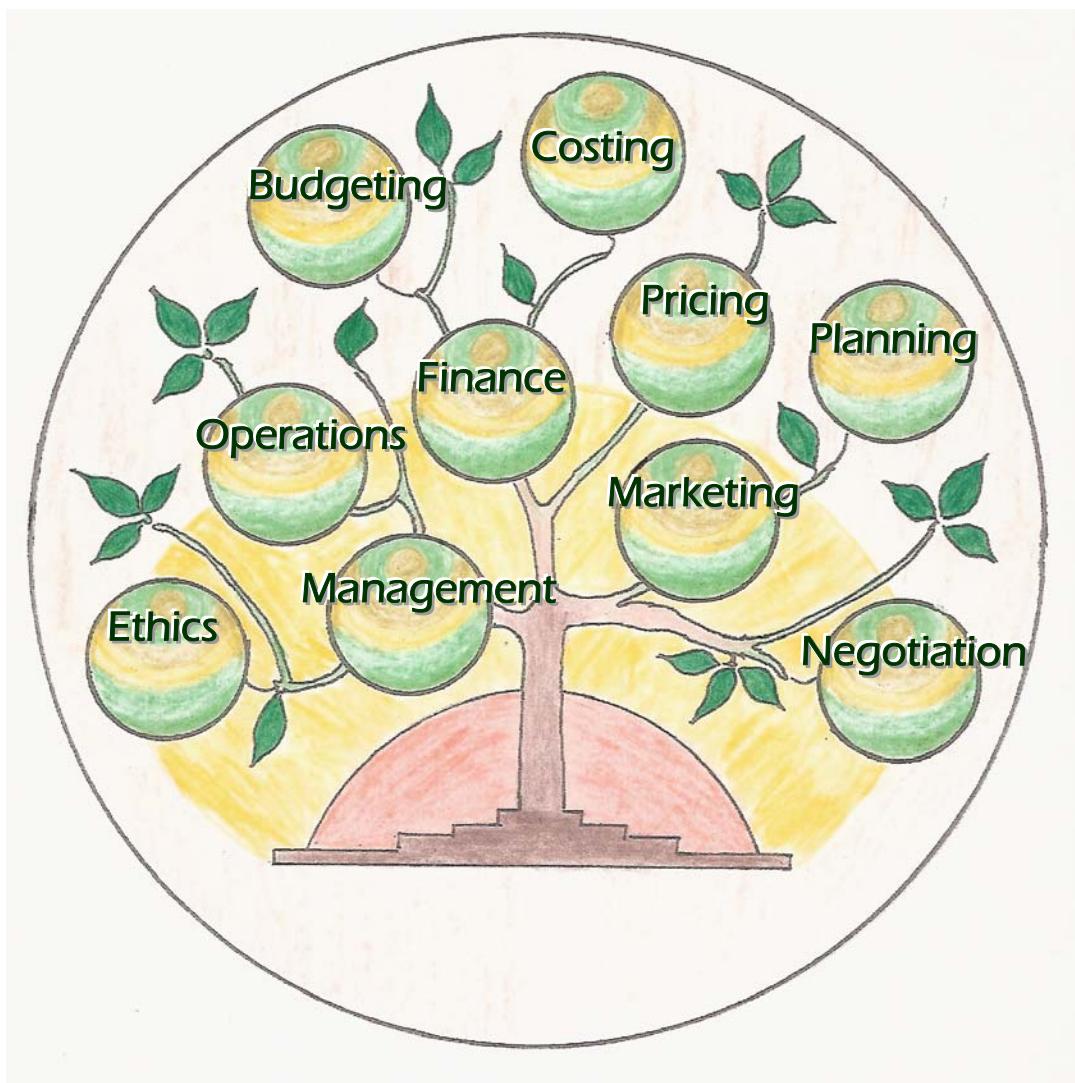




**YOUTH BUSINESS SKILLS
TRAINING PROGRAM**

STUDENT WORKBOOK



Dear Student,

Welcome to the TARAQI SABA Youth Business Skills Training Program. TARAQI SABA is an initiative aimed to prepare the next generation of business men and women, by equipping them with business skills.

These materials are designed to help you better understand the world of business, with emphasis in helping you to identify business opportunities, write bankable business plans and prepare to manage small enterprises.

Whether you decide to go into business yourself, be an employee in someone else's business, or just be a customer, the understanding you get from this course can help you in your future life. You are invited to talk, ask questions, share insights, and learn new things. And enjoy your time in class!

This is your workbook. You will use it for every class. It contains information, stories and activities that you will experience with your classmates. You also will use this Workbook to gain experience in planning and developing your own business plan. You can keep this Workbook as a reminder of all that you learned in the course.

These materials have been developed by Making Cents International, subcontractor to the Alternative Livelihoods Program for the Eastern Region (ALP/E).

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Alternative Livelihoods Program – Eastern Region

ALP/E

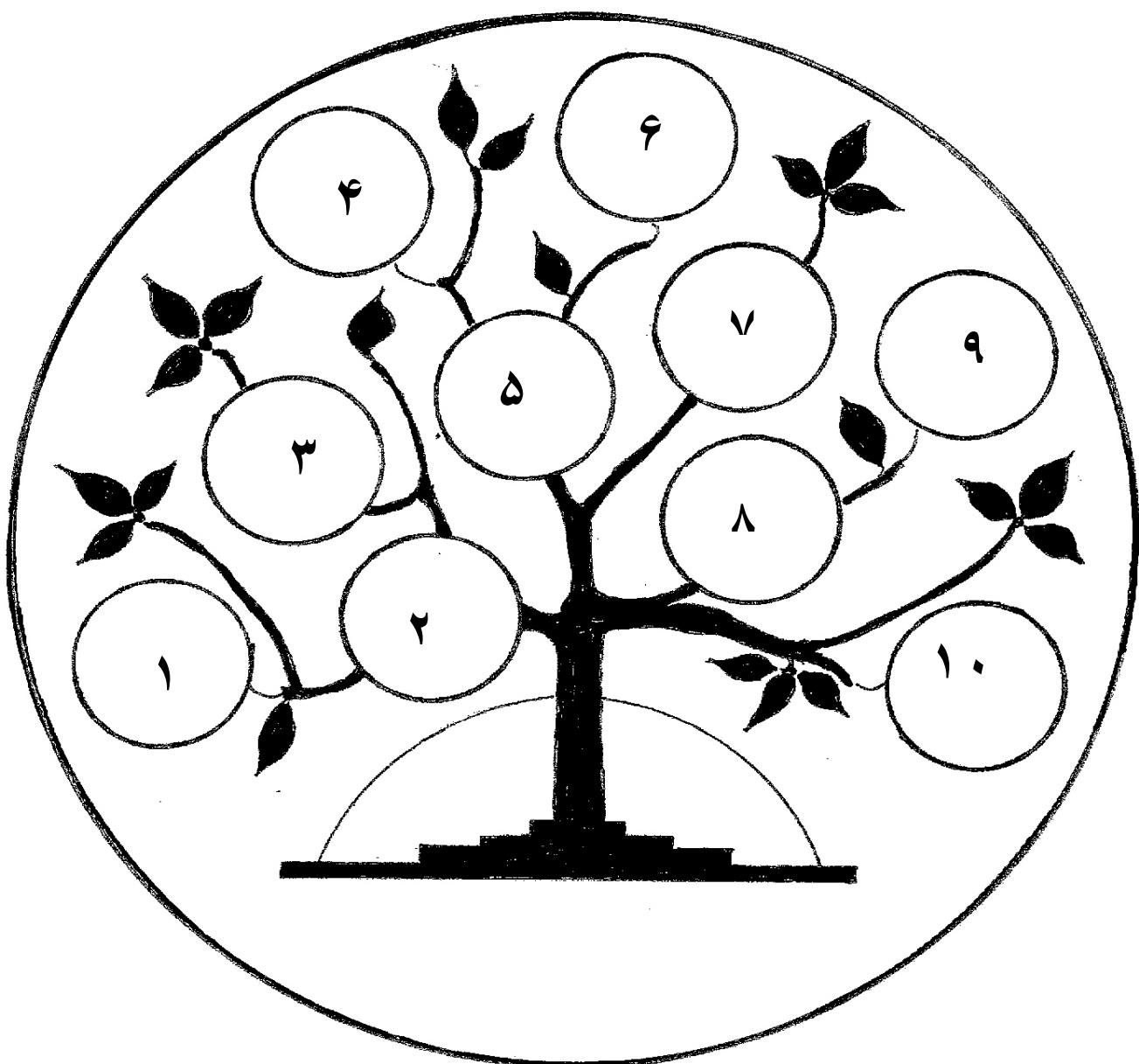
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This tree will help you measure your progress during the course. At the end of each section, you can return here to color in a circle (wait for the teacher's instructions).





Section 1: Introduction



1.1

Business Activity is All Around Us !

Many people think a business activity involves owning a store. Yes, many business owners have a place where they sell products to customers. But business activities are all around us.

Some people are involved in production. They make products for shop owners or others to sell (either locally or for export). Such businesses are called **production** (or manufacturing) businesses.

Shop owners can either make their own product or buy products from others to sell to customers. These are **retail** businesses.

Some people provide a service to their customers. They have **service** businesses.

Some businesses buy from producers and sell to other businesses. They are called **wholesalers**.

People who work the land to grow things that can be sold in the marketplace operate farm production businesses or **agri-businesses**.

Some people have **informal** business activities. They may work from home to make products that can be sold or traded to get things they need for their families.

Business Activity is All Around Us !

Questions and Activities

- 1) Look at the images on the picture provided and make a list of the businesses indicated there. (*Hint: there may be several possible answers for each image*). After you have made the list, indicate the type of business it is (service, retail, production, wholesaler, agriculture, informal, or other). (*Hint: some businesses may be more than one type*).

Business Activity

Type (s)

- 2) When you look at the whole picture, can you imagine other types of businesses? Please add them to the list above.

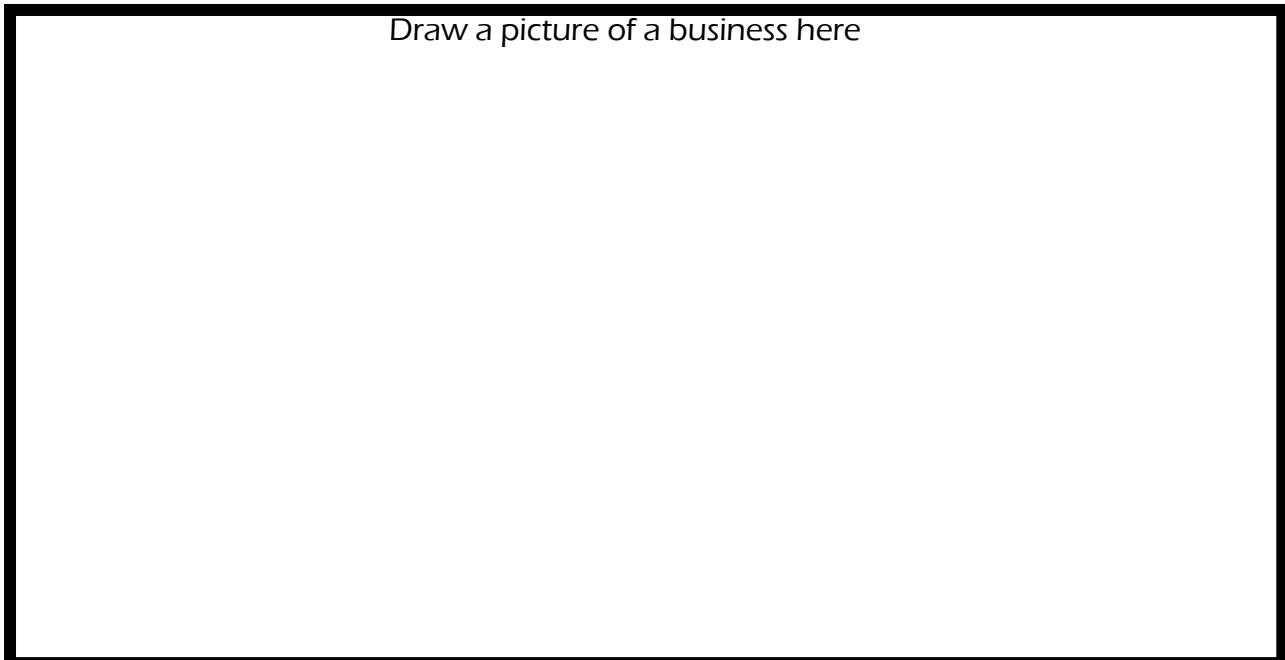
- 3) Who do you know who is engaged in business activity (family members, friends, neighbors)? What kind of business do they have? In your group, make a list of businesses you know and what type they are:

Business

Type

- 4) Choose a real business in your community and draw a picture below. Be creative!

