

# **BASIC BUSINESS SKILLS COURSE FOR ADS OWNERS**

## **Trainer's Guide**

### **Module 6: Recordkeeping and Business Financial Management**



## Table of contents

<b>MODULE 6: RECORDKEEPING AND BUSINESS FINANCIAL MANAGEMENT ....</b>	<b>3</b>
SESSION ONE: BOOKKEEPING .....	3
SESSION TWO: INCOME AND EXPENDITURE CONTROL .....	8
SESSION THREE: CALCULATING PROFIT AND LOSS.....	13
SESSION FOUR: BUYING AND SELLING ON CREDIT .....	23

## **MODULE 6: RECORDKEEPING AND BUSINESS FINANCIAL MANAGEMENT**

### **Learning Objectives**

As a result of actively participating in this module, the individual will be able to:

1. State the guidelines for setting up a simple bookkeeping system for his or her ADS.
2. Explain how to carry out the four steps of reconciling your bank account balance.
3. Explain how to record monthly income and expenditures.
4. Explain how to calculate whether an ADS has made a profit or had a loss that month.
5. Name the four key elements of a credit management strategy.

### **SESSION ONE: BOOKKEEPING**

<b>LEARNING OBJECTIVES:</b>	As a result of actively participating in this session, the individual will be able to:	
	1. Explain how to organize and record each of the following in a simple bookkeeping system:	
	a. Your INVOICES	
	b. Your EXPENSES	
	c. Your INCOME	
	d. Your PETTY CASH	
	2. Explain how to carry out the four steps of reconciling your bank account balance.	
<b>DURATION:</b>	1 hour 25 min.	
<b>METHODOLOGY:</b>	Lecture, Q&A, discussion	
<b>MATERIALS:</b>	For all participants:	For the trainer:
	• Pen and pencil	• Flip chart/black board
	• Notebook	• Name tag
	• Name tags	• LCD projector

<p><b>PREPARE IN ADVANCE:</b></p>	<ul style="list-style-type: none"> <li>• PowerPoint slides</li> <li>• Flipchart papers on which you have created one or more examples of:             <ul style="list-style-type: none"> <li>○ How expenses have been divided up into columns with headings.</li> <li>○ How to add up the totals for each column and record them in the columns for the following month.</li> </ul> </li> <li>• Samples of labelled files, invoices, cash book, etc.</li> </ul>
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### Bookkeeping Records (45 min.)

PRESENT	slides 1 and 2
ASK	participants what “bookkeeping” is.
ENSURE	<p>that the following points emerge:</p> <ul style="list-style-type: none"> <li>• Overall: keeping accurate records of the <i>financial transactions</i> of your business.</li> <li>• Specifically:             <ul style="list-style-type: none"> <li>○ Recording the day-to-day financial transactions of the business (purchases, sales, receipts, and payments).</li> <li>○ Recording all transactions in the correct bookkeeping record.</li> </ul> </li> </ul>
SHOW	slide 3
POINT OUT	that these are the points they have made.
SHOW	slide 4
INVITE	participants to take turns reading the slide out loud.
SHOW	slide 5

INVITE	participants to take turns reading the slide out loud.
EXPLAIN	that some of the participants may already have experience with bookkeeping, while others may be very new to it.
EXPLAIN	that in this session, participants will be examining bookkeeping, the kinds of records they should keep, and some examples of those records.
SHOW	slide 6
INVITE	participants to take turns reading the list of bookkeeping records out loud.
EXPLAIN	that it will be important for ADS owners to keep these records in an organized manner, which you will all be examining in this session.
SHOW	slide 7
INVITE	participants to take turns reading the statements on the slide out loud.
SHOW	<p>participants one or more examples of:</p> <ul style="list-style-type: none"> <li>• Labelled files: one for sales and one for purchases.</li> <li>• One or more invoices, and point out the unique reference number that has been assigned to each invoice.</li> </ul> <p>NOTE: you may want to pass the examples around the room for people to see.</p>
EXPLAIN	that even if the ADS is going to use a computer system to organize and keeps its records, the owner should apply the same guidelines to organize and keep the business records.
SHOW	slide 8
INVITE	participants to take turns reading the statements on the slide out loud.
SHOW	participants one or more pages of a sample <b>cash book</b> .

