	50.00	40.00	500.00	400.00	380.00
Insurance	250.00	260.00	1000.00	850.00	450.00
General Expenses	70.00	60.00	200.00	150.00	230.00
Interest payable	20.00	30.00	80.00	60.00	0.00
Interest receivable	30.00	25.00	60.00	45.00	0.00
Profit before Tax	241.00	245.00	82.00	1,609.00	1,572.00

CHAPTER THREE

Standard operating procedures:

Today standard operating procedure is a popular document that lenders require a business to include in a business plan.

SOP-manual is a step by step instructions to all employees including directors, on procedures or ways to carry out duties of the business in the most effective and efficient manner. SOP must be legal and practical for all parties involved.

The instructions can be a general one or specific depending on the activities of each segment of the business for example production, administration, marketing or distributions and so on.

Below is an example of standard operating procedures of a farming business. It covers main procedures from tilling farmland, planting, weeding, harvesting, storage, processing and sale.

Stage 1: Preparation of action plans for the coming season

Operation and production manager in collaboration with farm manager, company secretary and marketing manager formerly meet to determine and agree on the following matters.

- Allocation of hectares or specific crops to be cultivated in the coming season.
- Budgeting for costs of seedlings, fertilizers, tilting land, transport, labour, and hire of machines and equipment.
- Set time table for tilting land, planting seeds and so on.

Accountability:

- Production manager prepares report of the meeting and submitted the report to the company secretary to the board of directors for approval of finance required.

Stage 2: Farm land preparation

Farm manager to supervise tilting of the land by mobilising labour and machinery required to complete the task.

Accountability:

- Farm manager must make a report to operation and production manager, a breakdown of expenses incurred on labour costs and machine or tool hire.
- Operation and production manager must collate these records of expenses and make a report on Excel spread sheet to company secretary and to finance manager.

Stage 3: Crop planting

Farm manager to supervise crop planting by mobilising labour and seeds or seedlings required to complete the task.

Farm manager to pay labour and ensure all tools are kept securely in a safe place ready for the next task.

Accountability:

- Farm manager must make a report to operation and production manager, a breakdown of expenses incurred on labour costs and quantity of seeds or seedlings used.
- Operation and production manager must collate these records of expenses and make a report on Excel spread sheet to company secretary and to finance manager.

Stage 4: Weeding

Farm manager with technical and advisory manager must oversee the weeding of crops

Responsibility: Farm manager to

- Mobilize labour force to ensure enough workers are available to complete the task on time.
- Pay labourers for allotments completed.
- Ensure tools used are kept in secure and safe place ready for the next day.

Responsibility: Technical and advisory manager to

- Oversee the application of weed killers, Pest control, make observations on quality of crops and consider health and safety of workers on chemicals used in the field to destroy pests.

Accountability:

- Farm manager must make a report to operation and production manager, a breakdown of expenses incurred on labour costs and quantity of seeds or seedlings used.
- Technical and advisory manager must maintain records of crops that failed to germinate, quality of

crops, quantity of crops destroyed or damaged and report to operation and production manager.

Responsibility:

- Operation and production manager must collate information from farm manager and technical advisory manager and report to company secretary and finance manager.

Stage 5: Crop harvesting

Farm manager, technical and advisory manager, marketing manager and operations and production manager must supervise the harvesting of crops.

Responsibility: Farm manager must:

- Mobilize labour force to ensure enough workers are available to complete the task on time.
- Pay labourers for allotments completed
- Arrange storage facilities of harvested crops
- Ensure tools used each day are kept in secure and safe place ready for the next day.

Accountability:

- Farm manager must make report to operation and production manager, of a breakdown of expenses incurred on labour costs and volume of harvest.
- Operation and production manager must collate information from farm manager and report to company secretary and finance manager.

Responsibility: Technical and Advisory Manager must:

- Oversee the harvesting of the crops
- Supervise the separation of poor quality produce from

good ones
- ○ Supervise the storage of produce's safety
- ○ Supervise the pest and insect control measures to crops in storage.

Accountability:

- ○ Technical and advisory manager must maintain records of crops destroyed, details of poor yield and details of goods quality yields.
- ○ These must be reported on hectare by hectare basis

Responsibility: marketing manager must:

- ○ Mobilize work force to load and unload fresh produce to be transported to market place
- ○ Secure markets of harvested crops, and arrange for transportation to buyers and make sales

Accountability:

- ○ Marketing manager must provide sales receipts and cash received and expenses incurred on transport and labour charges. This must be recorded and reported to the finance manager and company secretary.

Responsibility: Operation and production manager must

- ○ Collate all data provided by farm, marketing, technical and advisory managers on costs incurred, income received, report on quantity of crops damaged, quality of harvests, volume sold and so on.

Stage 6:- Report on company's performance

Accountability:

- ○ Company secretary is obliged to corroborate all reports from operations and production manager, farm manager, marketing manager, technical and advisory manager, finance manager and file a monthly report of the farm activities to the board of directors.The report must include a detailed breakdown of income and expenses per crop per hectare

Responsibility:

- Directors must review the report from the company secretary and resolve matters of concern.

Accountability:

Directors have the obligation to report to shareholders the financial performance of the business over a period of at least 12 months. The report ought to include the following:

- Description of business activities in the previous 12 months.
- Description of any future development plans.
- Review of company performances in the last 12 months.
- Acknowledgement of any significant events or issues that the directors are aware of which may affect the business in the near future.
- Financial report for the year's performances.
- Fulfil the company's tax and other legal obligations.

Summary on business plan:

Putting together a business plan requires deep understanding of where you want your business to be in the future and how you want to achieve your visions.

So what does it take to write a comprehensive plan:

- You need to carefully work out what your business needs to prosper
- Who your customers are and what you can do to consistently meet their demands
- How do you plan to upstage your competitors in the market
- Recognise your strengths and weaknesses in the industry
- A well prepared financial statement, a well thought out financial and budgetary forecasts
- A well thought out strategies to overcome challenges, and setting out ways to increase your chances of increasing productivity or sales.

CHAPTER FOUR

Professionalism in business:

How should you protect, retain and coax your customers?

All businesses are prone to challenges from members of the public, government, customer about its conduct. Conduct of individuals working for the business or conduct of the business or the company itself.

To address potential challenges, businessmen and business women need to understand what "Professionalism in business" means.

We often hear the phrase "Customer service" and take it that it only applies to a situation where there is a direct contact or interaction with a buyer of goods or services and a seller of goods or services.

Although customer care services are of paramount importance to people conducting business, there is a lot more to how we behave to all players in the supply chain.

First, we need to define who a customer is. A customer is any individual, company, organisations including staff members who are directly or indirectly involve in any business activity.

Therefore, any business today has a duty to set standards of behaviour that are practicable and easy to sustain at all times. A well thought out standards of behaviour will ultimately deliver your business the respect it deserves from customers and or consumers.

Professionalism in business is about your business doing the right thing in the right way at the right time to get the right results

Let us look at why your business must practice professional standards.

Any business is bound to experience problems of one sort or another, and if the problems are not handled properly, the effect could impact negatively on the successes and prosperity of your business.

Impacts can be positive or negative depending on how the subject matter was resolved between your business and the customer or consumer.

To achieve positive impacts, your approach in dealing with situations could include the following:

- Responding to all queries however minor it may be quickly, efficiently and accurately.
- Where a complaint is about poor services or poor quality goods your business provided to a customer, you must give an honest and an unequivocal apology and offer the customer immediate refund or exchange for the goods.
- Whenever you are dealing with a customer who may be going through financial difficulties or otherwise, show that you understand and empathise with the customer. This must be demonstrated at all times.
- Your business must try as much as possible to avoid your customer from incurring costs that are unneces-

sary or not called for.

- Ensure all your customers have a clear understanding of what your commitments are to them in terms of services or goods you provide. Remember to only promise what you can deliver according to your own capacity.
- Training your staff on how to handle complaints professionally is imperative. Untrained staff is likely to mess up the whole situation by failing to act efficiently and accurately.
- Complaints that are technical or legal in nature must only be handled by persons with technical abilities.
- Keep improving your relationship with customers, your business needs their trust in goods and services you provide them.

Negative impacts are caused by your inactions or delays to address problems that may pop up now and again for example:

- When your business ignores minor complaints from customers, this may build up over time and before you know, these customers are leaving you one by one and that will certainly impact on your sales or revenues.
- Similarly, if you don’t reply to enquiries from customers whether by telephone or correspondence on matters of concern to them, your business will be perceived as being irresponsible and that has a negative impact.
- When your business does not respond to customer queries on a timely manner, this shows lack of com-

mitment and can have a negative impact on your business.

- It is important that your customers understand what you are communicating to them, so using jargons or language that customers do not understand will in no doubt impact negatively on your business.
- If your business acts before listening carefully to what the issue is about, you will certainly respond inaccurately and by doing so, you risk falling into the negative impact zone.
- When you assume your customers have the same level of understanding, whatever you communicate to them, your business may be perceived as being arrogant.
- When your business causes customers to incur additional cost for no fault of their own making
- A customer may, due to your inactions experience negative cash flow because you delayed paying them monies due to them promptly. Losing their trust in your business has a negative impact.
- Should your business deliberately refuse to resolve disputes, then you are inviting frustrations, anger, uncertainty and mistrust from current and future customers to engage with your business going forward.

By and large, if you set standards that are followed at all times, your business will certainly benefit from the positive impacts.

For example: Sustaining good working relationship amongst staff members as well as with customers and suppliers will reduce stress and bring job satisfaction to your workers.

On the other hand, negative impacts may surface in many ways.

For example, your business may begin to experience the following:

- Staff members are not engaging amongst themselves
- Staff members are not engaging with customers or suppliers
- Increase in absenteeism from workers due to stress related illness
- Increase in number of complaints from staff members, customers and suppliers
- Decrease in number of suppliers willing to supply your business with goods or services.
- Decrease in sales or orders from customers
- Increase in number of staff members resigning and so on.

There are major areas that require your attention when developing the right standards. Your business, have to put your customers at the heart of everything you do. All you need is to do the right thing in the right way at the right time to get the right result.

So think about:

- How you can improve your cooperation, with your customers, suppliers and others involved in the supply chain.
- How you can improve your business reputations.
- How you can run your business with greater cost

efficiency.

- ○ How you can reduce time spent correcting your mistakes or redoing work.
- ○ How you can reduce stress from customer complaints.
- ○ How you can reward your staff members for excellent work.
- ○ How you can make sure contentious matter is properly handled and outcome is accurately recorded for future references in case you find your business in court of law on.

What your customers expect of your business is to treat them with respect and honesty. Provide them with a helpful efficient and effective service, be professional and act with integrity, protect your customers' information or data and respect their privacy.

Remember you have no monopoly over your customers. Customers are free to look elsewhere for similar goods or services you provide. So, it is in your business interest to ensure that you deal with complaints quickly and fairly, act promptly and appropriately to any customer's behaviour not consistent with your business practices.

To recap, the role of owners or senior managers of a business is to account for professionalism of workers at all levels to deliver and carry out risk based assessment on behaviours and conduct in real time.

Business owners or senior managers are also responsible for providing support and encouragement through advice, coaching and offering learning opportunities for workers to appreciate the importance of professionalism at work.

Remember your business is accountable for professionalism and accuracy of services you provide. All involved in your business must act in accordance with the values set by the business to deliver at all times.

Being aware of your customer's situation makes it easier for you to engage with them better.

Being responsive is important. Communicate with your customers the right information in the right way and in the right time.

Treat your customers fairly any information gathered from your customer or client must be necessary, fair and lawful. In that way any decisions you make out of the information gathered should be impartial after establishing the facts.

Understanding and applying the law is equally important, so you as the owner must endeavour to provide clear guidance of your business procedures to your customers.