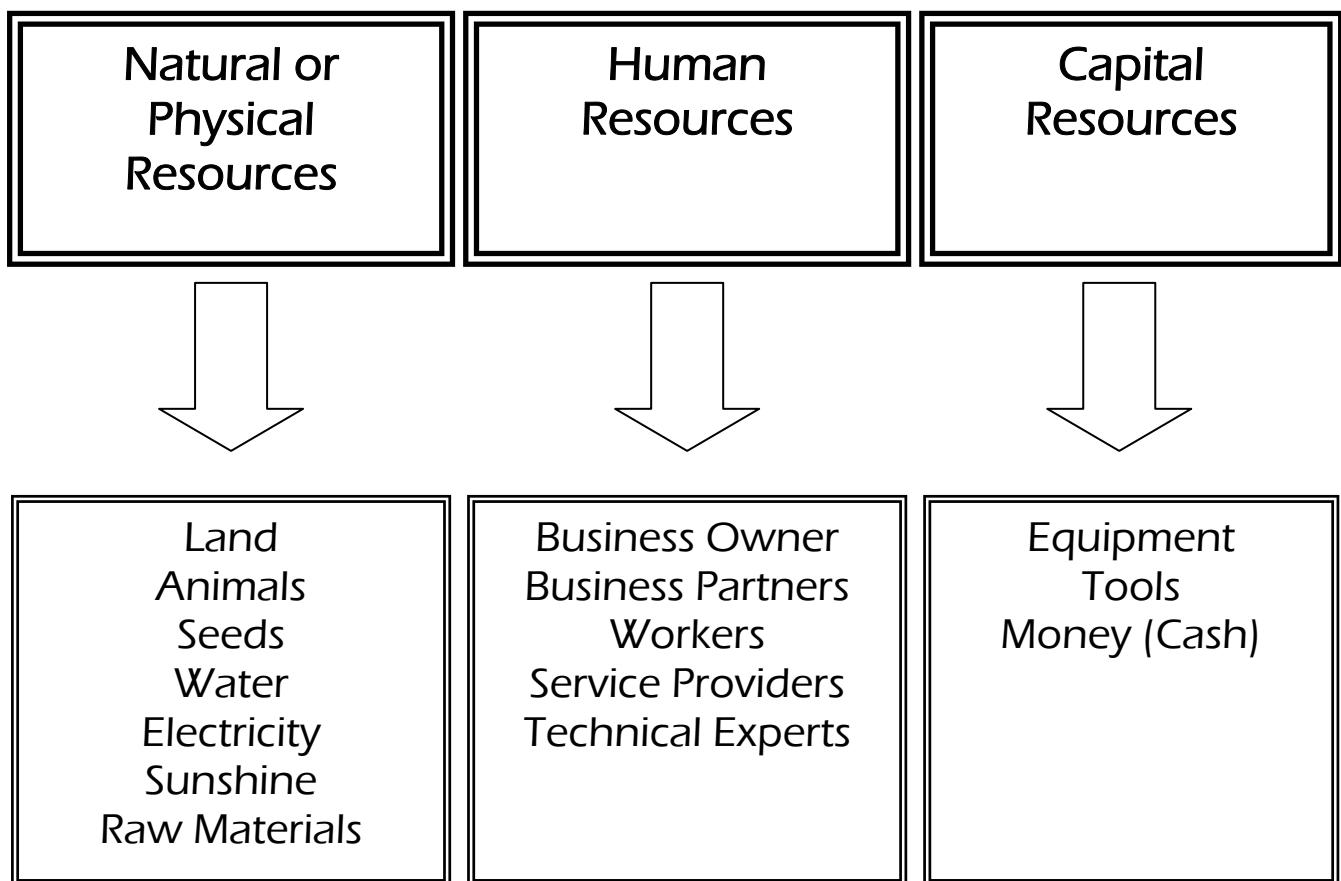
Draw a picture of a business here





Business: Ingredients for Success

To make a meal, you need certain ingredients. A business also needs certain ingredients to be successful. Most businesses need three components:



For example, a sewing business might include:



Business: Ingredients for Success

Questions and Activities

1) Label the following resources as: Natural, Human, or Capital



A. _____ B. _____ C. _____



D. _____ E. _____ F. _____



G. _____ H. _____ I. _____

2) Refer to the poster drawing and your lists from pages [exercise 1.1]. Choose three businesses and list the types of things needed to start each one. *(Please be specific)*

Business 1: _____

Physical	Human	Capital
----------	-------	---------

Business 2: _____

Physical	Human	Capital
----------	-------	---------

Business 3: _____

Physical	Human	Capital
----------	-------	---------

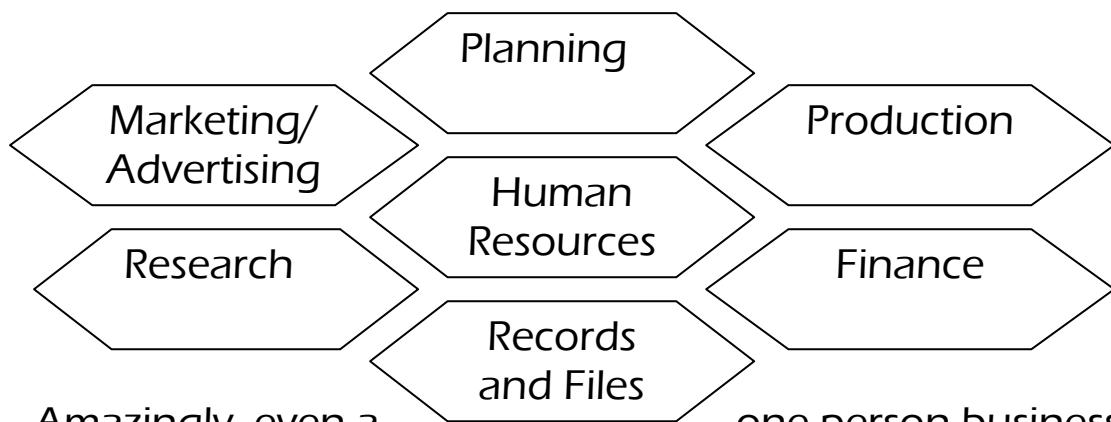


1.2.B

One Business: Many Responsibilities

Whether it's a large or small business, a business owner has several responsibilities. In a large company, there may be many people to help the owner with operating the business. A large company may be organized into departments such as the following:

Typical Large Company Departments



Amazingly, even a one-person business has these same responsibilities to some extent. So, a business owner has to keep track of many things at once.

In a family-owned business, family members may divide up these responsibilities. For example, the father may go to the market and the mother may keep track of the finances and other records. The father and mother may do the planning together. And the whole family may be involved in production.

One Business: Many Responsibilities

Questions and Activities

1) Listen to your teacher, and write the definition of each responsibility listed below.

Planning: _____

Marketing: _____

Finance: _____

Production: _____

Research: _____

Records: _____

Human Resources: _____

2) What aspects of a business would you enjoy? For example,

- Do you like going to the market and talking to customers?
- Do you prefer working with numbers and keeping track of finances?
- Do you like organizing the work, or making the product?

In your group, discuss what areas of a business you might feel most comfortable doing. Make a list of three of those areas here:

3) Perhaps you already are doing similar things in your home or school life. Indicate below any similar responsibilities you already are doing:



Section 2: Business Concepts



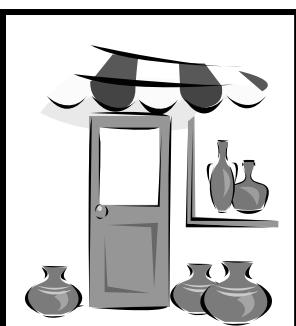
Business Cycles

2.1.A

Owning a business can seem risky to some people, because they feel that they cannot predict what will happen in the future. But, in fact, most businesses have many aspects that are predictable and reliable.



For example, a family who owns a livestock business knows that the animals must receive food and water every day. New animals are born in early spring, and the animals are usually bought and sold in the spring months. They may pay rent every month, and buy supplies once a week. During certain seasons, they hire temporary workers who are paid by the week.



A family who owns a retail shop might know that their busiest days are Fridays. And they are also busy during holiday seasons. They may buy new inventory every three months. As a business, they know they must pay rent once a month, and taxes once a year. Each day, they write down any sales in the store.

Every month, they may add up their income and expenses, to see how the business is doing. Once a week they give the store a good cleaning.

Knowing when certain things will happen in a business makes it easier to plan for the future.

Business Cycles

Questions and Activities

- 1) Complete the following tables using the information from the previous page. Indicate which tasks occur on a daily, weekly, or monthly, yearly, or seasonal basis.

A. Livestock Business

Daily	Weekly	Monthly	Yearly	Seasonal	Other

B. Retail Shop

Daily	Weekly	Monthly	Yearly	Seasonal	Other

- 2) Using the following chart, make a list of some things you do on a regular schedule.

Your Life

Daily	Weekly	Monthly	Yearly	Seasonal	Other

3) Given this information, can you predict what you will be doing on this day next week? Next month? Next year? Discuss your answers in your group.