ASK	participants how they think they will keep their receipts.
ENSURE	that whatever ways they mention will be effective in keeping the receipts safe.
SHOW	slide 9
INVITE	participants to take turns reading the statements on the slide out loud.
SHOW	flipchart papers on which you have created one or more examples of: <ul style="list-style-type: none"> <li>• How expenses have been divided up into columns with headings.</li> <li>• How to add up the totals for each column and record them in the columns for the following month.</li> </ul>
SHOW	slide 10
INVITE	participants to take turns reading the statements on the slide out loud.
SHOW	participants one or more examples of: <ul style="list-style-type: none"> <li>• A section in the cash book where they will record <b>income</b>.</li> <li>• A section in the cash book where they will record <b>petty cash</b>.</li> </ul>
SHOW	slide 11
INVITE	participants to take turns reading the statements on the slide out loud.
EXPLAIN	that all of these details are spelled out in their ADS Business Manual, starting on pages 10-12.

**Exercise 1: Setting up a simple bookkeeping system (40 min.)**

EXPLAIN	<ul style="list-style-type: none"> <li>• That participants are going to break into <i>pairs</i> once more and will practice explaining how to set up a simple bookkeeping system.</li> <li>• One person will explain the first step in setting up a simple bookkeeping system, while the other consults the <i>ADS Business Manual</i> [HOLD UP MANUAL] to make sure that all of the essential details have been mentioned.</li> <li>• Then they switch places and repeat the process (i.e., the second person explains the first step, while the other consults the <i>ADS Business Manual</i> to make sure that all of the essential details have been mentioned).</li> </ul>
ADD	that participants will then repeat this process with the other four steps of setting up a simple bookkeeping system.
TELL	everyone they have 15 minutes to complete this exercise, and they may begin now.
CIRCULATE	and provide support and assistance, as needed.
CALL	everyone back together when the 15 minutes have passed. NOTE: If they need more time, give them 5 minutes more.
ASK	one participant to explain how to do the first step in setting up a simple bookkeeping system.
INVITE	the other participants to comment on the explanation, i.e., what the person explained well and what may have been missing from his or her explanation.
ASK	another participant to explain how to do the second step in setting up a simple bookkeeping system.
INVITE	the other participants to comment on the explanation, i.e., what the person explained well and what may have been missing

	from his or her explanation.
CONTINUE	this until all five steps in setting up a simple bookkeeping system have been explained.
THANK	participants for their work.

## SESSION TWO: INCOME AND EXPENDITURE CONTROL

<b>LEARNING OBJECTIVES:</b>	As a result of actively participating in this session, the individual will be able to:	
	<ol style="list-style-type: none"> <li>1. Name the form they will use to record monthly income and expenditures.</li> <li>2. Explain how to record monthly income and expenditures.</li> </ol>	
<b>DURATION:</b>	1 hour	
<b>METHODOLOGY:</b>	Lecture, Q&A, discussion	
<b>MATERIALS:</b>	<b>For all participants:</b>	<b>For the trainer:</b>
	<ul style="list-style-type: none"> <li>• Pen and pencil</li> <li>• Notebook</li> <li>• Name tags</li> <li>• Handouts</li> </ul>	<ul style="list-style-type: none"> <li>• Flip chart/black board</li> <li>• Name tag</li> <li>• LCD projector</li> <li>• PowerPoint slides</li> </ul>
<b>PREPARE IN ADVANCE:</b>	<ul style="list-style-type: none"> <li>• Samples of recordkeeping books</li> <li>• Copies of handout 1</li> </ul>	

### **Income and Expenditure Control (20 min.)**

SHOW	slides 12-13
INVITE	participants to take turns reading the text on the slides out loud.
SHOW	examples of a:



	<ul style="list-style-type: none"> <li>• Cash book</li> <li>• Sales day book/credit sales</li> <li>• Purchases day book/credit purchases</li> </ul>
SHOW	slide 14
INVITE	participants to take turns reading the text on the slide out loud.
EXPLAIN	that you are going to examine a <b>prescribing and dispensing log</b> together now.
SHOW	slide 15
REVIEW	the prescribing and dispensing log with them.
EXPLAIN	that they can find this sample format in their ADS Business Manual on page 13.
SHOW	slides 16-20
REVIEW	each of the forms with them, explaining their uses.
EXPLAIN	that they can find these sample formats in their ADS Business Manual on pages 10-12.

