FINANCIAL LITERACY FOR ENTREPRENEURS

Participants Handbook

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The Course on Financial Literacy for Entrepreneurs was developed at the Commonwealth of Learning (COL) as a learning resource for participants in the GIRLS Inspire Initiative.

COL is an intergovernmental organisation created by Commonwealth Heads of Government to promote the development and sharing of open learning and distance education knowledge, resources and technologies.

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Contents

About the Course

The course on Financial Literacy for Entrepreneurs has been produced by the Commonwealth of Learning. The course is guided by the Facilitator's Manual: Financial Literacy for Entrepreneurs.

How this course is structured

Course Overview

The course overview provides you a general introduction to the course. Information contained in the course overview will help you determine:

If the course is suitable for you.

What you will already need to know.

What you can expect from the course.

How much time you will need to invest to complete the course.

The overview also provides guidance on:

Course assignments and assessments.

Activity icons.

Units.

We strongly recommend that you read the overview *carefully* before starting your study.

The Course Content

Financial Literacy for Entrepreneurs has five units. Each unit has:

- An introduction to the unit content.
- Unit outcomes.

- New terminology.
- Core content of the unit with a variety of learning activities.
- A unit summary.
- Assignments and/or assessments, as applicable.

Course overview

Welcome to Financial Literacy for Entrepreneurs

The use of money, whether to spend it or save it and how to make more money is such an important part of what adults do each day. Financial literacy is about knowing how to use money, which is one of the most important skills to develop in life. This course is designed for participants who may not have special skills in finance but who want to feel confident in making informed financial decisions. With the tools to use money wisely, anyone can build a stronger foundation for a financially sound future.

Financial Literacy for Entrepreneurs is primarily designed for participants in the Commonwealth of Learning's GIRLS Inspire Initiative. However, it will be of use for all beginning entrepreneurs. The lessons are designed to ensure adaptability, flexibility in delivery and relevance in low-resource settings.

Is this course for you?

The course was developed for female entrepreneurs who are new to managing money and startups (young businesses). However, financial literacy is an essential life skill, making this course important for everyone. You do not need to earn or have a lot of money to be financially literate. Understanding how to manage your money will help you make the most of what you have and avoid unnecessary debt.

There are no prerequisites required for this course.

Course outcomes

Upon completion of Financial Literacy for Entrepreneurs, you should be able to:

Outcomes

1. Create and manage personal and business income and expenditure records.
2. Create a budget.
3. Understand how to grow money through savings and investment.
4. Manage personal and business credit.
5. Write a business plan.

Timeframe

How long?

Total course time: 10 hours

Each unit is designed to last two hours. Some units have assignments that are done at home.

Using this Handbook

The course material is compiled into an easy-to-read format for adult participants. It is designed to be used under the guidance of a facilitator and can be used as a self-study guide for advanced learners.

Each unit introduces new knowledge related to managing business finances. The concepts are used in the next units and combined to create a business plan in Unit 5.

Assignments

Assignments

There are simple assignments after each unit.

The facilitator will guide you through the correct answers after the assignment.

Assessments

Assessments

Participants will be assessed through different methods.

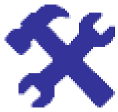
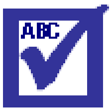
1. Before and after the course- There is a 30-minute pretest before participants begin the course and a post-test after completion of the course.
2. There are two questions at the end of each unit to help you assess what you have just learned.
3. 3. Each unit has individual or group activities for the application of content learned-in, real-life situations.

Getting around this Handbook

Margin icons

While working through this course, you will notice the frequent use of margin icons. These icons serve to "signpost" a particular piece of text, a new task or a change in activity; they have been included to help you find your way.

Below is a complete icon set. We suggest that you familiarise yourself with the icons and their meanings before starting your study.

 Activity	 Assessment	 Assignment	 Case study
 Discussion	 Group activity	 Help	 Note it!
 Outcomes	 Reading	 Reflection	 Study skills
 Summary	 Terminology	 Time	 Tip

Unit 1

Income and Expenses

Introduction

Unit 1 introduces two key terms that are the basis of all financial planning: Income and Expenses.

You will need approximately two hours to complete this unit.

Upon completion of this unit, you should be able to:

Outcomes

a. Identify sources of income for financial stability.
b. Distinguish active and passive sources of income.
c. Differentiate types of expenses.

Terminology

Income	The money or earnings that a person or business receives from different sources, such as their work or the products they sell.
Expenses	The things that individual people or businesses spend money on to operate their businesses, purchase goods and services, or achieve their goals.
Gross income	The total amount of earnings before any deductions or taxes.
Net income	The money left after costs and tax have been deducted.
Tax	Compulsory payments are collected from individuals and businesses by a Government. It is considered a business expense.
Tax declaration	The process of reporting your income, expenses, and other financial details to the tax authorities.

Dividends	Cash distribution is paid out to shareholders from a company's earnings, normally done once a year.
Discretionary expenses	It comes from the word "discretion", which means left to an individual's choice or judgment.

What is income?

The money or earnings that a person or business receives from different sources, such as their work or the products they sell. If the money comes from only one source, it is referred to as a single income stream. When a person has more than one way to earn money, they have multiple income streams.

Sources of Income

Look at the picture below. Clara is a doctor, while Sara is a farm worker. What are their sources of income?

Source: Freep!k

1. **Earned Income**

Money from employment, such as salary, wages, tips, and bonuses is referred to as earned income. It is also called Direct Income.

Doctor Clara receives a monthly salary, while Susan is paid a daily wage.

People who are self-employed or work part-time can also do gig work or side hustles. These are temporary or short-term jobs such as playing music at functions, babysitting, food delivery, or jewellery making.

2. **Passive Income**

Passive income is also called Indirect income because it is made with minimal effort and time. For example:

Clara is a homeowner. She leases the house and collects rent monthly. She does not need to actively care for the house.

Clara's hospital provides copies of daily newspapers for staff and patients work. At the end of the day, Clara collects any newspapers left lying around and sells them.

Susan owns a market stall where she sells mangoes and avocados on weekends when she is not at work. She picks the fruit from trees in her compound. During the week, her friend Mary rents the stall.

The fruit sales provide passive income because Susan does not have to do anything except pick the fruit. The rent is also passive income.

Passive income also comes from interest earned on an investment or savings account or being a co-owner in a business, you do not run day to day but get a share of profits.

Susan belongs to a local savings group (SACCO). She puts 10% of her wages into savings and shares in the SACCO. At the end of each year, she is paid dividends from her shares.

Case study

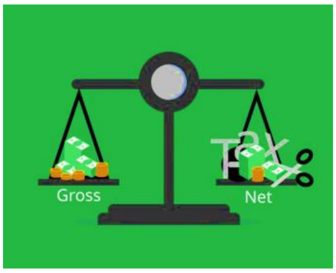
The Lindt & Sprüngli Cocoa Farming Program trains farmers on cocoa growing in Ghana, Ecuador, the Dominican Republic, Madagascar and Papua New Guinea. Since cocoa is a seasonal crop and many farmers have small farms, it was difficult for them to make enough money for their families. Cocoa was a *single income stream*.