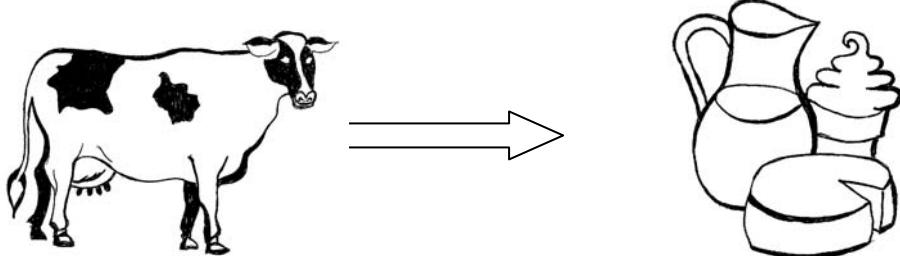


2.1.B

Adding Value

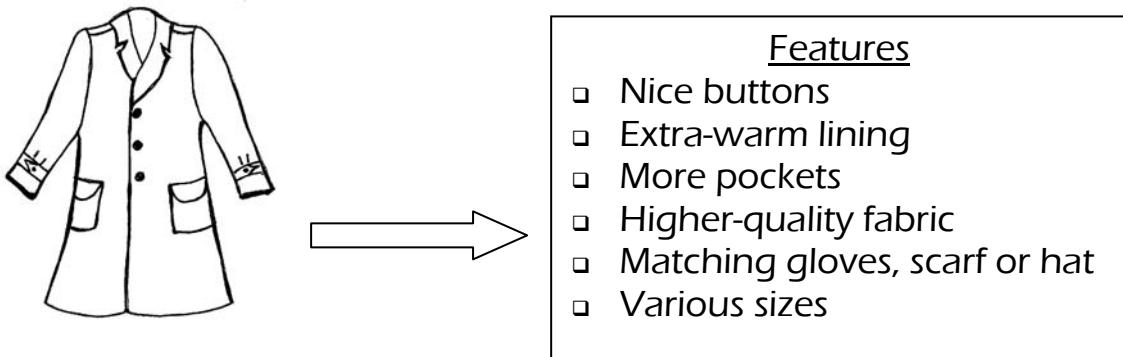
Previously, we learned that businesses use Natural, Human, and Capital Resources in different ways. Businesses use these resources to create products and services that people want to buy.

Adding Value to Raw Materials



Some businesses produce and sell raw materials (for example, cows and milk). They might also add value to the milk to create other products (for example, cheese, yogurt, and ice cream). Can you think of other products that can be made from milk?

Adding Features to Existing Basic Products



Other businesses add features that customers want in order to improve existing products. Can you think of other ways to improve this winter coat?

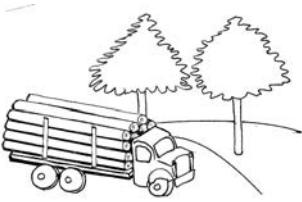
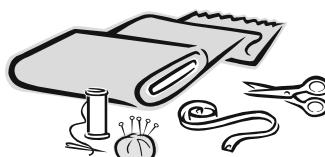
Providing Services

Some businesses provide services to help customers. For example, a business might clean or repair your coat.

Adding Value

Questions and Activities

- 1) For each of the following raw materials, list at least 5 new products that can be made from it.

Raw Material	New Products
 Lumber or Wood	
 Apricots	
 Wheat	
 Fabric	

- 2) Which has more value to a typical person: wool or a wool sweater? Why?

3) For each of the following basic products, identify at least five extra features that would appeal to buyers. Also indicate 2 services related to that product.

Basic Product	New Features	Related Services
 Wrist watch		
 Bicycle		
 Automobile		

4) In your group, make a list of items in your classroom. List features that might add value to the existing items.

↑

5) Some people want to buy the least expensive watch, and others want an expensive watch with lots of features. So “value” has different meaning to different people. What kind of watch would you prefer? Discuss your answer in your group.

↓



2.2.A

What it Takes to Be a Business Owner

Many people prefer to get a job working for someone else. But for thousands of years, and in every country in the world, there are always some people who have chosen to start and run their own business.

What makes a person want to be a business owner? In fact, most business owners have several characteristics in common. While everyone is unique, in general, business people are:

Adaptable	Able to cope with new situations and find creative solutions to problems
Competitive	Willing to compete with and test themselves against others
Confident	Can take the lead; believe they can accomplish goals
Disciplined	Able to stay focused and stick to a schedule and deadlines; able to stay calm in a crisis
Energetic	Have the desire to work hard to accomplish goals
Honest	Committed to tell the truth and deal with people fairly and with integrity
Organized	Able to structure their life and tasks and information in order
Persistent	Refuse to quit; are willing to keep goals in sight and work toward them despite obstacles
Persuasive	Able to convince people and to get them interested in ideas
Risk Takers	Have the courage to expose themselves to possible losses; and to take calculated (but not foolish) risks
Socially Adept	Are able to listen to and empathize with other people
Visionary	Have the ability to see the end result of goals while working to achieve them

In addition to personal characteristics, business owners must have some knowledge and skill. So, it helps if they are:

- Able to communicate well (in writing, as well as in person)
- Knowledgeable about general financing, production, management, human resources, sales, and marketing

What it Takes to Be a Business Owner

Questions and Activities

- 1) Many people argue whether the characteristics of a business owner are natural or learned. For example, can you learn to be organized, or is this a quality that you are born with? For each of the characteristics in the previous table, share your opinion in your group as to whether you believe it is natural or learned (or both).
- 2) Below are what real business owners say are some advantages and disadvantages of choosing to start your own business. Discuss this list in your group. In your opinion are all the challenges worth the potential benefits? Why or why not?

BENEFITS	CHALLENGES
Profit: The opportunity to accumulate wealth to benefit yourself, your family, and your community.	Business Failure or Loss: Possibility of losing your own money as well as that of your investors, resulting in long term indebtedness.
Independence: The opportunity to work for yourself, make your own decisions and be your own boss	Obstacles: The many challenges you have to encounter in order to start your business and keep it going.
Satisfaction: Getting pleasure in producing a product or providing a service that helps others.	Financial Insecurity: Lack of a steady income or money to pay bills until the business is well established. This could take several years in some cases.
Self-Esteem: A strong feeling of personal accomplishment	Long Hours: Rising early, staying up late, working 70 - 80 hour weeks or more, especially at start-up.
Satisfaction: A contentment that their business provides a high degree of personal satisfaction	Stress: Long hours lead to hard work, creating stressful situations for the owner/entrepreneur and the family
Contributions to the Community: Positive feeling that they are providing jobs and opportunities for others in their community	Loneliness: It can be both lonely and scary when one person is the only one responsible for making important decisions that affect others.

- 3) Do you have what it takes to be a business owner? Make a list of the characteristics that you feel you have now or could learn.

Have

Could Learn



2.2.B

Selecting a Business

Anyone starting a business needs to get the answers to the following three basic questions:

1. Is there a demand for this business?



- a. Will people pay money for this product or service?
- b. Will I be able to generate enough income to earn a profit?
- c. Is my product idea original or does it offer something unique in the marketplace?

2. Do I have the knowledge and skills for this business?



- a. If I don't, can I learn?
- b. If I don't, can I find others who do?
- c. If I do have some knowledge what more do I need

3. Can I assemble the cash, equipment, supplies and other resources for this business?



- a. If I don't have the resources in hand, can I borrow them?
- b. Will I need to find investors to help?
- c. How will I cover expenses while I am starting (before I start selling)?

All businesses start with an idea, then should develop a plan.

Coming up with the right idea is an important first step. The idea should be able to address the three questions above. A business plan helps the business owner determine how to implement the business idea.

Formal businesses need to register with the government; some may need special licenses or permits.

Selecting a Business

Questions and Activities

- 1) One way to identify a good business idea is to start with what you like to do. Make a list of your hobbies and interests (in and out of school).

- 2) Share this list with others in your group. Do some of you have the same interests? Put a star next to the items that are the same as others in your group.

- 3) Do any of these interests have the potential to be a business? That is, would someone pay for your knowledge or skill or product? Make a list here of any ideas you have.

- 4) Choose one skill from your list and draw a picture in the space below of a business that uses that skill. Use your imagination!



Generating Business Ideas

(Homework Assignment)

2.2.c

Assignment for Outside of Class:

Make a list of possible business ideas in your own community. You will share this list with your classmates during the next class.

Where to get business ideas:

- Ask family members, friends, and neighbors
 - Ask teachers and others at school
 - Look around your home, school or community and try to identify ways to add value to raw materials or existing products – or to provide needed services.
 - Review your own talents and skills, and identify potential businesses that could use those abilities.

Insert your business ideas below:



Section 3: Planning

TEAM ASSIGNMENT 3.1



3.1

Team Business Selection Worksheet

List Team Members Here:

The Business Idea our Team has selected is *(provide short description)*:

We selected this Business Idea because:

We think people will be interested in buying our product (or service) because:

The name of the Team Business is:

Draw a picture of your product or service here:

List the product or service's features here, including how customers would benefit, and how they might use it.



3.2.A

Projecting Business Income

The prospect of starting a business can be exciting. Receiving money from buyers is a satisfying return for all the hard work and effort.

To estimate how much income you are likely to get in a month (or year) you will need to know the following:

- Average number of sales (in a day or week)
- Price of item or hour of service

Assume four weeks in a month and 12 months in a year

Questions and Activities

1) Refer back to the school supplies exercise on p. 60. Write the average monthly income you projected here: _____

2) A shoe repair service typically gets 10 repair orders in a week. The repairman charges 250 Afs for his service.

- How much income does the business get in a month?

- How much income does the business get in a year?

3) A farmer sells olives in the marketplace two days a week. On an average day, he sells to about 15 people. Typically, people buy 500 grams of olives at 79 Afs.

- How much income does the business get in a month?

- How much income does the business get in a year?



Business Start-up Costs and Considerations

3.2.B

With any new project, it can be difficult to know where to start. For starting a business, it is helpful to begin to collect information about the following:

Existing Assets: This includes anything we already have that will help launch the business, such as: money; equipment; and tools. It also includes the talents and skills of the team members. Other assets might include access to others with cash, knowledge or expertise who could help the business get started. *(Remember the Physical, Human, Capital Resources discussion in Session 1.2).*

Needs. While listing assets, you can also start a list of those resources you will need to acquire. You can note possible options for getting those resources, as well as estimate how much they might cost.

Potential Sources of Funds. Part of the initial assessment includes a list of those people and places that might be willing to lend you money or invest in your business.

Other Requirements. You also will need to formally register the business, and pay a registration fee. Some businesses may also need special licenses or other legal documents to get started.

Business Start-up Costs

Questions and Activities

1) A family has decided to start a cleaning business to clean homes, stores, and other businesses in town. They made a list of the resources they have, as well as the ones they will need:

<u>Existing Assets</u>	<u>Needs</u>
<input type="checkbox"/> 2 brooms	<input type="checkbox"/> Cleaning supplies (soap, cleaning brushes)
<input type="checkbox"/> Bucket	<input type="checkbox"/> Another bucket
<input type="checkbox"/> Cleaning cloths	<input type="checkbox"/> Transportation <input type="checkbox"/> Business registration fee

Based on your own knowledge, estimate the costs of the needed items on their list.

- For Transportation, choose an option that you and your group think makes most sense (for example, car, truck, donkey and cart, bicycle) and whether it should be new or used. Estimate the purchase price of your choice.
- For Business registration fee, see Appendix 1 in the back of this Workbook for suggestion cost information.

2) The family has some money in savings. Also, a friend can loan them money for the first month. The grandfather has offered to give them 1000 Afs. A neighbor wants to invest 2000 Afs in their venture, and become a partner in the business. The family is also considering applying for a 10,000 loan from the bank to purchase a vehicle. Based on this information, complete the chart below, inserting amounts and check marks where appropriate, and calculating the total.

Source	Amount	Investment (✓)	Loan (✓)	Gift/Other (✓)
Personal Funds	490			
Friends	200			
Relatives				
Bank				
Other Investors				
TOTAL Funds				

3) Do you think this family with the cleaning business should purchase a vehicle? If they get the business loan from the bank, what other ways might they use the money to help their business? Discuss your answers in your group.