**Exercise 2: Recording monthly income and expenditures (40 min.)**

EXPLAIN	<p>that for this exercise, participants will work in pairs.</p> <p>NOTE: Inasmuch as possible, more experienced individuals should pair up with less experienced ones.</p> <p>NOTE: Participants will fill out the <i>first blank</i> column during this exercise; they will fill out the <i>other blank</i> column during a later exercise.</p>
GIVE	every participant a copy of Handout #1 (below).

<p><b>EXPLAIN AND DEMONSTRATE</b></p>	<p>that every participant should:</p> <ol style="list-style-type: none"> <li>1. <b>FIRST</b> indicate whether each of the items is <b>INCOME</b> or <b>EXPENDITURE</b>. [DO THE FIRST ONE AS AN EXAMPLE].             <ol style="list-style-type: none"> <li>a. If it is <b>INCOME</b>, write a capital <b>I</b> in the box to the left.</li> <li>b. If it is <b>EXPENDITURE</b>, write a capital <b>E</b> in the box to the left.</li> </ol> </li> <li>2. <b>SECOND</b>, work individually to match each piece of information in the <i>left-hand</i> column with the record book into which it should be entered in the <i>right-hand</i> column by entering the corresponding letter in the box provided. [DO THE FIRST ONE AS AN EXAMPLE].</li> <li>3. <b>THIRD</b>, compare his or her answers with those of his or her partner.</li> <li>4. In case of questions or concerns, participants should check in with the facilitator.</li> </ol>
<p><b>TELL</b></p>	<p>them that they have 15 minutes to do this exercise and to begin.</p>
<p><b>CIRCULATE</b></p>	<p>and provide support and assistance, as needed.</p>
<p><b>CALL</b></p>	<p>everyone back together when the 15 minutes have passed. NOTE: If they need more time, give them 5 minutes more.</p>
<p><b>INVITE</b></p>	<p>participants to share their answers, one by one, to ensure that everyone has the same answers.  NOTE: It is important to identify those who have trouble with this exercise and ensure that they get more explanation and practice. One possibility is to have a “side session” at the end of the day during which the facilitator provides the explanation and practice.</p>

**TRAINER'S VERSION****HANDOUT #1: Income and Expenditure**

Instructions: For each income or expenditure item below, indicate (1) whether it is an Income (I) or an Expenditure (E) by writing I or E in the space to the left; (2) then into which record book it should be entered by writing the letter of the record book in the space to the right.

I or E	Item	Record Book #	#	Record Book
E	<b>02 January</b> Paid January rent Ugshs. 80,000	5	1	Cash sales book
I	<b>08 January</b> Sold 3 doses Amoxicillin 250 mg Ugshs. 100,000 cash from the customer	9	2	Credit sales book
I	<b>10 January</b> Sold 3 bottles Iodine Ugshs. 3,000, Clotrimazole Ugshs. 14,000 and Zinc at Ugshs. 8,000	1	3	Cash purchase book
E	<b>10 January</b> Bought 3 new exercise books, 2 payment vouchers and 2 receipt books for Ugshs. 10,000	5	4	Credit purchase book
E	<b>15 January</b> Drug store license is paid to town council for Ugshs. 25,000	5	5	Receipts
E	<b>16 January</b> Medcare delivered quinine syrup worth Ugshs. 70, 000 to be paid at month end	4	6	Invoices
I	<b>18 January</b> Kirunda purchases quinine syrup worth Ugshs. 50,000 to be paid completely paid in February	2	7	Bank deposits
I	<b>19 January</b> Kirunda makes a deposit of Ugshs. 10,000	1 ??	8	Bank withdrawals/check stubs
E	<b>22 January</b> The shop owner takes 15,000 for her personal use	8	9	Prescribing and dispensing log
E	<b>26 January</b> Paid UMEME, Ugshs 25,000	5		
E	<b>26 January</b> Paid water Ugshs, 5,000	5		
E	<b>31 January</b> Paid January salaries Ugshs. 100,000	8		

**PARTICIPANT'S VERSION****HANDOUT #1: Income and Expenditure**

Instructions: For each income or expenditure item below, indicate (1) whether it is an Income (I) or an Expenditure (E) by writing I or E in the space to the left; (2) then into which record book it should be entered by writing the letter of the record book in the space to the right.