The program showed farmers how to make money from *multiple income streams*. The farmers expanded into pig breeding, ginger and vanilla cultivation, and beekeeping, and some even manufactured their own cocoa-based goods like jam and soap. This has increased the financial security of individuals and the community.

Source: blogpost-[Multiple streams of income]

Group activity 1.0	**Discuss** We have seen examples of earned income from Lindt & Sprüngli Cocoa Farm. Discuss some of the ways in which the farmers can make passive income.

Gross and Net Income



Gross income refers to total earnings before deductions. Net income is the sum of money that remains after deducting all taxes or business costs from gross income. Net income is also known as take-home pay, profit, or earnings.
A person or a business cannot tell whether they actually made or lost money over a specific time period without calculating net income.

Example

Makaya works 4 days a week as a hairdresser at Nkubwa Salon. Her salary is UGX 300,000 per month. To increase her income, Makaya makes and sells donuts and roasted maize to salon clients and passersby. From this, she earns UGX200,000 a month. At home, she rents out one of her rooms to a friend for UGX150,000 shillings a month

Makaya's gross income is:

Salary	+	Business	+	Rental Income		Total
300,000		200,000		150,000	=	650,000

Makaya pays income and other taxes to the government from her salary. She also pays property tax. Makaya spends money to buy flour, oil and other ingredients to make the snacks she sells

Makaya's net income is:

Salary	+	Business	+	Rental Income		
300,000		200,000		150,000	=	650,000
30% Tax	+	10% tax + Expenses	+	30% Tax		
90,000		45,600		45,000	=	180,000

Net Income	470,000

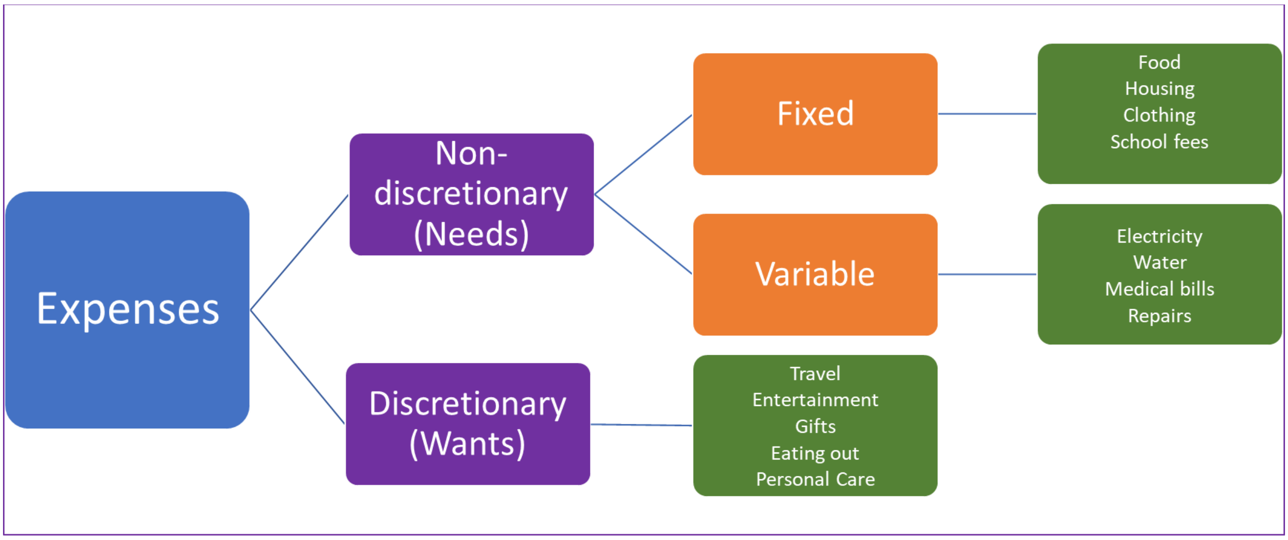
This example shows that while Makaya makes gross (total) UGX650,000 per month, her net (actual) is UGX 470,000.

Knowing your net income is important so that you do not spend money you do not actually have.

Expenses

Expenses are also known as costs. Expenses or costs refer to what individual people or businesses use money on to run their businesses or buy goods and services.

In the diagram below, the blue square represents all expenses. The purple square represents the two main types of expenses. The two orange squares show the two categories of non-discretionary expenses. The green squares show some examples of each type of expense.



Types of Expenses

There are two types of expenses: non-discretionary expenses and discretionary expenses. Discretion means that something is left to an individual's judgment. An individual has no choice over non-discretionary expenses but can use their judgment to spend on discretionary items.

Non-discretionary expenses are essential costs to maintain a basic standard of living. They are not optional. They are also called **needs**.

Examples:

- Food and groceries.
- Utilities (electricity, water, gas).
- Basic clothing.
- Necessary medical expenses (prescription medications, doctor visits).
- Housing (rent or mortgage payments).
- Transportation (commuting costs, public transportation).

Discretionary expenses are desirable but not essential. You have individual choice over whether to spend on them and how much. They are also called **wants**.

Examples:

- Entertainment, e.g., movie tickets, video games, newspapers and magazines.
- Eating in restaurants.
- Streaming TV subscriptions.
- Personal care, e.g., nail salons and haircare.
- Gifts.
- Travel/Vacations/Holidays.

Non-discretionary expenses or needs are further categorised as fixed and variable expenses.

Fixed expenses are costs that don't change and need to be paid for regularly. Examples include house or shop rent, repaying a loan, and paying workers or taxes. Fixed expenses make up the largest portion of a budget. Most are required on the same day each month.

However, not all fixed costs are paid monthly. For example, school fees are paid per school term.

If you have a savings plan every week or month this also counts as a fixed expense.

Variable expenses change depending on usage. They include water, electricity, medical bills, and repairs. Many variable expenses can be controlled by changing usage. However, others, such as emergency medical expenses, cannot be predicted or controlled.

Activity	**What are my expenses?** 1. List ten things you spend money on. Your list should include products you normally spend money on and others that you may only have paid for once or twice. 2. Now divide your list into non-discretionary and discretionary expenses. 3. Question: Which category do most of your expenses fall into? Share you findings with the group.

Recording and Tracking and Expenses

Any time you spend money, it is important to know how much was spent and for what. After a while, you can see patterns in your expenditure. This process is called financial tracking. It is done by recording receipts, invoices, and personal and business expenses. Tracking your finances goes hand in hand with creating a budget.

How to record Expenses

The simplest way to record expenses is with pen and paper. Save all receipts for goods paid and write down the amounts of things bought without receipts immediately after you spend money. At the end of each day, make a list of items bought and their prices. Total them up.

At the end of the month, receipts by date and category. Organizing expenses into categories makes it easier to track your money and make decisions about future expenditure. Receipts may be stored physically in files or virtually on your phone.

a. **Organise your receipts using files or folders. Label** the folder to make it easy to see where to file a new receipt.