4) Another family wants to start a carpet-weaving business. Here is a summary of some of the start-up resources they listed for themselves:

<u>Existing Assets</u>	<u>Needs</u>
<input type="checkbox"/> One old loom (fixed size)	<input type="checkbox"/> New adjustable loom
<input type="checkbox"/> Wool-dyeing equipment	<input type="checkbox"/> Vegetable dyes (various colors)
<input type="checkbox"/> Scissors, wool comb	<input type="checkbox"/> Spun Wool
<input type="checkbox"/> Expert weaver	<input type="checkbox"/> Business registration fee
<input type="checkbox"/> Transportation (old truck)	<input type="checkbox"/> Rug pattern designer/artist
<input type="checkbox"/> Expert weaver	<input type="checkbox"/> Larger workspace
<input type="checkbox"/> Uncle with export knowledge and connections	

Assume that the family cannot afford to get all the things on their list of needs right away. In your opinion, which items should be higher priorities? Which item is the highest priority for a carpet-weaving business? Which items might the business get by without for a few months?

TEAM ASSIGNMENT 3.2:

- 1) Make a list of resources needed for your Team Business Idea.
- 2) List existing assets, as well as those things you will need to acquire.
- 3) Prioritize your needs list
- 4) Estimate approximate costs of priority items. Costs can include everything needed for startup and the first month the business is open.

Use the space below for your notes. When you are ready, put the total estimated funds you will need to start your business here:



Section 4: Marketing



4.1

Marketing Basics

Without customers, businesses would not exist. Business owners try to find ways to attract customers to buy their products and services. Marketing strategies usually include four key components.

Product or Service

- What features are most attractive to customers?
- What benefits do they get from the product or service?

Price

- Is the price affordable for most interested buyers and in line with my competitors' prices?
- Will it also cover my costs and help generate a profit for the business?

Place

- Is the location convenient to customers?
- Are the premises clean and attractive?
- Do customers know how to find me?

Promotion

- What discounts or special offers are most attractive to customers?
- How might I package or display the product in a tempting way?
- What other products or services can I link to this one that would appeal to buyers?

Marketing Basics

Questions and Activities

1) **Listening to What Customers Say.** Refer to Poster B; which shows several places of business in a small community. Below are quotes from customers overheard around town. Look at the illustration and find all possible locations where this quote might be heard. Put the business number(s) in the blanks provided.

<u>Customer Comment</u>	<u>Possible Businesses</u>
A. "I've been coming to this shop on the corner for years. They stay open late, which fits my schedule"	_____
B. "That shop is so convenient; it's close to the central marketplace"	_____
C. "This food is very fresh. This place has the best selection."	_____
D. "That business on the edge of town is a bit far to walk, but the service is worth it!"	_____
E. "They travel a long way each week to bring their products to town, but they have low prices and give out free samples."	_____
F. "That business by the ___ is nice. I wish their quality was better, but I love their prices!"	_____
G. "I heard the business next to the ____ is having a special sale next month."	_____

2) For the previous quotes, determine which of the four basic aspects of marketing is being referenced: Product, Price, Place or Promotion.

- A. _____
B. _____
C. _____
D. _____

- E. _____
F. _____
G. _____

Marketing Messages

3) Often, business owners incorporate what customers say into their marketing messages. Using the quotes from the previous exercise, write a short message the business might include in its advertising.

Example:

Quote A: "I've been coming to this shop on the corner for years. They stay open late, which fits my schedule"

Advertisements:

- A. We are conveniently located.
We stay open late for you!

- B. _____
C. _____
D. _____
E. _____
F. _____
G. _____

TEAM ASSIGNMENT 4.1

1) Where will your business be located, and what will it look like? Make notes here as you discuss with your Team. Include ideas about how you might market your location to customers.

2) Choose some features from the list below that might best describe your product or service (Circle all that apply) If you like, add your own words to the list.

Affordable	Stylish	Entertaining
Convenient	Tasty	Long-lasting
Comfortable	Fresh	Valuable
High-quality	Customized	Durable
Easy	Fast	
Flexible	Professional	
Unique	Fashionable	
Beautiful	Useful	

3) Will you offer any discounts, coupons, samples or other promotional strategies to attract customers? Make notes here.

4) Make a list of advertising messages you could use to describe the advantages of buying from your team's business



4.2.A

Getting to Know Your Customers

One important aspect of marketing is learning as much information about customers as possible. The more you know, the more you can understand and anticipate their needs and wants.

Business owners need to know more than just whether customers like their products. It is also helpful to know who their customers are.

Customer profile information could include:

- Average Age
- Gender (male or female)
- Occupation (farmer, wholesaler, student, homemaker)
- Buying habits (when customers shop and how often)
- Attitudes toward competitors (which products and services do they prefer, and why?)

It can be relatively easy to collect information about customers who live close by. It is more challenging for exporters and businesses in large cities, whose customers may live in various locations.

1) Imagine that you and your classmates have decided to start selling pencils and erasers to people at your school. Fill in the blanks below to create a profile of your potential customers

Primary Selling Location: School

Customer Profile

Population	Gender (%Male, % Female)	Average Age	Number
Students	_____	_____	_____
Teachers	_____	_____	_____
Staff	_____	_____	_____

TOTAL (Overall Market Size) _____

How many of these are likely to buy your product? _____

This is your **Target Market**

Customer Buying Habits

Where do they currently buy school supplies?

	<u>Typical Price Per Item</u>	
	<u>Pencils</u>	<u>Erasers</u>
<u>Local Shops</u>	_____	_____
<u>Central Market</u>	_____	_____
<u>Street Vendors</u>	_____	_____
<u>Other</u>	_____	_____
AVERAGE PRICE	_____	_____

How many supplies do they typically buy in a school year?

Pencils: _____ x average price _____ = _____ Total per year

Erasers: _____ x average price _____ = _____ Total per year

TOTAL (Average purchase per person per year) = _____

Average purchase _____ x Target Market _____ = _____

This is your total potential sales in a school year.

To calculate the potential monthly sales, divide the number above by the number of school months in a year.

_____ per month (potential sales)



Having a Competitive Advantage

4.2.B

Sooner or later, someone will try to offer a product or service similar to yours to lure away your customers. To understand how to analyze your competition, it helps to see those businesses from the position of your customers. What makes them choose the place where they will spend their money?

Factors determining buyer's choices include:

Price	Many people go to several businesses and compare prices before they buy.
Location	Businesses that are in good locations often attract more buyers.
Convenience	If business hours are amenable, and shopping is fast and easy, many buyers will return.
Image, style	Some shops are considered high fashion, or they have special brands that attract buyers.
Service	People appreciate good customer service with a friendly smile.
Knowledge, skill	Some people prefer to do business with someone who knows a lot about their product, for example, how to repair it.
Quality	People do not want to waste their money on poor quality. They want products and workmanship that last.
Cleanliness	Selling spaces that are pretty, neat, and organized draw buyers' attention.
Honesty	Sometimes, people value honesty above price or other factors.
Reliability	Buyers tend to do business with those they can depend on, who offer products that are reliable.

If you can be better than your competition on any of these points, you have a **competitive advantage** over your competitors. You may be able to attract more customers and/or have a higher price than others.

Having a Competitive Advantage

Questions and Activities

For the following activities, refer to Poster B

[Business numbers to be updated]

1) Business #9 (on Main Street) is offering the same items as a vendor in the Central Market (#1). Business #9 is open every day; the Market vendor is there two days per week. The Market vendor offers discounts on most items. Everyone knows the owner of Business #9; he is always telling funny stories, and giving advice to help families. The Market vendor has the reputation for bringing the best selection of items to the market.

Competitive Advantage	Which business has a competitive advantage (enter Business #)
Convenience (Business Hours)	
Price	
Service	
Knowledge	
Quality	
Location	

2) Business # 16 (on the edge of town) competes with Businesses #5 and 7 (on Main Street). Business #7 has very loyal customers, who have been coming there for years. Because Business #16 has lower rent costs, he offers lower prices; his customers appreciate how he always keeps his promises, and he also does repairs. Business #5 offers popular imported items that are made of strong materials; they just refreshed and painted their shop and redecorated the inside.

Competitive Advantage	Which business or businesses have a competitive advantage (enter Business #)
Reliability	
Price	
Image	
Cleanliness	
Quality	
Location	

TEAM ASSIGNMENT 4.2: Customers and Competitors

1) In your group, identify your target customer groups (age, occupation, buying habits, ability to purchase, and so on). Make some notes about your target customer groups here.

2) Identify those businesses who might offer similar products or services to that of your Team. What competitive advantages do they currently have? List the competitors and their strengths below.

2) Discuss what you would like your business and product or service to be known for (see the list on page 61). Write down those potential competitive advantages here.

TEAM ASSIGNMENT 4.2 – Marketing Poster

- Refer to the marketing messages information in Exercises 3.2 and 4.1. In your team, design a marketing poster that could be used to advertise your business.
- Take a blank piece of paper and use pencils or colored markers to draw your Team poster.
- You may choose to have one poster per Team, or have several members working on different posters. But, the Team as a whole should approve the design and message of each poster.



Section 5: Finance



Overview of Business Costs

Once a business has gathered the necessary resources to get started, the owners can start producing the product or performing the service. But each time a new product is produced, more costs are incurred.

Costs To Make a Table

Equipment that can be re-used for more tables	Materials for Each Table	Labor for Each Table
<ul style="list-style-type: none"> • Hammer • Saw • Measuring Tool • Instructions or Patterns 	<ul style="list-style-type: none"> • Wood • Nails • Varnish or paint 	<ul style="list-style-type: none"> • Time to measure and cut wood • Time to assemble the parts • Time to varnish or paint

The re-usable equipment is considered **one-time or start-up costs**. The materials and labor to make each item are called **direct costs**.

Every month, businesses incur other costs. Examples are: rent, electricity, telephone, and advertising. These are called **indirect costs**, because they do not directly relate to an individual product or service.

Some business costs are known as **fixed costs** – they must be paid regardless of the quantity of sales. **Variable costs** are those items that change depending on the volume of sales.

A family makes products that it sells once a week at the marketplace. To participate, they must pay for transportation to get there, and a daily entrance fee. On the weeks they do not attend, they do not pay those costs (and do not make any sales). Transportation to the market and the daily entrance fee are examples of variable costs.

Overview of Business Costs

Questions and Activities

1) For the following items, indicate whether they are:

- Start-up (or one-time) costs (e.g., equipment that can be re-used for many products or services)
- Direct costs (e.g., materials and labor for each product)
- Indirect costs (e.g., rent, electricity)

- a. Fabric for making a set of curtains _____
- b. A sheep for milk and cheese _____
- c. Time needed to plant seeds for this year's crops _____
- d. Pans for baking bread _____
- e. Time to repair a customer's shoes _____
- f. Monthly fee for location at bazaar _____
- g. Computer _____
- h. Monthly installment payments on loans _____
- i. Repair broken generator in workplace _____

2) For the following items, indicate whether they are:

- Fixed costs (must be paid regularly regardless of sales quantity).
Examples are: monthly rent, salaries for full-time employees.
- Variable costs (only paid to produce and sell products/services).
Examples are: product packaging, shipping charges.

- a. Fee from accountant for calculating annual taxes _____
- b. Hiring seasonal workers to help with harvest _____
- c. Monthly telephone bill _____
- d. Export fees for shipping products internationally _____
- e. Annual business license renewal fee _____

NOTE: Fixed costs (must be paid) are also often indirect (general). Examples are rent and loan payments. Once you decide how to organize costs for your business, remain consistent in your own definition.



Product Costing (Materials and Labor)

It is helpful to know how much each product costs to make. If we know this information, as well as how many products we make in a month, then we can calculate our monthly direct costs. Remember, direct costs are materials and labor required to make a product (or perform a service). Let's return to the Table example from the previous exercise.