Engaging with customers: How do you make it easy for customers to engage with your business?

To begin with, you need to understand what your customer requires of you and their attitude towards what products you provide them.

Whenever you require information from your customer, make sure the information is necessary or relevant, reasonable and consistent with your business activities.

Your customer would want assurance from you especially on confidential information like marital status or financial matter or religious affiliation among others.

Always be sensitive to your customer's wider circumstances such as ill health or financial hardship by recognising the situation early enough and offer extra support where possible.

Any form of advice or support that you communicate to your customer must be clear, relevant, consistent and accurate.

You may discover that some customers need some form of education; so be prepared to offer yourself because this may be an opportunity to promote your business and in the same tone be prepared to challenge bad behaviours in a civil way.

There may be occasions where the issue at hand is a complex matter and so you need to recognise that legal actions are expensive; so try to limit litigations as much as you can unless you have exhausted all available options to resolve the problem.

Last but not least aim to resolve matters by making it easy, quick and convenient to both you and your customer by managing your work load to avoid delays.

To achieve the above measures, the following are practical ways anyone involved in your business should do:

Communicate with your customers using appropriate words or tone, check your body language.

Help your customers to understand their rights and obligations especially when communicating to them in writing so that the information is not misleading and where possible explain what the information in your letter means.

Listen carefully to what your customer tells you and when you do not understand, ask for clarity so that your response to their query is what they ask you.

Avoid delays in responding to query and let your customer know when you intend to respond.

Being able quickly to recognise when a customer is complaining and to act or respond appropriately with minimum delays.

Share good practices with other members of your staff or stakeholders.

Businesses make decisions all the time when dealing with customers, some decisions are short term decisions that last less than a day and some decisions last longer. You have to decide which decisions require written contractual agreement.

How then do you make and record credible or factual and lawful accounts of what the complaint from your customer is about?

First and foremost is to take it that what your customer tells you is the truth unless you have valid reasons and evidence to suggest otherwise.

You then have to analyse and evaluate all information received from your customer or client and make an unbiased judgement.

Any decisions you make to resolve the matter must be impartial and consistent with the law based on evidence available to you.

Financial matters are a major concern so it is important to avoid being sucked in money laundering conundrum. Consider the benefits and appropriateness of your continued dealing with customers or clients based on evidence available to you.

Maintain a full audit trail of your dealings including financial transactions and communications with your customers.

There may be situations where you need to escalate certain matters to relevant authorities, therefore identify who or where to go in order to protect your business because your decisions will impact on your business either negatively or positively.

To proactively maintain your professional standards, you need to regularly seek and act on feedbacks.

Feedbacks that you receive from customers will help your business identify areas that require improvement, learning and allow you to celebrate successes on areas where you have performed well with other members of your business.

Lastly, remember professionalism is not a destination but a continuous process, the more you learn the more your business activities become interesting and rewarding.

Your customers will only stick with you when you displayed a high degree of integrity, trust and commitment to serve them honestly at all times.[2]

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[2] *(Ref: United Kingdom government legislation: Consumer Acts rights 2015)*

CHAPTER FIVE

Choice of legal status of a business:

To give a name to your business, you need to decide what legal status you want your business to be known. The legal status you choose will determine whether you as an individual is legally separated from your business or not.

Legal status of a business can take the form of:

- Sole trader.
- Partnership.
- Limited partnership company
- Limited liability partnership company
- Private limited company
- Public limited company
- An associated company
- A charity company
- Closed limited company
- A chartered company
- A company limited by guarantee
- A company limited by guarantee members

These forms of legal status have varying characteristics and owners or directors have different legal responsibilities.

Sole trader or self-employed: Owners or proprietors have the following characteristics.

- You operate a business on your own and you are responsible for its successes or failures.
- You decide on your own how, when and where you do the work.
- You decide who to hire at your own cost to work for you.
- You provide necessary tools and equipment to do the work demanded by your customers at your own costs.
- You are responsible for completion of the work and you are accountable for any unsatisfactory work.
- You are responsible to agree with your customers the price to which you charge them for the work you do.
- You are responsible for payment of government taxes on profits you make from the business.
- You sell goods or services regularly to make a profit
- You are responsible for providing goods and services that you sell to your customers for profit
- You are responsible for income received from your business activities
- You are responsible for expenses on goods and services of your business activities.

Partnership- Two or more individuals or legal entities joining together to run a business and the characteristics of a partnership business are:

- Partners share profits & losses incurred by the business in proportion to individual partners' capital or funds introduced into the business.
- Partners are responsible for taxes due on their share of profits.
- Partners are jointly and severally liable to taxes due from the partnership.
- Partners are responsible for costs or expenses required to run the business.
- Partners are responsible for income received from activities of the partnership.
- Partners are responsible to nominate a partner responsible for managing the partnership's tax affairs and maintenance of business records.
- The partnership is responsible for hiring workers and to provide tools and equipments necessary to do the work required.

Limited partnership: A partnership made up of at least one general partner and one limited partner.

Both have different responsibilities in the business including liability for debts of which the partnership cannot pay.

A limited partner is commonly known as a sleeping partner.

The characteristics of a limited partnership are:

- A limited partner must contribute an amount of money/property when the limited partnership is set up.
- A limited partner cannot be nominated to manage the

business activities.

- A limited partner cannot remove or withdraw his or her original capital or contribution to the partnership.
- A limited partner is only liable to debts not exceeding the amount of his contribution to the partnership.
- General partners have the same responsibilities as an ordinary partnership business.
- Limited partnership must be registered with company house.

Limited liability partnership (LLP): Is an incorporated company with two or more members. Note; they are not called partners but "Members". An LLP is legally treated as if it's a limited company.

Members of an LLP are usually made up of two or more entities. Where a member is a company, such a member is known as a "Corporate member".

The characteristics of a limited Liability partnership are:

- An LLP must register at company house and the rules are similar to what a limited company is required to do to register at company house.
- An LLP registered address must be available to the general public.
- An LLP must have at least two designated members responsible for LLP taxes and maintenance of LLP-partnership records.
- An LLP must draw an LLP agreement that spells out in detail of how the partnership will operate and how

profits are shared among all members of the LLP.

1. LLP agreement must indicate who in the partnership is required to agree decisions made by the LLP.
2. LLP agreement must indicate each member's responsibility in the LLP.
3. LLP agreement must indicate what is required for members to join or leave the partnership

- Each LLP members must pay taxes on their share of profit made.
- Each member is not personally liable for any debt the business cannot pay.
- Responsibility of LLP members:

All members are required to carry out their duties and legal responsibilities mentioned above as set out in the Limited liability partnership agreement. (Designated members are liable to prosecution if they fail to fulfil their legal obligations as far as the LLP is concerned)

Each member must register with tax authorities in their jurisdiction.

Designated members in the LLP agreement are responsible for appointing auditors.

Designated members in the LLP agreement are responsible for maintaining accounting records.

Designated members in the LLP agreement are responsible for preparing, signing annual accounts and submitting to the registrar of company's house.

Designated members in the LLP agreement

are responsible for submitting annual returns now known as conformation statements to the registrar of company's house.

Designated members in the LLP agreement are responsible for informing registrar of company's house about any changes in the LLP. For example, change in members, registered address and so on.

Designated members in the LLP agreement are responsible for acting for the LLP if the partnership is dissolved or wound up.

You may want to set your business as a partnership but before you do that, you and others who want to become partners in the partnership need to understand the importance of creating a partnership agreement.

This agreement spells out clearly the rights and responsibilities of each partner in the partnership.

There are key topics in a partnership agreement that must be discussed by all aspiring partners in depth.

The resolutions reached from the discussions must then be incorporated in the partnership.

Partnership agreement document: example of topics that must be discussed, resolved and included where relevant in your agreement is listed below.

- **A brief back ground of the partners:** The identities of persons intending to be partners of the partnership and their consent to abide by the agreement therein.
- **Formation of the partnership:** A written consent from all partnersto work together under all laws that govern partnership business.

- **Names of the partnership:** All partners should agree on the names the partnership will be known.
- **The purposes of which the partnership is formed:** All partners should agree on thebusiness activities of the partnership.
- **Time or life span of the partnership:** All partners should agree on the length of time the partnership will be in existence. (common with short term projects).
- **Principle place of business:** All partners should agree on an address where business is operated as well as correspondence address.
- **Capital contributed:** All partners should agree on amount of cash to be brought into the partnership by each partner.
- **Capital withdrawal:** All partners should agree on reasons under which a partner can withdraw capital, he or she contributed into the partnership.
- **Additional capital:** All partners should agree on conditions under which partners can put in more cash into the partnership.
- **Capital accounts:** all partners should agree on conditions under which capital accounts must be maintained.
- **Interest earned on capital:** All partners should agree on whether interest earned from capital contributed by partners be paid to partners or retained in the partnership.
- **Financial decisions:** All partners should agree on guidelines on how decisions are reached on financial

matters.

- **Profit or losses:** All partners should agree on guidelines on how profits or losses are shared amongst the partners.
- **Annual accounts:** All partners should agree that each partner is presented copies of year-end financial statements on a timely fashion.
- **Partnership's books of accounts:** All partners should agree that all records of accounts be maintained accurately.
- **Finance year:** All partners should agree on start and end dates of accounting period of the partnership.
- **Auditing accounts:** All partners should agree on one auditing firm who will audit the partnership's accounts each financial year.
- **Management of partnership business:** All partners should agree by voting who amongst them will take charge of managing the partnership's operations and control.
- **Contracts made in the names of the partnership:** All partners should agree that the partners have the authority to sign contracts in the names of the partnership and is binding.
- **Partnership meetings:** All partners should agree to meet regularly to discuss partnership affairs.
- **New Partner:** All partners should agree under what conditions or requirements a new partner may be admitted into the partnership.
- **Voluntary withdrawal of partners:** All partners

should agree under what circumstances a partner may withdraw voluntarily from the partnership.

- **Involuntary withdrawal of a partner from the partnership:** All partners should agree under what circumstances a partner may be involuntarily withdrawn from the partnership.
- **Dissociation or disconnection amongst partners:** All partners should agree that when two or more partners are disconnected or dissociated to the extent that the matters cannot be resolved for whatever reasons, the partners shall not consider closing the partnership until all debts owed by the partnership is cleared off.
- **Dissolution of the partnership:** All partners should agree that the partnership will only be dissolved when a unanimous decision is made by partners unless there are some other reasons beyond the control of the partners for example death of partner of the partnership.
- **Distribution of partnership assets:** All partners should agree on the manner in which the assets or properties of the partnership are distributed in the event that the partnership comes to an end.
- **Valuation of assets of the partnership:** All partners should agree that assets held in the partnership, shall be valued based on the fair market value of tangible assets less any liabilities. The fair market value shall be binding on all partners.
- **Goodwill of the partnership:** All partners should agree amongst themselves that the goodwill of the business will be valued according to the general accounting principles.

- **Ownership of partnership property:** All partners should agree that no partner shall claim title of ownership or interest in properties owned by the partnership.
- **Voting weights:** All partners should agree that all votes of partners carry the same weight irrespective of the number of votes a partner may have.
- **Force Majeure or Greater force):** All partners should agree that partners will be free from liability to the partnership.Where the partner is prevented from exercising his or her responsibility to the partnership due to circumstances beyond his or her control as long as the partner notified the partnership and or other partners of the situation. For example floods, war, earthquake, pandemic and many others.
- **Duty and Loyalty:** All partners should agree to declare all conflicts of interest and avoid any action that threatens the competitiveness of the partnership unless there is a written unanimous consent from all partners.
- **Private profits:** All partners should agree that any benefit be it financial or otherwise obtained while performing the duties of the partnership must be declared to all partners.
- **Time spent on partnership work:** All partners should agree that each partner shall devote his or her time doing work for the partnership in line to what was decided by all partners and documented.
- **Actions contrary to what was agreed:** All partners should agree to what behaviours or actions of partners will amount to misconduct or abuse of office and con-

sequences of breaking the partnership agreements.