Not this:  But this: 

Source: moneylover, www.amazon.ca

b. Create a folder/album on your phone.

- On your phone, open the Google Photos App.
- Take a photo of the receipt.  source: moneylover
- Touch and hold the photo.
- On the top or bottom of your screen click the **+** sign.
- Add the photo to the album. Repeat with all receipts.
- Name the album to make it easier to locate.

Example:

Makaya enters her expenses into a notebook at the end of every day. One page of her notebook looks like this:

Expenses 02 Jan 2024		
	5 cobs of maize	1,050
	Cooking Oil	19,456
	Salt	2,512
	Pepper	3,010
	Milk	1,100
	SACCO shares	45,000
	Headscarf	3,416
	Plumber	23,000
Total		98,544

Although Makaya has entered all expenditure, it is not easy to tell which are business and which are personal expenses. After learning about the different types of expenses, Makaya categorises her expenses as follows:

Expenses 02 Jan 2024	Business		Total
	5 cobs maize	1,050	
	Cooking oil	19,456	
	Salt	2,512	
	Pepper	3,010	26,028
	Household		
	Plumber	23,000	
	Milk	1,100	24,100
	Personal		
	SACCO Shares	45,000	
	Headscarf	3,416	48,416

We learned that Makaya has a net business income of UGX154,400 per month. After entering expenses over time, she will be able to calculate if the business is bringing in profit or causing a loss.

Makaya can also use an Excel sheet on her computer or mobile phone to record her expenses.

How to track expenses

Step 1: Group your expenses into categories, separating personal from business expenses. Record all expenses daily

Business categories may include utilities (electricity and water), ingredients or raw materials, salaries for workers and space rental.

Step 2: Keep track of all expenditure for an entire month

Track any money that is leaving your wallet, bank account, mobile app, cash envelope, coin purse, or even a tin or box in your house. As much as possible, have receipts for all business expenses.

Step 3: Subtract expenses from each category as used.

To understand the flow of money per category, it is important to first estimate the amount used in each category and subtract the actual amount when used.

For example: Makaya subtracts UGX 300 bus fare daily from the category labelled "Transportation" on the days she sells snacks at the salon.

Step 4: Review and make changes

After keeping track of expenses for a month, add up all the expenses in each category. This is what Makaya's found out:

Expenses Jan1-30, 2024

Category	Estimated Expense	Actual Expense
Ingredients	30,000	44,532
Utilities	10,000	7,500
Transportation	3,600	4,400
Packaging	2,000	3,200
Other	3,000	5,000
Total	45,600	64,632

Because of the increase in customers over the last few months, Makaya decided to buy a larger pan to fry donuts. This expense does not fall into any existing category, so Makaya created a category named "Other." In it, she can put one-time expenses for such items.

Looking at the tracker, Makaya can see that she used more than she had estimated. She expected this after buying some ingredients in bulk. In February she will spend less in that category. However, Makaya is surprised to learn that she spends more than planned on transportation and packaging.

Taxation

Have you ever wondered where the money Governments use comes from?

Governments provide social services through schools, hospitals, prisons, public offices, etc. and facilitate the movement of people on roads, over water and in the air. Governments also ensure that there are spaces for homes or markets so that people can conduct business. These services are part of the activities of governments.

Taxes are one of the main sources of funds for government activities. Paying your taxes is compulsory and beneficial to you as a businessperson. It raises your business image as a legal and trustworthy business. The government uses the money to build better roads and markets or improve security. These improvements help businesses grow and succeed.

Counties have different tax systems. Depending on the country, once every three months, twice or once a year, a citizen must declare their income, expenses and other tax information. The document on which this is done is called a Tax Return.

Tax is deducted from gross income.

Types of Tax

Tax systems are different among countries. Here are some taxes levied in most countries:

a. *Income tax*—A percentage of gross income is imposed on the income of individuals from employment, rent or business. We earlier learned that Makaya pays 30% income tax on her salary and rental and 10% on her business.
b. *Payroll tax*—A percentage withheld from an employee's pay by an employer, who pays it to the government on the employee's behalf to fund social programs such as medical care and social security. They are also called statutory deductions.
c. *General Sales tax*—taxes on goods and services bought or made by a business. Types of sales tax include Value-Added Tax (VAT) and Goods and Services Tax (GST). The rates are calculated on individual items. For example, essential goods such as rice or flour might not have tax, while clothes and television sets are taxed. Imported goods carry higher sales tax. VAT and GST are added to the total cost of buying a product.
d. *Property tax*—Yearly tax on property, based on the value of land and the buildings on it.

Reducing your Taxes.

Failing to pay tax is illegal and may result in your business being heavily fined or shut down. It is important to submit returns correctly before claiming refunds. Here are some ways businesspeople can reduce their taxes.

a. Claim startup costs—Business startup expenses include creating a website, paying for legal advice, and buying office expenses. These can only be claimed when the business has started.
b. Bad debts—Money that was declared as income but remains unpaid no matter what means are used to collect it from customers.
c. Loan interest and bank fees—Depending on how a loan is used, it may be possible to get a refund of the interest paid and bank transaction fees.
d. Claims may also be made in some countries for reduction of tax by persons with disabilities, youth and women.

Unit summary

Summary

In this unit, you have learnt two important basic concepts of financial literacy: income, which is money a person or business gets, and expenses, which is money that is used. We also learned the importance of paying taxes, which are used to fund government activities and services.

We practiced recording and tracking income and expenses. In the next unit, we will learn how to plan for business expenses.

Assessment

Assessment

Question 1: What is income?

a. Money that is spent and recorded daily

b. Money from earnings a person or business gets from different sources

c. Money that is used to pay taxes

Question 2: _________ is a good example of earned income

a. Wages from farmwork

b. Collecting rent

c. Owning shares in a business

Question 3: It is important for a small business owner to pay taxes because:

a. Taxes fund hospitals and schools provided by the Government.
b. Paying taxes increases the positive image of a business
c. All the above.

Unit 2

Budgeting

Introduction

In Unit 1 we learned how to categorise and record income and expenses. We also learned that these records can be written in a notebook by using templates on your computer or on a budgeting app on your mobile phone. In this unit, we shall learn about budgets. A budget is a tool used to plan the use of personal and business income and expenses. An entrepreneur needs to create a spending plan and make informed financial decisions to ensure a stable future. While Unit 2 focuses on making a business budget, the same steps can be used for creating a personal budget.

You will need approximately two hours to complete this unit.

Upon completion of this unit, you should be able to:

a. Explain the importance of a budget for an entrepreneur
b. Create a business budget

Outcomes

Budget: An estimate of how much money you'll make and spend over a certain period of time, such as a month or year.

Revenue The total amount of money a business makes before subtracting expenses.

Income The total money a business has after all the expenses are deducted from the revenue.