Calculating Direct Costs for Making a Table

Materials for Each Table	Cost per Table (Afs)
Wood (5 large pieces, high quality @ 98 each)	490
Nails (1/10 of a box @ 90 Afs per box)	9
Varnish or paint (1/2 small can @ 120 Afs per can)	60
TOTAL MATERIALS COST	559

Steps for Making Each Table	Hours	Labor Rate / Hour	Cost (Afs)
Measure and cut wood	0.5	50	25
Assemble the parts	1.0	50	50
Apply varnish or paint (2 coats)	2.5	50	125
TOTAL LABOR COST			200

TOTAL DIRECT COSTS PER TABLE (MATERIALS + LABOR) = 759

There are other costs associated with doing business. Items such as rent, electricity, and marketing are part of the overall cost picture.

Product Costing

Questions and Activities

- 1) If the Carpenter makes 2 tables per day and works six days per week, what would be his total direct costs per week? Per month?

- 2) If the table maker cuts his labor rate in half, what would be his total direct costs per week?

- 3) Many business owners do not pay themselves a regular salary (because they want to keep their monthly costs low). What do you think? For example, should the carpenter get paid for the time he spent making the table?

OPTIONAL CHALLENGE EXERCISE (*Can be done outside of class*)

- 4) The following represents some costs for an okra-growing farm business for one month during the planting season. The farm land total is 5 jeribs, but only 1 jerib will be used for planting okra this year. Review the items and complete the budget chart by inserting totals.

Material	Unit Totals	Cost per Unit (Afs)	Total Cost for This month
Okra Seed	2kg per jerib	160 per kg	
Planting medium	10 bags/ jerib	64 per bag	
One bag of Urea compound	3 bags/ jerib (50 kg each)	562 per bag	
Water irrigation payment	Flat fee	1200 per month	
TOTAL MATERIALS			

Labor			
Farmer	6 days / week x 4	400 per day	
Farmer's wife	4 days / week x 4	400 per day	
Other worker	6 days / week x 4	325 per day	
TOTAL LABOR			



5.2.A

Pricing Products

Once a business owner has estimated costs, and has learned more about the target customers as well as the competition, it is then time to think about what pricing level is the most appropriate. Let's return to the example of the carpenter making tables.

Monthly Direct Costs (for materials and labor) =	36,432
+Other Monthly Costs (summarized below) =	<u>13,600</u>
Total Monthly Costs	50,032

Summary of Other Monthly Cost Items	Amount (Afs)
Rent	1,000
Electricity (fuel for generator(s))	800
Cell Phone	1,500
Food bill for the owner's family	9,000
School supplies for owner's children	300
Other expenses	1,000
TOTAL	13,600

The Carpenter makes 48 chairs in a month. If he sold all of his tables this month, he would need his price per table to be 1,042 just to cover his costs. Divide total monthly costs (50,032) by the number of tables made in a month (48).

To earn a profit, he would need to charge more for each table. But how much more?

The profit margin for any business depends on several factors:

- Customer demand for the product or service
- Competitor prices
- Other aspects such as product quality, style, and usefulness

Typically, businesses may add 15% - 100% above the cost of each product to set the final price of the item.

1) If the Carpenter decided to charge his customers Cost + 50%, what would be his final price for each table?

2) The following table shows what can happen when each business owner sets a price that covers their costs. The farmer's original price assumes one kilogram of apples that is harvested and being transported, in this case, to the wholesaler.

(Start at the bottom of the table and read up)

Sellers and Buyers in the Chain	Summary of Cost Elements per Unit (1 kg of apples)	Sample Formula	Sample Pricing (Afs)
	4. Customer ↑	The customer has no costs; and pays the approximate retail price	103
	3. Retailer ↑	Sales Personnel Merchandising Advertising Packaging Storage	Wholesale Price <u>X 2</u> Retail Price 51.6 x 2 103.2
	2. Wholesaler ↑	Transport Fees Warehouse Shipping Packaging Marketing	Producer Price <u>X 3</u> Wholesale Price 17.2 x 3 51.6
	1. Farmer/Producer	Materials Labor Indirect Costs Profit Margin	Materials Labor Indirect Costs (%) +Profit Margin (%) Producer Price 7.5 5.0 2.5 2.2 17.2

a) Referring to the chart above, if the Retailer offers a 10% discount to the customer, what would the customer pay?

b) What if the apple farmer sold his products directly to customers? Discuss the extra costs he might incur and the impact on the final price.

3) To earn extra income, one business owner uses his truck to provide transportation services to local farmers during the harvest season. The business owner has decided to charge 1200 Afs per hour. This price was calculated to include his time, as well as the costs of fuel and oil.



a) Three farmers hire the truck owner during the harvest season. He works out a schedule with each farmer. Look at the schedule and calculate what he charges to each customer.

- Farmer 1 = 14 hours X 1200 per hour = _____
- Farmer 2 = 27 hours X 1200 per hour = _____
- Farmer 3 = 40 hours x 1200 (-10% discount) = _____

b) Discuss three reasons why the business owner might offer a discount to Farmer 3.

4) In your group, talk about the experiences you or your family members have had with regard to prices and discounts in the market place. Have you or someone you know used negotiating skills to ask for a lower price?

5) Earlier, we learned that price is one of the aspects of marketing. Knowing what you just learned about the cost aspects of pricing, discuss some of the advantages and disadvantages of price discounts for the business owner.



5.2.B

Preparing a Marketing Budget

Questions and Activities

1) Three students have just completed university. They decide to start a business together. They are discussing what they will need to start advertising their seed company business. Here is a list of what they think they will need in the first month of operations.

- Business cards for the three partners.
- Plastic Banner in a metal frame 2 x 6 (12 square feet).
- 15 posters
- Store sign
- Market stall rent for 1 day a week (four times in a month)

What would be the total startup marketing budget for the first month?

Marketing Method	Unit	Cost in Afs
Business cards	Per Person, Set of 100	100
Printed store sign	Medium size	800
Posters	10	600
Printed flyers	50 copies, color	4500
Banners	Printing on plastic material	150
	Metal frame per sq. ft.	60
Market stall rent	Per day, can vary by location	500
Bazaar location rent	Per month, varies by location	2,000-10,000
Radio advertisement	Short announcement	325
	Longer announcement	>800
TV advertisement	Short announcement	1,600

3) A retail business in Jalalabad with two partners has set aside 3,000 Afs for marketing for the first month of operations. Using the information above how would you recommend the company allocate the funds? Discuss your answer in your group.

TEAM ASSIGNMENT 5.2 – Marketing Budget

- 1) Discuss appropriate marketing methods for your Team Business.
- 2) Prepare a marketing budget for your Team Business Idea (insert in the space below).
- 3) You can use the above information as a reference guide.



Section 6: Management



Negotiating in Business

6.1

Business owners negotiate frequently, with customers, suppliers, and employees. Although the most typical business negotiation is about money, people negotiate all kinds of things, including work schedules, services, benefits, delivery terms, and in-kind exchanges. Good negotiators remember that the ultimate power of negotiating is in compromise, and finding a solution that works for all parties.

Negotiating Price

Advance Preparation	Making the Deal
<ul style="list-style-type: none"> Set goals and organize thoughts. Decide what the best deal for you would be. Determine the minimum <u>you</u> are willing to accept and the maximum you can offer. Imagine the viewpoint of the other person. Estimate <u>his/her</u> likely minimum and maximum terms, as well as likely negotiating tactics. But don't assume you already know the other person's negotiating position. Expect to stay flexible and listen for new opportunities to emerge other than the ones you expected. Consider the other items that are part of the negotiation such as timing and terms of delivery. These points can also be worth a lot. 	<ul style="list-style-type: none"> Let the other person identify a price first to reveal his or her position. If there is no offer, offer an extreme amount (high or low) to get a reaction. Be willing to compromise, including on other things besides price. Decide in advance what you can afford to give up. Always ask for something better than what is offered. Resist the temptation to "win" completely and leave the other person with nothing. This is not a healthy outcome for most business situations. TIP: Silence is powerful in negotiating. Not responding to an offer right away often compels the person to make another offer to fill the void.

Negotiating in Business

Questions and Activities

- 1) In your group, identify some examples from your own negotiating experience. Can you pinpoint any of the above techniques being used during those examples?

- 2) In your opinion, do men and women negotiate differently? What are some special considerations for women who need to negotiate in a business context? Discuss your answers in your group

- 3) Who is someone (man or woman) whom you consider a good negotiator? What characteristics do you admire about that person's negotiating style? For example, they are well prepared, cool under pressure, good at bluffing, patient, and so on. Discuss your answers in your group.

TEAM ASSIGNMENT 6.1:

- In your Team, discuss who among you has the strongest negotiating skills. In other words, who in your team would be the best to negotiate with customers and suppliers for your Team Business and why?
 - Make a list of negotiating styles and techniques you and your Team most admire and/or would like to develop further.
-
-
-



6.2.A

Management Roles and Responsibilities

Note: Refer to the list of Responsibilities in a Business for Exercise 1.2.B.

When a business has only one owner, that person is responsible for all tasks. When there are several owners – or owners and employees – the process of determining who will be responsible for which tasks in the business gets complicated.

Of course, some people have talents in a particular area. For example, one partner may be better at accounting and record-keeping; another enjoys customer relations.

Most people who work for a business not only have assigned responsibilities, they also have a title. The following are some titles of typical business positions.

President: Makes decisions, hires people. Is in charge of planning the business and of allocating resources

Vice President: Can make decisions when the president is ill or out of town. May also take the lead role on other responsibilities, such as customer relations and marketing

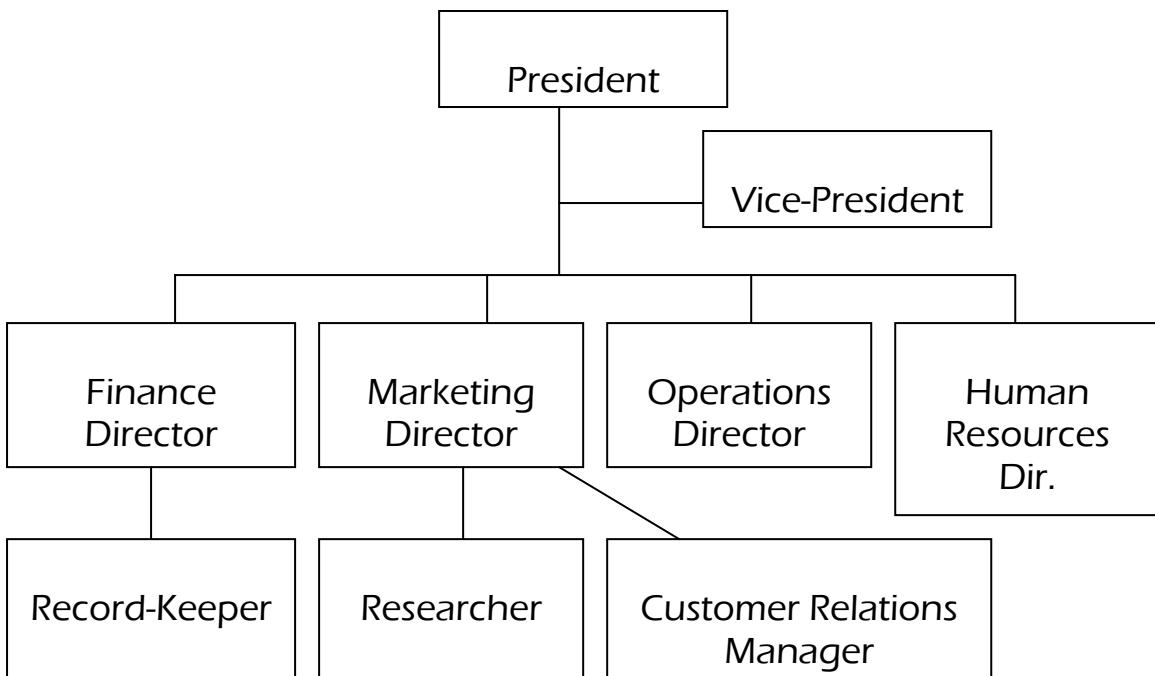
Marketing Manager: In charge of finding customers and selling opportunities. Also handles advertising and marketing materials.