- **Security against liability of partners or indemnifications:** All partners should agree that no partner shall be held liable on participating in the affairs of the partnership. This security does not cover instances where the partner was grossly negligent or because of a wilful misconduct or a breach of partnership's agreement.
- **Non-Liability of partners:** All partners should agree that partners will not be held liable to errors, mistakes or omissions if they acted in good faith while executing their duties or work of the partnership.
- **Insurance:** All partners should agree that the partnership should have the right to acquire life insurance cover for the partners and the partners shall cooperate fully to ensure the life insurance policy is obtained. (Note that Life insurance cover is a must for certain business ventures for example flying planes, deep sea dives and so forth).
- **Changes to agreement or amendments:** All partners should agree that any changes to the partnership agreements must be unanimously agreed by all partners.
- **Governing Laws:** All partners should agree that the partnership agreement shall be governed according to the laws of the jurisdictions in which the partnership is established.
- **Miscellaneous:** All partners should agree to include in the agreement relevant statements that are deemed necessary in preparation of the final partnership agreement.

- **Witness:** All partners should agree to sign and date the Partnership agreement once the final draft is completed.
- **Note:** You may need the assistance of a commercial lawyer to help you draft Partnership agreement because these are legal documents.

Limited company: A company whose liabilities are limited by amount subscribed by its members or shareholders in the company.

Who qualifies to be a shareholder? Individual owners of the company, legal entities like a limited company and any person who is not a minor.

A limited company is managed by directors who are appointed by the board of directors of the company.

The legal responsibilities of the directors are:

- To register the company with the registrar of company by disclosing:

  The company name.
  The names of all directors whether individuals or limited companies and relations to each person or persons who are involved in capacity of directorship.
- Directors have to provide the registrar of company with:

  The address where business is conducted
  Business letter heads.
  Copies of supply orders
  Copies of sales invoices or receipts
  Demand notices for the payment of business debts if

any.

- Directors have to prepare **“Article of association”** for the limited company.

  An article of association is a document that lays down the internal rules or regulations within which the directors ought to run the company.

  The main items covered are:

  The issue of shares, the rights attached to each class of shares, the consent required for the alteration of the rights of any class of shareholders any restrictions on the transfer of shares

  Procedures for general meetings:

  Procedures to alter the authorised share capital
  Procedures to elect, retire and dismiss directors
  Directors’powers to borrow money
  Declaration of dividends
  Procedures for winding up or dissolving the company

- Directors have to prepare **“Memorandum of association”** for the limited company.

  A memorandum of association lays down the rules and regulations which govern the business in its relationship with external parties for example, government bodies or authorities, businesses, individuals and so on.

  Your memorandum of association should state the following:

Names of the company, the country in which it is registered,
The activities of the business
The authorised share capital
The nominal value of the share capital
Lists of initial subscribers and whether or not the liabilities of subscribers are limited.

- Directors have to register the company with tax authorities in their jurisdiction.
- Directors have to appoint auditors if the company is not exempt by law.
- Directors have to maintain records of accounts.
- Directors have to prepare, sign annual accounts and submit to the registrar of company's house.
- Directors have to submit annual returns now known as conformation statements to the registrar of company's house.
- Directors have to inform the registrar of company's house about any changes in the limited company. For example, change of directors, registered address and so on.
- Directors have to act for the limited company if the business is dissolved or wound up.
- Directors have to ensure the name of the business is accepted if not, it must be approved by company's house.

Note: *You may need the assistance of a company lawyer to help you draft Articles of association as well as*

Memorandum of association because these are legal documents.

Public limited company (PLC): Is a company, whose shares or guarantees are bought by the general members of the public.

The roles of directors are similar to roles of directors in a limited company.

Private limited company: Is a company whose shares or guarantees are not bought by the general members of the Public.

The roles of directors are similar to roles of directors in a limited company.

A Closed company: Is a company under the control of not more than five persons together with their associates or is under the control of its directors.

The roles of directors are similar to roles of directors in a limited company.

A Chartered company: Is a company established by Royal Charter.This means for instance, a company has been granted exclusive rights by Royal charter of the United Kingdom government.

Shareholders and investors put their money in company that have full backing of Government for purposes of trade and development.

For example government sponsored expedition or exploration of minerals. The responsibilities of office bearers are similar to those of a limited company.

Associated company: Is a company or organisation that is set up by members for particular purposes.

For example Sports club, voluntary group, professional body, workers union e.t.c, among others.

Members come together to start an organisation for a course and not to make profit. Such organizations are commonly known as unincorporated association.

Individual members of the association are personally responsible for any debts and have a contractual obligation to follow rules and regulations set up in the association. No registration to company's house is required.

If the association engages in profit making activities, the association must pay corporation tax and file company tax return to tax authority in which the organisation or company is registered.

The responsibilities of office bearers are similar to those of a limited company.

Company limited by guarantee: is widely set up for community projects, clubs, societies and other charitable bodies.

Most companies limited by guarantees are not-for-profit making.

They do not distribute their profits to their members but either retain them within the company or use the profits for charitable purposes.

The responsibilities of office bearers are similar to those of a limited company.

Company limited by guarantee members: is a company with one or more members but no shareholders.

The members are entitled to attend annual general meeting and vote subject to any special provisions in the company's article of association.

That means the members can appoint and remove the directors. They have ultimate control over the company.

The responsibilities of office bearers are similar to those of a limited company.

The reason why such a company must be limited by guarantee is to protect the people running the company from personal liability for the company's debts.

Also funding bodies such as local authorities, insist on organizations whose objectives are charitable by nature to register as a company limited by guarantee.

What are the liabilities of persons running a "not for profit company"?

Persons involved in the management of community project or charity that are not registered as limited companies are personally liable for unpaid debts.

If the income of the organisation cannot meet the outgoings, the organisation may become insolvent and so the committee members can be made personally liable for the shortfall.

Like-minded individuals come together to form organisation or company whose purpose is to offer assistance to individual needs and to help shape government policies and public opinions on various matters that impact on our ecosystem.

Such companies are commonly known as charities or non government organisations.

A Charity is therefore an organisation or company set up for charitable purposes to help the public commonly known as "for Public Benefit"

Charitable purpose business includes activities which contribute to:

- Relieving poverty of disadvantaged people,
- Education opportunity for all
- Human rights for all people
- Religion and racial harmony,
- Protecting and saving human life.
- Protecting and saving the environment.
- Animal welfare
- Amateur sports
- Developing and supporting community.
- Promoting well being of citizens and so on.

Generally, there are four types of charity structures namely:

- Charitable incorporated organisation (CIO).
- Charitable company (limited by guarantee).
- Unincorporated association/organisation,
- A Trust.[3]

[3]*(Ref: United Kingdom-corporate governance laws and regulations, Company's Act 2006 and partnerships Act 1890)*

CHAPTER SIX

Formation of charity and trust business:

Before you set up a charity, you have to decide on what sort of legal structure you want your charity to be. The type of structure you choose depends on how you want the charity to be run or operated.

The charity document you create is known as the "Governing documents" which should spell out clearly what your intentions are:

A charitable incorporated organisation (CIO) is a corporate body and the law consider your charity to have legal status pretty much like a limited company would.

A "CIO" charity is legally free to conduct commercially viable activities on its own right.

For example:

- Employ and pay its workers.
- To deliver charitable services under contractual agreements.
- Enter into commercial contracts in charity's own names.
- Entitle to own freehold land, leasehold land, or properties.
- The trustees of a "CIO" are not personally liable to what the charity does.

Note: This is not the case if your charity is "unincorporated" in which case:

- Trustees are personally liable for what the charity does.
- Your charity will not be able to enter into contracts
- Your charity will not be able to control some investments in its own names.
- Any land or land holding services will have to be held by another charity on your behalf.

It is not uncommon for a charity incorporated company or organisation to have members who are known as **"Wider membership"**.

This means the wider members have the right to vote on important decisions at the annual general meetings of the charity, they also have the power to:

- Appoint committee members responsible for running the charity for a fixed period of time and
- Make changes to the charity's "Governing Documents",

Now the benefits that wider members bring to the charity is that they help your charity to carry out its work either wholly or partly on voluntary basis and at the same time enjoy the services the charity provides.

Having members of a charity of which the charity itself helps, can make you consider their views in making decisions on how you go about running the businesses of your charity.

Here are important things you must do if you intend to set up a charity with a wider membership including voting membership other than mere trustees you must:

- ○ State clearly in governance document that the charity is open for anyone to join and become a member.
- ○ State clearly in the governance document, why the wider membership structure is the only suitable way, of carrying out the charity's purposes for the public benefit.
- ○ Register your charitable incorporated organisation (CIO) with the commission of charities for it to legally come into existence.
- ○ Retain the register of the charity members and trustees.
- ○ File accounts and annual returns to the charity commission each year regardless of its income.

A charity incorporated with no wider members are not restricted as much, however the management or trustees have to put in place, governing documents or statements of how the charity will be operated.

The trustees remain responsible for legal duties of the charity.

An unincorporated association or charity: is a business set up by a group of people who come together to provide goods or services to members of the public or a sector of the population who are disadvantaged in one way or another.

The association or charity must be non-profit making.

For example "child poverty, care for elderly, sports clubs, voluntary group, animal protection group, neighbourhood-crime prevention action group among others.

Individual members of the association or charity are personally responsible for any debts and contractual obligations, such as submission of annual report to the charity commission.

An unincorporated association or charity is not required to register with the registrar of company's house but must register with charity commission of the jurisdiction in which it is established.

A charity known as a trust: Is one that you can form basically to manage your assets or assets for other people like your children, grand children or spouse and so on.

Common assets held in trust are money, land & property, investments and so forth.

Persons entrusted or appointed to look after the assets in a trust have the following responsibilities:

- To control and protect assets of the trust.
- To manage affairs of a minor or minors named in the trust.
- To manage affairs of, incapacitated persons named in the trust.
- To pass on the assets held in the trust while you the "settlor" of the assets is still alive.
- To pass on assets held in the trust when you the "settlor" dies

Generally, there are three parties to a trust and these are:

1. The person who puts assets into a trust known as the **"settlor"**.
1. The person who manages the assets put in the trust known as the **"trustee"**.
2. The person who benefits from the trust income or

capital is known as the **"beneficiary".**

Trusts are of different categories and the most popular ones are the following:

- **Bare trust-** is a trust whereby assets are held in the names of the trust and the person who puts assets in a bare trust is known as the settlor.

The individual or individuals named in the trust have the right to access the capital, income or interest that arises while the funds are in the trust.

The individual or individuals entitled to the funds in a trust are called the beneficiary.

The person who manages the funds or assets in the trust are called trustee.

So a Bare trust is often used to pass assets like (Money, Property, investment and so on) to young people before the age of 16 or 18 years and the trustee appointed looks after the assets until the beneficiary becomes a major 16 or 18 years of age and above.

- **An interest in possession trust:** Is a trust similar to a bare trust but in this case the trustee must pass over, all trust income to the beneficiary. This means any income or interest earned by the trust.

  For example:

  One may set up an interest in possession trust in a property, he or she owns. The terms, of the trust states that all rental income and interest from the property shall be given to his or her partner, as long as she or he lived.

The property will then be passed on to his or her children when the partner passes on.

The important point in this type of trust is that, your partner has no right over the property but she or he has right over the rental income & interest earned from the property, hence he or she has an interest in possession.