Operating costs Money used by a business to produce goods or services over the normal course of operations

What is a business budget?

A business budget is a spending plan depending on the estimated income and expenses of your business. It assists in planning your business activities and serves as a target for financial goals to overcome short-term challenges as well as make long-term plans.

A budget answers the question of how you know how much money you have to spend, save, and share.

Moreover, a business budget gives you a clear picture of your expenses and income, and it should help you make important decisions like whether to enhance marketing, lower costs, employ people, buy equipment, or expand or close the business. As an entrepreneur it is important to separate personal income from business income.

Parts of a Budget

A budget has three main parts: a) estimated income b) expense categories c) profit

a. Estimated income

This is a list of all money coming into the business during the month from all sources, such as sales or loans taken. This is called revenue. Estimated income is called revenue and is calculated before any deductions are made. If personal income was used in the business, that money also forms part of the revenue.

b. Expense categories

In Unit 1, we learned about two types of expenses- non-discretionary expenses and discretionary expenses. Non-discretionary expenses were further grouped into fixed expenses and variable expenses. In business budgeting, we use fixed and variable expenses to categorise expenditure.

Fixed business costs are independent of the amount of business in a month. They are based on time rather than quantity produced or sold. A fixed cost is called an overhead. Fixed costs include salaries, insurance, rent, utility bills, licenses, and loan repayments.

Variable business costs change as the volume of products changes. Examples of variable costs include raw materials, wages paid to part-time workers, packaging supplies and advertising.

It is possible for a cost to be fixed for one kind of business and variable for another. Some businesses pay a flat rate every month for utilities, while others pay according to usage. The amount paid for taxes and licenses can also vary depending on the size of the business or its profit.

c. Estimated Profit

Profit is calculated after a business has been in operation for at least a month. If profit is calculated too early, it may look very high, or the business may appear to be in trouble. It is normal to have differences in the volume of products made and sold from day to day.

Profit is calculated by subtracting the total cost of expenses from revenue. Any money left over after all expenses have been paid is profit.

Creating a Business Budget

Read the case study below.

Source: iStock, Getty Images

Activity 2.0

Mr. Shah has been running a motorcycle and bicycle spare parts shop called Preeti Spare Parts for several years. Preeti trained in motorcycle repair and rented a part of her father's shop to begin her own business, Preeti's Repairs.

Preeti borrowed INR36,000 from her father to buy tools and pay one month's rent at the start of the business. She is expected to repay the money over one year. She also pays INR800 as a fixed amount for electricity and water. Preeti is the sole mechanic but hopes to employ an assistant in a few months. Meanwhile her father is happy to help with lifting heavy machinery and allowing her to take spare parts on credit.

Let us guide Preeti in creating a budget.

1. Create a table with four columns and two categories of expenses. fill in the estimated revenue:

Business Name:	*Preeti's Repairs*		
Budget for the month of:	*January, 2024*		
Income (Total revenue)	*December 2023*		
Repairs		*21,000*	
Sale of spares		*8,000*	

Gift from Uncle		*3,000*	
Total Income		*32,000*	

2. Categorize expenses as fixed or variable. Preeti creates 6-7 rows after each category and fills them out like this:

Business Name:	*Preeti's Repairs*		
Budget for the month of:	*January, 2024*		
Income (Total revenue)	*December 2023*		
Repairs		*21,000*	
Sale of spares		*8,000*	
Gift from Uncle		*3,000*	
Total Income		*32,000*	
Expense Category	**Estimate**	**Actual**	**Difference**
Fixed (F)			
Rent	*5,000*		
Business License Fees	*300*		
Insurance	*2,000*		
Loan repayment	*3,000*		
Utilities	*800*		
Salary (self)	*13,000*		
Total Fixed	*24,100*		
Variable (V)			
Mobile data	*250*		
Spare parts	*4,000*		
Repair of tools/new tools	*1,200*		
Posters/advertising	*150*		
Total Variable	*5,600*		
Total Expenses F+V	*29,700*		

3. Add up receipts from sales and any other proof of payment to calculate the actual expenses per category. For example, Preeti bought a new screwdriver and repaired a wrench. Both of those expenses fall under one category- *Repair of tools/new tools*. The budget will now look like this:

Business Name:	*Preeti's Repairs*		
Budget for the month of:	*January, 2024*		
Income (Total revenue)	*December 2023*		
Total Income		*32,000*	

Expense Category	Estimate	Actual	Difference
Fixed			
Rent	*5,000*	*5,000*	
Business License Fees	*300*	*300*	
Insurance	*2,000*	*2,000*	
Loan repayment	*3,000*	*3,000*	
Utilities	*800*	*800*	
Salary (self)	*13,000*	*13,000*	
Total Fixed	*24,100*	*24,100*	
Variable			
Mobile data	*250*	*275*	
Spare parts	*4,000*	*3,245*	
Repair of tools/new tools	*1,200*	*1,800*	
Posters/advertising	*150*	*175*	
Total Variable	*5,600*	*5,495*	
Total Expenses F+V	*29,700*	*29,595*	

4. Subtract the total expenses from the total income to get the profit amount.

   (Note, some rows have been omitted on this table to make it easier to read)

Business Name:	*Preeti's Repairs*		
Budget for the month of:	*January, 2024*		
Income (Total revenue)	*December 2023*		
Total Income		*32,000*	
Total Fixed	*24,100*	*24,100*	
Total Variable	*5,600*	*5,495*	
Total Expenses F+V	*29,700*	*29,595*	
Total Income-Total Expenses = PROFIT		***2,405***	

From this budget, we can see that Preeti made a profit of INR 2,405. To understand if she is making profits every month, Preeti has to record and track her income and expenses over a period of time. She will also need to make decisions about categories where she has spent more than she estimated.

Activity 3.0	Group Discussion Your facilitator will give each group 3-4 receipts. Look at them carefully and answer the following: a. Name five details on the receipt. b. Work together to categorise the items on the receipt into fixed or variable expenses. c. Share your findings with the group.

Unit summary

Summary

In this unit, you learned how to make a budget for your business. Understanding the flow of income into your business against the cost of running the business will help you make better decisions about operating costs and getting more profit. No matter how big or small a business is, a budget helps to plan wisely for the future

Assignment

Think of the business you are engaged in (or hope to start).

1. Create a name for your business.
2. List the main expenses you will incur to run your business.
3. Set up an estimated income.
4. Using the tools learned in this unit, create a business budget.
5. Use the same steps to create a personal budget.
6. Share your work with the facilitator. Keep a copy of the budget; it will be useful in Unit 5.

Unit 3

Saving and Investing

Introduction

It is important to grow the amount of money that can be used to maintain and expand your business. In this unit, you will learn two important ways of managing your money: saving and investing. Financial institutions offer a variety of services to meet the needs of different customers. It is important to know the advantages and disadvantages of the different ways of saving and investing so that you can meet your immediate and long-term financial goals. You will learn simple steps to grow and protect your money.

You will need approximately two hours to complete this unit.