<b>I or E</b>	<b>Item</b>	<b>Record Book #</b>
	<b>02 January</b> Paid January rent Ugshs. 80,000	
	<b>08 January</b> Sold 3 doses Amoxicillin 250 mg Ugshs. 100,000 cash from the customer	
	<b>10 January</b> Sold 3 bottles Iodine Ugshs. 3,000, Clotrimazole Ugshs. 14,000 and Zinc at Ugshs. 8,000	
	<b>10 January</b> Bought 3 new exercise books, 2 payment vouchers and 2 receipt books for Ugshs. 10,000	
	<b>15 January</b> Drug store license is paid to town council for Ugshs. 25,000	
	<b>16 January</b> Medcare delivered quinine syrup worth Ugshs. 70, 000 to be paid at month end	
	<b>18 January</b> Kirunda purchases quinine syrup worth Ugshs. 50,000 to be paid completely paid in February	
	<b>19 January</b> Kirunda makes a deposit of Ugshs. 10,000	
	<b>22 January</b> The shop owner takes 15,000 for her personal use	
	<b>26 January</b> Paid UMEME, Ugshs 25,000	
	<b>26 January</b> Paid water Ugshs, 5,000	
	<b>31 January</b> Paid January salaries Ugshs. 100,000	

<b>#</b>	<b>Record Book</b>
1	Cash sales book
2	Credit sales book
3	Cash purchase book
4	Credit purchase book
5	Receipts
6	Invoices
7	Bank deposits
8	Bank withdrawals/check stubs
9	Prescribing and dispensing log

### SESSION THREE: CALCULATING PROFIT AND LOSS

<b>LEARNING OBJECTIVES:</b>	As a result of actively participating in this session, the individual will be able to:	
	<ol style="list-style-type: none"> <li>1. Given one month's sample data from an ADS cash book, calculate whether the ADS has made a profit or had a loss that month.</li> </ol>	
<b>DURATION:</b>	1 hour 30 min.	
<b>METHODOLOGY:</b>	Lecture, Q&A, discussion	
<b>MATERIALS:</b>	For all participants:	For the trainer:
	<ul style="list-style-type: none"> <li>• Pen and pencil</li> <li>• Notebook</li> <li>• Name tags</li> <li>• Handouts</li> </ul>	<ul style="list-style-type: none"> <li>• Flip chart/black board</li> <li>• Name tag</li> <li>• LCD projector</li> <li>• PowerPoint slides</li> </ul>
<b>PREPARE IN ADVANCE:</b>	<ul style="list-style-type: none"> <li>• Demonstration of "Calculating profit and loss." Be sure to fill in slides 24 and 26 with the necessary data BEFORE the session.</li> <li>• Handouts for exercises</li> </ul>	

#### Calculating Profit and Loss (45 min.)

<b>SHOW</b>	slide 21
<b>INVITE</b>	participants to take turns reading the text on the slide out loud.
<b>SHOW</b>	slide 22
<b>INVITE</b>	participants to take turns reading the text on the slide out loud.
<b>POINT OUT</b>	<ul style="list-style-type: none"> <li>• That the scales that show <b>profit</b> show that there is more income that month than expenditure.</li> <li>• That the scales that show <b>loss</b> show that there is more expenditure</li> </ul>