Finance Manager: Handles money and keeps track of income and expenses.

Operations Manager: Oversees production of products. Ensures the proper equipment and people are in place to accomplish work goals.

TEAM ASSIGNMENT 6.2

- 1) Each person in the team should look back to their answers to Exercise 2.2.A (What it Takes to Be a Business Owner) to remind themselves of their strengths and preferences. Also, refer to Business Negotiation to recall who on your team has good negotiating skills.
- 2) Most organizations devise a chart that shows owners, managers, and employees. Complete the organizational chart below to designate which team members are responsible for various tasks (each team member will have several responsibilities).



- 3) Turn to the Management Plan of the Business Plan Template. In your team, take a few moments to discuss how to complete this section, determining what each person will do for the company.



Business Ethics

6.2.B

Most business owners conduct their business in an honest and ethical manner. Of course, often there are laws or religious reasons that keep people honest. For another thing, business owners know that customer loyalty is the key to long-term business success, so they want to treat customers fairly. Good ethics can be good for business

A company's most valuable asset is its reputation. But some, seeking short-term gain without regard to the long-term consequences, make questionable or even illegal choices. The following are some types of unethical business practices:

- **Marketing Practices**
 - False or misleading advertising
 - Undermining competitors by saying untrue things about them
- **Environmental practices**
 - Polluting the water, land or air in a way that can harm the environment and/or others
- **Business practices**
 - Short-changing funds to customers or suppliers
 - Offering poor quality or unsafe products

Business Ethics

Dialogue Workcard

1) Dialogue 1 – Purchasing

Partner 1: Someone came in our store today and offered to sell us products for much less than our current supplier?

Partner 2: That sounds wonderful – we need to keep our costs low.

Partner 1: Yes, we can lower our costs, and keep the prices the same – that will make our profits higher.

Partner 2: Are these products exactly the same as those offered by our current supplier?

Partner 1: Well, no. These products are made from lower quality materials than our current ones. But perhaps our customers won't notice the difference.

2) Dialogue 2 – Advertising

Buyer: Excuse me, your advertisement said you were selling these items for a discount this week. But you just charged me the full price.

Seller: Oh, that was a mistake made by the printer. Actually those other products over there have a discount.

Buyer: But your advertisement specified these products. I don't want those over there. I traveled here especially to take advantage of your sale offer.

Seller: I apologize for the printer's mistake, but there's nothing I can do.

3) Dialogue 3 – Selling

Farm Worker: Boss, I noticed that some of the animals in the pasture look like they may be getting sick. What should we do?

Farm Owner: I can't afford any losses right now. Let's make sure we take those animals to the market tomorrow and sell them before the animals get any worse.

4) Dialogue 4 – Environmental Pollution

Partner 1: This morning I noticed the truck is leaking oil. There was a large pool of it on the ground.

Partner 2: That's not good. Did you try to repair it?

Partner 1: Yes, but I think we need a new part. It is going to be expensive.

Partner 2: Well, we can't afford any major expenses until the harvest time.

Partner 1: If we don't get it fixed, we'll need to buy more oil to keep the truck in operation. That is going to cost money, too.

Partner 2: It is cheaper to buy more oil than it will be to repair the leak. Let's put off solving the problem for a few more months.



Section 7: Taking Responsibility in a Business



7.1.A

Managing Production and Work Flow

Refer to the Carpenter discussed in 5.1.A.

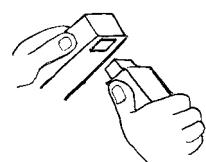
The Carpenter has a certain set of steps involved in making each table. Those steps might include:



- Gathering materials and tools together
- Measuring and cutting the wood
- Assembling the parts
- Carving artistic patterns into the legs
- Varnishing the finished table

Each of the above tasks involves time and expertise. Now imagine that the Table Maker has the entire family working with him, and all are making lots of tables in a day. One option is for each person to make a complete table from start to finish. Another would be for the group to divide up the tasks and develop a specialty (for example, one person specializes in varnishing all tables).

A production plan helps business owners determine the flow of work in the company. The challenge of a good production plan is to ensure that people and tasks line up in the most efficient way possible. For example, if production is not well planned, then the person in charge of varnishing could be sitting around and waiting for others to finish. This can slow down production, costing the company money.



Other types of business also need to plan the flow of work:

- **Agri-businesses** must sequence tasks from planting season all the way to harvest.
- **Retail and wholesale** businesses have to ensure they keep the right amount of merchandise in stock.
- Schedules are also important to **service** businesses – the more efficiently they use time, the more clients they can serve.

Managing Production

Questions and Activities



1) A family of three persons (Blue, Green, Yellow) operates a housecleaning service business. They have started a work flow (production) plan for when they enter a client's home. But, the tasks are not necessarily in the appropriate order. Suggest a better way to reorder the tasks by putting a number in the right column – first task, second task, and so on. (*There may be more than one way to complete the plan*)

Task Number	Task	Person Responsible	Appropriate Task Order
1	Mop the floors	Blue	
2	Sweep the floors	Green	
3	Remove the trash	Green	
4	Dust the shelves	Yellow	
5	Sweep the front entrance	Green	
6	Clean the kitchen	Yellow	

2) Is it possible to do some of these tasks simultaneously? Give two examples.

3) Give one example of tasks that must follow each other

TEAM ASSIGNMENT 7.1 – Production Plan

1) In your team, take a few moments to list the tasks or steps associated with the daily work flow of your Business idea. Refer to the information you completed for 6.2 about management responsibilities.



Operations Plan: The Cycles of the Business

7.1.B

Refer to the exercise on Business Cycles in 2.1

Related to the Production Plan, a business operations plan specifies the regular patterns of the business. These might include:

<i>Operation Cycle</i>	<i>Possible Example</i>
Hours of operation	The store is open six days per week from 9.00 to 21.00
Purchasing	The farm buys seeds and fertilizer every spring
Payment	The computer consistent service company's bills are paid once a month
Taxes	The seed company pays taxes are paid once a year
Payroll	The wholesaler pays salaries weekly
Receipts	The farmer makes sales once a week at the market

TEAM ASSIGNMENT 7.1

- 1) In your team, list the cycles of your Business Idea in the space below. Indicate which items will likely occur on a daily, weekly, monthly or yearly basis. Then, complete the Operations Plan in the Business Plan Template in the back of the Workbook.

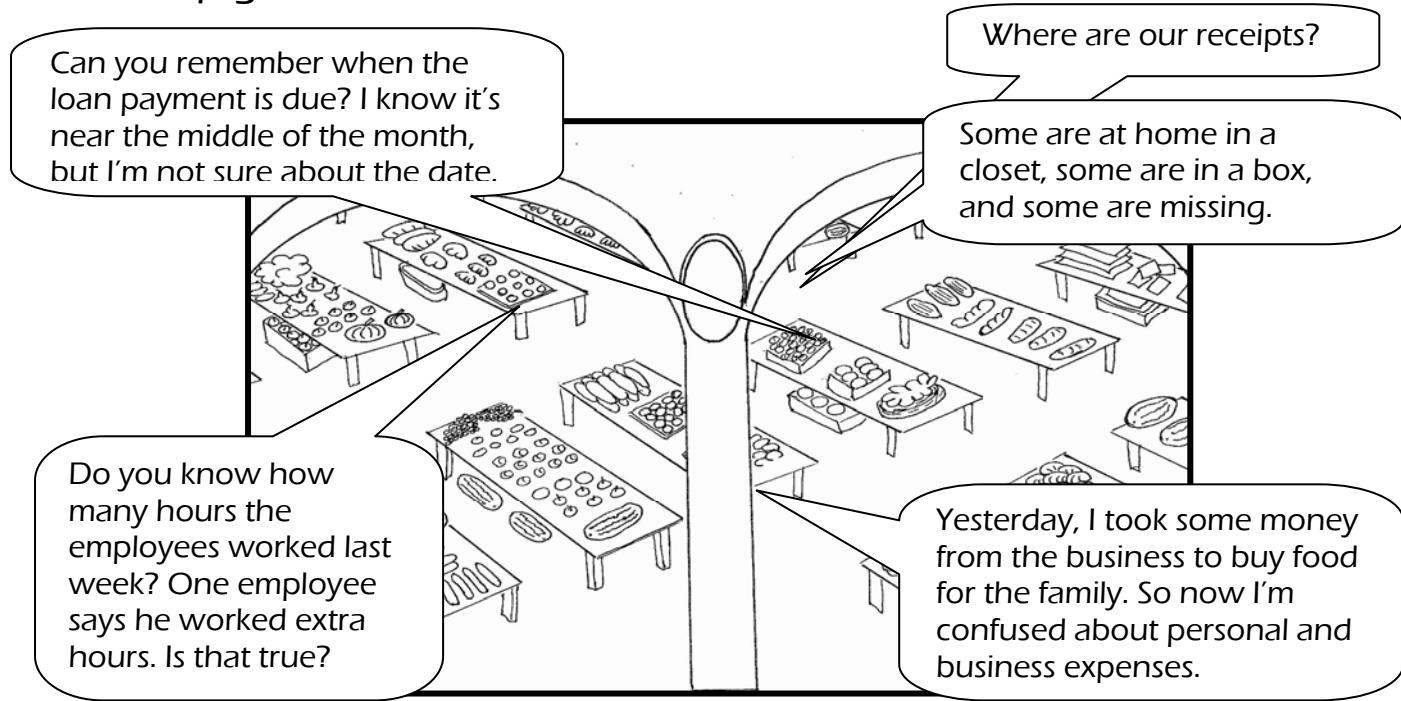


10.1

Record-keeping

Many business owners find it boring to keep track of receipts, bills, and other paperwork. But keeping good records can help save time and money, which is good for business.

Read the following quotes from business owners who do not keep good records.



Business owners should set up a record-keeping system that has some or all of the following features:

- Dates on all receipts, bills, and other important documents.
- A set of categories for each transaction (e.g., Rent, Food, Materials).
- Monthly timesheets to track hours worked.
- A note on each item as to whether the expense is Personal or Business.
- Special (separate) containers for expenses and receipts (income) and another container for Personal (or Family) expenses.

Even the most basic attempt to keep records can help improve business operations and help reduce stress levels.

Keeping Records

Questions and Activities

- 1) This is a list of expenses for a business that sells wool sweaters. Please help complete the notations by filling in the blanks below.