Upon completion of this unit, you should be able to:

a. Develop strategies for effective saving
b. Explain the various ways a small businessperson can invest
c. Protect your money from loss.

Outcomes

Savings:	Money or resources put aside for future use.
Cash flow	The movement of money into or out of a business.
Investment	Allocating resources, usually money, with the expectation of earning an income or profit.
Debt	Something, usually money, that is owed by one person to another person.
Credit	Obtaining goods or services before paying, based on the trust that payment will be made in the future.
Interest	Interest can be defined in two ways. a. A charge (or expense) a borrower pays for using (borrowing) a lender's money.

b. Income someone receives when someone else uses their money.

Hacking The activity of getting into someone else's computer system without permission in order to find out information or do something illegal.

Identity theft The crime of using someone's personal information to pretend to be them and to obtain money or goods in their name.

Savings

What is saving?

Saving is the act of putting money or resources aside for future use rather than using them immediately.

Unexpected expenses can and will happen, e.g., when tools and equipment break down or sudden changes in the cost of raw materials force you to spend more than planned. For small business owners, cash flow can be tight, and saving may seem impossible. However, businesses without savings are more likely to fail. Here are four reasons to save money.

a. It is a basic strategy for setting long-term goals for the business.
b. It protects the business even during financially challenging situations.
c. It assures lenders and financial institutions that the business is stable.
d. It provides the business with funds to grow.

Where do savings come from?

In previous units, we learned how to track expenses and how to use a budget to calculate profit in a month. Profit is the source of business savings. Experts recommend that a small business have about six months' worth of operating expenses in reserve. Aim to save at least 10% of your monthly profit.

? **Reflection**	During the Covid-19 Pandemic, many businesses shut down and did not reopen afterward. Many of these businesses had no savings to restart operations.

How do savings grow?

Savings grow from interest earned.

When you save in a financial institution such as a bank or SACCO, your money does not stay in the bank. It is lent to other account holders and businesses. The bank charges them a percentage of the borrowed amount to make a profit. At the end of the year, you will receive some of that money as interest.

There are two types of interest:

a. *Simple interest* - Money saved earns interest which is paid once or twice a year and is always the same amount.

Example

In Unit 2, we learned that Preeti's uncle gifted her INR3000. Preeti saves this money in the bank. The interest rate is 10%, calculated once. Preeti gets INR 3330.

b. *Compound interest*-Money saved earns interest on both the initial savings and on the interest that is accumulated over time. Compound interest is usually paid on long-term investments.

Example

Preeti saves her INR3000 in mobile money and locks the savings for three years. The interest rate is 10% per year.

Year	Amount Saved	Investment + Interest
Year 1	3000	3300
Year 2	3300	3630
Year 3	3630	4260

A businessperson can have both types of savings. Short-term savings allow you to put money aside for operational costs, while fixed or long-term savings allow you to plan for business growth.

Strategies for Effective Saving

In Unit 1, we learned that Makaya makes donuts and sells maize to supplement her income. She had a profit of UGX135,368 at the end of January. Let us help Makaya set strategies for effective saving.

Strategy 1

Make your savings goals specific. Break your long-term goal into smaller short-term goals. Set a specific amount and a deadline.

Makaya has the following long-term goal: To expand my business over the next 12 months to reach at least 300 customers daily.

Short-term saving goals:

1. Save 20% of profits each month for the next ten months in my bank account
2. Buy two second-hand stoves and frying pans - total cost 95,000.
3. Increase shares in the SACCO by UGX20,000 each month for 12 months.

Note that Makaya sets a deadline and puts a specific amount of money against each goal. Having clear goals will help her track whether or not she is meeting her targets.

Strategy 2

Budget for Savings—Create a budget category for savings and assign it a percentage or amount of the total monthly income.

Makaya already saves UGX45,000 in the SACCO monthly. However, those savings are personal, coming from her salary at the salon. She needs to open a business account at the SACCO and create an expense line in her business budget for UGX20,000.

Strategy 3

Pay Yourself First. This does not mean using business income for yourself! The goal is to ensure that income is saved or invested before any expenses or purchases are made. Savings must be deducted as a fixed cost, the same way tax, rent, or utilities are deducted.

Strategy 4

Cut costs. Reduce unnecessary spending and learn how to save on fixed expenses. Be aware of where raw materials can be bought in bulk and always look out for sales of items.

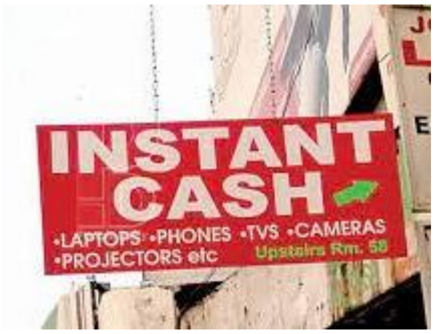
Buying from wholesale shops is cheaper than buying in small amounts from the local shop. If Makaya buys 2 kg (or litres), she is able to make snacks for a week. However, if she buys in bulk, she can use the ingredients for 6 weeks!

Item	Price in local shop	Wholesale price	Savings
Flour	5,700 per 2kg	30,000 per 12kg bale	700 x 6 = 2,800
Sugar	11,000 per 2kg	50,000 per 10kg bale	1,000 x 5 = 5,000
Cooking oil	19,456 per 2 litre	95,000 per 10 litres	456 x 5 = 2,280
Transport	300 per week	1,500 once	
Total for 6 weeks	218,736	176,500	42,236

Each trip to the local shop Makaya pays UGX300. Over 6 weeks she uses UGX1,800. Even with the extra cost of transport Makaya saves UGX300.
In total Makaya can cut costs of doing business by UGX 42,236 each month. This amount is enough to meet her savings goals.

Strategy 5 Use debt wisely by borrowing towards business expenses only when necessary and pay off high-interest debt first.
Makaya decides she needs to buy some new equipment costing UGX 300,000. She has two choices:

a. Take a loan from the SACCO. The process will take two weeks, and Makaya only qualifies for UGX 275,000. The interest rate is 11% for the total loan.
b. Borrow UGX300,000 from a local lender Makaya will get the money immediately at an interest rate of 5% per month for 6 months.



Makaya does not understand interest rates and soon finds herself in a lot of trouble. Instead of the UGX30,250, she would have repaid the SACCO; Makaya owes the lender UGX90,000! Makaya realises she should have waited and saved to buy the equipment-it was not an urgent expense.
She needs to pay off this debt as soon as possible to avoid having all her business equipment and household goods taken.

Resist the impulse to spend more when profits increase. Instead, go back to your savings goals and put extra money into meeting them sooner.

Ways to save

Now that we have seen the importance of saving, what are the different ways of saving? What are their advantages and disadvantages?

a. **Banking at home- Cash Jars, Piggy Banks, tins**

Advantages:

- Easy to see how much you are saving
- Simple to use
- No fees or account maintenance costs

Disadvantages:

- Easy to withdraw for personal or discretionary expenses
- Easily stolen.
- Does not earn interest.

b. **Savings Accounts**

Advantages

- Services are provided by banks and savings societies which are safe and convenient.
- Provide financial information.
- Money saved earns an interest.
- Provide additional services like mobile and online banking.

Disadvantages:

- Interest rates on money saved are usually very low.
- Fees may apply for opening and maintaining the account.
- The interest you earn may be taxed.

c. **Self-Help Groups and Merry-go-Round**

Self-help groups consist of people who have come together to solve problems common to them. Examples of self-help groups are women's groups and youth groups. Group members contribute an agreed amount of money on a regular basis, such as daily, weekly, or monthly. Members may request a loan and pay it back at a low-interest rate. Members also buy group shares.

Merry-go-round groups also collect money on a regular basis. However, during each meeting, all the money is distributed to one or more members. This method is also called table banking

Source: PELEP

Advantages:

- Increased savings on a regular basis
- Reduces borrowing from expensive moneylenders.
- Saves time and money that could have been used to access banking services

Disadvantages:

- High risk of losing money due to fi another member takes a loan and does not repay it.
- Limited amount of funds available to borrow.
- Members without regular income can get trapped in debt to sustain contributions.

Investments

Investing is doing something with your business's earnings to make it grow. Investments come with different levels of risk and rewards. The types of investment you will make depend on your risk tolerance.

Risk tolerance is the degree to which you are willing to risk your money in an investment. Here are a few examples of investments and their level of risk. Starting small and seeing investments grow helps you understand where to invest for the best returns.

Type of Investment	What is it?	Risk level	What it means
Rainy Day Fund	An emergency fund of about 6 months of operating expenses.	Low	Money is saved in cash at home or in an account where it can easily be cashed. Low or no interest earned
High-Yield Savings Accounts	A savings account that earns higher interest than other savings accounts.	Low	Accounts usually require higher amounts to open and have a minimum balance requirement.

	Earns compound interest		May lock your money for a year or more. Charge high fees on early withdrawal
Treasury Bills and Savings Bonds	They are issued and guaranteed by the Government. T-Bills are issued for a minimum of one year, while bonds are issued for more than a year.	Low to medium	Guaranteed by the governments that issue the bills. At the end of the investment period, the Government pays the interest earned
Real estate and Business	Buying of land for farming, housing or business, owning shares in a business.	Low to medium	Most property increases in value over time. This may lead to loss if a business fails. Not easily sold if funds are needed.

The examples above are just a few ways to invest. Apart from the last one, you can start with very little money and grow your investment over time. Starting small and starting early allows you time to change investments as your risk tolerance grows.

Keeping Savings and Investments safe

Many people have lost their savings and investments because they do not know how to keep it safe. In this section, we discuss some of the ways in which money can be lost and how to protect yourself.

Source: gcefu

Ponzi Schemes and Pyramid Schemes.

Pyramid schemes are investment frauds in which existing investors are paid with funds from new investors. They usually promise very high returns. In many schemes, the investor is cheated into investing more because they are paid a very high first instalment. In pyramid schemes, each person recruited is expected to recruit others. The more people one recruits, the higher the payment promised.

Impersonation

Scammers pretend to be bank officials. They may call to say some money is to be deposited into your account, but your account details have expired. Once you give them your name and password or the security code on your bank card, the scammers can hack into your account and steal your money. Some call pretending to be technical support for your phone or computer.

Identity theft. Identity theft occurs when someone steals your personal information, including your name, official document numbers such as national ID or passport, educational certificates and banking cards, then uses this information pretending to be you.

Red flags of fraud

1. The promise of high returns very quickly with no risk. Fraudsters tell people that the money will be tax-free.
2. You are contacted by someone you don't know. Investment companies may advertise their products, but they do not approach strangers for money.
3. You are told that it is for "a limited time only," for only a few people and that you must act quickly.
4. There is limited or no online material or paperwork to allow you to follow up with the government before you make up your mind. Many scams rely on a phone call or a conversation with someone trying to persuade you into buying.
5. If you are contacted on the phone, the number is not in your contact list or does not show a business name you recognise.

Protecting your money

1. Do your homework- do not invest or save before researching carefully. Good investment takes time and is seldom free of risk.
2. Keep your bank ATM cards, chequebooks and business financial reports in a safe place.
3. Choose unique ATM and online banking passwords and do not share them. Change passwords regularly.
4. When online, do not click on that, say you have won or inherited money.
5. Scammers use social media because of the amount of personal information people share. Keep personal information private.

Source: Home Security Heroes

6. Separate business and personal social media addresses but be aware what you post on both is linked.
7. If you answer a call from someone you do not know and they ask for your name, hang up immediately.

8. Check your account activity often.

Activity 4.0	 Source: Lilli Utilities are a large business expense. Discuss in the group practical ways of saving money by reducing electricity and water use.
Reflection	When was the last time you changed passwords that protect your personal information? Are your passwords easy to remember? If they are linked to your name, birthday or phone number, consider changing them.

Unit summary

Summary

In this unit, you learned how to make a save and invest to grow your business. Understanding the flow of cash in and out of a business helps an entrepreneur calculate the actual operating costs and leads to realistic decisions about long-term goals. No matter how big or small a business is, a budget helps to plan wisely for the future. We also learned various to protect your business from fraud and scammers.

Assessment

Assessment

Answer the following questions:

Question 1. What is the best definition of "cash flow"		
a. The movement of money into or out of a business	b. The movement of money out of a business	c. The movement of money into a business
Khadija is planning to buy government bonds. This is called:		
a. Forecasting	b. Investing	c. Saving
The following are ways of cutting business costs. Which one is not?		
a. Investing	b. Reducing fixed expenses	c. Buying wholesale

Unit 4

Credit Management

Introduction

Borrowing for business is one of the most important ways of meeting your financial goals. Using borrowed money wisely is a valuable financial tool, but without proper knowledge debt can lead to financial ruin. In this module you will learn how to take control of what you borrow for the benefit of your business. The module explores: sources of credit, loan applications and payment processes, debt management strategies and benefits of debt management.

You will need approximately two hours to complete this unit.

Upon completion of this unit, you should be able to:

Outcomes

a. Distinguish between credit and debt
b. Explain strategies of credit management.
c. Describe the benefits of credit management.

Terminology

Credit:	Money or goods given by a lender to a borrower to be repaid at a later date, usually with interest.
Debt	Money owed.
Collateral:	A valuable item that a borrower gives as security for a loan.
Asset:	A property of value owned by an individual or company.
Instalment:	Smaller amounts of loan re-payment made regularly over a period of time.

Guarantor: A person who accepts part or full responsibility for repayment of another person's debt.

What is Credit?

Borrowed money can help start a business or grow an existing one by increasing the capital available to buy raw materials and run operations. Two important terms to understand are credit and debt.

Credit - money or goods loaned to you by a lender such as a bank, microfinance institution, an individual or a supplier. Commonly known as a loan.

Debt - money or goods owed by one person to another or to an institution.

Source: marketbusinessnews

Credit is given by a lender to a debtor or borrower. Lenders borrow from financial institutions, individuals, and families. Some debts are in the form of goods such as vehicles, equipment, raw materials, or finished products.

Goods are non-financial resources taken on credit include farm inputs (seeds, fertiliser, tools), tailoring inputs (fabric, thread, buttons, tools) hardware stock (wires, cement, tools) and shop items (soap, milk, bread, sugar).

Services credited can include labour, utilities, and post-paid mobile phone services.

What is credit management?

It refers to handling borrowed money or goods properly so that the business makes a profit to repay debt. Creditors are more likely to trust businesses that use the money for the right purpose and repay on time.

Activity 5.0	**Work in pairs** In pairs, discuss and list the money or goods you can borrow for your busines 1. Where would the money/goods come from? 2. How would you pay back the money/goods? Share your findings with the rest of the group.

Sources of Credit

Getting a loan is important because it helps to continue operations even when the business is short of funds. There are various sources of loans for small businesses.

Source: [AGRIM Finance]

i) Commercial banks

Advantages:

Convenient and safe source of funds.

Can offer larger amounts of credit than most lenders.

Flexible use of funds- once the loan is approved, you are free to decide how to spend the money.

Interest rates and repayment terms and conditions are clearly communicated before the loan is given.

Disadvantages

Most commercial banks require collateral such as property deeds or equipment, which a small business may not have.

Lengthy approval process.

ii) Government institutions

In many countries there are government-sponsored lending programs created for specific groups of small enterprises, e.g., farmers, women, youth or persons with disabilities.

Advantages

No or low interest on money given. Grants received for services such as training may not need to be repaid, while in some cases the business pays back the same amount given.

The credit can be given to start a business. Most commercial banks lend only to existing businesses.

The government provides financial support services to those who have received credit.

Disadvantages

The application process may be complex and time-consuming.

There is extremely high competition for government funding.

Sometimes, the government requires that the business prove they have matching funds, which a small entrepreneur may not have.

iii) Savings and credit associations and Self-help groups

Advantages

Loans are provided only to members, which creates a sense of ownership.

The application process is simple.

Credit is approved quickly, which helps business owners meet unexpected operating costs.

Lower interest rates than commercial banks.

Disadvantages

Defaulting members put the whole group at risk of financial ruin.
The amount available for credit may be low.

iv) Money lenders

Advantages

A quick source of funds.

Money is received immediately and can cover emergencies in business operations.

Disadvantages

Have extremely high and varied compound interest rates, which may be difficult to repay, leading to the collapse of business.

Loans from money lenders may require collateral such as business equipment, motorbike or other property.

v) Supplier credit

Advantages

Guarantees a continuous supply of goods and services from the supplier and to customers, increasing trust in the business.

Allows the business to repay the supplier from profit at a later date when funds are low.

No money is exchanged. Since the supplier provides goods and services only, the credit cannot be misused.

Disadvantages

Items paid for in instalments may end up being much more expensive than paying cash.

Equipment may lose value over a long repayment period, and material provides goods which are paid for later.

In cases of delayed payment, the supplier may seize the goods supplied.

vi) Instant cash loan Apps

Advantages

Loans are easily obtained from your mobile phone service provider with no paperwork, guarantor or collateral.

Can be accessed at anytime, anywhere, without needing to visit a physical location.

Disadvantages

Very high interest rates are usually calculated as compound interest.

Usually, it needs to be repaid very quickly.

High risk of scamming and hacking since your financial information is shared with the lender.

Risk of addiction to taking instant loans that may lead to misuse of funds.

vii) Love money

Advantages

A quick source of funds from friends or relatives

Does not need collateral

Terms of repayment are usually flexible.

Does not attract interest.

Disadvantages

May not be able to raise large amounts.

Defaulting in payment may break family and friendship.

Usually leads to the lender having a say in business operations.

Debt Danger Signals

While borrowing money is important to maintain and grow a business, some entrepreneurs may end up with more debt than they can handle. This puts the business at risk of failure. Here are some danger signals to look out for:

i) Missing payments or making payments late.
ii) Borrowing from a lender to pay a different lender.
iii) Using business credit for personal expenses.
iv) Borrowing without a clear repayment plan.
v) Losing sleep and stress over how to repay debts.

How to borrow Wisely

Let us first discuss what lenders look for before giving an entrepreneur credit.

Group Discussion: Am I eligible for a business loan?

Source: Business.org

Activity 6.0

Look at the picture above. What factors determine if a business can get a loan?

Explain your understanding of each factor to the group.

In order to borrow wisely:

i) *Understand your financial needs*

Before borrowing, you need to create a budget and ask yourself:

- What is the purpose? Is the loan needed for starting a business, expanding operations or bridging a cash flow gap?
- How much do you need? Be realistic, considering your projected growth and repayment capabilities.
- What is your timeline? Do you need immediate funding, or can you afford a slower process?

ii) *Research your loan options*

Conduct a risk assessment.

- Research the different credit sources and the advantages and disadvantages of each.
- Write down the application fees, terms of repayment such as instalments, insurance and penalties for late payment.
- Decide if you need money or supplier credit.

iii) *Assess your current debt level and develop a plan to manage it.*

- Understand the danger signals of unmanaged debt.
- Pay off high-interest loans first.
- If you are in danger of missing payments, speak to the lender before the due date and work out a new repayment schedule.
- Seek financial advice from a trusted institution such as your bank.

Unit summary

Summary

In this unit, we learned about the importance and use of credit in a business. Borrowing helps a business owner obtain working capital to pay for goods and services needed to ensure the business continues running and makes a profit. Controlling or managing debt requires knowing the advantages and disadvantages of different sources of credit, borrowing wisely, and avoiding dangerous debt.

Before lenders issue a business loan, they make sure that the borrower is eligible. This means that they look at several factors about the person and the business to understand the risk of advancing money or goods.

Assessment

Assessment

Answer the following questions:

1. The following are good sources of credit except:

a. Loan sharks b. Banks c. Government d. Savings groups

2. Which of the following services can a business get on credit?

a. Labour b. Utilities c. Mobile phone services d. All the above

Credit management means:

a. Never borrowing for business b. Planning how to use borrowed money to meet financial goals c. Using credit cards for convenience d. Borrowing from one lender to pay another

Unit 5

Writing a Business Plan

Introduction

In units 1-4 we have learned several strategies for managing money. The knowledge and skills gained are important for every person who wants to set personal and business goals for financial prosperity. In Unit 5, we are going to use these strategies to develop a plan for your business. A business plan is a tool that is useful before starting a business, during expansion and when looking for funding for your start-up.

You will need approximately two hours to complete this unit. Extra time will be needed at home to write a business plan.