	than income.
SHOW	slide 23
INVITE	participants to take turns reading the text on the slide out loud.
EXPLAIN	that you are going to demonstrate how to calculate monthly profit or loss.
REVIEW	slide 24 with the participants. <b>NOTE: BEFORE THE SESSION, FILL IN THE SLIDE WITH SAMPLE REALISTIC DATA THAT INDICATES THAT THE ADS MADE A PROFIT THAT MONTH.</b>
DEMONSTRATE	how to calculate monthly <b>profit or loss</b> by walking participants through the calculations on slides 24 and slide 25.
REVIEW	slide 26 with the participants. <b>NOTE: BEFORE THE SESSION, FILL IN THE SLIDE WITH SAMPLE REALISTIC DATA THAT INDICATES THAT THE ADS HAD A LOSS THAT MONTH.</b>
DEMONSTRATE	how to calculate monthly <b>loss</b> by walking participants through the calculations on slides 26 and slide 27.
ASK	what questions or concerns the participants have.
RESPOND	to their questions or concerns.
EXPLAIN	that now they will have an opportunity to practice.
ASK	participants to take out their Handout #1, which they worked on during the last session.
GIVE	each participant Handout #2a.
EXPLAIN	that they are going to fill out the cash book that you just gave them with

	the information from Handout #1, and then they will calculate whether the ADS has made a profit or a loss during that month.
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**Exercise 3a: Creating a cash book (15 min.)**

ASK	participants to take out their Handout #1, which they worked on during the last session.
GIVE	each participant Handout #2a.
EXPLAIN	that each participant will work individually to fill in Handout #2a (the empty cash book pages) with the information from Handout #1 ("Income and Expenditure").
DEMONSTRATE	how to fill in the first two, item by item, explaining each step.
ASK	what questions they have.
RESPOND	to their questions.
TELL	them they have 10 minutes to fill in Handout #2a and they can begin now.
CIRCULATE	and provide support and assistance, as needed.
CALL	everyone back together when the 10 minutes have passed.

**Exercise 3b: Calculating profit or loss (30 min.)**

EXPLAIN	that now each participant will calculate whether the ADS has made a profit or a loss in the month of January.
GIVE	each participant Handout #2b.
ASK	a volunteer to state the three steps to take to calculate profit or loss.
ENSURE	that he or she states:

	<ol style="list-style-type: none"> <li>1. From the cash book of the business (receipt side/money received side), total all revenues from sales and other monies received during the period, including credit sales. This will give you <i>total income</i>.</li> <li>2. From the cash book (payment side/money out side), total all payments made (purchases and expenses), including credit purchases. This will give you <i>total expenses</i>.</li> <li>3. Subtract <i>total expenses</i> from <i>total income</i>.</li> </ol>
TELL	participants they have 15 minutes to follow these three steps to calculate whether the ADS made a profit or had a loss in the month of January, and they may begin now.
CIRCULATE	to provide support and assistance, as needed.
CALL	them all together at the end of the 15 minutes.
INVITE	a volunteer to state whether the ADS made a profit or a loss.
ASK	the other participants whether they agree.
RESOLVE	any conflicts or questions.





## Handout 2b: Demonstration: Calculating profit or loss

<b>Total income =</b>	
<b>Total expenditure =</b>	
<b>PROFIT (+) or LOSS (-) =</b>	

**TRAINER'S VERSION**

**Handout 2a: Calculating monthly profit or loss**

Money in

Cash book

Money out

Date	Details	Cash	Bank	Date	Details	Cash	Bank
08 Jan.	Medicine sale	100,000		02 Jan.	Rent	80,000	
10 Jan.	Medicine sale	11,000		10 Jan.	Bought supplies	10,000	
18 Jan.	Sale on credit – to be paid in Feb.	50,000		15 Jan.	Drug store license	25,000	
19 Jan.	Credit customer pays deposit	10,000		16 Jan.	Medicine purchase – to be paid at month's end	70,000	
				22 Jan.	Shop owner takes for personal use	15,000	
				26 Jan.	Paid UMEME	25,000	
				26 Jan.	Paid water bill	5,000	
				31 Jan.	Paid Jan. salaries	100,000	
<b>TOTALS</b>		<b>161,000</b>		<b>TOTALS</b>		<b>330,000</b>	