- **Discretionary trust-** is a trust where the appointed trustees make decisions on how to use the trust income and sometimes how the capital is used.

The assets held in a discretionary trust, are basically assets put aside for future needs.

For example:

Money put aside for the benefits of grandchildren or for the benefits of young person below the age of 16 or 18 who are incapable of handling financial matters.

The trust deeds would show clearly the powers entrusted to trustees of what they should do with the assets.

For example:

Whether income or capital should be paid out to the beneficiary.

- Who to make payment to.
- How often should payment be made to the beneficiary
- What conditions should be imposed on the beneficiary to ensure the assets are used as intended.

An accumulated trust: is similar to a discretionary trust except that:

- The trustees have the authority to accumulate income of the trust
- The trustees can add the accumulated income to the trust capital.

- ○ The trustees can elect to pay income earned to the beneficiaries of the accumulated trust.

A mixed trust: Is a trust that is made of more than one type of trust.

For example, a mixed trust could be one of “an accumulated trust and an interest in possession trust”.

- ○ The legal position of a mixed trust is that the appointed trustee is obliged to deal with the affairs of each trust separately.

Settlor interest trust: Is a trust similar to an interest in possession trust, accumulated trust or discretionary trust.

- ○ Income or gain generated from the trust is enjoyed by both the settlor and his or her civil partner or spouse.

Non-Resident trust: Is a trust set up in the UK but the appointed trustees are not resident in the UK.

- ○ This type of arrangement is basically for the convenience of tax rules.

Parent trust for children- is a trust set up by parents for children under the age of 18 who have never been married or in civil partnership.

- ○ This is not a type of trust in its own right, but is a bare trust, an interest in possession trust, an accumulation trust or a discretionary trust.

Charity “Governance Document”

The governing document should lay out how your charity activities would be operated:

For example;

- Who will run it and whether it will have a wider membership
- Whether it can enter into contracts or employ staff in its own name
- Whether the trustees will be personally liable for what the charity does

When you start a charity, you are legally required to set out the rules that govern your charity.

The purpose of the charity and its objectives, the power it has to borrow money or how the charity will be funded, who runs the charity known as trustees and who can be a member of your charity.

Remember a charity's business is not for profit and the purpose must be for public benefit.

The contents of your charity "Governance Document" should include the following:

Naming your charity:

You are free to choose a name for your charity, however you must not choose a name that already exist so it is advisable to check with charity register first and take note of what names are not acceptable.

See below descriptive names that are not acceptable:

- Names that can mislead the public for example: "shelter for homeless women"
- Do not use names that you are not permitted to use that is Uganda, Africa, Europe, United Kingdom, Queen, King, Prince, Princess among others unless you have permission from the charity commission.
- Do not use words which can be construed as offensive

such as retarded, gay and lesbians, illiterate, fat children, poor parents, black drug addicts and so on.

- ○ Do not name a charity with initials as a name, except when you abbreviate the name. This is acceptable when the initial is an addition to the full names. For example Uganda Red Crossas U.R.C.

Charity purpose: You are required to write in detail the "PURPOSE" of your charity in your charity's governance documents for submission to the charity commission.

Purpose simply means:

- ○ What outcome your charity work aims to achieve

  For example: To create public awareness about children being exploited in textile industries around the world.

- ○ How will your charity achieve its aims?

  For example by persuading consumers of textile goods to challenge their government to come up with foreign policies that forbid child labour.

- ○ Who will benefit from these outcomes?

  For example: Children being exploited in those countries will have the opportunity to go to school and develop naturally to adulthood.

- ○ Where will the benefit extend to?

  For example: Nations involved in exploiting children will benefit from having a vibrant healthy and educated population that will ultimately contribute to the nations' economic development and prosperity.

The purpose of your charity is important for the following reasons

- The charity commission will decide based on the description of purpose you have provided, whether your business activity befits a charitable status as permitted by charity's Acts.
- Nation's tax authority are able to determine from your description of purpose whether your charity qualify to tax relief or not.
- Members of the public need to know:

For example:

If they are free to join your charity.
How they can support your charity,
What your charity does and who can benefit from your service
How they can access services the charity provides and so on.

Explain the objectives of your charity: Objective refers to step by step plans or actions you would be taking to be able to achieve the purpose of the charity.

For example:

- Raising issues on actions required to end child labour, with government institutions, like parliament, ministry of commerce and industries, association of textile and world trade organisation and so on.
- Engage with like- minded members of the public to openly debate the issues of child labour particularly in production of garments which people in the west

consume.

- Seeking support from media fraternity to publish the inhumane treatment of children or abuse of their human rights by corrupt nations.
- To gather supporting evidence by collaborating with human right observers on exploitation of children in textile industries.
- Raise funds to pay for investigations, media coverage and subsistence to volunteers and so on.

These are some objectives that a charity can plan to carry out to achieve its purpose.

So, in a nutshell the objectives in this scenario will be:

- Engaging businesses, institutions and political leaders
- Engaging human right organisations
- Engaging members of the public to create awareness of child exploitation
- Engaging leaders in addressing emotional and physical welfare of subjecting children to force labour.
- Hiring volunteers.
- Engaging the media for wider awareness.

Responsibility of a trustee: In your governance document, you need to explain in detail to duties of trustee appointed to run the charity.

For example:

- How they are appointed.
- How long they can hold office.
- If the same trustees may be reappointed after the end

of their terms of service

- State how many trustees are in the organisation
- Fund raising as well as collaborating with other similar organisations.
- Borrowing funds.
- Buying and selling properties and so on.
- Employing staff or hiring volunteers.
- Preparing charity's annual report.
- Making payments to suppliers and beneficiaries.
- Arranging committee and or members meetings

The charity's standard operating procedure (SOP): Explain in detail the standard operating procedures of your charity.

- S.O.Ps is a step by step instruction to help trustees and all workers involved in carrying out the charity's operations in order to achieve high standards of effectiveness, efficiency and quality of output or services while reducing unsatisfactory performance to expecting beneficiaries of services you offer.

If your charity structure is that of a charitable incorporated organisation (CIO) with membership, then you must explain in detail the following:

For example:

- Eligibility criteria to become a member of your charity
- Age restrictions.
- Ending someone's membership.
- How membership meetings are called and how is it documented etc.

Finance matters: Explain in detail the process your charity has put in place to handle monies coming in and going out of the charity.

For example:

- ○ How the charity meets its legal accounting requirements.
- ○ Who controls the bank accounts?
- ○ Who can sign cheques and how many signatures are required for transfers or withdrawing cash.
- ○ Any other internal financial controls and so on.

Restrictions on trustees benefiting from the charity: explain in detail what regulations are in place to prevent trustees benefiting from occupying the office of trusteeship in your charity.

For example:

- ○ How trustees must not benefit from the charity (excluding reasonable expenses) without charity commission's approval or unless it is authorised in the governing document.

Rules on amendments of the governance documents (if applicable): Explain in detail what rules are in place to change or amend any aspects of the charity's governance documents.

Rules on dissolving a charity: Explain in detail what rules are in place to bring the charity to a close and what happens to any remaining assets in the charity if any.

Object clause: Is an important statement that must be included in your charity governance documents.

Basically an objective clause, spells out the activities your charity might carry out to achieve its purpose.

For example a charity whose purpose is to care for victims of domestic violence may include the following objects:

- To give support by counselling victims of domestic violence and advise to access legal recourse.
- To advise on how to report domestic violence in confidence.
- To educate the public on how to identify domestic violence.
- To encourage the general public to understand what domestic violence is.
- To give financial support to victims of domestic violence.
- To help victims of domestic violence seek medical attention and so on.

Here are some general comments on writing a good governance document

- Write your governance in plain English.

  Use words that are easily understood by your customers.

  If you use terms that have more than one meaning, you must explain clearly what you mean.

  Words used carelessly may indicate your business is not for charitable purpose.

- Use of phrases in your charity governance documents:

Phrases carelessly used are subject to misinterpretation by:

1. Potential donors
2. Participating members of the public

3. Organisations who may want to give you moral support among others.

- Ensure you start by describing "What" your charity will achieve followed by" How" you will achieve it.

  This is because the purpose must be clear to readers rather than the method of how you are going to achieve your objective.

- Refrain from using phrases like "To promote good causes"

  This is because not all good causes are charitable.

- Do not write in your governance documents statements like "Our purpose is charitable by law or "Our purpose is doing something that is charitable".

  This is because doing something is not automatically charitable.

- Refrain from using phrases or statements that may be construed as derogatory.

  For example: Children of drug addicts, single mothers, abandoned children or disabled children, children of alcohol addicted parents, abused wives, poor parents, poor children, uneducated mothers or fathers, irresponsible parents among others have the same meaning without any contradictions

  For example: "Less disadvantaged children" does not mean "disadvantaged children". Children who live in the ghetto, does not mean they are children from a poor households.

- Do not describe your charity activity as: Patriotic, public, philanthropic, benevolent, worthy or utilitarian and so on.

This is because some terminologies do not necessarily mean charitable purpose.

- Do not misuse the term “welfare” unless your charity’s purpose is for animal or social welfare.

  Advancing welfare of animals or persons on its own is not charitable.

- Avoid using terms like ‘social cohesion’ or ‘community cohesion’ as a charitable purpose.

  These terms can be a benefit of carrying out a charitable purpose BUT are not appropriate to describe or express a charitable purpose itself.

- Who Benefits: state clearly in your governance document, who are the beneficiaries and to what extent.

  For example:

  Age group
  Gender
  Where they reside
  Employment opportunity
  [4]Ethnic group of persons likely to access services your charity provides etc.

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[4]*(Ref: United Kingdom government legislation Charity Act 2011 & Trustee Act 2000)*

CHAPTER SEVEN

Protecting your business:

Why protecting your business is essential at all times:

Protecting your business is one area that I would like to touch on in this book. This basically is about how to secure the safety of tangible and intangible assets held in your business.

Any business, irrespective of size or trade sector is likely to face some risks or threats, ranging from damage or theft of its assets to outright sabotage due to criminal behaviours of others to destroy your business.

The level of your business' vulnerability depends on control measures you put in place to minimise those risks and threats.

The better prepared you are to deflect or deter intruders from harming your business the less likely your business will suffer from unsuspecting disruptions.

An easy way to protect your business from potential risks & threats is for you to sign up for multiple insurance covers to take care of losses to income, assets and so forth.

This is a sensible move but remember, insurance cover is a last resort, it cannot bring back time lost and negative emotions inflicted on your business, your employees and other partners in the supply chain.

Remember threats to your business could be as a result of human involvement or man-made like damages or theft or a natural phenomenon like severe hurricane storm, flood and so forth.

Criminals target businesses that are oblivious of potential threats. Lack of security control measures put your business on vulnerability path with dire consequences.

Let us look at some of the major risks & threats that your business may face and likely consequences.

- **Criminal attacks-**

  Vandalising and stealing of business assets like computers, furniture and so on.

  Misappropriation of money or cash belonging to the business

  Cyber crimes like stealing confidential personal or business information like data or records and so on.

- **Reputation-**

  Your business reputation could be damaged as a result of actions or misbehaviours coming from:

  - Your employees, directors, partners, and persons involved in the supply chain.

A thorough due diligent is required for your business to know who you are doing business with and your own conduct in the business community and beyond.

- **Contracts-**

  Loss of contract due to your business or your supplier failing to honour contracts can easily become a threat to your ability to achieve your business objectives and goals.

A thorough due diligent is required for your business to know who you are doing business with.

This includes putting in place methods to address unsatisfactory work or non payers of goods or services you supplied or goods or services you ordered.

- **Loss of competitive advantage:**

  Your business inability to compete in the market place due to:

  Your own business failing to adapt to challenges in order to meet your customers' expectations.

  Your business's failure to retain your customers' loyalty to goods and services you provide.

- **Litigation:**

  This could be a situation where your business is being sued in courts of law:

  - By your customer

    Or
  - By your current or past employees

    Or
  - By your business partner in the supply chain

    Or
  - By government

Law suit is a costly event and time consuming that may threaten your ability to concentrate on your business activities.

It is imperative that unless you put in place a robust system to monitor and control potential risks & threats to business assets, the level of vulnerability will certainly be higher.

To install a robust safety and security processes that suits your business, you need to create a safety and security policy.

The safety and security document you develop will set out rules and regulations.

The rules will act as a road map that should be used to guide your team on management of risks and threats to your business.

The key subjects of your safety & security documents can be broken down as follow:

- **Security management policy-** is a document that spells out the aims and responsibility for effective management of safety and security of business assets, employees, customers, suppliers and all other entities involved in the supply chain.

  As a guide, your policy should highlight information on what are the safety and security directions that benefits your business.

  What are the security objectives that you want to achieve.

  How your business will meet the regulatory requirements on safety and security.

  How your business will continue to improve its safety and security management system.

- **Security planning-** actions required to deter, detect, delay (3D's) people with ill intentions to damage property, steal property or obtain confidential information held by the business fraudulently.

To deter is to prevent unauthorised persons from attempting to breach security. For example:

Access to business premises using password, close circuit cameras to capture movement, fencing perimeters of the business premises and burglar proof doors among others.

To detect is to carry out a review of security system in place by identifying potential threats or risks at every stage and initiate a response.
For example:

What processes are there to alert responsible officers of wrong doing happening or going on the business premises?

To delay is a system that purposely or intentionally slows an intruder or wrong doer from getting his hands on the documents or assets.
For example:

Installing, safety vaults that open at a much slower speed than the intruder would want.

Installing, several sets of burglar proof doors before one can reach the intended target or high perimeter wall that is not easy to climb and so on.

- **Security implementation and operation-** is basically putting in practice the security planning policy that suits your business purpose.
  For example:

  The use of identity cards for employees to gain access to the business building.

  Using, limited access to sensitive documents.

Build perimeter walls, around the business property.

Installing close circuit cameras to monitor activities in and around the business property

Use accredited locking systems, on windows and doors of the business premises.

Hiring security guards approved by security industry authority.

Vetting of employees

Provide security and safety manuals to all staff members, to acquaint themselves with procedures of reporting any safety and security breaches among others.

- **Security checking and correcting-** is an exercise that must be regularly performed by officers responsible for safety and security of the business property.

  An audit report must be produced on:

  Physical checks performed to ensure that all security apparatus deployed are functioning well and if not, must be replaced or repaired immediately.

- S**ecurity review and continual improvement-** is also an exercise that must be performed at management level of the organisation on safety and security.

  The checks must include:

  All aspects of security management system, by reviewing the

  Safety and security policy

  Planning of safety and security

  Implementation of decisions made on safety and security

  Operations of safety and security processes

  Making amendments or recommendations where

necessary on the safety & and security policy
Make amendments on existing SOP manuals as a continuous improvement process.

To sustain a successful safety and security policy, businesses have to invest in their own employees and working partners involved in the supply chain.

This therefore means, a business have the responsibility to sensitise its employees to be alert at all times.

What actions can a business take to utilise the human elements of safety and security?

The following actions are required:

- **Educate** your employees and partners involved in the supply chain about the security threats or attacks that may result in your business becoming a victim.

  Explain in detail what role your employees can play, to ensure safety and security is observed at all times.
  For example:

  Employees should be able to challenge anyone not displaying on identity card whilst within the business premises

  Report any suspicious behaviours or mishandling of business assets to senior managers.

- **Enabling** your employees
  For example:
  Easy access to safety and security manuals
  A simple processes for reporting safety and security breaches.

- **Environment-** businesses have a duty to create a working environment.
  For example:
  An environment that encourages appropriate behaviours of employees
  An environment, that partners involved in the supply chain appreciate.
  An environment that embraces, free discussions on matters of concerns around safety and security among others.

- **Encourage** your employees to be vigilant on safety and security matters.
  For example:
  Be aware of what goes on inside and outside the business premises.
  Regular feed backs on safety and security concerns raised by staff members
  Awarding staff members for being alert at all times whilst in the business premises.

- **Endorse** your employees who demonstrate keen interest in protecting your business from risks or threats.
  For example:
  Appoint a member of your staff to become a supervisor or steward on safety and security.
  Sponsor a member of your staff to take up short courses on safety and security.

Assessing safety and security risks must be conducted in a systematic manner.

Start by identifying potential risks beginning from the outside of your business premises and then work your way to the inside of premises.

The outside of your business premises starts from the environment surrounding your business premises such as woodland, farms, hills, highways or roads, commercial or residential buildings and so forth.

The idea is to determine whether there is a possibility for intruders to gain access to your business premises from the surrounding features.

This will help you to figure out what you can do to block such loopholes.

The next stage is to assess risks and threats around the perimeters of the business property.

A thorough check of fences or perimeter walls to ensure they are built using appropriate materials.

Any broken parts of the fences are immediately repaired or replaced.

Ensure all obstacles or items that may assist intruders to gain access to your business premises are removed immediately.

Assess whether the gates or barriers, serve the purpose and if not, consider placing security guards at the gate or electronically operated gates among others.

The next stage is to assess the exteriors of your business premises known as the “shell”.

Here you are looking at doors, windows or any entry point that can lead you into the inside of the business premises.

Make sure these entry points are fitted with accredited locking systems.

Any broken windows or doors and so forth are fixed or replaced and broken walls are repaired immediately.

The next stage is assessing the safety and security of the interior of the business premises.

The interior include inside doors, ceilings, windows, inside walls among others.

Any broken ceilings, window, doors, walls or closets must be repaired or replaced immediately and accredited locking fitted on all doors and windows.

The next stage is assessing the safety of assets in the business premises.

Assets include equipments like computers, machines, furniture, data, documents and many others.

Ensure furniture such as chairs, desks are in good working conditions to avoid employees hurting themselves.

Assess chances of misuse of computers and put in place appropriate measures to restrict accesses.

Confidential documents must be kept under lock and key with limited access to authorised persons only at all times.

Assess working conditions of all security cameras and other security lightings to ensure they are in good working conditions, if not they must be replaced or repaired immediately.

Access to security equipments must be limited to authorised persons only.

After assessing the risks to assets of your business, you then move on to assess the risks and threats from people you employ or whom you engage with in running your business.

Assess the vetting process prior to employment of staff. A thorough background check, especially persons who will work for you in sensitive areas that are vulnerable to risks and threats.

Vetting workers, include criminal history, work history and academic qualifications.

Do not simply accept documents that are presented to you by aspiring candidates or suppliers, partners in the supply chain and so on.

A thorough due diligent will certainly save you time and money in the process of recruiting new staff members among others.

Finally review the entire safety and security procedures you have in place to ensure all risks and threats to the business are addressed and whether the measures are suitable to minimise vulnerability.

A business continuity plan must be supported by officers at senior level of your business.

The continuity plan should be well funded so that necessary steps are taken to identify the impact of potential losses, maintain viable recovery strategies and ensure operations of the business is not interrupted unnecessarily.

Last but not least, staffs should be regularly trained on safety and security matters.

CHAPTER EIGHT

Aspects of marketing:

What marketing means to your business:

Marketing in simple term means promoting and selling goods or services to consumers.

There is however a lot more to this meaning because promotion and selling only comes after you have conducted a thorough market research about the entire industry your business is involved in.

Market research is a rigorous exercise or process of gathering information or data about the market.

The data or information must be carefully analysed and then interpreted in order for you to make an informed and accurate characteristics of the market you are dealing in or intend to conquer.

Market research is also part and partial of your business planning process and so it helps you to solve marketing challenges that your business may face from time to time.

Generally a market research covers the following key areas:

- **The market:** It includes the location of consumers, suppliers and or physical locations of the market place.
- **The goods or services:** That you offer for sale in that market.

- **Spending habits:** Of your consumers in the past times, present time and in the near future.
- **Essential requirements:** That your business needs to be able to target potential consumers and customers.
- **A good understanding:** Of what is happening in the industry as a whole.
- **A good understanding:** Of what challenges your business is up against your competitors in the same market or industry.

Marketing experts and researchers have come up with concepts that have been used worldwide for many years to convince consumers to buy their products.

Here is a summary of what these concepts are and what they mean.

- **Production concept:** This simply means consumers are only interested in goods or services that are low in price and are easily available in the market place.
- **Product concept:** This simply means consumers want goods or services of high quality, high performance with distinctive features and are prepared to pay the price offered in the market.
- **Selling concept:** This simply means consumers need to be convinced to like the goods or services using all manner of promotion techniques to lure customers to buy the goods or services.
- **Marketizing concept:** This simply means businesses have to be more creative in:

The products of goods or services they provide, such as bespoke goods or services.

Unique ways of delivering the goods or services to consumers

Unique ways of communicating with targeted consumers about the values of goods or services the business offers.

The targeted market focuses on consumers' needs and profitability to the business providing the goods or services.

- **Societal marketing concept:** This simply means Businesses have to know or determine the requirements of targeted consumers.

  Businesses have to work out the best way to deliver the goods or services to targeted customers.

  Businesses have to make sure the goods or services are produced in such manner, that the consumers and society's well- being is protected.

  [5]Businesses must ensure goods or services are produced in an eco-friendly manner.

[5]*(Ref; United Kingdom government legislation; Statutory instruments 2008 no 1276- The business protection from misleading marketing regulations 2008)*

CHAPTER NINE

Aspects of intellectual property:

What are your rights to intellectual property (IP)?

Creative individuals like musicians are frequently perplexed with royalty issues, so I feel it is appropriate to highlight key facts about intellectual property rights.

Intellectual property commonly known as IP is basically assets that have commercial or economic values.

These assets are created by person or persons who translate ideas in their mind into products. The products are either tangible or intangible.

These products are then used by consumers or businesses in one form or another to produce or manufacture their goods or services and sell to make profit.

Businesses or consumers who use the creations may or may not pay for it and that basically means the creator loses out.

To protect the creators of intellectual property from exploitation by consumers or businesses, a law known as intellectual property rights was enacted.

Intellectual property includes things like computer software, works of art, literary writings, drawings, paintings, symbols, names, songs or music among others.

Intellectual property right is divided into five categories.

- **Trade secret rights,** is a right to protect confidential information of economic value to the business.
  For example:
  Trade secrets include things like **formulas, recipes, sales methods, customer lists** or **data** that businesses use in the creation of their products that are unique and commands competitive advantage over others in the same industry.
  That means it is important that you maintain your trade secrets so that it is not easily copied, for example by observations or other means.

  To successfully register your rights to trade secrets, you need to consider the following:
  - Your creation must be one of a commercial or economic value
  - Your creation can only be shared with a 3rd party under a non disclosure agreement.
  - All your employees must sign a confidential agreement to refrain from divulging trade secrets to third parties.
  - Access to trade secret must be limited to persons who are authorised by your business or organisation to do so:
  - All persons or third parties must be made aware of consequences of breaching agreements to keep trade secrets.

  All efforts must be made to put in place checks and balances to ensure trade secrets whether in hard paper files or in digital formats are securely protected from intruders.

(You can obtain further advice and support on trade secret right from Intellectual property offices available on government websites).

Remember not any solicitor can handle intellectual property matters so you need to contact an IP specialist if in doubt.

- **Trade mark rights-** is a right to a design of goods or services that identifies and distinguishes the source of a product from of one party to another.

  Examples of trade-marks include drawing, words or phrases, symbols, logo, sounds, colour or a combination of any of the above.

  To successfully register your trade mark, there are certain things that must be avoided for example.

  Symbols that look too similar to already existing symbols or hallmarks are not acceptable:

  Words or phrases that are common place or cannot be distinguished for example “People power”.

  Use of shapes as your trade mark where the shape is a shape of an object for example shape of a football for a football:

  Your trademark must not mislead, if your product is made of artificial rubber, you must not state it is made of natural rubber:

  Your trade mark must not be offensive for example, no swear words or images that are offensive to the members of the public or society:

The description of your trade mark must be precise and not ambiguous.

(To register your trade mark, you need to contact Trade mark registry service providers or body authorised to register Trade- mark rights).

- **Copy-right-** is a right that legally protects the work of person or persons.

  For example: songs or music you composed, writings or authorship, artistry and so on.

  In some countries like, the United Kingdom, one would get copyright protection automatically so you do not have to apply for registration of a copy-right protection nor pay any fee to get legal protection.

  Marking your work with a copy- right symbol (C), printing your names and year you created the product is sufficient to protect your copy- rights.

  Any work of creation or invention that fails the test of originality will not qualify for copy- right protection.

  Originality means your work or creation must be 100% new.

  New means work or creation that is not reproduced from other's creation, not crafted from someone else's creation, not cloned or forged or replicated or duplicated from someone else's creation or invention.

  Actions that will infringe your rights may take the following forms:

  - Distribution of creation, free of charge or for sale without your consent.

- Renting or lending your creation without your consent.
- Performing shows without consent of the author.
- Adapting of a creation or written work to produce film, drama, play and so forth, without consent of the author.
- Placing or putting a creation on the internet without consent of the author.

○ **Patent-right:** Is a grant of property right to an inventor.

The right granted is to exclude others from using the invention without agreeing with the creator or the inventor.

In order for you to be granted patent rights, your invention or creation must satisfy the following:

- Your invention must be something that can be made or used:
- Your invention must be new:
- Your invention must not be a modification of something already in existence.

Patent rights will be denied if your invention is:

- A biological process such as cross breading living things:
- Your invention is a scientific theory or medical diagnosis methods:
- Your invention is some computer programmes

or mobile apps or software application used on social media platforms or internet.

- Your invention is merely a thinking or skill in playing games, way of doing business, literature, drama, musical or artistic work.

[6]The right protects the inventor for a period of 20 years from the date the patent rights application is made to the intellectual property rights registrar or body authorised to register patent rights.

[6](Ref: United Kingdom government legislation(i) Copyright, Design and Patent rights Act 1988, (ii) Trade mark Act 1994, Registered design Act 1949 and Common law)

CHAPTER TEN

Aspects of tendering for contracts:

Many small and medium size businesses tend to shy away from bidding for tender contract for various reasons.

The reasons for not bidding may be far from what you think, so before you disqualify your business from applying, take time and study the tender in detail.

No doubt winning a contract is a fantastic opportune moment for your business to expand. What is important for you is to be honest and carefully review your business' capability.

The key areas that can help you determine your capabilities are:

- Does your business have enough money in reserve? Or is your business able to raise funds instantly to finance the contract?
- Does your business have enough time to commit to deliver the goods and services demanded in the contract?
- Does your business have the ability to put together human resources and relevant tools or equipments with minimum stretch on business funds?

If you are confident that your business has what it takes, only then you can begin to prepare to write your tender proposal.

Each tender is unique and so it is imperative that you pay attention to instructions or requirements prescribed in the tender proposals.

Failure to follow or respond to questions asked will inevitably result in rejection of your bid.

Most if not all tender proposals require your business to confirm the following:

- The legal status of your business for example limited company, partnership, charity and so on.
- That your business is not under any form of insolvency processes such as winding up, bankruptcy and so on.
- Any technical and professional qualification you or your key members of your staffs hold.

Tender applications will require you to provide at least a copy of the following documents that must accompany your tender proposals;

1. Statement of most recent Annual accounts (Trading Profit and Loss Accounts and Balance sheet).

   Where the tender instructions, require an audited account, you must get your accounts audited immediately before submission.
2. Statement of most recent Accounting ratios (Profitability ratios, Solvency ratios and operating ratios)
3. Insurance policies you hold that cover your business activities.
4. Accreditation or official recognition that your busi-

ness activity meets the standards that is accepted nationally or internationally.

For example, an auditing firm is recognised by International auditing and assurance standard board (IAASB) to carry out external audit work.

5. Certification or official document issued to an individual or business that provides a clear evidence of level of achievement and or professional qualifications.

   The certificate must be recognised nationally or internationally.

   For example an electrician must hold an electrical installation certificate before he can carry out any electrical installation work.

The biding process also required you to demonstrate your ability to perform by telling the buyer what task you did or is doing now, how you overcame challenges and what were the successes.

This is known as **Relevant Experiences**, which is basically your selling point. It is essentially what the buyer wants to hear or know about your business.
What your business has done previously or is doing now that is relevant to what the tender is looking for.

The buyer will assess your ability to deliver similar goods or services based on what you have written in your tender proposals. So you need to be precise and clear in your deliberations.

As always, you are advised to start the writing process as early as possible. Do not leave it till the last minute because that will certainly be a total waste of your valuable time.

Remember there could be many applicants biding for the same contract. A badly written statement of relevant experience will unfortunately not be considered any further.

Begin the process by writing a draft copy of your relevant experiences and invite a colleague to review or to critique what you have written.

If you are not confident in writing this type of reports, you are free to seek for help from experts. These experts advertise their services over the internet and you can search for one using Google search apps.

To simplify writing your relevant experiences, you are encouraged to break your report into 4 parts. You can then join the parts in a coherent manner.

The first part (P1) should give a brief background of your case or situation- this will give context or clarity for one to follow what you are going to discuss next.

- **For example:**

In 2017- L-Dairy farm Ltd secured a contract to supply fresh milk to 15 nursery schools within the city of Gulu.

The contract was for a period of 18 months. It was worth Shs.30 million funded by local council to support Government initiative to improve child health in the district.

To supply 15 nursery schools consisting of 13 pupils each means we needed to supply a minimum of 195 litres of pasteurised milk per day for 18 months.

Our production level was 200- 203 litres per day so we were certainly capable of meeting the buyer's demands.

The second part (P2) should discuss the challenges that your business had to overcome to deliver the demands of the buyer. Your challenges, for illustration purposes could be one or more of the following:

- *Transportation means, packaging our milk, recruitment of additional staffs and upgrading pasteurisation processes.*

We were task to secure efficient and cheap means of transporting our product to all 15 schools by 8.00am each morning Monday to Friday

We were also tasked to secure reliable milk containers that is secured by seal and easy to be transported on motor bikes

Other task we faced was the fact that our product must be fully pasteurised before delivery to our buyer.

The third part (P3) is for you to explain or describe the actions you took to overcome the tasks you faced to be able to meet the demands of the contract.

- **For example**

We successfully negotiated a deal with motorcycle transporters to ferry our products to the schools at a reasonable price of 200 shillings per trip per day.

This was a safe, efficient and cheaper mode of transport that suited our purpose.

We partnered with a local paper bag manufacturer who agreed to make for us paper carton containers that are self sealing once filled with milk. This was an excellent deal because the cost of producing the cartons was spread over a period of 18 months.

We managed to recruit agriculture students who supported our staff. We only had to cater for their transport which was an excellent deal.

The fourth part (P4), Is the concluding part of your narratives, include relevant statistics and any relevant testimonials.

- **Example:**

We successfully delivered the goods as required by our customer. The quality of service received from our partners in the supply chain was excellent. We achieved our target by 100%.

Our sponsor, the local council was very impressed with our level of service delivery and they have recommended our business to take on future tenders.

For our business, it has been a pleasure working with business focused partners and a determined team including students who volunteered to support our work force.

We also enjoyed working with our local transporters who are amazing young men and women.

Once you are happy with the draft copy, you can then go ahead and write a final copy. Upload the final copy onto the tender proposal document and remember to attach all testimonials/statistics that are relevant.

As mentioned above, go over the whole document line by line just to make sure you have answered the questions appropriately and attached all documents required.

Your bid can easily fail due to simple but important mistakes, so try to avoid the following:

- Typing or grammatical errors
- Not following the presentation style or format required in the tender proposal.
- Not understanding the business activity of the buyer.

- Not including information/documents required or number of copies required.
- Not answering all the questions asked.
- Not submitting your application on time and so on

You may be invited at a later stage to appear before the tender committee.

[7]This is a good sign that you are on your way to winning the bid, so make sure you are well prepared for it. The committee will ask you to expound on what you wrote in your tender proposal.

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[7]Ref: United Kingdom government legislation: The Public Contracts Regulations 2015, The Utilities Contracts Regulations 2016 and The Concession Contracts Regulations 2016.)

CHAPTER ELEVEN

Aspects of taxation:

Taxation and your obligations:

The purpose of this chapter is to provide an overview of Uganda's tax system. Tax as we all know is a favorite subject that many of us hate to like. The tax system in Uganda is composed of two types of taxes; namely: direct taxes and indirect taxes.

A taxable person engaged in an economic activity is likely to pay both types of taxes in the course of his or her business activities.

Direct taxes or income taxes are charged on income, profits, capital gains or other gains that are paid by the tax payers (sole trader, partners of a partnership, incorporated company, employees and unincorporated bodies) directly to Uganda tax authority.

Indirect taxes are taxes paid on spending. These taxes are charged when a tax payer buys an item and are paid to the vendor as part of the purchase price of the item. It is then the vendor's duty to pass the tax collected to Uganda revenue authority.

The main Indirect taxes are customs duty, excise duty and value added tax.

[8]Customs duty is tax charged on goods whose origin

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[8]Ref: Uganda income tax Act- Chapter 340, Part (111), section 9 to14.

is not Uganda but is imported into Uganda.

Excise duty is tax charged on goods that are imported into Uganda or made in Uganda but are considered to be "luxury products" for example: alcohol, cigarette products, wine, spirits, fuel and oils and so forth.

Value added tax is tax charged on goods or services imported into Uganda or made in Uganda and sold within Uganda[9].

What is business income?

Business income literally means any income that is received by the business as a result of carrying on its business activity.

These may include items like:

- Receipt from sale of goods or stock in the business
- Receipt of fees charged for services provided by the business
- Receipt from disposal of business assets.
- Any consideration received, restricting the business from carrying on a specific business activity.
- Value of gifts received in the course of carrying on your business activity
- Interest received or receivable in the course or furtherance of your business activity
- Income received from outside Uganda out of your business activity subject to residence status.
- Any other income/commission/interest/gain received

[9]Ref: Uganda income tax Act- Chapter 340, Part (1V), section 15 to18.

or receivable in the course or furtherance of your business activity.

A person who is employed and receives emolument such as salary, wages, commission among others pay income tax. The employer is obliged to deduct income tax and pass it on to Uganda revenue authority under pay as you earn system (PAYE).

Any taxable person who is an individual, a partner in partnership or an unincorporated business residing in Uganda is obliged to pay income tax on income it receives from its business activities outside Uganda.

If you are not a Uganda resident, you must pay income tax on all your business income derived from your business' activities in Uganda. No tax is due from income from abroad or overseas.

For income tax purposes you are considered a Uganda resident if the following is true:

- You have a permanent home in Uganda or
- You are employed in Uganda or officially posted to work abroad by your employer or
- You are physically present in Uganda for 183 days out of the 365 days of the tax year in question or
- You are physically present in Uganda for an average of 122 days per year for three consecutive years.

An incorporated or limited company is considered resident in Uganda for a year of income if the following is true:

- The company is formed or incorporated under laws of Uganda.
- The company's management and control was exer-

cised in Uganda at any time during the year of income.
- The company undertook the majority of its operations in Uganda during the year of income.