Upon completion of this unit, you should be able to:

Outcomes

Write a business plan

Terminology

Business Plan	A document that describes a business and the strategies required to achieve the goals.
Ownership model	Legal and financial responsibility of a business.
Remuneration	Payment for work or services.
Market share	The measurement of how much a single company controls an entire industry is calculated as a percentage. If the food industry makes $500,000 in total and Nari makes $50,000, she commands 10% of the market share.

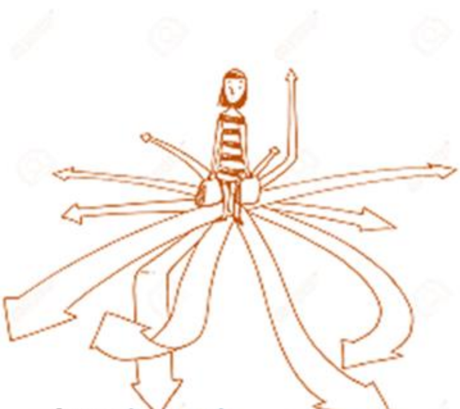
Risk	The exposure of a small business to factors that lead to reduced profits, bankruptcy or failure.

The need for a business plan

If you do not know where you are going, any road will lead you there. - Lewis Caroll

Imagine starting out on a journey without a set destination. You are excited to travel but are not sure why or where you are going. Perhaps it is because friends are going, and you feel left out. Perhaps you have some money that can be used for the journey. Every time a new road opens, you change direction. Eventually, you end up somewhere you do not like, having spent all your time, money and resources.

That is what happens when someone decides to start a business without a proper plan.



Source: shutterstock

A business plan is a document that describes a business and the strategies required to achieve the goals. The benefits of having a business plan include:

a. It sets out clear goals for the business.
b. It enables you to anticipate challenges and opportunities.
c. It keeps the business on track.
d. Can be used to get funding from banks and investors or goods from suppliers.

Making a Business Plan

There are many ways of writing a business plan. Startups may feel that writing a business plan is a long and complicated process. It does not need to be! The following seven steps outline the process. The questions in each step help to simplify it.

These steps can be followed to write a plan for a new business idea or for an existing business seeking to expand.

Step 1: Business Background
General information about the business.

- What are the business goal vision and main objectives?
- When did it start?
- Where is it located?
- Where and how is the business registered?
- What products and services are offered?
- What is the ownership model?
    - Does the business have one or more owners?
    - What is the organizational structure?
- How many employees does the business have?
    - What are their duties
    - What are their qualifications?
    - What is their remuneration (salaries, other benefits)

Step 2: Production/Operational Plan

This is a section that highlights what is involved in developing/producing a product or service.

- Where will the products be made, or where will services be offered?
- What materials will be used, and what are their sources and prices?
- What is the production process?
- What skills (people) or tools (equipment) are needed?
- How will equipment and space for production be acquired? Will it be rented or bought, or is it free?

Step 3: Marketing Plan

Answers the question of who target customers are and how they will get to know about the business.

- Who are the potential and existing customers?
- What segment of the market are you targeting? This refers to characteristics of customers such as age group, sex, location, needs and interests.
- Who are your existing and potential competitors?
    - What are their weaknesses and strengths?
    - What available opportunities will your business take advantage of?
    - How much of the market do you expect to share? If there is high competition,
- How will you capture more of the market share?

Step 4: Financial Plan

An investor or financial institution needs to see that a business will be profitable. In this section, describe how your company will run, make money, and pay its bills. Prepare the following statements:

- Statement of the Pre-Operational expenses.
    - Startup costs- what is needed to begin, and how much will each item cost? For example, rental premises, tools, and employees.
    - Working Capital Requirements- money needed for stock, to pay debtors and cash needed for day-to-day operations
    - Initial expenses- the business should have a 1-to-2-month reserve of estimated expenses.
- Owners' Equity- this is the money that an entrepreneur already possesses before the start of a new business. It may be from personal savings, gifts, or other income.
- Required borrowing

  = Total Pre-Operational Expenses Minus Owners' Equity
- Repayment schedule
    - Loan (Borrowing) Duration.
    - Proposed Amount of Instalment Payment

Step 5: Risk Assessment

Identifying the possible risks shows an entrepreneur's preparedness in dealing with unforeseen events. The plan should identify possible risks and then give suggestions on how to deal with them. Some risks to a business include:

- Failure to meet production deadlines because of problems with supplies and distribution.
- Unforeseen economic, political, social, and technological developments
- Lower sales and profits than expected
- Increase in competition from similar businesses.

Step 6: Action Plan

The final section brings together the sections discussed in the plan that can be put into a table.

Item- the activities to be carried out.

Description - how they will be carried out.

Responsibility - who is responsible for the various tasks?

Time Frame- when the various tasks are scheduled, including dates/months

Cost- the amounts required for the scheduled tasks.

Step 7: Executive Summary.

Although it is written after the business plan is completed, the executive summary is found at the beginning of the document. It is called an Executive Summary because a reader can see the key details of all the main sections/plans of the plan in a few paragraphs. An investor or lender might not have enough time or interest to read the whole business plan. The summary should raise their interest in funding your business.

- What is the business name?
- What products will be sold?
- How are they different and better than products existing on the market?
- Who are the target customers and how do you hope to let them know about the products?
- What is the long-term goal or main ambition for the business? Where will it be in 3-5 years?
- How much money is required? How much has already been raised?
- What are the plans for lessening risks?

Case study	Abiba is a naturally talented young woman in Moatize, Mozambique. She started offering home-based hair and beauty treatments when she left school. Abiba makes shampoo and hair conditioner from medicinal plants and herbs. She also makes facial products and cosmetics from coconut and aloe vera. Due to her unique hair styles and excellent beauty services, Abiba has over 50 regular clients. Abiba has a vision to be the largest natural beauty products supplier in Mozambique. Her long-term goal is to build a factory in Moatize and employ young women in manufacturing beauty products. In the short-term, Abiba is planning to commercialize her business. She has applied for a trade license and has found a stall at the market to start. She will call it Diamantes Salon. Abiba has saved 47,000MZN. She hopes to raise 70,000MZN to cover rent, fittings for the salon and advertising. Her savings will be used to pay for initial operating expenses and salary for an assistant. Abiba is requesting for funding from BCI bank Moatize.
Activity 7.0	In groups, use the outline discussed to write a business plan for Moatize. Try to make your plan as simple to understand as possible. Present your plan to the group.

Unit summary

Summary

Unit 5 brought together the concepts learned in Units 1-4, and we learned how to write a business plan. The plan enables potential investors to see the strengths of your idea and increases the chance of getting credit to begin or expand your business.

Assessment

Assessment

Using the skills learned in this unit, create a business plan for your existing business or for a startup. Share the plan with your facilitator.

Additional resources

1. Example of Business plan pdf

The document provides a sample business plan for a food business. From the example, you learn how to write an executive summary, description of products, financial projections, marketing plan, competition analysis and alternative plans.

2. The Two Page / 30 Minute Business Plan

This business plan template is a free and easy tool. By adding a few sentences to each planning category, you can complete it in about half an hour.