**PARTICIPANT'S VERSION**

**Handout 2a: Calculating monthly profit or loss**

**Money in**

**Cash  
book**

**Money out**

Date	Details	Cash	Bank	Date	Details	Cash	Bank
<b>TOTALS</b>				<b>TOTALS</b>			

**TRAINER'S VERSION**

**HANDOUT 2b: Calculating monthly profit or loss**

Total income =	161,000
Total expenditure =	330,000
PROFIT (+) or LOSS (-) =	- 169,000

**PARTICIPANT'S VERSION**

**HANDOUT 2b: Calculating monthly profit or loss**

Total income =	
<hr/>	
Total expenditure =	
<hr/>	
PROFIT (+) or LOSS (-) =	

## SESSION FOUR: BUYING AND SELLING ON CREDIT

<b>LEARNING OBJECTIVES:</b>	As a result of actively participating in this session, the individual will be able to:	
	1. Name the key elements of a credit management strategy for his or her ADS.	
<b>DURATION:</b>	30 min.	
<b>METHODOLOGY:</b>	Lecture, Q&A, discussion	
<b>MATERIALS:</b>	For all participants:	For the trainer:
	<ul style="list-style-type: none"> <li>• Pen and pencil</li> <li>• Notebook</li> <li>• Name tags</li> </ul>	<ul style="list-style-type: none"> <li>• Flip chart/black board</li> <li>• Name tag</li> <li>• LCD projector</li> <li>• PowerPoint slides</li> </ul>
<b>PREPARE IN ADVANCE:</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>	

### Credit Management Strategy (30 min.)

<b>EXPLAIN</b>	that each ADS owner must decide whether he or she will buy or sell on credit.  There are advantages to buying and selling on credit, but there are also disadvantages. It is important to weigh the advantages and disadvantages, and only then make your decision.
<b>SHOW</b>	slide 28
<b>INVITE</b>	one participant to read the Advantages.
<b>INVITE</b>	another participant to read the Disadvantages.
<b>ASK</b>	participants what experience, if any, they have with <b>selling</b> on credit.

	(If they mention <b>buying</b> on credit experiences, ask them to wait to share them.)
LISTEN	to their experiences.
SHOW	slide 29
INVITE	one participant to read the Advantages.
INVITE	another participant to read the Disadvantages.
ASK	participants what experience, if any, they have with <b>buying</b> on credit.  (Now would be the time to invite those who may have tried before to speak about experience with buying on credit to speak up.)
LISTEN	to their experiences.
EXPLAIN	that the ADS owner must weigh the advantages and disadvantages of selling or buying on credit, and decide whether to do either.
SHOW	slide 30
EXPLAIN	that if the ADS owner decides to buy or sell on credit, he or she must create AND follow a <b>clear credit management strategy</b> .
ADD	that this requires keeping careful track of the four things listed on the screen:  <ol style="list-style-type: none"> <li>1. Who owes the business money?</li> <li>2. How much is owed.</li> <li>3. To whom the business owes money.</li> <li>4. How much the business owes.</li> </ol>
ASK	participants how they would keep track of those things.
LISTEN	to their answers.



INVITE	other participants to comment on the ways they have suggested that they can keep track of who owes how much to whom.
LISTEN	to their comments, and add your own, as appropriate.
INVITE	<p>every participant to turn to the person next to him or her and do the following:</p> <ol style="list-style-type: none"> <li>1. One person turns his or her back to the screen and states the four key things to keep track of when the ADS buys and sells on credit.</li> <li>2. The other person listens, looks at the list on the screen, and gives feedback about whether all the points have been mentioned.</li> <li>3. Then they switch positions/roles and repeat the process.</li> </ol>
TELL	them they have 10 minutes to do this practice, and to begin.
CIRCULATE	to provide support and assistance, if needed.
CALL	everyone back together when the 10 minutes have passed.
ASK	participants how often they think the ADS owner needs to update the records about buying and selling on credit.
LISTEN	to their responses.
INVITE	a few participants who make specific suggestions about how often to do so to explain the reason why they have made that suggestion.
LISTEN	to their responses.
ASK	other participants for their opinions.
SUMMARIZE	<p>the session by re-stating something like the following:</p> <p>“There are advantages to buying and selling on credit, but there are also disadvantages. It is important to weigh the advantages and disadvantages, and only then make your decision.”</p>

THANK	all participants for their work.
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