Date	Purchase Item	Category	Expense Type	Amount (Afs)
1 Nov	Rent for Home	Rent	Personal	1800
7 Nov	Bus Ticket to Central Market to sell goods	Transportation	Business	500
7 Nov	Food for family	Food	Personal	2000
9 Nov	Shipment of Wool	Materials	Business	4500
14 Nov	Bus Ticket to Central Market	Transportation		500
15 Nov	Food for family			2200
15 Nov	Rent for Workspace	Rent	Business	3000
17 Nov	Electricity for Workspace	Utilities		600
18 Nov	Shipment of Wool			3200
19 Nov	Food for family	Food		2100
20 Nov	Bus Ticket to Central Market			500
20 Nov	Wood for Work heating stove	Utilities		900
21 Nov	Bus Ticket to Farmers' Market to buy food	Transportation		400
21 Nov	Food for family			2000
25 Nov	Wood for home stove			700
28 Nov	Bus Ticket to Central Market	Transportation		500
TOTAL				25,400

- 2) Using the information above, help the company with its monthly expense summary

Monthly Expense Report

Category	Business Expenses	Personal Expenses
Rent	3000	1800
Utilities		
Materials/supplies		
Transportation		
Food		
TOTALS		

3) List some of your own personal or family expenses for a typical month in the first column below. You do not have to recall exact dates.

<u>Expense Item</u>	<u>Category</u>

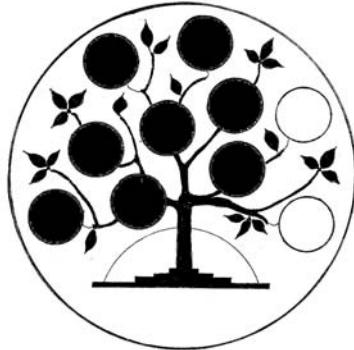
4) For the items above, indicate categories for each expense in the second column above – keep your set of categories consistent.

TEAM ASSIGNMENT 7.2 – Keeping Records

1) In your team, discuss how you might organize and keep important company records.

TEAM ASSIGNMENT 7.2 – Marketing Materials

1) Teams should complete the marketing poster they started earlier. They also can design other marketing materials for their business, including business cards, advertisement, company logo (or symbol) and a business sign.



Section 8:

Budgeting/ Cash Flow



Budgeting and Cash Flow

8.1

As part of business planning, business owners put together a budget – estimating what their income and expenses will be for a typical month. In reality, each month's sales and expenses can be different. For example, some businesses sell more in some months than in others. They are called **seasonal** businesses. Can you think of examples?

Business expenses can also vary from month to month. Equipment may need repair, or there may be a special marketing event, such as a trade show.

In fact, sometimes business owners spend more in a month than they receive in income. This means that they may not have enough cash to cover all their expenses. A **cash flow statement** can help businesses see trends in their finances, and plan for the future.

Let's see an example. Suppose you start a business with 100. In the first month, you make 2500 in sales, and you spend 2250 on expenses. Your cash flow for Month 1 would be:

	Month 1
Beginning Cash	100
Money In (income)	2500
Money Out (expenses)	2250
Ending Cash (Beginning + In) - Out	750

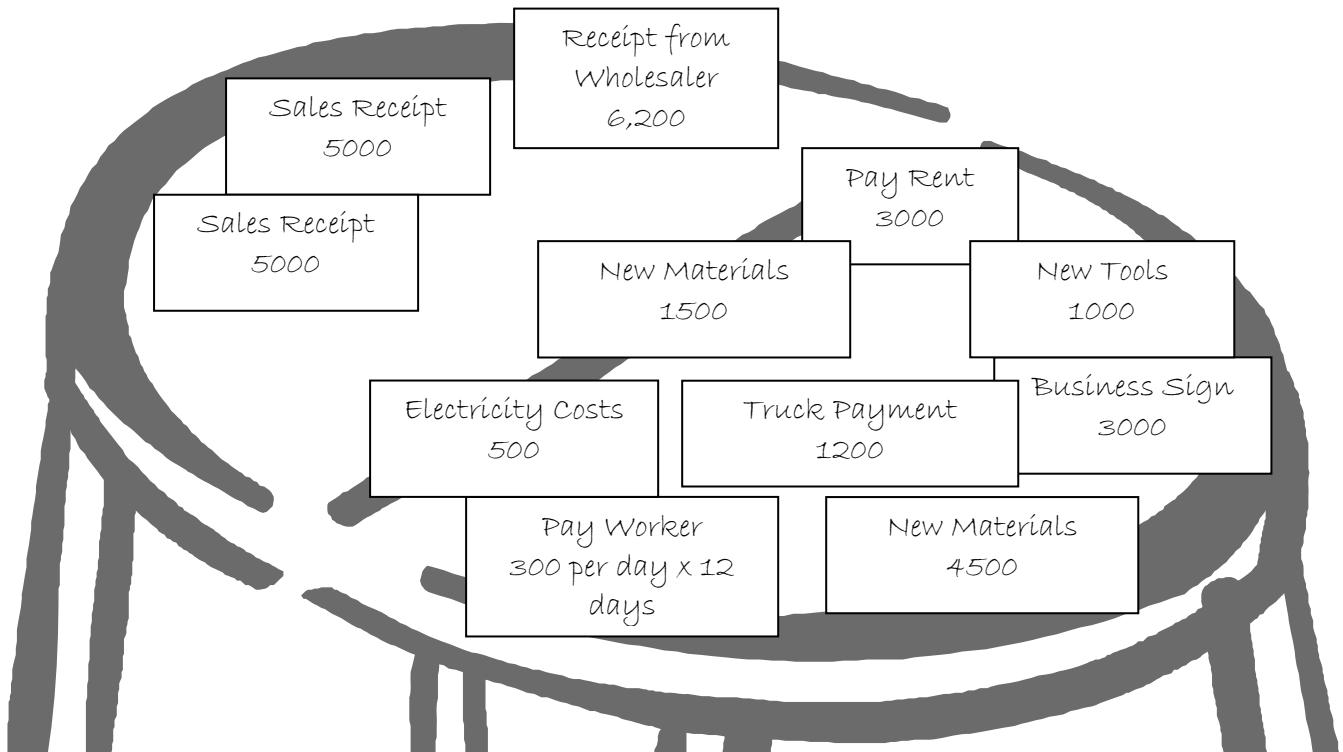
The power of a cash flow statement is to see what happens over several months:

	Month 1	Month 2	Month 3	Month 4
Beginning Cash	100	350	250	-100
Money In	2500	2500	2850	2500
Money Out	2250	2600	3200	2250
Ending Cash	350	250	-100	150

Budgeting and Cash Flow

Questions and Activities

- 1) On the tabletop below are some records for one family business. They have started to organize their paper work. They know they started the month with 4,000, but don't have a clear picture of what happened after that. Help them organize their information using the chart below.



Monthly Income and Expenses

	This Month
Beginning Cash	
Total Sales This Month	
TOTAL Cash Available	
Expenses	
Labor	
Materials	
Rent	
Electricity	
Equipment	
Marketing	
Transportation	
TOTAL Expenses	
Cash at End of Month	

TEAM ASSIGNMENT 8.1

1) In which month are you likely to be able to start your business?

Based on your knowledge and experience, will the first month have normal sales potential, or will it be higher or lower? Discuss reasons for your choice.

2) Discuss in your team whether your Team Business Idea has any seasonal aspects that might mean fluctuations in income and expenses. Using the chart below, make a check mark for months with expected normal, higher, or lower sales and income. Do the same for expenses.

Month	Normal Income	Higher Income	Lower Income	Normal Expenses	Higher Expenses	Lower Expenses
January						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						

3) Given the information above, discuss in your group what would be an appropriate average figure for expected income your first month?

4) Regarding expenses, use the chart below to calculate the first month expenses of your new business.

Expense Category	Average Amount per Month
Rent	
Utilities	
Materials/supplies	
Labor	
Marketing	
Transportation	
Equipment	
TOTAL Expenses	



Using a Cash Flow Statement

Questions and Activities

1) Referring to the example from the last class, help the same family business predict what will happen for six months based on This Month's information. Keep in mind the following facts:

- This Month is the only time the business will need to buy a sign;
- Electricity is usually the same every month;
- Rent is expected to increase to 3200 starting in Month 5;
- The family buys new tools (for the same amount) This Month and in Month 3. But a tool needs new parts in Months 4 and 6 (at 450 for each repair);
- The final payment for the truck is Next Month, but there will be repairs of 3500 in Months 4 and 6;
- The family will attend a trade show in Month 4, which will cost 2500; but they predict an extra 8500 in sales at that event. Labor in Month 4 will increase to 15 days (Labor rate is 300 per day). And they will need 3,000 in extra materials;
- Otherwise, sales are the same as This Month for every month – except Month 6 when, because of bad weather, they will drop to 12,000.

	This Month	Next Month	Month 3	Month 4	Month 5	Month 6
Beginning Cash	4000					
Total Sales This Month	16,200					
TOTAL Cash Available	20,200					
Expenses						
Labor	3,600					
Materials	6,000					
Rent	3,000					
Electricity	500					
Equipment	1,000					
Marketing	3,000					
Transportation	1,200					
TOTAL Expenses	18,300					
Ending Cash Balance	1,900					

Reminder: The Ending Cash Balance for one month is the Beginning Cash Balance for the next month.

TEAM ASSIGNMENT 8.2

- 1) In your Workbook, turn to the Financial Plan section of the Business Plan Template. Complete the first page of that section, calculating average monthly sales and expenses, as well as expected annual amounts. Refer to information in Exercise 8.1, if needed.
- 2) Turn to the Cash Flow Statement inside the Business Plan Template.
 - Estimate a Beginning Cash Balance (perhaps based on your list of assets during the Startup Costs and Considerations exercise).
 - Identify those items that will tend to stay the same every month, and put those numbers in the chart. (Refer back to your answers for Team Exercise 8.1).
 - Project your expected income for each month.
 - Make estimates for other costs, based on expected seasonal changes or other factors.
 - Make calculations to determine the beginning and ending cash balance for each month.



Section 9: Review and Team Preparation



9.1

Review Worksheet

Refer to Poster B to complete the following.

Topic	Business #	Give 2-3 possible examples for the Business specified.
Start-up Costs	8	
Products to which they Added Value	15	
Marketing Methods	2	
Target Customers	7	
Competitive Advantages	5	
Marketing Materials	10	
Fixed Costs	11	
Materials Costs	2	
Knowledge and Skills needed	12	
Possible problems with Cash Flow (seasonal changes)	13	
Business Cycles	9	
Business Hours	4	

9.1 Instructions for Team Presentations

Summary: Each team will organize a 15-minute presentation that they will deliver to the students and the teacher in class. The subject of the presentation will be their business idea and their business plan.

- Organize your presentation according to the following outline:
 - Introduction and Summary
 - Business Name
 - Business Type
 - Business Location
 - Why this idea?
 - Product Description
 - Marketing
 - Description of Target Customers
 - Description of Competitors
 - Competitive Advantage
 - Marketing Methods
 - Sample Marketing Materials
 - Finance
 - Types of Costs
 - Price and Pricing Strategy
 - Monthly and Annual Income and Expenses
 - Projected First Year Profit
 - Management Roles and Responsibilities
 - Team Members Job Titles
 - Operations
 - Long-range Plans
 - Conclusion
 - Questions and Comments from Classmates
- Ensure that everyone on your team has a role in planning, organizing and delivering your team presentation. Everyone on the team should get a chance to speak. *Tip:* Assign a different team member to deliver each of the major sections of the outline above.
- Remember to keep the total presentation to no more than 15 minutes. This should include 10-12 minutes for presentation and 3-5 minutes for questions.
- Prepare sample marketing materials to show during your presentation. You may use plain white paper with pencils or colored markers.
- Refer to Appendix 2 for helpful information on how to organize and give a class presentation.