Income tax rate for limited companies:

[10]Incorporated businesses or limited companies pay a flat rate of 30% of chargeable income (profit). This applies to both resident and non-resident companies.

For non-resident companies an additional tax of 15% may become due on profit remitted abroad.

Income tax rate on employment income:

Income taxes on salaries or wages paid to employees are deducted by employers through a pay as you earn system. Employers are by law required to pay the deductions collected from employees to Uganda revenue authority on monthly basis.

Employers who failed to submit payments deducted from employees shall be held liable.

Currently the rates for employees are 0%, 10%, 20% and 30% plus additional fixed amounts depending on the resident status of the employee.

Below is an example of an employee resident in Uganda earning shillings 12 million per month.

[10]Ref: Uganda income tax Act- Chapter 340, Part (11), section 7

Gross Income	Income tax rate	Income tax payable
0-235,000.000	0%	n/a
235,000.00 -335.000.00	10% (100,000.00)	n/a
335,000.00-410,000.00	20% (75,000.00) +10,000.00	n/a
410,000.00-10,000,000.00	30% (9,590,000.00) +25,000.00	n/a
Above 10,000,000.00	30% (9,590,000.00) +25,000.00 + 10% (2,000,000.00)	3,102,000.00

See below an example of an employee not resident in Uganda earning shilllings 12 million per month.

Gross Income	Income tax rate	Income tax payable
0-235,000.000	10%	n/a
235,000.00 -335.000.00	10% (100,000.00)	n/a
335,000.00-410,000.00	20% (75,000.00) +33,500.00	n/a
410,000.00-10,000,000.00	30% (9,590,000.00) +48,500.00	n/a
Above 10,000,000.00	30% (9,590,000.00) +48,500.00 + 10% (2,000,000.00)	3,125,000.00

Social security contribution- Is contribution made by employee and employer in the private sector not covered by Uganda government retirement scheme.

The social security due from an employee is deducted by the employer from the employee's salary or wage under a pay as you earn scheme (PAYE). The employer also makes contribution for the employee.

The contributions collected are remitted to Uganda "[11]National social security fund", an organization established by Uganda government to manage the funds and pay pension to employees upon attaining retirement age.

Rate of Social security contribution:

Employees pay 5% of their gross monthly salary or wages.

Employers contribute 10% of employee's gross monthly salary or wages.

Filing Tax returns for employees:

Employers are obliged to file Pay as you earn (PAYE) tax return to tax authority on a monthly basis.

[12]The returns must be filed by the 15th day of the month following end of the month in which salary/wages was paid together with all income tax deducted.

For example: If Mary's salary was paid on **26/10/2021**, Pay as you earn tax return must be submitted by 1**5/11/2021** (15 days after 30/10/2021)

[11]Ref: National social security funds Act Chapter 222, section 6 to 27

[12]Ref: Uganda income tax Act- Chapter 340, Part (IV), section 19

Caution: Uganda revenue authority has the power to hold employers liable for income tax deducted and not paid including employers contributions.

Income tax rates for small business:

[13]A small business is what is described in tax laws of Uganda as one with turnover (gross income) of less than shillings 50 million.

The rate of tax applied is what is known as presumptive tax which is a scheme used to ascertain income tax liability as opposed to assessing liability from tax payer's records of business accounts[14].

[15]There is no tax liability when turnover is shilling 5million or under. Any amount greater than shillings 5 million and less than shilling 20 million, tax payable is only shillings 100,000.00.

For turnover more than shillings 20 million you have to pay the higher of 1% of gross income and fixed amount stipulated in income tax regulations[16].

Below is a breakdown gross income brackets

ANNUAL GROSS INCOME (TURNOVER)	INCOME TAX PAYABLE (Shillings)
Shillings 5 million or less	Shillings 0.00
Greater than shillings 5 m but less than shilling 20m	Shillings 100,000.00
Greater than shillings 20 m but less than shilling 30m	The greater of shillings 250,000.00 OR 1% of gross income (turnover).

[13]Ref: Uganda income tax Act- Chapter 340,-collection of tax (V1), section 103

[14]Ref: Uganda income tax Act- Chapter 340,-Provisional tax (V1), section 111 &112
[15]Ref: Uganda income tax Act- Chapter 340,-Tax returns Part (V1), section 92 to 94.
[16]Ref: Uganda income tax Act- Chapter 340,-Tax assessment (V1), section 95 to 98.

Greater than shillings 30 m but less than shilling 40m	The greater of shillings 350,000.00 OR 1% of gross income (turnover)
Greater than shillings 40 m but less than shilling 50m	The greater of shillings 450,000.00 OR 1% of gross income (turnover)

Example: A business with annual turnover of shillings 37 million falls in the bracket

Greater than shillings 30 m but less than shilling 40m	The greater of shillings 350,000.00 OR 1% of gross income (turnover)

[17]Income tax payable should be (Shs37m x 1%) = shs. 370.000.00 which is greater compared to shs. 350.000.00.

Filing tax return & payment of tax due:

Self- employed income from an individual or partnership or an unincorporated business whose financial year end is 30the June, have the option to file provisional tax return on 30th September and 31st December. A final return must be submitted by 30 June (12 months after financial year ended).

Income tax is paid quarterly on 30th September, 31st December, 31st March and 30th of June following the end of the financial year in question.

Example: Mary a business woman anticipated her tax liability for the year from 1st July 2020 to 30th June 2021 to be shillings 1,500.000.00. However her final liability for the year turned out to be shillings 1,700,000.00 instead of 1,500,000.00. Mary will have to pay the extra liability on her 4th and final installment amount of shillings 575,000.00.

[17]Ref: Uganda income tax Act- Chapter 340, Part (IV), section 15, 17 & 19.

See below:

Provisional tax return	Final tax return	Quarterly payment	Payment
30th September 2021		30th September 2021	375,000.00
31st December 2021		31st December 2021	375,000.00
		31st March 2022	375,000.00
	30th June 2022	30th June 2022	**575,000.00**
		Total	**1,700,000.00**

Value added tax

Value added tax is a tax on consumer expenditure and is collected on business transactions and on imports into Uganda. The basic principle is to charge value added tax at each stage in the supply of goods and services. For example: A wooden chair sold by a furniture dealer will have gone through various stages, from a timber merchant, a carpenter, a furniture dealer and finally the consumer who bought the chair.

Value added tax will have to be charged at each stage of production by the timber merchant, carpenter, and furniture dealer. This is achieved;

a) When a business is registered for value added tax and charges output tax on sales to customers. The output tax charged must be paid to Uganda revenue authority.

b) Such business is allowed to recover from revenue authority input tax which it paid to suppliers.

c) In effect, the registered business suffers no value added tax and the total value added tax is borne by the consumer at the end supply chain.

[18]Registration for value added tax can be compulsory or voluntary.

Compulsory registration

Compulsory registration is when: at the end of any 12 months your turnover is equal or more than Uganda shillings 50 million.

For example: Mary commenced trading on 1st July 2019 and her monthly turnover had been as follows:

Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
100k	300k	500k	600k	1m	2m	3m	3m	5m	7m	7m	8m	11m	13m

Looking back 12 months after commencement date, Mary's turnover exceeded registration threshold of Shillings 50 million at the end of August 2020. Mary is therefore compulsorily required to register for value added tax from 1st of September 2020.

1) **Compulsory registration** also applies when at the end of any three consecutive months your turnover is equal to or greater than Uganda shillings 12.5 million which is a quarter of shillings 50m. You must register for value added tax within 20 days from end of the third consecutive month.
   Or

[18]Ref: Uganda Value added tax Act Chapter 349, Part (11), section 4, and 5.

At the beginning of any period of three consecutive calendar months, there are reasonable grounds to expect the total V.A.T. exclusive turnover will exceed 25%of the annual registration threshold of shillings 50 million. You must register for value added tax from start of the first consecutive calendar month.

2) **Voluntary registration-** A business can choose to voluntarily register for value added tax basically for the following reasons;

- Credibility- If your customers are registered themselves there would be a strong incentive to do business with you since they know they can claim back value added tax you may charge on your supplies to them.
- You are able to recover input tax on your business purchases/expenditures.
- You may intend to commence making taxable supplies on a sizeable scale of turnover in excess of Uganda shillings 50m from day one.

Caution: Voluntary registration may be less acceptable for intending traders to register particularly those persons suspected of "missing trade fraud" scam whose aim is to claim back input tax and disappear without making taxable supplies after repayment.

Once you are registered for value added tax you can charge output tax on your supplies and claim input tax on your business expenses.

Output tax- Is the value added tax charged on taxable supplies you make and is your responsibility to collect and pass it on to Uganda revenue authority.

Input tax- Is value added tax incurred on costs of goods or services bought for the purposes of your business activities. You are therefore entitled to claim the input tax by deducting it from output tax payable to Uganda revenue authority.

Caution: input tax is not recoverable when goods or services bought for the purposes of your business are diverted to private or personal use.

Value added tax returns and payment of tax due.

[19]A summary of value added tax accounts must be kept and maintained by a taxable person. The account summaries, the output and input tax for each value added tax period of account.

The value added tax return must be sent to Uganda revenue authority not later than the 15th day after the end of value added tax period of account together with amount due to revenue authority.

Value added tax invoice:

A registered person/business must issue a value added tax invoice if your supply is standard or zero rated. All sales invoices must show your value added tax reference number and amount of value added tax charged.

Caution: It is illegal to issue a value added tax invoice if you are not registered.

What records of value added tax must be maintained by a taxable person.

[20]A taxable person is required by law to maintain and

[19]Ref: Uganda Value added tax Act Chapter 349, Part (111), section 6, 7 and 8.

[20]Ref: Uganda Value added tax Act Chapter 349, Part (1V) section 17.

retain the following records.

- ○ Value added tax accounts
- ○ Copies of sales invoices issued to customers
- ○ Copies of purchases invoices issued by suppliers
- ○ Sales and purchases ledgers
- ○ Import and export documents
- ○ Credit and Debit notes issued
- ○ Proof of payments received from customers and suppliers (Bank statements)

[21]**Value added tax computation** (Current value added tax rate is 18%)

1) Where an amount (value) "A"is inclusive of value added tax. ("A" x 18/118)

Or "A" x (9/59)

Example: Gross sales of shillings 120,000.000.00
Value added to tax will be 120,000,000.00 X (18/118) = Shillings 18,305.084.75

2) Where an amount (value) "A"is exclusive of value added tax. ("A" x 18/100)

Or "A" x (9/50)

Example: Net sales of shillings 120,000.000.00
Value added to tax will be 120,000,000.00 X (18/100) = Shillings 21,600,000.00

Value added tax on imports:

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[21]Ref: Uganda Value added tax Act Chapter 349, Part (V), section 17 and 19.

[22]Value added tax is payable on goods and services imported into Uganda, unless special relief applies.

The rate of value added tax is currently 18% for both goods and services. Any value added tax due must be paid at the time of import unless your business holds deferment account with Uganda revenue authority.

Value added tax may also be delayed when goods are placed under customs warehousing or certain customs arrangement for example: free zones, inward processing and so forth.

Value added tax paid on the imports can be claimed as input tax subject to value added tax rules.

Value added tax on exports:

Provided various conditions are met, goods exported outside Uganda are zero rated[23].

Supply of goods and services out of scope of value added tax[24]

A transaction is outside the scope of value added tax if it fails to meet any one of the four conditions and so no value added tax is due.

- It is neither a supply of goods or services.
- It is not made in Uganda
- It is not made by a taxable person
- It is not made in the course or furtherance of a

[22]Ref: Uganda Value added tax Act Chapter 349, Part (V1), section 21 and 23.

[23]Ref: Uganda Value added tax Act Chapter 349, Part (V11), section 24, 25, 28, 29 and 30.

[24]Ref: Uganda Value added tax Act Chapter 349, Part (V111), section 31, 32, 33, 34 and 46.

business

Customs duty

Customs duty is tax charged on goods imported into Uganda, once the goods arrive at Uganda's borders or ports the importer becomes liable to custom duty as soon as the goods are cleared by customs officials.

Duty payable is generally determined by tariff classification of the goods imported. Classification involves identifying the product imported for example:

- How the product imported is used?
- What material is the product made of?
- How is the product produced?
- How is the product packaged?

This information is necessary for you to be able to assign a commodity code suitable for the product imported.

Commodity codes are numbers of eight or ten digits that are used by customs. Its purpose is to assist businesses involved in international trade (exporters, importers, freight forwarders, customs authorities and so forth) to identify products and assign the correct commodity code as well as apply correct duty rate.

For example: Commodity code for electrical appliance imported to Uganda is 85- 43- 90 -00.Duty rate is 25%

Certain goods imported into Uganda receive preferential rate of duty. Preferential means, instead of paying the full duty rate applicable, the product is charged tax at lower percentage or none at all.

Commodity codes are available on Uganda revenue authority websites or you can obtain it from your freight agent.

Customs duty payable

Customs duty is the amount derived from multiplying customs value of the goods by duty rate in force. The customs value chargeable to duty generally include:

- Purchase value declared on the exporter's commercial invoice
- Shipping/transport costs
- Insurance costs
- Packaging costs
- Tooling/moulding costs
- Costs of material
- Fees/ selling commission/ royalty and so forth.

Duty rates in Uganda

- 25% of customs value of finished goods imported into Uganda
- 10% of customs value of intermediary products imported into Uganda (Intermediary products are products used in production process to make other goods).
- 0% of Capital goods like manufacturing or agricultural machineries and raw materials not foodstuffs.

In addition to Customs duty, import value added tax is also charged at 18% on imported goods and a further 15% withholding tax. (Withholding tax is basically an advance payment of income tax).

Valuing goods imported into Uganda.

There are six valuation methods established by world trade organization that must be used by businesses importing goods into Uganda.

- Method 1- Transaction value- based on the price you pay when you buy the goods before bringing them to Uganda- you must have evidence of price you paid for example commercial invoice from the exporter. Remember to include cost of transport to Uganda boarder, selling commission, license fees if any, insurance costs and so on.
- Method 2- Identical goods- based on the customs value of identical goods, produced in the same country of export.
- Method 3- Similar goods- based on the customs value of similar goods, which must be:
- (a) Produced in the same country. (b). Able to carry out the same tasks. (c) Are commercially interchangeable.
- Method 4- Selling price- based on selling price of the goods (or identical or similar goods).
- Method 5- based on the production cost of the goods, including the cost of any materials, manufacturing and any other processing used in production.
- Method 6- based on adapting one of the previous methods to fit unusual circumstances.

Registration- If you intend to operate as an importer, you need to register your business with Uganda revenue authority who will issue your business a unique reference number known as economic operator's registration identification (EORI).

You will also need to appoint a freight agent who will be your representative to carry out import clearance on your behalf.

Clearing agents could be a (freight forwarder, customs agent, or broker, fast parcel operators and so forth)

Clearance agents could either be:

- A direct representative- which means you as the importer is solely responsible for mistakes made on declarations to customs:

Or

- An indirect representative – that means both you the importer and your agent is jointly liable for mistakes made on declarations to customs authority.

[25]The following documents/evidence must be retained and produced in order to clear goods imported into Uganda.

- Goods release order documents
- Commercial invoices
- Bill of lading
- Parking lists
- Documented evidence carriage
- Certificates or licenses
- Compliance information
- Customs value declared
- Import declaration and so forth.

Excise Duty:

Excise duty is an indirect tax levied on goods that are considered to be harmful to health of citizens and damaging

[25]Ref: Uganda: Customs tariff Act 1970, chapter 337, section 2, 1st schedule.

the environment we live in.

For example goods like alcohol, cigarettes, cosmetics, plastic bags, beer, spirits, fuel and oils, car oils and so forth.

Excise duty rates: The rate of tax paid on excise goods ranges from 10% to 200%. Goods that are liquid in forms are charged a set fee per cubic litre of volume. Other products are charged per number of sticks for example cigarettes are charged per 1000 sticks. There is a long list of items in the statute.

[26]Who is liable to excise duty?

- The manufacturer of the excise goods when the goods exit the manufacturing plants or premises.
- The warehouse keeper when excise goods are released from the warehouse or premises.
- The importers of the excisable goods must pay excise duty at the time of import for goods going straight into free circulation.

Local excise duty is payable on the ex-factory price of specified locally manufactured goods (The ex-factory price must include, raw materials, direct labour costs, overhead costs plus profit).

Registration, filing returns and payment of excise duty:

Businesses or an individual involved in production and or supplying excise goods and services are required to

[26]Ref: Uganda excise duty Act 2014 Chapter 338, part (V) section 10, part (11) section 4.

register and file monthly returns to Uganda revenue authority by the 15th day of the month following the end of the month in which the supply of the excise goods were made.

Tax on rental income

Rental income- Is amount received or receivable in a given tax year from letting land or building to tenants for commercial and or residential accommodation[27].

Tax on rental tax is charged at rate of 30% of income chargeable.

Income chargeable to rental income is computed by subtracting expenses like interest charged on mortgage, repairs and maintenance of the property, other administration costs, insurance costs, legal fees and so forth from gross income/turnover earned in a given tax year.

Total expenses allowed to be deducted from gross income must not exceed **75%** of gross income in a given tax year[28].

For example: If gross rental income is shillings 5,000,000.00 million and total expenditure is shilling 4,800,000.00 million.

The maximum expenditure allowed is (75% of shilling 5 million), which is 3,750.000.00.

All expenses must have been incurred for the purposes of letting the land or property in a given tax year.

Capital expenditure like mortgage or loan repayment or costs of construction of a new building are not allowable deductions when computing income chargeable to rental income.

[27]Ref: Uganda income tax Act- Chapter 340, Part (11), section 5 and 6

[28]Ref: Uganda income tax Act- Chapter 340, Part (XI11), section 5 and 6

Rental income should not be included in your other income tax return. That means rental income must be completed and filed separately to Uganda revenue authority.

Tax on rental income is paid on quarterly basis in a given tax year.

Property tax

Is tax on property charged by local governments. The rate of tax is determined by respective authorities who take into considerations the state or nature of the property including costs of improvements necessary on the properties[29].

Property tax rate varies from city to city or town to town, so your local government should be able to furnish you more details if you require.

Stamp duty:

Stamp duty is tax charged on instruments and not individuals or transactions.

An instrument therefore is a written document which a transaction is effected, such as sale of shares of a company or sale of land or property.

For a paper transaction instrument to be valid, the written document ought to have an impression by means of an embossed stamp on the document.

[29]Ref: Uganda income tax Act- Chapter 340, Part (IV), section 20

Stamp duty rates are of two types:

1) **A fixed rate** for example: Documents of formation of a company is 0.5%, document for transfer of shares or property is 1.5% formation and so on.

Or

2) **Ad valorem-** Rate of duty varies depending on the value of the particular transaction.

Stamp duty tax must be paid to Uganda tax authority within 30 days of receiving the instrument[30].

Caution: Not all transactions are subject to stamp duty so verify with Uganda revenue authority if in doubt.

Environmental tax- is designed to:

- Discourage bad business practices which damage the environment, for example damping factory wastes in streams, rivers or lakes in Uganda.
- To promote more environmentally friendly practices, such as reducing and recycling waste and being more energy efficient. For example refraining from cutting trees for charcoal by using electricity as fuel instead, discouraging imports of second hand cars and so forth.

Environmental tax is therefore levied on those businesses whose activities are contributing to the instability of our eco system.

To help slow climate change, Uganda imposed 20% tax on second hand vehicles that are eight or more years old imported into Uganda.(Good vehicles are excluded)

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[30]Ref: Uganda Stamp duty Act 2014 part 1 section2 and part 11 section 3

Environmental tax is charged in addition to any other forms of taxes like customs duty, excise duty, value added tax, withholding tax and so forth[31].

Taxation is a complex subject and therefore, you need to seek guidance either from Uganda revenue authority or from your tax adviser to ensure you get it right from day one.

Conclusion:

The aim of this book is to give you an overview of the major topics or subjects that inevitably you will need to incorporate in your business plan.

Remember, a business plan is not only important to your business but also, to other persons or business prospectors willing to invest their money or do business with your company.

All that is required of you is to put your visions on paper. These together with ideas sought from the feasibility studies you carried out earlier, on economic viability of your project, should provide you with a solid foundation for a business start-up.

I hope by now you appreciate that a business plan is not just a one off exercise, but a life document that can be used as a point of reference at all stages of running your own business and developments.

Adopt a flexible approach to your business to allow you to make changes when circumstances demand or when you see it fit for purpose.

[31]Ref: Uganda environmental Act 2019

For example, cost and revenue is one factor that varies frequently and may require rapid changes to your budget and or cash flow forecasts.

I have also expounded on areas that are equally important to survival of any business or organisation.

You and your management team have to consider these factors and structure your business operations with those in mind.

I believe by keeping things simple, you will have no problems, as long as you adhere to standards that are easy to implement and monitor by responsible persons within your business or organisation as well as by your customers.

In brief, a business slowing downwards in performance could partly be attributable to one or more of the following factors.

- Financial hardship such as inability to acquire loan or overdraft facility.
- Inadequate planning such as insufficient or unclear path of where you want to be or what you wish to accomplish.
- Lapses in management such as deviating from rules or processes set such as standard operating practices or guidelines.
- Poor marketing strategies, such as application of selling methods that do not appeal to potential customers.

Writing a business plan helps you to appreciate what knowledge you require to make good use of transforming your vision into a business enterprise.

For instance, when a contractor is building a structure, he uses a blueprint that is his plan for the vision which is the finished building. The contractor always keeps a copy of his blueprint on site with him. Why? He needs to keep checking it to see if the building is being constructed correctly. In the similar fashion, if you don't have a business plan for your business enterprise, you have nothing to refer to when you want to make sure you are on track. When you write down a business plan, it's a description of the end of your business, not the beginning.

Starting without a business plan is the riskiest thing you can ever do to your business. A well-drawn plan is like a compass to a ship which provides direction and control. If you successfully follow your business plan, you will get desired results, attain your goals and realize the vision of your business.

Besides, a business plan helps to protect your business and honour other obligations demanded by authorities in which you conduct your business.

"A business with no plan is bound to fail"
A business person or an entrepreneur needs to know exactly **what** they want, **when** they want it and **how** they are going to get it. If not an entrepreneur cannot expect to achieve the objectives and goals of an enterprise. A business person should plan ahead, especially when they wish to improve their overall performance, raise capital or attract investment.

The aim of this book is to demystify all the theories and waffles that exist about business plans and demonstrate to readers how to put together a successful one. This is a smart guide book to understanding business plan writing specifically designed to make you engage as much as possible and save your business from abrupt cessation.

This book also highlights key topics which are relevant to existing and aspiring entrepreneurs such as: professionalism in business, protecting your business, financial solvency, standard operating practices, legal entity, charity and trust, partnership contract, Taxation, Tendering for contracts and intellectual property.

About the Author

The author's origin is Acholi-land in Northern Uganda.

After a business inclined academic background, he served as a domestic Banker in his motherland for 4 years, thereafter he moved to the United Kingdom to pursue further studies.

He worked for HB accountancy for 12 years as a technical adviser to private clients. He later joined the public sector and has enjoyed a wide exposure in customer service management supporting citizens in the business fraternity, majorly in areas of finance and taxation.

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