Your teacher and classmates will be listening to your presentation and may provide comments and suggestions on the following:

- Staying within overall time constraint
- Teamwork
- Application of good presentation skills
- Organization and clarity of information
- Use of visual aids (marketing materials)



Section 10: Conclusion



10.1

Presentation Review Worksheet

Use this worksheet to take notes during the other Teams' class presentations.

Presentation 1	Business Name:
-----------------------	-----------------------

Criteria	Things I like about this team's presentation	My suggestions for improvement
General Business Idea		
Teamwork		
Presentation Skills		
Organization of information		
Relevance of Marketing Materials		

Presentation 2	Business Name:
-----------------------	-----------------------

Criteria	Things I like about this team's presentation	My suggestions for improvement
General Business Idea		
Teamwork		
Presentation Skills		
Organization of information		
Relevance of Marketing Materials		

Presentation Review Worksheet

(continued)

Use this worksheet to take notes during the other Teams' class presentations.

Presentation 3	Business Name:
-----------------------	-----------------------

Criteria	Things I like about this team's presentation	My suggestions for improvement
General Business Idea		
Teamwork		
Presentation Skills		
Organization of information		
Relevance of Marketing Materials		

Presentation 4	Business Name:
-----------------------	-----------------------

Criteria	Things I like about this team's presentation	My suggestions for improvement
General Business Idea		
Teamwork		
Presentation Skills		
Organization of information		
Relevance of Marketing Materials		



10.2

Individual Action Plan

1) For each item in this list, check all that apply.

Topic	a) I feel comfortable with my understanding of this topic	b) I want to know more about this topic	c) I think this information will be useful to me in the future in the following ways
Identifying Startup Costs and Considerations			
Adding Value to Products			
Knowing What it takes to be a Business Owner			
Identifying Business Ideas			
Marketing Basics			
Identifying Target Customers			
Determining Competitive Advantage			
Creating Marketing Materials			
Business Planning			
Making a Budget			
Costing Products			
Pricing Products			
Setting up a Cash Flow Statement			
Using a Cash Flow Statement			
Discussing Business Ethics			
Managing Production			
Keeping Records			
Giving a Presentation			
Writing my own Business Plan			
Other _____			

Individual Action Plan

(continued)

2) The following are some ways I might use this Business Plan I started in class with my Team:

3) This course has changed my understanding of many things, including:

4) My priority action steps include: *(please indicate whether each item below is a high, medium or low priority for you)*

	H	M	L
a) Continuing to develop this Business Plan	—	—	—
b) Developing my own Business Plan	—	—	—
c) Using business skills in other aspects of my life (regardless of whether I ever become a business owner)	—	—	—
d) Participate in a Business Plan Competition	—	—	—
e) Find other opportunities to learn more about business	—	—	—
f) Start my own Business	—	—	—
g) Share what I've learned with family and friends	—	—	—
h) Other _____	—	—	—

Appendices:

STUDENT WORKBOOK

APPENDIX 1

How to Register a Business

The following information summarizes the steps and costs associated with registering a business in Afghanistan. The information is current as of January 2007. Please note that the information is general and is not meant to cover every variation of the business registration process. Some businesses may have to follow other requirements, including special licenses.

Every business should have a business permit

There are two types of permits: international and national

The International permit is given by the Ministry of Commerce and the national permit is given by the Afghanistan Investment Support Agency (AISA).

There are three classes of permits. Here is a summary of the current fees:

- 1) *Small* = \$200: for small businesses with annual income of \$1 - \$10,000
- 2) *Medium* = \$700 plus 1,500Afs: for medium sized businesses with annual income between \$10,000 – 100,000
- 3) *Large* = \$2,000: for big businesses earning greater than \$100,000.

General steps to be taken to register a business to get a national permit:

- 1) At AISA office, obtain business registration form and information on registration requirements.
- 2) AISA will establish the registration amount to be paid for business registration; fee will be paid at the bank.
- 3) AISA will verify that the name chosen is not being used by another company (name availability check).
- 4) AISA will introduce the new business to the provincial Finance Department to be registered with them.
- 5) AISA will register the business at the civil court.
- 6) AISA sends registration documents to the central office in Kabul for the last registration.
- 7) After 7 or 8 days the business will get permit documents from Kabul.

STUDENT WORKBOOK

APPENDIX 2

Giving a Presentation in Your Class

The following information is to help you prepare, organize, and deliver your speech as well as create visual aids to accompany it and answer questions when it's over.

Preparing an Effective Oral Presentation (General Background)

- Determine the purpose of your presentation & identify your own objectives.
- Know your audience and what it knows.
- Define your topic.
- Arrange your material in a way that makes sense.
- Compose your presentation with your objectives in mind.
- Create visual aids (such as drawings or charts), particularly if they will help you to be more persuasive, informative, or convincing.
- Practice your presentation with your visual aids and make necessary adjustments if your practice run exceeds the time limit for your talk.

Organizing Your Presentation

- Make an outline of 3-5 main points that will help you meet your objectives in giving the presentation. It is best to use as few complete sentences as possible:
 - help you to see key words easier;
 - let you add to your notes at the last minute without crowding;
 - allow your speech to flow more naturally.

Delivering Your Presentation

- Dress comfortably, but appropriately.
- Be yourself.
- Use humor, personal anecdotes, and audience participation when appropriate.
- Be conscious of your posture, your voice, your gestures, and your "body language. For example, avoid swaying from side to side or rocking back and forth.
- Face your audience and look at them (do not stare at the floor or at your papers).

- Speak clearly and at a pace that is not too fast or too slow for your audience.
- At the end, ask if anyone has questions.

Giving a Team Presentation

- While one person may be elected (or volunteer) to lead – everyone should have a part in planning and delivering the presentation.
- Assign each person a section so that everyone (including the audience) is clear about who is saying what.
- Practice the presentation to ensure that each person is smoothly passing the lead onto the next person.

If You Decide to Use Visual Aids

- Do not use too many visuals, as this could confuse your audience.
- Keep visual aids uncluttered:
 - b. use simple layout/design;
 - c. keep graphs, charts, and tables easy to “read” and interpret.
- Use titles on each visual aid to guide the audience.
- Make sure that the size of your images is large enough to be visible from all seats in the room.
- Do not rely on visual aids too much – people should be able to focus on what you are saying.

Answering Questions

- As part of your preparation, try to think of questions the audience might ask and prepare brief responses just in case you need them.
- Listen carefully to each question, waiting to respond until you are sure that you understand what’s being asked.
- Repeat questions before responding to them to ensure that the entire audience has heard them.
- Keep your responses brief and to the point.
- Be honest—if you don’t know the answer, say so.
- Control the interchange (i.e. don’t let one person dominate the question-and-answer period or give a mini-speech). Do not get into a heated argument with someone who disagrees. Politely suggest that the matter be addressed at a later time.
- Use the last question to summarize your key points or reinforce your main idea.
- Thank the audience for their attention.

STUDENT WORKBOOK
APPENDIX 3

Background on Business Planning

Importance of Planning

When we start on a journey, it is helpful to think about and gather information on the destination. It is even better if someone helps us draw a map that shows the steps for arriving quickly and safely.

Setting the Direction

A business plan can help us envision the end result, and work through the steps for starting and running a business.

If we just start a business without any planning, the following things could happen:

- We didn't set aside enough money to purchase all the things needed
- Our best potential customers don't know about us, because we didn't reach them effectively or we did not accurately account for all costs.
- Our products cost more to produce, because we didn't organize the production process efficiently.
- We don't know whether we will have money and supplies next week or next month.

Obviously, once we have a plan, we may need to adjust it when we need to update it with new information. This happens when we get new information that changes what we had expected.

Communicating with Others

A business plan also can help others understand what we have in mind for a business. For example, if we want others to invest in our business or give us a loan – or even to provide support and ideas, they need to understand exactly what is envisioned.

STUDENT WORKBOOK
Business Plan Template

Team Business Plan

Business Name:

Team Members:

Contents:

- Business Profile and Summary
- Marketing Plan
- Financial Plan and Cash Flow Projection
- Management Plan
- Operational Plan
- Long-Range Plans
- Attachment (marketing materials)

Insert a Drawing of the Planned Business Here

Business Profile and Summary

Name of Business:

Business Description:

Type of Business (check one):

<input type="checkbox"/> Manufacturer	<input type="checkbox"/> Wholesaler	<input type="checkbox"/> Retailer	<input type="checkbox"/> Service Retailer	<input type="checkbox"/> Other
---------------------------------------	-------------------------------------	-----------------------------------	---	--------------------------------

We Chose This Business Because:

Product Description:

The primary product/ service can be described as:

The primary product/ service has the following special features:

Customers will want to buy our product/service because:

Other products/ services we will offer include:

Customer Description:

The primary customer's Need or Want that our product fulfills is:

Age of Typical Customer: _____ Gender: _____

Our target customer has the following characteristics:

Start-Up Costs and Considerations

We already have the following assets needed to start our business:

To start selling our product/ service, the following items are needed:

Item	Description/ Purpose	Estimated Cost

We will get our start-up funds from the following sources:

Source	Amount
Personal Funds	
Friends	
Relatives	
Bank	
Investors	
Other	
Other	
Other	
TOTAL Estimated Funds	

Marketing Plan

General Information

The top 3 reasons why we think others will like this product or service are:

1. _____
2. _____
3. _____

The closest competitors are *(include names of companies and their products/services)*:

Our competitors offer the following features and/or services that are attractive to customers:

Summary of why our product/ service is better than the rest:

Selling Locations and Methods (*check all that apply*)

Selling Location	✓	Brief Explanation
Home		
Outdoor Markets		
Trade Shows		
Local Stores		
Other Community Venues		
Other Towns		
Export Markets		
Other		

Actions we will take to reach our target customers in the first 1-3 months include:

Financial Plan

Average Monthly Income

Sales	Monthly Amount	X 12 (Yearly Amount)
Units Sold Per Month		
X Total Selling Price		
TOTAL Sales		

Average Monthly and Annual Business Expenses:

Category	Monthly Amount	X 12 (Yearly Amount)
Rent		
Utilities		
Materials/supplies		
Labor		
Marketing		
Transportation		
Equipment		
TOTAL Expenses		

Expected Profit for the first Year = _____
 (Total Sales – Total Expenses)

One-Year Cash Flow Projection

Management Plan

Team Member

Job Title

1. _____
2. _____
3. _____
4. _____
5. _____

Team Member 1's Relevant Experience, Skills and Talents:

Team Member 1's Role(s) in the Company:

Team Member 2's Relevant Experience, Skills and Talents:

Team Member 2's Role:

Team Member 3's Relevant Experience, Skills and Talents:

Team Member 3's Role:

Team Member 4's Relevant Experience, Skills and Talents:

Team Member 4's Role:

Team Member 5's Relevant Experience, Skills and Talents:

Team Member 5's Role:

Other Key People for Our Business (part-time workers, consultants, advisors, vendors):

Name	Role or Title	Description of Role or contribution

Operations Plan

Description of Business Location(s)

Business Hours

Description of Work Flow (*e.g., production process, daily schedule of team members, typical monthly or seasonal work elements*)

Land, Buildings, Materials and Technology Needs

Long-Term Plans (1-5 Years)

By this time next year (insert date_____) our company will have accomplished the following:

<i>Production</i>	<i>Service</i>
Units Sold _____	Client Projects Completed _____
Total Sales _____	Total Income _____

In five years, our company will best be known for:

Our company's greatest strengths for long-term growth potential are:
