

# **Entrepreneurship**

## **for Rwanda Secondary Schools**

Teacher's Guide Book 4

Kalungi Rogers  
Ngobi Dennis  
Mutegaya Herbert  
Okoroi David

FOUNTAIN PUBLISHERS  
[www.fountainpublishers.co.ug](http://www.fountainpublishers.co.ug)

Fountain Publishers Rwanda Ltd

P.O. Box 6567

Kigali, Rwanda

E-mail: [fountainpublishers.rwanda@gmail.com](mailto:fountainpublishers.rwanda@gmail.com)

[sales@fountainpublishers.co.ug](mailto:sales@fountainpublishers.co.ug)

[publishing@fountainpublishers.co.ug](mailto:publishing@fountainpublishers.co.ug)

Website: [www.fountainpublishers.co.ug](http://www.fountainpublishers.co.ug)

© Fountain Publishers 2016

First published 2016

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission from the publishers.

ISBN: 978-9970-19-358-5

# Contents

<i>Introduction</i> .....	v
<i>A Content Map</i> .....	xx
<i>Sample lesson plan</i> .....	xxxviii
<b>TOPIC AREA:</b>	<b>ENTREPRENEURIAL CULTURE</b>
<b>SUB-TOPIC AREA:</b>	Entrepreneurship as a Career
Unit 1:	Initiation to Entrepreneurship ..... 1
<b>TOPIC AREA:</b>	<b>ENTREPRENEURIAL CULTURE</b>
<b>SUB-TOPIC AREA:</b>	Entrepreneurship as a Career
Unit 2:	Career Opportunities ..... 24
<b>TOPIC AREA:</b>	<b>WORK READINESS</b>
<b>SUB-TOPIC AREA:</b>	Personal Development
Unit 3:	Setting Personal Goals ..... 36
<b>TOPIC AREA:</b>	<b>BUSINESS LEGAL ASPECTS</b>
<b>SUB-TOPIC AREA:</b>	Business Laws and Contracts
Unit 4:	Laws in Business Operation..... 46
<b>TOPIC AREA:</b>	<b>BUSINESS LEGAL ASPECTS</b>
<b>SUB-TOPIC AREA:</b>	Business Laws and Contracts
Unit 5:	Role of Standards in Business ..... 84
<b>TOPIC AREA:</b>	<b>BUSINESS GROWTH AND SUSTAINABLE DEVELOPMENT</b>
<b>SUB-TOPIC AREA:</b>	Business Market Research
Unit 6:	Market Research ..... 101
<b>TOPIC AREA:</b>	<b>BUSINESS OPERATIONS MANAGEMENT</b>
<b>SUB-TOPIC AREA:</b>	Business Organisation and Management
Unit 7:	Business Organisation and Management ..... 132
<b>TOPIC AREA:</b>	<b>BUSINESS OPERATIONS MANAGEMENT</b>
<b>SUB-TOPIC AREA:</b>	Financial Institutions and Markets
Unit 8:	Financial management..... 197

<b>TOPIC AREA:</b>	<b>BUSINESS OPERATIONS MANAGEMENT</b>	
<b><i>SUB-TOPIC AREA:</i></b>	Financial Institutions and Markets	
Unit 9:	Financial Institutions.....	228

<b>TOPIC AREA:</b>	<b>BUSINESS OPERATIONS MANAGEMENT</b>	
<b><i>SUB-TOPIC AREA:</i></b>	Accounting and Inventory Management	
Unit 10:	Initiation to Accounting .....	242

# Introduction

## **Background to curriculum review**

---

As Rwanda moves towards Universal Secondary Education and 12 years of basic education, it is imperative that those graduating from secondary schools are equipped with competences to ensure that they can be productive after graduation. Therefore, a careful review of the secondary school Entrepreneurship syllabus was carried out to ensure that the key transferable skills that employers needs are provided to all secondary school graduates. These include academic school skills as well as communication and team work skills.

A competence based syllabus guides the development of competences associated with methodologies and assessment strategies that specify the outcomes which are consistent with the needs of the individual, the community and the labour market. This syllabus offers learners the opportunity to apply what they have learnt to real life situations and make a difference in their own life with the help of their teachers, whose role is central to the success of the curriculum delivery.

The Entrepreneurship competence based curriculum intends to equip learners with a combination of skills, attitudes, and values as well as knowledge that a learner can demonstrate and use during and after each level of the learning process. This should enable them to accomplish employment-related tasks satisfactorily, while personal characteristics such as motivation, self-confidence, and willpower are also developed.

## **Rationale for the teaching and learning of Entrepreneurship**

---

### **Entrepreneurship and society**

The developmental process and capital formation cannot in the long run be achieved by the state or by donor funds alone. While both of these must contribute, the backbone

of the process should be the middle class of the Rwandan entrepreneurs.

Productive entrepreneurship must be fostered to perform its traditional role of creating wealth, employment and vital innovations through opportunities for profit.

Entrepreneurship education is a vital part of the process to build a prosperous society, and a driving force behind employment, growth and competitiveness. A successful entrepreneur is an asset to the society. He or she can contribute to the wellbeing of a society in several ways, such as the provision of goods and services, creating new markets and new technologies, new institutional forms, new jobs and net increases in productivity which improves the living conditions of people.

Entrepreneurship is a great enabler, which can help level the playing field between developed and developing countries and regions. It is envisaged that with Entrepreneurship education, Rwanda will transform from a subsistence agricultural economy into a knowledge-based society, with a vibrant class of entrepreneurs.

### **Entrepreneurship and learners**

The subject is meant to change the attitudes of learners, encouraging them to focus more on self employment and self-reliance. It should also raise awareness amongst young people and the broader the community for promotion of the potential youth enterprises. The attitude of young people is also a driver of their productivity. Many Rwandan youths lack a culture of entrepreneurship while some youth perceive certain types of jobs as jobs for second class citizens. This further translates into a negative attitude towards learning skills related to those perceived as blue-collar jobs.

Entrepreneurship education will help to ensure that the key transferable soft skills that employers need are being provided to all secondary graduates, including academic skills, communication and teamwork skills. Entrepreneurship education will also help to reduce skills gaps and shortages; improving productivity and business performance; increasing

opportunities to boost the skills and productivity of the sector's workforce, including action on equal opportunities; and improving quality and relevance of training for employment among learners.

Using this Teacher's guide, learners will have; progressively more challenging educational activities; experiences that will enable them to develop the insight needed to discover and create entrepreneurial opportunities. Education is entrepreneurship, therefore, help learners to apply business knowledge, skills and attitudes to solve environmental, economic and social problems in their everyday lives.

### **Competences**

The present curriculum places emphasis on learning knowledge for its own sake. The new curriculum places emphasis on the development of competences. A competence is the ability to use knowledge. A competence is a combination of knowledge with skills, attitudes and values that a learner must demonstrate during and after each level of the learning process that enables the learner to accomplish a certain task satisfactorily. Basic competences are addressed in the stated broad subject competences and in objectives highlighted on a yearly basis and in each of the units of learning.

The generic competences are competencies which are important in all fields, both in school and employment. They must be emphasised and reflected throughout the learning process and are briefly described below. Teachers should ensure that learners are regularly exposed to tasks that help them acquire these competences.

### **Generic competences**

**Critical and problem solving skills:** The acquisition of such skills will help learners to think imaginatively, innovatively and broadly to evaluate and find the problems encountered in their surroundings.

**Creativity and innovation:** The acquisition of such skills will help learners to take the initiative and use their imaginations

beyond the knowledge provided in the classroom to generate new ideas and construct new concepts.

**Research:** This will help learners to find answers to questions based on existing information and concepts and use it to explain phenomena from gathered information.

**Communication in official languages:** Teachers, irrespective of being language teachers will ensure the proper use of language of instruction by learners. The teachers should communicate clearly and confidently and convey ideas effectively through spoken and written by applying appropriate language and relevant vocabulary.

**Cooperation, inter personal management and life skills:** This will help the learner to cooperate as a team in whatever task is assigned and to practice positive ethical moral values while respecting rights, feelings and views of others. They should be able to perform practical activities related to environmental conservation and protection and to advocate for personal, family and community health, hygiene and nutrition and respond creatively to a variety of challenges encountered in life.

**Lifelong learning:** Knowledge is always changing. Lifelong learning means the acquisition of cognitive skills and the ability to be creative and think for themselves will help learners to update knowledge and skills with minimum external support. The learners will be able to cope with the evolution of knowledge advances for personal fulfillment in areas that are relevant to their improvement and development.

### **Broad entrepreneurship competences**

In addition to generic competences, there are competences specific to entrepreneurship. The overall goal of entrepreneurship education is to give learners the attitude, knowledge and skills to act in an entrepreneurial way. The intention of this is that learners should be able to:

- Use available resources properly and responsibly to create gainful activities for the present and future generation.



- Use their creative and innovative powers to come up with new products.
- Take manageable risk ventures and create employment opportunities.
- Make rational decisions based on one's needs.
- Create and implement business opportunities from the environment.
- Create smart goals and make viable decisions in life.
- Save for future needs and manage finance in daily activities.
- Develop and implement a viable business plan.
- Apply standards in business operations.
- Pay taxes in accordance to Rwanda tax law.
- Exercise their rights and responsibilities as an employee and employer.
- Demonstrate appropriate workplace behaviour and attitude.
- Perform accounting for a business enterprise.
- Apply ethical behaviour in business.

## **Pedagogical Approach**

---

### **The competence – based curriculum design philosophy**

A competence-based entrepreneurship education generally builds on active and participatory teaching methods. The change to competence-based curriculum is about transforming learning so that it is deep, enjoyable and habit-forming. It's main characteristics are the practical, project-based approach, promoting practical experience through workshops, cooperation with different organisations and enterprises, including; learning settings outside school, and last but not least, the hands-on approach of setting up and running learner projects. At the same time, each learner is an individual with his/her own needs, pace of learning, experiences and abilities. Teaching strategies must therefore be varied, but flexible within well-structured sequences of lessons.

### **Link to prior learning experiences**

---

The objective of entrepreneurial teaching is not only to introduce new content to learners, but to build on the student's own learning experiences such as personal, family or community experiences in its delivery. Entrepreneurship is a subject that has links with many other subjects such as Mathematics, Economics, History and Citizenship, English, Technology, Science and others; therefore, lessons should be delivered showing the relationship with other subjects.

### **Teaching and learning methods**

---

The methodological approaches used in the textbooks are based on active and participatory teaching and learning. Every part of the book contains activities for the learners which are an integral part of the learning process. The exact type of activity depends on the topic being handled, the learners' learning or comprehension capacities, and the resources available for use in the learning process. The activities employed are learner centered, where the learner is the main actor and the teacher is expected to apply a series of interactive learning processes.

In order for secondary schools learners to learn this entrepreneurship program focused on developing transferable 21st century skills, the pedagogical structure of a skills lab is provided in the learning activities. Skills lab is a time when learners are required to complete learning activities working in small groups. The skills labs are a no-cost, easy method to change teacher's pedagogy from theory-based to competency-based instruction. Skills lab ensures teachers are accountable to completing all the learning activities and projects as outlined in the syllabus. Learners should also engage in business clubs to guarantee they practice entrepreneurship.

**NB:** It is recommended that the teacher must always complete every group activity with learners giving feedback or sharing through class presentations, discussions, questions and answers to come to an agreed content summary or conclusion of the lesson

### **Role of the teacher**

Since the competency based curriculum is about learners' active participation in the learning process you must stick to a learner centered approach where you the teacher play the role of the coach/ facilitator in order to value learners' needs and expectations. Your role as the teacher in using these text books should include among others:

- Organise learners in classroom or study areas.
- Designs the tasks to be performed and then works as facilitator throughout the whole process of learning.
- Provide the necessary support to the challenging tasks.
- Plan and design appropriate tasks that can provoke learners to think critically, be creative and innovative and be actively involved during the learning process.
- Organise and develop learning/teaching materials/ resources.
- Design appropriate assessment to measure the achievement of set objectives.

### **The role of the learner**

A competence-based curriculum on which this text book is based cannot be successful without the learners' full involvement in the learning process. They should be ready and willing to work with the teacher in the delivery of this syllabus.

The role of the learner, therefore, in the effective use of the text book should include:

- Regular attendance in the classroom.
- Active participation in the group work activities.
- Seek assistance and feedback from fellow learners and teachers.
- Imitate/apply learnt material in their school or daily life.
- Respect school rules and regulations.
- Search for more information through continuous research using various sources like books, internet etc.

### **Special Education Needs (SEN) and inclusive approach**

---

The new curriculum is based on the idea that all Rwandans have the right to access education regardless of their different needs. This is the focus of Special Education Needs. The critical issue is that we have persons/ learners who are totally different in their ways of living and learning as opposed to the majority. The difference can either be emotionally, physically, sensory and intellectually learning challenged.

These learners equally have the right to benefit from education in all our schools. You must, therefore consider each learner's needs during teaching and learning process whatever their intellectual or physical abilities. Assessment strategies and conditions should also be adapted to the needs of these learners. Detailed guidance for each category of learners with special education needs is provided for in this teacher's guide.

### **Assessment Approach**

---

Assessment is mainly about improving learning and, through improving learning, improving teaching. Assessment is not just about 'testing' learners to find out if they have learnt particular knowledge, but to find out if they have achieved the objectives and learnt the competences, which include understanding, skills, attitudes and values. It is an important ongoing process in teaching and learning and it should be used continuously, meaning it should not be done only at the end after completing a particular topic.

Assessment should include formative assessment which takes place throughout every teaching topic and every unit of the Learner's Book. All the activities in the Learner's Book are types of formative assessment. Formative assessment emphasises continuous assessment as part of the teaching and learning process. The idea of "assessment for learning" focuses on using the assessment information to improve teaching and learning as an ongoing process. This helps teachers to monitor their learners' progress on a continuous basis. The teacher should constantly observe and evaluate learners' achievement, collecting data on areas of improvement and new skills that they acquire.

In doing this, teachers should focus on the learning objectives and competences stated in the syllabus in order for learners to be aware of what is being assessed, the assessment techniques being used, and the criteria used. Learners can then judge for themselves whether they are achieving the objectives and gaining the competences.

Summative assessment tells you what learners have learnt or can do after a whole section of teaching e.g. a 'unit test'. These are also important, but assessment should not be done only by 'tests'. Tests must include skills, values and attitudes as well as just knowledge. We should test whether learners can read a map, interpret a photograph, have formed an opinion about a topic or even changed their behaviour on the basis of attitudes and values they have learnt. We should not just be testing the factual knowledge they have learnt.

This means we should not just use one type of assessment – the traditional method used in the knowledge-based approach by which we give a written 'test' either consisting of answering a series of short questions or writing an essay. We should use a variety of methods of assessment.

### **Variety of assessments**

Some of the assessment techniques that can be used include the following;

#### **Verbal assessment**

- Answering questions verbally
- Making a verbal report
- Interview with an individual learner or group

#### **Written assessment**

- Do a written activity (from text books or self prepared)
- Do an assignment
- Write a report
- Sit for a test or an examination

### **Practical assessment**

- Participate in a field trip/excursion and collect information
- Do a science experiment and draw conclusions
- Demonstrate a particular task
- Draw, interpret and use a map
- Analyse a photograph
- Basic library research and collect information

### **Group work Assessment**

Participate in a group task and discussion

Participate in a role play and drama

### **Other Assessment Techniques includes;**

- Observation of what individual learners do
- Consultation with individual learners by asking them questions
- Focused analyses of learners work such as portfolio, or a collection of work they have done, to determine how each individual learner is performing in their learning process.

## **Resources**

---

The learner centered approach in the Entrepreneurship syllabus delivery emphasises the need to use a variety of teaching learning resources including those improvised or collected by the teacher and the learners from the surrounding environment.

Finally, referring to the syllabus unit shows how it links to other subjects, the assessment criteria and the recommended materials or resources to be used in the teaching and learning process of Entrepreneurship.

Finally, the unit shows how it links to other subjects, the assessment criteria and the recommended materials or resources to be used in the teaching and learning process of Entrepreneurship.

### **List of materials needed**

---

The materials that the teacher will need to aid the learning process include, but are not limited to the following:

- Reference books like textbooks, learners' textbooks and teachers' guides, Entrepreneurship journals, magazines, etc.
- Case study materials and scenarios.
- Computer and Internet connection.
- Projectors.
- Audio visual study and video materials.
- Entrepreneurship incubation facilities.
- Successful business resourceful people.
- Business simulations.
- Individual and group business projects.
- Data analysis software such as Microsoft Excel.
- Business incubators.
- Accounting software such as QuickBook, Sage, Pastel, Tally, Peachtree etc.
- Raspberry pi software.

### **Human resource requirements for the successful teaching and learning of Entrepreneurship**

---

A competent teacher of A-Level Entrepreneurship must have at least the following minimum qualifications: a Bachelor's Degree in Education with Entrepreneurship, Business Studies, Business Administration, Economics, Management, Finance, and professional certificates like ACCA and CPA or other closely related fields.

### **Strategies to address Special Education Needs**

---

All learners have the right to access education regardless of their different impairments and this means that all citizens benefit from the same choice of education programmes. This is meant to focus on special needs education since we have learners who are totally different in their ways of living and learning and the difference can either be emotional, physical,

sensory and mental. Therefore, both teachers' and schools' role is to enrol them and also set strategies to provide relevant education to them.

Parents and teachers should communicate on cases relating to learners' special education needs and difficulties so that they can jointly help. Parents are requested to collaborate with the school administration and teachers towards the academic progress and achievement of their children.

### **Adaptation of teaching methods and approaches**

---

Teachers should have a positive attitude towards all categories of learners and use teaching and assessment approaches appropriate to meet each individual learners special needs; for example learners with hearing and visual impairment depend more on sign language and the using of concrete objects such as models, diagrams and samples. The examination, therefore, should be standardised to meet different categories of learners with special education needs and the interpretation of results and decisions should be fair.

The teacher will aim to use the following strategies if he/she is to cater for learners with special needs.

- Use cooperative learning, for instance, through group works and discussions.
- Mix learners with special needs with other learners.
- Tape-record portions of textbooks, trade books, and other printed materials so learners can listen (with earphones) to an oral presentation of necessary material.
- Providing written or pictorial directions to those with hearing problems.
- Design special programmes and follow up to keep track of their learning.
- Provide special needs learners with frequent progress checks.
- Using of concrete objects such as models, diagrams, samples, and the like to those with hearing problems so



as to demonstrate what you are saying by using touchable items.

- For learners with hearing problems, visual aids, sign languages would be appropriate.

## Syllabus Units

---

### Senior Four Units

---

#### Key competences at the end of senior four

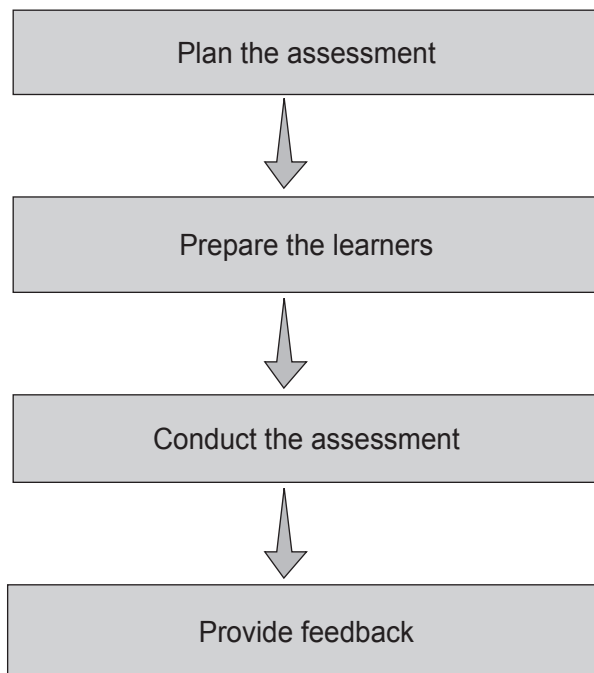
At the end of Senior Four, the learner should be able to:

- Exhibit the behavioural qualities of an entrepreneur.
- Make rational career choices in daily life.
- Make plans to reach their personal goals.
- Evaluate the need for laws in business operation.
- Analyse the role of standards in business.
- Examine key components of a market and the role of market research.
- Analyse the importance of management in a business organisation.
- Evaluate short and long term capital for future investment.
- Evaluate the services/products offered by financial institutions.

#### The roles of the teacher and learners in competence-based assessment

**a) *The teacher:***

Teachers should be clear about what they intend to assess and how to do it.



**When planning an assessment activity, the teacher should:**

- Be clear about the purpose of the assessment;
- Understand, plan and design the process to be applied;
- Ensure that assessment always supports learning;
- Prepare learners for the assessment;
- Carry out assessment as an ongoing part of classroom learning and teaching and periodically use specific assessments, tests or examinations as appropriate;
- Involve learners fully in assessment and help them to understand what is expected and how to improve;
- Develop learners' roles in self-assessment;
- Evaluate evidence of learning to contribute to profiles and report on learners' achievements and progress.

**b) Learners:**

- Actively engage in assessment for learning.
- Use clear understanding of assessment expectations to demonstrate their knowledge and understanding, skills, attitudes and values through a wide range of

evidence including informal and formal assessments including specific assessment tasks, activities, tests and examinations.

- Use assessment feedback to shape and review their learning by reflection, setting learning goals and planning next steps.
- Use self-assessment to improve performance.
- Collaborate in peer assessment.

# A Content Map

	<b>UNIT 1</b> Initiation to entrepreneurship	<b>UNIT 2</b> Career opportunities	<b>UNIT 3</b> Setting personal goals	<b>UNIT 4</b> Laws in business operation	<b>UNIT 5</b> Role of standards in society
Number of periods	22	21	21	20	20
Key unit competence	Be able to exhibit the desirable behavioural qualities of an entrepreneur.	To be able to make rational career choices.	To be able to reach their own personal goals.	To be able to evaluate the need for laws in business operations.	To be able to analyse the role of standards in business.
Introduction	Classify the various types of entrepreneurs.	Learners identify the work they are interested in. Identify some of their own and classmates' talents and interests.	Learners identify their values, skill and personal strength and areas of improvement.	Explain the meaning of law and business laws.	Explain the meaning and necessity of standards in business
Classroom organisation	Whole-class orientation then groups	Whole-class orientation then groups	Whole-class orientation then groups	Whole-class orientation then groups	Whole-class orientation then groups
Equipment required	Papers and pens, Journals, internet access.	Papers and pens, school or public library access, internet access.	Work readiness training program (trainer manual 1.1 examples of value, beliefs and desirable qualities. 1.2 skills and qualities assessment 1.3 setting and achieving goals.)	Papers and pen, internet access (RDB website), Reference books and journals.	Audio –visual tool e.g laptops, television and DVD players, govern gazettes, standard journals.

	<p><b>UNIT 1</b> <b>Initiation to entrepreneurship</b></p> <p>Referring to knowledge of entrepreneurship in O' Level, brainstorm the meaning of entrepreneurship, entrepreneur, intrapreneur and manager; then in small groups learners discuss the stages of entrepreneurship process</p> <p>In small groups, learners discuss the distinctions between an entrepreneur, intrapreneur and manager citing examples from their community/school</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Teams discuss the qualities of entrepreneurs; various types of entrepreneurs giving examples from their locality.</li> </ul>	<p><b>UNIT 2</b> <b>Career opportunities</b></p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Teams list types of work that are done in their community or other communities, and identify which types interest them personally, writing in their notebook why they are interested in that type of work</li> <li>Teams list types of work and identify which types interest them after brainstorming the types of skills and talents needed for a range of different types of work and the main skills and talents they have noticed in their classmates</li> </ul>	<p><b>UNIT 3</b> <b>Setting personal goals</b></p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Teams discuss and write top 5 personal, family/friends, employer values</li> <li>Teams match different values and skills to related career paths</li> </ul> <p>Groups explore: Desirable personal values, skills and strengths; and then discuss the common values, skills and strengths in relation to the family/friends, entrepreneurs and towards employers.</p>	<p><b>UNIT 4</b> <b>Laws in business operation</b></p> <p>Brainstorm and discuss rules and regulations at school and at their homes and highlight their importance in the society and then make a connection to laws and Business laws in the country</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Teams research about the different laws related to business in Rwanda stating the importance of such laws when carrying out business activities</li> <li>Learners meet a local entrepreneur or even a resource person from any legal institution related to business to share information concerning business formation and registration</li> </ul>	<p><b>UNIT 5</b> <b>Role of standards in society</b></p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Teams research on standards for business on: Why are standards necessary? How are they enforced? What does a consumer do if they have a complaint? What can the entrepreneur do to ensure compliance and minimise complaints?</li> <li>Using audio visual aid, learners watch clips on standardisation process reflecting how standards are developed internationally, regionally and nationally.</li> </ul>
Activities					

UNIT 1 Initiation to entrepreneurship	UNIT 2 Career opportunities	UNIT 3 Setting personal goals	UNIT 4 Laws in business operation	UNIT 5 Role of standards in society
<ul style="list-style-type: none"> <li>Class field visits to identify types of entrepreneurs</li> </ul> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Teams use products such as bottle tops, spoon, etc to come up with new products</li> <li>Teams give examples of products as result of creativity, innovation and invention</li> </ul> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Teams generate creative/innovate ideas to solve identified problems in the community</li> <li>Teams analyse benefits and challenges of creativity and innovation</li> </ul>	<p>Discuss in detail as a class or in small groups how people prepare to start doing each type of work the learners have chosen (the necessary education and practical preparations), what represents high and low levels of skill and knowledge for each occupation, and how people progress from being beginners to having a high level of skill in each one. Use these ideas to introduce the concept of a career trajectory.</p> <p><b>Skills Lab:</b> • Learners prepare and present their career plans.</p> <ul style="list-style-type: none"> <li>Teams develop a set of questions that they can ask their parents, teachers, career guidance counsellors, or skilled workers in order to learn more about certain types of work.</li> </ul>	<ul style="list-style-type: none"> <li>Learners perform a self-assessment (using questions from the teacher) of their values, skills and qualities in relation to Entrepreneurship, personal development, engagement wit beyond; including identifying areas for development – how might I be more successful...? What might I do to become an entrepreneur?</li> <li>With reference to 'Setting goals in O' Level, brainstorm on the characteristics of a well written goal (SMART) and steps of setting reaching the goals; then learners set and review own SMART goals related to their careers</li> </ul>	<p>In small groups, learners research and discuss the functions of the different legal institutions related to business in Rwanda</p> <p>In small groups, research on:</p> <p>Legal forms of business in Rwanda; characteristics, advantages and disadvantages; basing on the results,</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Teams visit the Rwanda Development Board or on websites, and find out;</li> </ul>	<p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Teams visit Rwanda Standards Boards website to see how they work In small groups,</li> <li>Learners are given a list of principles to find out where they are applicable.</li> </ul> <p><b>Skills Lab:</b> • Teams discuss what may make a product substandard giving examples</p> <p>Teams role-play the effect of substandard products on consumers, government, industry and society.</p>

UNIT 1 Initiation to entrepreneurship	UNIT 2 Career opportunities	UNIT 3 Setting personal goals	UNIT 4 Laws in business operation	UNIT 5 Role of standards in society
<p>Brainstorm the distinction between creativity, innovation and invention; Brainstorm on what limits people from being creative</p>	<p>Learners collect and assess sources of career information using the Internet and other sources available (e.g. newspapers, books, or the radio), to learn more about the types of work they are interested in. In small groups, learners investigate what they can learn about the types of work they are interested in, using at least two of these different sources. Then they make a presentation of the results, including what sources they have used, what they have learned, and how they have learned it; and also include a personal evaluation of the benefits and drawbacks of each type of work.</p>	<p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>• Team members present short and long term goals to their team for feedback</li> <li>• Using a sample of “a plan to reach a goal”, learners make a plan of reaching their own goals set above</li> </ul> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>• Teacher leads different learning styles game:</li> </ul>		

UNIT 1 Initiation to entrepreneurship	UNIT 2 Career opportunities	UNIT 3 Setting personal goals	UNIT 4 Laws in business operation	UNIT 5 Role of standards in society
	<p>In small groups learners discuss different employment options using examples from the communities; then learners debate on the benefits and challenges of self employment and being an employee</p> <p><b>Skills Lab:</b> - Teams develop a set of interview questions, and meet a person who runs his/her own business. They should ask the business person about the good and bad experiences s/he has had with the business; why s/he has chosen to run a business, rather than other types of work.</p> <ul style="list-style-type: none"> <li>• Teams share their interview results and then create a list together of some of the commonly-experienced benefits and challenges of an entrepreneur.</li> </ul>	<p>In groups of 4, learners learn how to perform a given activity based on the criteria given such as: group 1 will learn by listening to someone explaining the activity; group 2 will not be given instructions but will figure it on their own; group 3 will be given written instructions and group 4 will watch the person perform the activity and try it.</p> <p>Using debriefing questions, learners discuss the various learning styles</p> <p>-Teams analyse a work related scenario and identify strategies related their different learning styles</p> <p>Have learners fill in the learning style assessment by putting check marks next to the items that apply to them such as:</p>	<p>Requirements for starting a business</p> <p>Where and how one can register a business</p> <p>Institutions involved with starting and developing a business</p> <ul style="list-style-type: none"> <li>• Teams debate on which form of business is a better choice</li> </ul> <p><b>Skills Lab:</b> • Learners analyse case studies involving the process of starting and operating various forms of businesses;</p> <ul style="list-style-type: none"> <li>• Teams dramatise the benefits of registering and consequences of not registering.</li> </ul>	



	<b>UNIT 1</b> <b>Initiation to entrepreneurship</b>	<b>UNIT 2</b> <b>Career opportunities</b>	<b>UNIT 3</b> <b>Setting personal goals</b>	<b>UNIT 4</b> <b>Laws in business operation</b>	<b>UNIT 5</b> <b>Role of standards in society</b>
Competences practiced	ICT/ digital skills Creativity, Life skills, Presentation of finding. Communication skill, Team work, citizenship and identity.	Dignity and identity, critical thinking, Literacy and numeracy. Listening skills. Creativity and innovation, Research, Life skills,	Personal development. Common values. Engagement with society, literacy and numeracy.	Citizenship and national identity, dignity and integrity, Research, literacy and numeracy, Organisation of ideas for presentation ICT/Digital skills.	Research , critical thinking, numeracy, ICT/Digital skills, Information Presentation, Common value, Engagement with society.
Language practice	Discussion I groups Presentation of findings.	Writing Discussion Presentation of findings	Writing Discussion Presentation of findings.	Discussion Writing Presentation of findings.	Reading Discussion Presentations.
Vocabulary acquisition	Entrepreneurship terminology	Career terminology Job related vocabulary.	Goal terminology	Business law terminology.	Standards related vocabulary.
Numeracy	Statistical analysis Data interpretation.				

	<b>UNIT 1 Initiation to entrepreneurship</b>	<b>UNIT 2 Career opportunities</b>	<b>UNIT 3 Setting personal goals</b>	<b>UNIT 4 Laws in business operation</b>	<b>UNIT 5 Role of standards in society</b>
Study skills	Organising information. Note-taking Choosing the right questions to get data required.	Data collection Organising ideas for presentation.	Choosing the right questions to get the data required. Note-taking. Information organisation.	Organising of ideas for presentation. Data collection. Choosing the right questions to get the data required.	Organising of ideas for presentation. Data collection. Choosing the right questions to get the data required.
Revision	Revision exercise provided	Revision exercise provided	Revision exercise provided	Revision exercise provided	Revision exercise provided
Assessment	A formative assessment tasks on the concept of entrepreneurship, types of entrepreneurs and their qualities.	A formative assessment tasks on choosing appropriate future careers.	A formative assessment tasks on writing SMART goals and make plans to reach their personal goals.	A formative assessment tasks on evaluating the need for laws in business and operations, identifying the legal forms of business ownership in Rwanda and describe the benefits of registering a business.	A formative assessment tasks on the role of standards in business and differentiate standardised and sub-standard products.
Learning Outcomes	Exhibit desirable qualities of an entrepreneur. Encourage creative and innovative practices the communities. Think creatively in overcoming challenges I the community.	Choose careers based on self-assessment. Develop plans for future careers.	Recognise that values are important in family, society and employment. Treat others with respect as one would do in the work place. Realise that while there are similarities and differences amongst everyone, we are all unique.	Recognise the need for laws in business operation. Appreciate the need for registering a business. Advocate for legal practices while carrying out business activities.	Show responsibility towards standardisation process as a consumer. Exercise their rights as consumers towards substandard products.

	<b>UNIT 6 Market Research</b>	<b>UNIT 7 Business organisation</b>	<b>UNIT 8 Financial management</b>	<b>UNIT 9 Financial institutions</b>	<b>UNIT 10 Initiation to accounting</b>
Number of periods	22	22	22	22	22
Key unit competence	Be able to identify key components of a market, how they inter-relate and importance of market research.	To be able to describe the importance of management in business management.	To be able to evaluate the short term and long term for future investment to be introduced to financial management in business.	To be able to evaluate services/products provided by financial institutions.	To be able to recognise the values of keeping accounting records in business.
Introduction	Explain the meaning of a market, marketing and market research.	Explain the meaning of business organisation and management.	Explain the meaning of finance, financial systems and financial management.	Explain the meaning of financial institutions, banks, cheque, bank loans and non-banking financial institutions.	Explain the difference between book keeping and accounting.
Classroom organisation	Whole-class orientation then groups	Whole-class orientation then groups	Whole-class orientation then groups	Whole-class orientation then groups	Whole-class orientation then groups
Equipment required	Survey guides, documentary resources, sample products, Papers and pens, Internet access, reference books.	Papers and pens, school or public library access, internet access. Simulation games, reference books.	Newspapers, internet access, journals, reference books.	Membership forms from various financial institutions, loans application forms, newspapers, journals, reference books.	Accounting software, reports, journals, source documents, ledger book, reference books

	<p><b>UNIT 6</b> <b>Market Research</b></p> <p>Brainstorm the meaning of market, marketing and market research; then by research task, the learners identify the 4 variables of marketing ('4 Ps')</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>• Teams come up with something they want to sell, then describe how they will sell it using the 4ps</li> <li>• Teams discuss the importance of 4Ps in a commercial activity</li> </ul>	<p><b>UNIT 7</b> <b>Business organisation</b></p> <p>Learners analyse and discuss the example of the family in order to understand what an organisation is, including purpose, structure and components (people).</p> <p>In small groups, learners visit (or research if they can't visit) various business enterprises in their community to investigate their forms according to size, activities, lifespan, and ownership</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>• Teams develop organisation structure and charts for their identified business enterprises.</li> </ul>	<p><b>UNIT 8 Financial management</b></p> <p>Learners analyse and discuss the example of the family in order to understand what an organisation is, including purpose, structure and components (people).</p> <p>In small groups, learners visit (or research if they can't visit) various business enterprises in their community to investigate their forms according to size, activities, lifespan, and ownership</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>• Teams develop organisation structure and charts for their identified business enterprises.</li> <li>• Learners analyse and discuss case studies on organisational structure of different enterprises to understand how they are organised and operate.</li> </ul>	<p><b>UNIT 9</b> <b>Financial institutions</b></p> <p>Brainstorm on the meaning and types of financial institutions in their community, then give the role of the identified institutions to entrepreneurship</p> <p>Based on the above activity, learners in small groups classify identified financial institutions according to types and give their functions to the entrepreneur and society</p> <p>In small groups, learners share their personal experience about service and products that they have acquired from with financial institutions and how they have benefited from existence of such institutions</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>• Learners complete sample loan application forms from financial institutions</li> </ul>	<p><b>UNIT 10</b> <b>Initiation to accounting</b></p> <p>Group research on: The distinction between bookkeeping and accounting The accounting process</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>• Teams create situations where one has to pay for goods and services either by cash or credit and the mode of payment</li> <li>• Teams role play a school department (accounts department, academic department, catering department) (not keeping records of any single event/ transaction; and the importance of keeping accurate records for the business.</li> </ul>
Activities					

	UNIT 6 Market Research	UNIT 7 Business organisation	UNIT 8 Financial management	UNIT 9 Financial institutions	UNIT 10 Initiation to accounting
	<p>Using local businesses as examples indicate who the main customers of these businesses are. For example, in a shop, who are the main customers? For a petrol station, who are the main customers? Then learners give examples of why they might want to gather information from customers; what kinds of information would they want to get? And How could they get it? Then learners discuss their findings</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>• Teams role play different marketing strategies</li> <li>• Teams visit another school and compare its canteen, library, teachers, curriculum, school fees, etc. with those in their own school.</li> </ul>	<ul style="list-style-type: none"> <li>• Learners analyse and discuss case studies on organisational structure of different enterprises to understand how they organised and operate.</li> </ul> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>• Teams decide a goal they would like to achieve together, and then decide on what is needed to accomplish the chosen goal. During the discussion they classify their suggestions into the four management functions.</li> <li>• Teacher lead a simulation game for teams to organise functions to reach production goal or to achieve a chosen goal.</li> </ul>	<p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>• Teams decide a goal they would like to achieve together, and then decide on what is needed to accomplish the chosen goal. During the discussion they classify their suggestions into the four management functions.</li> <li>• Teacher lead a simulation game for teams to organise functions to reach production goal or to achieve a chosen goal.</li> </ul>		

	<b>UNIT 6</b> <b>Market Research</b>	<b>UNIT 7</b> <b>Business organisation</b>	<b>UNIT 8 Financial management</b>	<b>UNIT 9</b> <b>Financial institutions</b>	<b>UNIT 10</b> <b>Initiation to accounting</b>
	<p>Based on this discussion, learners make a set of suggestions for how their own school could attract more learners linking with competitor surveys</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Teams develop a marketing plan for an identified product</li> <li>Teams analyse several examples of locally-produced products (e.g. chapattis, tomatoes, eggs, mandazi, etc) to see whether they are good quality products or not, and in what respect. If they notice quality defects, they should analyse the steps that have been gone through to produce the product and try to suggest how to guarantee better quality at each step.</li> </ul>	<p>A simulation game where learners have to form teams and prepare a certain quantity of some simple item (such as identical drawings of something, etc.). They have to make a plan to reach their production goal, organise their team members into different functions/activities for achieving their responsibilities, and have a manager who helps to supervise and control their activities. See which teams are more efficient and effective in reaching their goals, and analyse with the class after they complete the game what techniques worked well etc.</p> <p>Brainstorm on the functions of management with an example of their school management</p>	<p>A simulation game where learners have to form teams and prepare a certain quantity of some simple item (such as identical drawings of something, etc.). They have to make a plan to reach their production goal, organise their team members into different functions/activities for achieving their responsibilities, and have a manager who helps to supervise and control their activities. See which teams are more efficient and effective in reaching their goals, and analyse with the class after they complete the game what techniques worked well etc.</p> <p>Brainstorm on the functions of management with an example of their school management</p>	<ul style="list-style-type: none"> <li>Teams discuss the procedures of acquiring loans from financial institutions or meet a resource person from a financial institution to share with learners the various products/services provided by financial institutions and how one can access them</li> </ul> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Learners visit various financial institution websites, look at their materials, or interview bank customers in their community to check which types of business promotion each institution gives, conditions to access them</li> <li>Teams share their findings back to their colleagues and debate the best financial institution</li> </ul>	<p>In small groups, learners discuss who would need/use the accounting information in case they owned a business enterprise and kept records for their transactions leading to the users of accounting information</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Teams group various transactions and accounts as per case study</li> <li>Teams discuss the advantages and disadvantages of credit</li> </ul> <p>Through a case study, learners should be able to expound on the knowledge of O' Level about the meaning of assets, liabilities and equity, group various transactions and accounts as per the accounting equation.</p>

	UNIT 6 Market Research	UNIT 7 Business organisation	UNIT 8 Financial management	UNIT 9 Financial institutions	UNIT 10 Initiation to accounting
	<p>In groups, learners go to a nearby market, shop, or canteen and interview the owner about the criteria they use to select their suppliers. Based on this information, learners write a set of questions on which they would evaluate suppliers for their own business idea</p> <p>Half of the learners assume the role of the owners of the school, and the other half its customers. The owners are interested in knowing what their customers (clearly describe who these customers are) think about their school (what they are happy about and what they are not happy about). In small groups, the “owners” enumerate the various ways in which they can get this information</p>	<p>Teams discuss and share the types of people involved in business organisations; some factors they would consider when choosing people to work within the organisation</p> <p>In groups learners discuss 2 or 3 case studies about how real businesses have chosen their employees or partners, based on the skills and qualities needed by the business</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Give each team a different kind of business that they imagine they are operating, have learners role play a situation where the employer selects people (employee, shareholders, suppliers, etc) to work with based on different factors.</li> </ul>	<p>Teams discuss and share the types of people involved in business organisations; some factors they would consider when choosing people to work within the organisation</p> <p>In groups learners discuss 2 or 3 case studies about how real businesses have chosen their employees or partners, based on the skills and qualities needed by the business</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Give each team a different kind of business that they imagine they are operating, have learners role play a situation where the employer selects people (employee, shareholders, suppliers, etc) to work with based on different factors.</li> </ul>	<p>Learners will explain the meaning of credit, give its importance, the different types, how a credit is obtained and procedure of refunding. Resource person from financial institution to share with learners the role of financial institution in of promoting business, various banking functions and documents used obtain services.</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Teams select class a financial institution and calculate payback credit for their projects</li> <li>Teams present selection to class</li> </ul>	<p>Learners discuss the advantages and disadvantages of cash and credit by sharing experiences of how they pay for goods and services in their community either on cash basis or credit basis.</p> <p><b>Skills Lab:</b></p> <ul style="list-style-type: none"> <li>Teams identify the source document to use for given transactions - Teams practice writing out sample source documents</li> </ul> <p>Learners are required to identify which source document to use for given business transactions</p> <p>The teacher invites the school bursar to class with sample source documents to share and point out their relevance in the school records.</p>



	<b>UNIT 6 Market Research</b>	<b>UNIT 7 Business organisation</b>	<b>UNIT 8 Financial management</b>	<b>UNIT 9 Financial institutions</b>	<b>UNIT 10 Initiation to accounting</b>
	<p>(examples: observation, survey, records, focus group/ meetings, suggestion box), and role play those methods to get the opinion of the “customers” about the things they would like the school administration to improve on to provide a better service. Together, they make a plan for how to improve the school based on the information collected.</p> <p>Basing on the activities above, learners in groups discuss the importance carrying a market research in a business</p>	<ul style="list-style-type: none"> <li>Teams plan for situations when their businesses need to hire a specific person, identify the processes/ steps they would take and what they would do to have the person work properly</li> </ul> <p>In small groups, according to the personnel management process (recruitment, selection, placement, induction, motivation, performance appraisals), learners discuss and share how they can perform them.</p>	<ul style="list-style-type: none"> <li>Teams plan for situations when their businesses need to hire a specific person, identify the processes/ steps they would take and what they would do to have the person work properly</li> </ul> <p>In small groups, according to the personnel management process (recruitment, selection, placement, induction, motivation, performance appraisals), learners discuss and share how they can perform them.</p>		
<b>Competences practiced</b>	<p>Data collection and analysis, Research, Presentation of findings, Communication skill, Team work, literacy.</p>	<p>Information illustration. Listening skills. Creativity and innovation, Research, literacy.</p>	<p>Communication, creativity and innovation, organisational skills, management skills, literacy.</p>	<p>Research and problem solving. ICT/Digital skills, Data collection and presentation, literacy.</p>	<p>Critical thinking, Citizenship and national identity numeracy Literacy.</p>



	<b>UNIT 6 Market Research</b>	<b>UNIT 7 Business organisation</b>	<b>UNIT 8 Financial management</b>	<b>UNIT 9 Financial institutions</b>	<b>UNIT 10 Initiation to accounting</b>
<b>Language practice</b>	Discussion I groups Presentation of findings.	Writing Discussion Presentation of findings	Writing Discussion Presentation of findings.	Discussion Writing Presentation of findings.	Reading Discussion Presentations.
<b>Vocabulary acquisition</b>	Market, market research and marketing mix terminologies.	Business organisation terminologies.	Financial management terminologies.	Financial institution terminologies.	Accounting terminologies.
<b>Numeracy</b>	Statistical analysis Data interpretation.				Data interpretation.
<b>Study skills</b>	Organising information. Note-taking Choosing the right questions to get data required.	Data collection Organising ideas for presentation.	Choosing the right questions to get the data required. Note-taking. Information organisation.	Organising of ideas for presentation. Data collection. Choosing the right questions to get the data required.	Organising of ideas for presentation. Data collection. Choosing the right questions to get the data required.
<b>Revision</b>	Revision exercise provided	Revision exercise provided	Revision exercise provided	Revision exercise provided	Revision exercise provided
<b>Assessment</b>	A formative assessment task on the ability to identifying key components of market and importance of research in the business.	A formative assessment tasks on ability to explain the various forms of business organisation, design an organisational structure and explain the importance of personal management in a business organisation.	A formative assessment tasks on evaluating short term and long term capital for future investment.	A formative assessment tasks on evaluating the services/products offered by financial institutions.	A formative assessment tasks on recognising the value of keeping accounting records.

	<b>UNIT 6 Market Research</b>	<b>UNIT 7 Business organisation</b>	<b>UNIT 8 Financial management</b>	<b>UNIT 9 Financial institutions</b>	<b>UNIT 10 Initiation to accounting</b>
<b>Learning Outcomes</b>	Appreciate the role of conducting a market research for a business.	Acknowledge that various forms of business organisation required for different organisational structures, recognise the importance of personal management in business.	Take precautions when choosing sources of finance to their business activities. Show responsibility in paying back and not over spend.	Recognise the need for financial institutions in business operation. Advocate for rational use of various financial products in business activities. Manage loans properly.	Recognise the need for keeping accounting records. Keep basic financial records and advocate for proper record keeping.

## Format of Unit plan/Scheme of work

Academic year: ..... Term: ..... School: .....

Subject: ..... Teacher's Name: .....

Class + Combination ..... Number of periods per week .....

Dates	Unit title	Lesson title + Evaluation	Learning objective (copied or adapted from the syllabus depending on the bunch of lessons) + Key unit competence	Teaching methods & techniques + Evaluation procedures	Resources & References	Evaluation
From January 11 (Monday) to January 15th (Friday)	Unit 1 .....	Lesson title 1 .....	Knowledge & understanding: Skills: Attitude and values:			
		Lesson title 2 .....				
		Lesson title 3 .....				
From January 18th (Monday) to January 25th		Lesson title 4 .....	Knowledge & understanding: Skills: Attitude and values:			
		Lesson title 5 .....				
		Lesson title 6 .....				
From January 25th (Monday) to January 29th (Friday)	Unit title 2 .....	Lesson title 7 .....	Knowledge & understanding: Skills: Attitude and values:			
		Lesson title 8 .....				
		<b>Summative evaluation 1</b>				
From Feb 01st (Monday) to Feb 05th (Friday)		Lesson title 1 .....	Knowledge and understanding: Skills: Attitude and values:		Evaluation procedures, (oral, written, practical)	
		Lesson title 2 .....				
		Lesson title 3 .....				
		<b>Summative Evaluation 2</b>	<b>Key unit competence 2</b>			Evaluation procedures, (oral, written, practical)

### **Planning of the lesson**

- Lesson plan must contain clear, realistic and **appropriate SMART** objectives reflected in the syllabus unit;
- The planned lesson must be conducted within the time allocated in the lesson plan;
- The management and control of the class must be effective and indication of how to address individual learner's needs is paramount.

### **Introduction of the lesson**

- The teacher must discuss lesson objectives or learning outcomes with the learners **and must reflect the rationale for learning the subject unit.**
- The introduction must:
  - show the linkage between prior knowledge to new concept and how learners demonstrate the existence of prior knowledge;
  - emphasise on how the new concept is applied in everyday life experience;
  - be stimulating enough to capture the learner's interest.

### **Pedagogical Approach**

- Teacher through questioning and provocation engages learners in active participation in the lesson.
- Teacher encourages learners to work in groups to accomplish a given task.
- Teacher encourages learners to ask questions and to give their views.
- Teacher gives attention to slow learners and those with special needs.
- Teacher adapts to the needs of the learner.

### **Assessment Technique**

- Teacher asks questions as the lesson progresses
- Teacher gives class exercise and moves around to check the accuracy of responses from learners.
- Teacher sets tasks for small groups to work on.
- Teacher involves learners in discussing the group findings.

- Teacher discusses the exercise with the learners.
- Teacher discusses responses with learners.
- Teacher gives home work or project work at the end of the lesson.

#### **Instructional materials used**

- Learners make use of the text books during the lesson.
- Learners utilise other materials to facilitate their learning.
- Teacher makes use of teacher's guide and other existing instructional materials relevant to the topic.
- Making use of charts maps, common tools and models, overhead projector, flip board or white board , reference books per subject, video and cassette player, computers, sufficient books in the library.

#### **Conclusion of the lesson**

- The teacher summarises the lesson and encourages the learners to ask what was not clear.
- Teacher emphasises the relevance and applications of the concept in real life experiences.

The teacher concludes by giving follow-up assignment to the learners

### **Assessment Procedure**

---

Teachers use groups and facilitate the learners to discuss the meaning of a standard and the necessity for standards in business.

# Sample lesson plan

## Template for competence – based lesson plan

School: .....

Teacher's Name:.....

Term	Date	Subject	Class	Unit No.	Lesson No.	Duration	Class size
.....	...../...../2016	.....	.....	.....	..... of .....	.....	.....
Type of Special Education Needs to be catered for in this lesson and number of learners in each category.				<b>Learners with SEN</b>		<b>No. of learners</b>	
				1. Visual impairment		.....	
				2. Hearing difficulties		.....	
				3. Gifted and talented		.....	
<b>Unit title</b>		From the scheme of work or syllabus					
<b>Key unit competences</b>		From the scheme of work or syllabus					
<b>Title of the lesson</b>		<b>Description of teaching and learning activities</b>				Generic competences and cross cutting issues to be addressed + a short explanation.	
		<b>Teacher activities</b>		<b>Learner activities</b>			
<b>Instructional Objective</b>		<b>Note:</b> <ul style="list-style-type: none"> <li>Set by the teacher based on learning objectives from the scheme of work / syllabus and adapted to one lesson to be delivered.</li> <li>Needs to be inclusive to reflect the needs of whole class</li> <li>Focus on the five elements of the instructional objective (condition, who, action/behavior, content, standard/criteria for acceptance).</li> </ul>					
<b>Plan for this class (location: in / outside)</b>							
<b>Learning materials ( for all learners)</b>							
<b>References</b>							
<b>Time for each step</b>							
<b>Introduction</b> ..... min		<ul style="list-style-type: none"> <li>Explain learning objectives and any associated assessment.</li> <li>Review prior learning.</li> <li>Set up learner-centered activities to deliver objective(s).</li> <li>Collect learners' ideas for achieving the objective(s).</li> </ul>		<ul style="list-style-type: none"> <li>Explore and feedback relevant prior learning</li> <li>Ensure clear understanding of objectives, activities and assessment</li> <li>Provide ideas and thoughts, predict, clarify, and guess.</li> </ul>		Generic competence to be focused on: <ul style="list-style-type: none"> <li>Basic competence focus: .....</li> <li>Cross-cutting issue focus: .....</li> </ul>	

<b>Development of the lesson</b> ..... <b>min</b>	<ul style="list-style-type: none"> <li>• Agree principles for achieving learning objectives including addressing competences and cross-cutting issues.</li> <li>• Outline the learning activities with clear guidelines relating to effectiveness and timing.</li> <li>• Distribute materials</li> <li>• Supervise learning activities / question / guide / prompt.</li> <li>• Monitor progress against planned timing.</li> </ul>	<ul style="list-style-type: none"> <li>• Imagine / suggest strategies for achieving learning objectives.</li> <li>• Perform activities following guidelines with care.</li> <li>• Focus on learning objectives and concentrate</li> </ul>	<p>Generic competence to be focused on:</p> <ul style="list-style-type: none"> <li>• Basic competence focus: .....</li> <li>• Cross-cutting issue focus: .....</li> </ul>
<b>Conclusion:</b> <ul style="list-style-type: none"> <li>• <b>Summary</b></li> <li>• <b>Assessment</b></li> </ul> ..... min	<ul style="list-style-type: none"> <li>• Capture feedback from different activities: presentations / debates / discussions / research findings.</li> <li>• Reinforce learning outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• Contribute to feedback and ensure all learning outcomes met.</li> </ul>	<p>Generic competence to be focused on:</p> <ul style="list-style-type: none"> <li>• Basic competence focus:</li> <li>• Cross-cutting issue focus:</li> </ul>
<b>Teacher self-evaluation</b>			

## Lesson Plan

School Name: .....

Teacher's Name: .....

Term	Date	Subject	Class	Unit No.	Lesson No.	Duration	Class size
1	15/7/2016	Entrepreneurship	S4	1	1 of 1	40min	30
Type of Special Education Needs to be catered for in this lesson and number of learners in each category.				<b>Learners with SEN</b>		<b>Number of learners</b>	
				1. Visual impairment		.....	
				2. Hearing difficulties		.....	
				3. Gifted and talented		.....	
<b>Unit title</b>		Initiation to entrepreneurship					
<b>Key unit competences</b>		Be able to exhibit the desirable behavioral qualities of an entrepreneur					
<b>Title of the lesson</b>		The concepts of entrepreneurship, an entrepreneur, intrapreneur and manager					
<b>Instructional Objective</b>		<p>Using textbooks, testimonies, stories and internet, learners should be able to explain the meaning of entrepreneurship, an entrepreneur, intrapreneur and manager as an initiation to business.</p> <ul style="list-style-type: none"> <li>• Explain the concept of entrepreneurship.</li> <li>• Differentiate an entrepreneur, manager and intrapreneur.</li> </ul>					
<b>Plan for this class (location: in / outside):</b> This lesson will be conducted inside a classroom in groups							
<b>Learning materials ( for all learners):</b> Flip charts, dictionaries and business textbooks							
<b>References:</b> Akazi Kanoze Trainers Book							
<b>Steps/Time for each step</b>							
<b>Introduction (5 min)</b>		<ul style="list-style-type: none"> <li>• <b>Teacher's Activities</b></li> <li>• Greeting, roll call and review of previous lesson.</li> </ul>		<ul style="list-style-type: none"> <li>• <b>Learner's Activities</b></li> <li>• Respond and brainstorm the main ideas from previous lesson.</li> </ul>		Competences to be focused on: <ul style="list-style-type: none"> <li>• Communication</li> <li>• Teamwork</li> <li>• Socialisation</li> </ul>	
<b>Development of the lesson (30 min)</b>		<ul style="list-style-type: none"> <li>• Divide learners into groups, assign a task to each group and give instructions.</li> <li>• Refer to Learner's Book activities 1 and 2 on pages 2 and 3.</li> </ul>		<ul style="list-style-type: none"> <li>• Learners choose group leaders.</li> <li>• Do activities 1 and 2 in the Learner's Book.</li> <li>• Selected leaders present group findings to the whole class in turns.</li> </ul>		<b>Generic competences:</b> <ul style="list-style-type: none"> <li>• Critical thinking</li> <li>• Creativity and innovation</li> <li>• Research</li> <li>• Communication</li> <li>• Co-operation</li> </ul> <b>Basic competences:</b> <ul style="list-style-type: none"> <li>• Literacy</li> <li>• Numeracy</li> <li>• ICT</li> </ul> <b>Cross cutting issues:</b> <ul style="list-style-type: none"> <li>• Gender</li> <li>• Financial Education</li> <li>• Environment</li> </ul>	



<b>Conclusion: Summary Assessment (5 min)</b>	<ul style="list-style-type: none"> <li>• Comment on the presentations made by individual groups and highlight the expectations of the presentations.</li> <li>• Give homework.</li> </ul>	<ul style="list-style-type: none"> <li>• Ask questions if any..</li> <li>• Take note of the homework.</li> </ul>	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Cooperation</li> </ul>
<b>Teacher self-evaluation</b>	The lesson needs to be continued to involve all learners in group discussions		

## Skills Lab and Learner Business Club Instructions

Teachers should follow these four easy steps to set up Skills Lab at their schools:

### 1. **Reserve 1 Double-Period for Entrepreneurship Skills Lab on the Timetable**

Entrepreneurship is a practical subject that requires practical learning activities. Teachers use some of the regular entrepreneurship lesson time to lead learners in practical activities. You should plan for at least 2 periods in every unit to be used for learning activities. The name of these weekly practical periods is “Skills Laboratory” or “Skills Lab” for abbreviation. It is called a “laboratory” because learners research, experiment, and practice their entrepreneurial skills during this time. No special facilities or equipment is required for Skills Lab.

**Note:** Skills lab is conducted when learners have a background or have studied given concepts of a unit that can form a skills lab lesson.

### 2. **Divide the Learners into Teams**

Entrepreneurship Skills Lab is not an after-school or extracurricular activity. Skills Lab is not a separate course or content—all Skill Lab activities are required by the Entrepreneurship subject syllabus. Skills Lab is a special period of the regular Entrepreneurship lessons when learners complete learning activities. These activities are completed in small groups called “Teams” that remain together all term long. The team structure

makes classroom management easier and provides a recognisable structure for every lesson.

**3. Challenge the Teams to Set up Business Club Projects after classes at School**

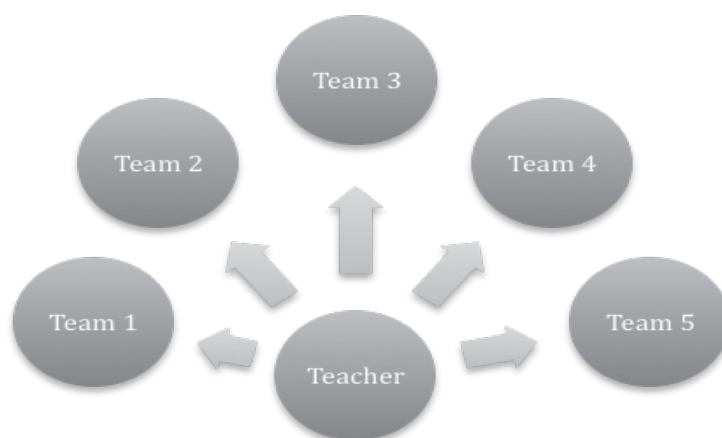
Entrepreneurship Skills Lab is about making entrepreneurship real and practical for learners. During the labs, learners will do simulations, complete exercises, and plan for their businesses. But the best way to learn is through experience. Therefore, learners should be challenged to start Business Club Projects to learn how to make small businesses. The learning activities in the Skills Lab refer regularly to the learners experience running the business club. Learners should start and run the business club projects as teams during extracurricular time starting in Senior 4.

**4. Teach Skills Labs on the Interactive Learning Activities**

Entrepreneurship Skills Lab is a time for teachers to use competence-based methods. All the methodologies use the Skills Lab teams as a basic structure. Teachers will run Skills Lab correctly if the learners are either outside of the classroom or inside of the classroom working in small groups. There should be no lecture during Skills Lab—the time for lecture is during the other Entrepreneurship class periods in the week.

**Sample Timetable Structure**

Monday	Tuesday	Wednesday	Thursday	Friday
	Economics (1)		<b>Entrepreneurship Lesson (1)</b>	History (1)
Math (2)	<b>Entrepreneurship Lesson (1)</b>	Geography (2)	Economics (2)	<b>Entrepreneurship Skills Lab (2)</b>
<b>Entrepreneurship Lesson (1)</b>	Geography (1)	Math (1)		

**Skills Lab Classroom:**

Where is the laboratory? The classroom and the community. What is the lab equipment? The available resources. Skills Lab is based on the learning activities in the syllabus.

Learners will work in groups throughout Skills Lab. Therefore, the classroom should be arranged such that five groups of learners can sit near each other and work together. Often, this requires turning around several benches so that learners can face each other.

**Skills Lab Lesson Plan Structure**

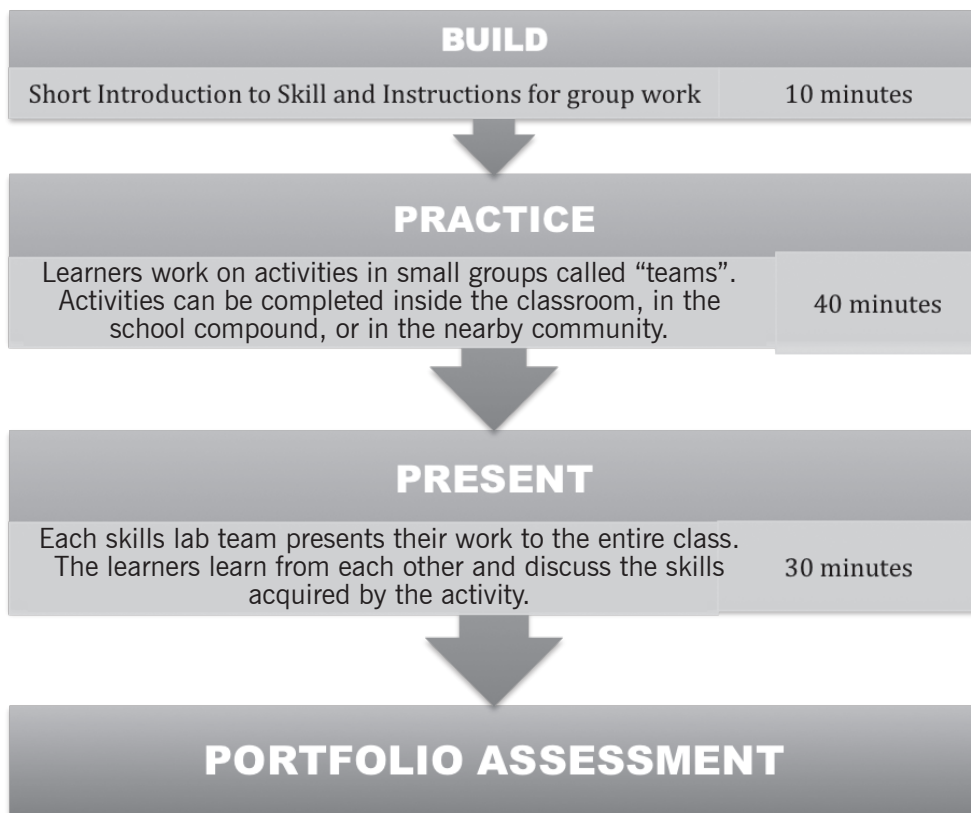
**Build:** Introduce the topic briefly and the skill to be practiced.

**Practice:** Learners do activities in small groups called “teams”. Teacher supervises and advises teams.

**Present:** Each of the 5 teams presents their work to the whole class and discuss lessons learnt.

**Portfolio assessment:** Each individual learner shows evidence of skills acquired during the lab.

During Skills Lab, teachers should not do any lecturing. Learners should learn the content from the activity and not from a teacher’s explanation. If there is an important background information, it should be covered in the previous lessons such that the entire Skills Lab period is used for practical group work and learner presentations.



## The teaching methodologies

**Team Discussions:** During small group discussions, learners sit in their teams and the teacher moves around to all the groups to make sure they stay discussing about the right topic and take notes.

**Team Skits:** Skits provide the opportunity for learners to practice new skills by role playing the use of those skills. This method is especially good for skills such as communication.

**Give Case studies/ scenarios:** Case studies can be read aloud to the class and then discussed in groups or, if resources allow, you can hand out copies to each of the teams.

**Competitions and Games:** Games introduce a spirit of competition to energise the teams.

**Team Presentations:** Presentations are usually done at the end of learning activities whereby each team presents their work to the entire class.

## Learner Business Club Structure

### Introduction

There is an ever-increasing need to create young entrepreneurs that create jobs and young leaders that solve the challenges facing their communities. The new competence-based A' level entrepreneurship curriculum states that it is mandatory for learners to have practical experience by learner business clubs run by learners.

This document proposes the club structure. It identifies the various stakeholders and their responsibilities, proposes the club leadership structure, ways of raising funds, profit and loss management and exit strategies.

### Objectives of The Learner Business Club

- (i) Give learners the practical experience to do business.
- (ii) Enhance the learners' entrepreneurial competences.
- (iii) Apply the knowledge, skills and attitudes learnt.
- (iv) To inspire young people to succeed in the global economy.

### Learner Business Club Structure

The Learner's Business Club Structure is basically that all business projects are under one club with the leadership of a patron (entrepreneurship teacher). Different business project teams should not compete with each other at school.

Learner Business Club Patron				
Learner Business Club Leadership (president, vice, etc)				
Skills Lab Team 1 Club Project	Skills Lab Team 2 Club Project	Skills Lab Team 3 Club Project	Skills Lab Team 4 Club Project	Skills Lab Team 5 Club Project

## Learner Business Club Roles

### 1. School Administration

- To perform advisory and supervisory roles in the school.
- To link the business club to the community and other schools.

- To provide the business club with required facilities to operate, such as; land, room, etc.
- To provide market for some learners' products and services.

**2. Club Patrons / Entrepreneurship Teacher**

- Oversee the activities of the club.
- Link learners to the administration.
- Keep records regarding learner's performance in the business club.
- Attend club meetings and act as advisor and mentor.
- Find resources and opportunities for learners.
- Provide training to the club leadership.
- Where necessary patrons could be signatories to club accounts.

**3. Staff Members**

- Support the club in its activities.
- Offer expertise in the area of specialisation when required.
- Can invest in the business club.
- Link the business club with other school clubs.

**4. Parents and community**

- Providing a favourable environment for learners to develop and nurture their talents and skills.
- Community is the market to learners' products or services.
- Community members can also act as advisors to learners' projects and clubs.
- In case the learners' project is in the community and requires land, the community members may offer land for the learners' project.

**5. Learners**

- To be members of the business club.
- To fundraise or find available resources to run the club.
- To actively participate in the activities of the club.
- To keep records of the business club.

- To initiate new ideas for the club.
- To manage the business club.
- To implement what is learnt in the Skills Lab in the business club.

## Guidelines to Forming Business Clubs in Schools

### Club Membership

Each Learner Business Club will be responsible for recruiting their members as they deem fit. They can recruit up to 10 learners to run the project.

### Constitution

Learners should start and manage the business club basing on the constitution written by them. It should have set rules which will guide the members in the club. The Constitution should outline the following:

- Goals and objectives of the business club.
- Leadership structure.
- Office bearers with their responsibilities.
- Election procedure of office bearers.
- Rules that govern all club members.
- Activities of the club.
- Consequences for inappropriate actions by club members.
- Membership requirements.
- Sharing proceeds of the club.
- Source of funding.

### Club Leadership Structure

Learners should be allowed to elect a cabinet responsible for the smooth running of club activities. The major roles include:

**Club President**    **Vice President**    **Club Secretary**  
**Club Treasurer**    **Mobiliser**

The mobiliser gathers members for all club activities and makes sure that every club member attends in person. It is the responsibility of the mobiliser to organise and plan for the

days when the club meets. Clubs must meet on a regular basis—preferably five times per term.

### **Fundraising**

Fundraising for start up capital is a very big issue within the Learner Business Clubs and the club members should think creatively about the strategies they are to use in order to raise money. The biggest challenge for every Club is fundraising for start up costs of projects. The good news is that this is a challenge that has been met time and time again. All it takes is the learners' greatest resource – learners' mind. With a little creativity and a lot of effort, money and supplies can be raised.

First, look for partnerships within the school and neighbouring communities. Then try to organise club fundraisers. Once learners master this skill of finding local resources for the club, they will have this skill for life. This is because the learners will look at money as one of the major resources they need to start their projects. Since they own it, it is very important to teach and talk to them about fundraising so as to get some money. Some of major ways of raising start-up capital for projects are:

- Subscription fees.
- Selling shares.
- Saving in the club.
- Fundraising events.
- Seeking for donations.
- Membership fees
- Getting low interest loans.

A number of learners have also been able to raise funds through ways such as: movies shows at school, selling club stickers, car washing at a fee, holding exhibitions of clubs items, getting short contracts from the school for cleaning the compound, and doing auctions during different club events like club handovers.

### **Profit and Loss Management**

Profits from the project may be handled in the following ways:



- Sharing a certain percentage amongst the club members. However the dividend policy should be clearly stipulated in the constitution.
- Reinvestment in the business.
- Start-up a different project.
- Loan out to another business in the club.

Learners are encouraged to use their dividends to start their own projects back home either individually or in groups. This fosters the continuity of the entrepreneurial mindset.

### **Exit Strategies**

In term 2 of Senior 6, clubs must be in transition to new leadership and members. Members should find ways in which this is done and may vary from project to project. These are some of the exit strategies that could be used:

- Liquidating (selling or closing) the business and sharing the proceeds.
- Close the business in the school and operate a new business in the community after Senior Six.

### **General Guidelines**

The Club should be learner-run. Learners should be actively engaged in idea generation, planning, procurement, sales, record keeping and decision making. Teachers should only guide them.

Club's should start small with what the learners can afford. In the past, club's have started with zero (0) capital and used recycled materials and seeds only. Teachers should not ask the administration to give the club huge sums of money to start operating. The club experience should reflect the real business world. No one will just give them big capital for free when they graduate, so you should request only what is realistic.

Club funds and profits should be kept in a safe and secure place. The best place is a club account with the school bursar. Learners should not keep club money in their suitcases as cases of theft and misuse of funds will arise. Club patrons should not misappropriate learners' money.

The patron should organise inter club competitions / exhibitions at the school to motivate learners to work to succeed and to showcase the club work to the rest of the stakeholders.

### Learner Business Club Goals

Club goals are indicators of what the clubs should be able to achieve each term so as to stay on track. They are also indicators that enable the patron to organise and report on activities for the club each term.

Year	Number	Goals
S.4	I	Learners form club groups and write club constitution. Learners elect club leadership and start Club meetings.
	II	Learners identify initial project ideas. Learners brand and create sample products.
	III	Learners test several business ideas by selling products and services.
S.5	I	Learners have raise funds or mobilise and used local resources. Learners write club business plan.
	II	Learners generate income from project idea in club. Learners start expanded sales of at least one business.
	III	Learners keep updated club records such as cashbook.
S.6	I	Learners participate in school or local club exhibition.
	II	Learners elect new club leadership and handover any projects. Learners prepare for final exams referencing their club meeting notes and experiences.
	III	Learners start business projects back home because they have the skills and knowledge of entrepreneurship for life!

### Learners' Activities, remedial, extension and consolidation activities

The teacher/facilitator should give the learners ample time to try the activities in class, use consolidation and extension activities especially for learners with special learning needs. The facilitator should use the suggested answers in the Teacher's Guide together with learners suggestions/contributions. These should be used to support or clarify more on the learners' contributions as well as providing additional support material to the teachers.

## TOPIC AREA: ENTREPRENEURIAL CULTURE

---

**SUB-TOPIC AREA:** Entrepreneurship as a Career

# UNIT 1: Initiation to Entrepreneurship

(22 Periods/Lessons)

**Key unit competence:** Be able to exhibit the desirable behavioural qualities of an entrepreneur.

### Learning objectives

---

By the end of this unit, learners should be able to:

- Explain the concept of Entrepreneurship
- Differentiate an **entrepreneur**, **manager** and **intra-entrepreneur**
- Describe the qualities of an entrepreneur
- Differentiate **creativity**, **innovation** and **invention**
- Explain the meanings of **entrepreneurship** based on **creativity** and/or **innovativeness**

📖 **Refer to pages 1 – 26 in the Learner’s book**

### Unit break down

---

Topic Area	Content to be covered	Number of Periods
Entrepreneurial Culture	Introduction to entrepreneurship	Two periods
	The concepts of ‘an entrepreneur’ ‘manager’ ‘and ‘intrapreneur’	Two periods
	Stages of entrepreneurship process	Two periods
	Qualities of an entrepreneur	Two periods
	Types and categories of entrepreneurs	Two periods

Topic Area	Content to be covered	Number of Periods
	Functions of entrepreneurs vs Functions of managers	Three periods
	The concepts of 'innovation' 'invention' and 'creativity'	Two periods
	Entrepreneurship, innovation and types of innovations	Two periods
	Entrepreneurship and creativity	One period
	Entrepreneurship and invention	Two periods
	Benefits and challenges of being an entrepreneur	Two periods

### Teaching and learning steps

The teachers should guide the learners to retrieve their O-level knowledge on the meaning of entrepreneurship; facilitate learners to make research about the steps, of entrepreneurship process; make learners understand and practice creativity, innovation and invention in everyday life and in class activities.

#### Activity 1

1. What skills do you think Bikorimana acquired from entrepreneurship that motivated him to start his bakery project?
2. Why did Bikorimana decide to start his own business and how best can you describe him?
3. What did it take for Bikorimana to start a bakery project?
4. Is Bikorimana an entrepreneur? If YES or No, explain your view.

#### Expected responses to the above activity include:

1. Financial management skills
  - Research
  - Hardwork
  - Creativity
  - Innovativeness
  - Etc

2. He wanted to be self employed alongside other reasons and to be an entrepreneur.
3. It took him the following:
  - a) Thinking about a profitable business idea.
  - b) Acquiring the various factors of production i.e., land, capital, labour, etc.
  - c) Implementation of his business idea.
  - d) Research about markets and customers.
  - e) Hardwork and creativity.
  - f) Innovation.
  - g) Vision and setting targets and goals.
  - h) Etc

#### Answers to question 4

- Yes, he is an entrepreneur.
- Because he thought of starting a small project that would help him get money for school fees using the knowledge of entrepreneurship.

#### Activity 2

Comment on the following terms and give possible examples.

1. Intra-entrepreneurship
2. Clustering
3. Social entrepreneurship
4. Regular entrepreneurship.

#### Expected responses from the activity above include:

1. **Intra-entrepreneurship** refers to the approach of promoting innovations or introducing *new products or services or markets in existing firms or businesses.*
2. **Clustering** occurs when a group of employees breaks off from the parent company to found a new company but continues to do business with the parent company.
3. **Social entrepreneurship:** A recent approach which involves *creating charitable organisations* (or portions

of existing charities) which are designed to be self-supporting in addition to doing their good works.

4. **Regular entrepreneurship** means opening a new organisation e.g (starting a new business).

### Activity 3

In groups identify at least five (5) prominent entrepreneurs in each of the following categories:

1. In your village/town community
2. In Rwanda today
3. In East Africa currently
4. In Africa today
5. In the world currently starting with the richest.

**NOTE:** In each of the above prominent entrepreneurial categories specify the following;

- (i) State the different opportunities identified by each.
- (ii) Explain why they qualify to be called entrepreneurs.
- (iii) How did they take the initiative to make use of the identified opportunities?
- (iv) Specify the resources used to successfully operate and run their business activities.
- (v) Why do you think they started those activities? Did they achieve their goals?
- (vi) How is an entrepreneur different from a businessman?

**Expected answers for the above activity include:**

### Examples of international entrepreneurs

Well-known international entrepreneurs:

1. **Bill Gates**, founder of Microsoft, which makes Microsoft Windows, Microsoft Office and Internet Explorer.
2. **Steve Jobs**, co-founder of Apple computers, which makes Macs, iPods and iPhones, as well as Apple TV.
3. **Mark Zuckerberg**, the founder of Facebook.

**Examples of young prominent (successful) entrepreneurs in Africa include:**

1. **Sangu Delle from Ghana** (owner of the Golden Palm Investments, a holding company that invests in early stage venture and growth capital financing across Africa).
2. **Ally Edha Awadh in Tanzania** (owner of the oil group of companies dealing in oil marketing).
3. **Isaac Oboth in Uganda** (Owner of media 256, a film production company)
4. **Adii Pienaar in South Africa** (co-founder Woothemes, a company that deals in designing and developing customisable commercial themes and plugins for word press).
5. **Clarisse Iribagiza from Rwanda** (Owner of Hehe limited, a leading mobile technologies company founded in 2010).
6. **Stephen Sembuya from Uganda** (owner of Pink Food Industries, one of the fastest growing convenience foods manufacturers in Uganda. They produce foods like: sweets, snacks, biscuits, chocolates, cornflakes, cocoa powder etc).

**Examples of Rwanda entrepreneurs:**

1. **Sina Gérard** of Urwibutso Enterprises, is Rwanda's leading entrepreneur.
2. **Greg Bakunzi, Amahoro Tours**  
Amahoro Tours is a responsible tourism and eco-tourism company that partners with a network of community-based organisations to engage visitors with Rwanda's people.
3. **Clement Uwajeneza, AxIS**  
AxIS develops and implements web and mobile applications and solutions in Rwanda for clients including small businesses, medium enterprises, and government.

4. **Dieudonne Haguminshuti, C n' D Ltd**  
C n' D Ltd is developing a fully automated and integrated poultry production farm to produce eggs, day-old chicks, and poultry meat to meet growing domestic demand.
5. **Paulin Buregeya, COPED Ltd**  
COPED is a waste management company that performs waste collection for residential and commercial customers, and converts waste into useful products through recycling.
6. **Francois d'assise Nezerwa, DASSY Enterprise**  
DASSY Enterprise supplies and installs affordable solar energy products, including low-cost solar lights, solar lighting kits, solar water heaters, and home and institutional solar systems.
7. **Nadia Uwamahoro, Data Systems Ltd**  
Data Systems Ltd is a professional ICT outsourcing company that provides IT services and equipment and promotes ICT equipment ownership and usage through the Gira ICT project.
8. **Lydie Hakizimana, Drakkar Ltd**  
Drakkar Ltd publishes and distributes books to schools, higher educational institutions, teachers, and learners and offers laboratory equipment for schools and teacher training.
9. **Jean Bosco Rugamba, High Performance Services and Business Ltd (HPS&B)**  
HPS&B is a buyer and processor of Rwandan short and long grain paddy rice to sell as a finished product on the Rwandan domestic market.
10. **Meilleur Murindabigwi, IGIHE Ltd**  
IGIHE Ltd owns and sells the online brand [www.IGIHE.com](http://www.IGIHE.com), a website that provides news and information in four languages, with a focus on content in Rwanda's native Kinyarwanda.



**11. Gilbert Gatali, KZ Noir**

KZ Noir is a fully-integrated specialty coffee company that owns and operates eight coffee washing stations, exports green coffee and has two roasted coffee brands.

**Why they are called entrepreneurs?**

1. They are hard workers.
2. They get too much incomes from profits.
3. They are their own bosses.
4. They have big visions and are patient.
5. They always save money to be used in future business growth.

**Activity 4**

**Importance of teaching entrepreneurship in schools**

- Entrepreneurship education introduces learners to marketing of products with an aim of making profits.
- It is vital in helping learners develop a positive attitude and culture towards work, business, innovation and creativity.
- The need to ensure equitable and effective utilisation of available resources in the economy, such as human potential, natural resources, financial resources and many others.
- It enables learners acquire the necessary skills that enable learners scan the environment, identify business opportunities and select a product or project.
- It equips learners with organisational skills like mobilising resources through hardwork to start up and operate business.
- It is very important in instilling into learners self-confidence and self awareness so as to help them analyse the environment in relation to what they would wish to be in future.
- It also encourages creativity and self sustenance among learners so as to make them able to take on moderate risks.
- The concept of financial management is very vital in business and in the daily aspects of life which learners need to begin practicing as early as possible.

### Activity 5

1. **Lessons taken from Kharim's experience:**
  - Performing well in your education
  - Willingness to start your own business
  - Taking challenges and working hard
  - Using the little available funds to start up something
  - Taking risks to establish something
  - Building a team to run a business
2. **Risks associated with pursuing a business venture:**
  - Risk of loss
  - Uncertain income
  - Long and irregular hours of work
  - Unlimited liability
  - Increased expenditure
  - No defined tasks
  - Non-financial benefits
- 3 - 4. **Ask learners to give their contributions.** Exercise your judgement upon their answers.
5. Skills needed to undertake the above venture:
  - Book keeping
  - Human management
  - Risk taking
  - Interpersonal communication
6. **Instruct learners to come up with their contributions.** Exercise your judgement upon their views.
7. Possible sources of income:
  - Bank loan
  - Personal saving
  - Friends, etc.

8. **Entrepreneurship** can be defined as “a process of identifying business opportunities, organising the necessary resources and using them to start-up/initiate and successfully run an enterprise while; an **entrepreneur** can also be a person who has the ability to see and evaluate business opportunities, gather necessary resources and then takes action to start a business and ensure its success.

### Activity 6

1. An intrapreneur is a person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through risk-taking and innovation”.
  - Intrapreneurs are usually employees within a company who are assigned a special idea or project and are instructed to develop the project like an entrepreneur would.
  - An intrapreneur is a person who while remaining within an organisation uses entrepreneurial skills to develop a new product.
2. **Encourage learners to give their own answers.**
3. **Differences between an entrepreneur and an intrapreneur:**
  - An entrepreneur owns the business while an intrapreneur is employed and does not own the business.
  - An entrepreneur takes the profits made by the enterprises while an intrapreneur does not take profits from the business but gets benefits for his innovation.
  - An entrepreneur raises his/her funds on his his/her initiative while an intrapreneur depends upon the entrepreneur’s funds/finance.
  - An entrepreneur is independent while an intrapreneur is semi-independent.
4. **Importance of Intrapreneurship to a business:**
  - Encourages innovation.
  - Strategically guides an organisation.

- Leads to better decision making.
- Leads to expansion of the organisation.
- Increases the spread of efficiency and effectiveness of technology.
- Allows growth in a company.
- Speeds up innovation.
- Leads to a competitive edge over competition.

### Activity 7

#### **Roles of an intrapreneur in an enterprise:**

- Encourages innovation.
- Strategically guides an organisation.

#### **Importance of intrapreneurship**

- Leads to better decision making.
- Leads to expansion of an organisation.

#### **Benefits of embracing intrapreneurship**

- Increases the spread of efficiency and effectiveness of technology.
- Boosts growth in a company.
- Speeds up innovation.
- Leads to a competitive edge over competition.

### Activity 8

1. Use the differences in activity 6.
- 2-3. Guide learners to come up with own contributions.
4. **Differences between an entrepreneur and a manager**
  - An entrepreneur is the owner of the enterprise while a manager is an employee in the enterprise.
  - An entrepreneur starts the enterprise for personal goals and achievement while a manager provides a service in an enterprise owned by someone else.

- An entrepreneur bears all the risks and uncertainties associated with an enterprise; a manager being an employee, does not bear any risk.
- An entrepreneur distributes rewards and earns a profit for risk taking while a manager earns a salary for the work done.
- An entrepreneur earns uncertain income that fluctuates depending on profits or loss made while a manager gets a fixed income since the salary is fixed per month.
- An entrepreneur is an agent of change who introduces new products while a manager is an executor who implements the plans of the entrepreneur.
- Entrepreneurs are more concerned with the launching and sustainability of a business in the face of uncertainty while managers are more concerned with the effective and efficient operation of an on-going business.

### Activity 9

1. Ask learners to think of role models in entrepreneurship who inspire them.
2. Pick from some of these characteristics:
  - Works hard
  - Wants financial success
  - Has family support
  - Is energetic
  - Has an internal locus of control
  - Takes risks
  - Has a need to achieve
  - Has business experience
  - Is independent
  - Has self-confidence
  - Has integrity
  - Has determination

- Adapts to change
- Has a good network of professionals

## **Qualities of an entrepreneur (explained)**

---

### **Financial discipline**

It takes time to get to profitability for any entrepreneurial venture (enterprise). Till then, capital is limited and needs to be used well. Successful entrepreneurs realise this money management requirement and plan for present and future financial obligations. He/she does not over spend money on things that are not needed.

### **Persuasive and networking**

What do successful entrepreneurs do? They reach out to mentors with more experience and extensive networks to seek valuable advice. Having such networking abilities, including more experienced mentors, a strong ability of identifying and influencing more customers are key characteristics of successful entrepreneurs.

### **Goal setting and planning**

Successful entrepreneurs are driven to achieve ambitious targets. They tend to perceive money as a measure of their success and not as their end goal. When they have made their first million, they do not retire. Instead, they focus on making their next million. Entrepreneurship is also about building a business from scratch while managing limited resources (including time, money and personal relationships).

### **Hardworking**

Entrepreneurs are hardworking people who always focus their minds on their work. In fact they work even on public holidays, weekends, including day and night. They have many things to do including supervising and monitoring all business activities.

### **Creativity and innovation**

An entrepreneur must be good at coming up with new ideas, identifying new opportunities, new markets for his/her goods

and services, new production techniques, new products and also able to improve on already existing products so that they are produced in a new style to meet the ever changing tastes and preferences of customers.

### **Information seeker**

An entrepreneur must be updated on any business opportunities, problems and challenges. He/she must look for information from various sources such media (newspapers, magazines, Internet, television, radios) so that he/she gets new business tips and new ideas that help in improving his/her business.

### **Activity 10**

1. Instruct learners to study the following illustration and identify more benefits of being an entrepreneur.
  2. Ask them to discuss the various challenges of being an entrepreneur, using the case of entrepreneurs in their home area.
1. **More benefits of being an entrepreneur:**
    - High degree of independence
    - More productivity
    - High degree of job security
    - Determine own work time
    - Improved creativity and innovation
    - Unlimited income from profits
    - Better status and recognition in society
    - Positive contribution to society
    - Family involvement
    - Promotes confidence and self-esteem
  2. **Challenges to self employment:**
    - Risk of loss
    - Uncertain income
    - Long and irregular hours of work

- Unlimited liability
- Increased expenditure
- No defined tasks
- Non-financial benefits

### Activity 11

Ask learners to study the stages of entrepreneurship development process and answer the questions thereafter.

#### **Five (5) stages to entrepreneurship development**

1. **Stage 1: Discovery.** This is a stage of entrepreneurial process in which the entrepreneur generates ideas, recognises opportunities, and determines the feasibility of ideas, markets, ventures, etc
2. **Stage 2: Concept Development.** This is a stage of entrepreneurial process in which the entrepreneur plans the venture, identifies needed resources using a business plan, identifies strategies to protect intellectual property etc.
3. **Stage 3: Resourcing.** This is a stage of entrepreneurial process in which the entrepreneur identifies and acquires the financial, human, and capital resources needed for the venture startup.
4. **Stage 4: Actualisation.** This is a stage of entrepreneurial process in which the entrepreneur operates the venture and utilises resources to achieve its goals/objectives.
5. **Stage 5: Harvesting.** This is a stage of entrepreneurial process in which the entrepreneur decides on the venture's future (growth, development, demise).



## Activity 12

1. **Types of entrepreneurs:** (Guide learners to identify examples of entrepreneurs in their communities).

**Trading entrepreneurs:** These undertake the trading activities. They buy the finished products from the manufacturers and sell them to the customers directly or through a retailer.

**Manufacturing entrepreneurs:** These convert raw materials into finished products. They identify the needs of the customers and manufacture the products to satisfy the customers' needs.

**Agricultural entrepreneurs:** These are involved in growing of crops and rearing of animals. They cover a wide range of agricultural activities like cultivation, marketing of agricultural produce, irrigation, mechanisation and technology.

**Technical entrepreneurs:** These establish and run science and technology-based industries. These make use of science and technology in their enterprises. They use new and innovative methods of production in their enterprises.

**Non-technical entrepreneurs:** These do not make use of science and technology in their enterprises. They rarely use new and innovative methods of production in their enterprises

**Private entrepreneurs:** These are individuals who set up a business enterprise. They own the enterprise and bear the entire risks involved in it.

**Public/State entrepreneurs:** These are trading or industrial enterprises undertaken by the State or the government. They are owned and managed by the government.

**Joint entrepreneurs:** When a private entrepreneur and the Government jointly run a business enterprise, it is called 'joint entrepreneurship.

**Small scale entrepreneurs:** These are entrepreneurs who invest capital up to 50,000,000Rwf.

**Medium Scale entrepreneurs:** These are entrepreneurs who have invested capital above 50,000,000Rwf but below 500 million Rwf.

**Large-Scale entrepreneurs:** These are entrepreneurs who invested capital of more than Rwf 500 million.

**Innovating Entrepreneurs:** These introduce new goods, initiate new methods of production, discover new market and reorganise the enterprise.

**Imitative/adoptive entrepreneurs:** These adopt successful innovations initiated by innovating entrepreneurs.

**Fabian entrepreneurs:** these are very cautious and skeptical in introducing any change in their enterprises.

4. **Drone entrepreneurs:** These refuse to adopt changes in their enterprises even if the business is making losses.

### Activity 13

#### 1. Example of creativity

Examples of creativity include a scientist who develops a theory to explain human behaviour, a musician who writes original songs that are enjoyed by many people and a writer who writes a book that provides new ideas for fundraising.

#### Example of innovation and invention

One example is the iPod, which as a stand alone product. It is really not very inventive. MP3 players had been around for several years before the iPod.

While there may be unique hardware and software aspects to the device, the fundamental invention of having a hand held MP3 player was not at all new.

What made the iPod truly innovative was its combination of aesthetic design, elegant ergonomics, and ease of use. Also, there was the creation of the iTunes software and website that enabled listeners to actually use their fancy iPod. It is the combination of all these elements that made the iPod truly innovative.

2. a) **Creativity** involves the generation of new ideas.  
**Creativity** is the recombination of known elements into something new, providing valuable solutions to a problem.  
**Creativity** is the act of creativity new things, coming up with new ideas.  
**Creativity** is a mental and social process involving the discovery of new ideas or concepts.
- b) **Invention** is the creation of a product or introduction of a process for the first time.
- c) **Innovation** occurs if someone improves on or makes a significant contribution to an existing product, process or service.

#### Activity 14

##### Types of creativity

1. a) **Divergent creativity**: Divergent creativity involves exploring as many solutions or options to a problem or issue as possible.
- b) **Convergent creativity**: This involves focusing on only one idea or single solution.
- c) **Lateral creativity**: This involves generation of new ideas and problem solving as it leaves the already-used behind and looks for completely new options.
- d) **Aesthetic creativity**: This involves producing or discovering things which are pleasant, harmonious and beautiful to our senses.
- e) **Systems creativity**: This can be described as the ability to see how things are interrelated and form a larger “whole”. Some people seem to be able to perceive such links more easily than others to “connect the dots” and understand that if one thing is changed, the whole system will change.
- f) **Inspirational creativity**: This concerns the perception of receiving insights from somewhere or someone else. It often happens in dreams or other states.

### **Benefits of Creativity**

2. a) **Become a better problem solver:** Being creative enables us to overcome obstacles and challenges in our life.
- b) **Connect with your community:** When we create we connect to other people doing the same through exchanging ideas or providing feedback for our peers.
- c) **Save money:** Creativity helps to save money by changing from consuming to creating. The more we become creative, the less we need to spend money.
- d) **Expanded sense of time:** Time feels unlimited when we are in the creative 'zone.' Strangely enough, when we give ourselves time to creative hobbies, we gain time.
- e) **Self-awareness and expression:** Creativity enables us to discover and realise our habits, impulses, desires and develop our own ideas and express ourselves.
- f) **Freedom:** Creativity enables us to take risks, try new things, and remove the limitations in a healthy way.
- g) **Stress relief:** Taking the time to use our hands, minds, and energy doing something we love is of utmost importance in life. Being creative makes us happy. Being creative is fun, which reduces our stress levels and improves our quality of life.

### **Obstacle to Creative Thinking/Creativity**

- a) **Lack of direction:** The lack of clear goals and objectives, written down, accompanied by detailed, written plans of action.
- b) **Fear of failure:** It is the fear of being wrong, of making a mistake, or of losing money or time.
- c) **Fear of criticism:** Fear of criticism, or the fear of ridicule, scorn or rejection. It is the fear of sounding dumb or looking foolish.
- d) **Striving for constancy:** It is the fear of doing or saying something new or different from what you did before which holds people back from being creative.
- e) **Passive thinking:** If you do not continually stimulate your mind with new ideas and information, it loses its ability and energy. Instead of thinking proactively and creatively, your thinking becomes passive and automatic.

- f) **Negative attitude:** There is a tendency to focus on the negative aspects of problems and spend energy on worrying.
- g) **Executive stress:** The over-stressed person finds it difficult to think objectively at all. Unwanted stress reduces the quality of all mental processes.
- h) **Making assumptions:** Many both conscious and unconscious [HYPERLINK “http://www.1000advices.com/guru/self\\_discovery\\_question\\_assumptions\\_cw.html”](http://www.1000advices.com/guru/self_discovery_question_assumptions_cw.html) to “Illusion or Reality? Questioning Your Assumptions” assumptions restrict [HYPERLINK “http://www.1000advices.com/guru/creativity\\_vk.html”](http://www.1000advices.com/guru/creativity_vk.html) creative thinking.
- i) **Over-reliance on logic:** Investing all your energy into logical or analytical thinking – the step-by-step approach – excludes imagination, feeling or humour and limits creativity.
- j) **Rationalising and justifying:** By constantly justifying your decisions, you cannot learn to improve performance for business success.

### Activity 15

#### Types of Innovation

1. **Incremental innovation:** This seeks to improve the systems that already exist, making them better, faster and cheaper.
2. **Process innovation:** Process innovation means the implementation of a new or significantly improved production process or delivery method.
3. **Service innovation:** This is a new or changed service idea, client interaction channel, service delivery system or technological idea that leads to one or more renewed service functions that are new to the firm.
4. **Business model innovation:** This refers to the creation or reinvention of a business itself.

5. **Sustainable innovation:** This involves products and processes that contribute to sustainable development.
6. **Frugal innovation:** This is about doing more with less. Entrepreneurs and innovators have to devise low cost strategies to either tap or avoid resource limitations to innovate, develop and deliver products and services to low income users.
7. **Radical innovation:** This provides something new to the world that we live in by removing industry conventions and by significantly changing customer expectations in a positive way. Ultimately, they often end up replacing existing methods / technologies.
8. **Open source innovation/Crowd sourcing:** This promotes free redistribution and access to an end product design and implementation details.
9. **Experience innovation:** These are companies that try to create holistic experiences by emotionally engaging their consumers.
10. **Disruptive innovation:** This helps to create a new market and value network and eventually goes on to disrupt an existing market and value network (over a few years or decades), displacing an earlier technology.
11. **User led innovations:** This is based on users needs since the customer is the king.
12. **Supply chain innovation:** This is about applying best practices and technological innovations to your own supply chain in order to withstand the extreme financial stresses.

## Activity 16

### a) **Relationship between Creativity, Invention and Innovation**

**Creativity** is related to 'imagination' but innovation is related to 'implementation'.

Creativity is the characteristic of a person to generate new ideas, alternatives, solutions and possibilities in a most unique and different way.

Innovation is an act of application of new ideas which creates some value for the business organisation, government and society as well.

Better and smarter ways of doing anything is innovation. It could be the introduction of:

- New technology.
- A new product line or segment.
- New method of production.
- An improvement in existing product.

**Innovation** is closely tied to **creativity** i.e. putting creative ideas into action is an innovation.

### b) **Differences between Creativity and Innovation**

Basis for comparison of creativity and innovation

**Meaning:** Creativity is the quality or act of thinking new ideas, imaginations and possibilities and putting them into reality while innovation is the act of executing the creative ideas into practice or the introduction of something new and effective into the market.

**Process** Creativity is imaginative process while innovation is productive process.

**Quantifiable** creativity can never be measured while innovation can be measured. Related to creativity is generation of ideas which are new and unique while innovation is related to introducing something better in the market.

**Money consumption:** creativity does not require money while innovation requires money.

**Risk:** in creativity no risk involved while in innovation a risk is always involved or attached.

**c) Difference between creativity, invention and innovation**

Novel ideas communicate, useful, and appealing. Creating something new and making the invention into a product form.

**The difference between an entrepreneur and a manager**

	<b>Entrepreneur</b>	<b>Manager</b>
<b>Initiation of enterprise/ Goal Management</b>	He/she launches a business venture for person fulfilment and achievements.	He/she renders the services in an already set up enterprise.
<b>Status</b>	He/she is self employed and independent.	He/she is an employee in the enterprise of an entrepreneur.
<b>Risk taker</b>	Bears all the risks and uncertainties associated with the new enterprise.	Being an employee, does not bear any risk.
<b>Reward</b>	Receives profits for his/her risk bearing role and its sometimes uncertain and irregular.	Managers earn fixed and regular salary for services rendered.
<b>Innovation</b>	An agent of change who introduces new products.	An executor who implements the plans of the entrepreneur.



## Unit Summary

This unit focuses majorly on behavioural qualities of an entrepreneur. The teacher is supposed to guide the learners to discover many dimensions of an entrepreneur starting from: ***defining who an entrepreneur is; classifying the various types of entrepreneurs; identifying real individuals who show positive entrepreneurial qualities; describing personal changes he or she would have to make in order to become a successful entrepreneur; explaining how existing types of work can be carried out with creativity and/or initiative, suggesting innovative ideas for challenges/problems identified in the community.*** These are some of the many skills that a teacher has to develop in the learners through effective guided discoveries and facilitation.

## TOPIC AREA: ENTREPRENEURIAL CULTURE

---

**SUB-TOPIC AREA:** Entrepreneurship as a Career

# UNIT 2: Career Opportunities

(21 Periods/Lessons)

**Key unit competence:** Be able to make rational career choices.

### Learning objectives

---

By the end of this unit, learners should be able to:

- Identify work they are interested in doing and give reasons for their choices.
- Identify some of the main sources of information that can help them choose the kind of future work to prepare for.
- Explain the meaning of a career trajectory.
- Explain the benefits and challenges of being employed and self employment,

📖 *Refer to pages 27 – 48 in the Learner’s book*

### Unit break down

---

Topic Area	Content to be covered	Number of Periods
Entrepreneurial Culture	Career concept	Two periods
	Choosing work to do (fields of career opportunities)	Two periods
	How people prepare to do/start each type of career	Two periods
	Steps/stages of choosing a career	Two periods

Topic Area	Content to be covered	Number of Periods
	Career trajectory	Two periods
	Obtaining a career guidance	Two periods
	Employment options (Paid employment) merits and demerits	Two periods
	Self employment(merits and demerits)	Two periods
	Factors for career choices	Two periods
	Benefits and challenges of doing business as a career	Three periods

### Teaching and learning steps

The teacher facilitates learners to explain the concept of career; identify sectors of the economy where they can find employment and the required skills they need to take on those employment opportunities; guides learners on how to obtain career guidance information; understand the notion of career trajectory and challenges of being an entrepreneur; the teacher should also allow learners to debate on employment options, that is to say; being self employed or working for others for a pay.

Below is a list of activities and expected responses

#### Activity 1

1. Identify any career of your choice and briefly explain what the term 'career' means.
2. Identify the minimum education required.
3. Identify the major subjects necessary.
4. Identify the course you are supposed to take on at the university.
5. Find out the various ways through which you are promoted and use this information to construct a career trajectory.

#### Expected responses include:

My career is to be a lawyer.

The term “**career**” means the job that a person wishes to do for the rest of his/her life after getting a given education and training.

For example; Bachelor’s degree in laws is minimum education level to qualify as a lawyer.

The subjects required include (Maths, Economics, Geography, History, and other Sciences).

**Define a trajectory/path**

This describes the process or preparation of joining a career and the stages one goes through in the development of a particular career.

**For the chosen career, illustrate and explain trajectory**

**A lawyer.**

**Stage 1.** General education (Primary, Secondary).

**Stage 2.** Degree in Law around 4 years.

**Stage 3.** Internship of at least 2-3 years in a law firm.

**Stage 4.** Swearing in as an advocate and ready to work .

## Career options

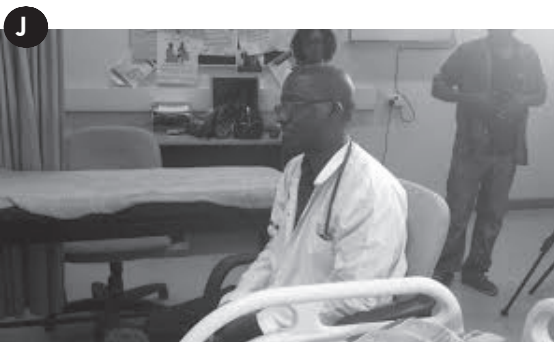
---

### Activity 2

---

Study the diagrams below carefully;







1. Identify the types of careers shown in each diagram above.
2. Identify the subjects necessary to pursue each of the above career.
3. Invite some of the people who do the careers identified above in your community and discuss with you:
  - a) the skills and experience needed for each career to be done successfully.
  - b) the various benefits and challenges in each career.

**Suggested responses include:**

1. List of careers from top to bottom include:
  - a) Industrial engineer, Mathematics, Physics, Chemistry, Computer Science
  - b) Office secretary (open)
  - c) Carpenter (open)



- d) Soldier (open)
- e) Tailor (open)
- f) Journalist (arts mainly)
- g) Land Surveyor (science subjects)
- h) Policeman (open)
- i) Artist (Technical drawing, Art and Design)
- j) Doctor (science subjects)
- k) Teacher (open)
- l) Footballer (open)
- m) Musician (Music, Art and Drama)
- n) Air hostess (open)
- o) Agriculturalist (Agriculture, Biology, Economics, Geography)

### **Answers to Activity 3**

---

1. Some sources of career information are:
  - Teachers
  - Internet
  - Media
  - Career days
  - Ministry of Education
  - People you know
  - Guidance and career counselors
  - Professional societies, trade groups, and labour unions
  - Local libraries
2. Different career fields:
  - Education, Business, Science and Technology, Creative Arts, etc
3. Factors that influence choice of careers
  - Family influence
  - Peer pressure and friends
  - Schools and institutions attended
  - Role models

- Talents and natural abilities
- Government policy
- Physical and mental ability
- Financial expectations
- Academic performance
- Personal interest
- Demand for labour
- Natural resources in the locality

#### Activity 4

---

Instruct learners to reflect on activity 3 and discuss the factors that can influence their career choice.

#### Activity 5

---

Ask learners to reflect on activity 3 and discuss the sources of career information.

#### Answers to Activity 6

---

1. **A career trajectory:** This describes the process or preparation of joining a career and the stages one goes through in the development of a particular career.
2. The career is a Doctor and the steps are shown below:
  - Primary education
  - General secondary education (PCB or MCB)
  - Join Medical School (university)
  - Do Medical Practice (Internship)
  - Become a fully qualified doctor (start on the job)

#### Answers to Activity 7

---

Steps followed when preparing to choose a career:

- Self-assessment
- Make a list of potential occupations
- Explore the options by searching for more information
- Narrow down your list



- Set personal goals
- Create a career action plan
- Obtain training

### Answers to Activity 8

- a) People who influenced combination choices:
- Career guidance counselors
  - Parents
  - School teachers
  - Government officials/officers
  - Heroes/mentors
  - Role models
  - Peers
- b) Career guidance refers to the process of assisting or helping someone to choose a given career.
- Career guidance consists of services that help people to successfully manage their career development.

### Activity 9

1. Activities done in the community:  
Teaching, doctoring, motorcyclists, traders, police, farmers
2. a) Working for themselves: doctors, traders, farmers, motorcyclists  
b) Working for others: doctors, teachers, police
3. a) Working for themselves - self employed  
b) Working for others - paid employed
4. An employment opportunity is any activity that an individual undertakes to earn a living.  
Entrepreneurship creates jobs for the entrepreneur and others who come to work in the enterprise as managers, accountants, drivers, sales persons and others.

### Activity 10

#### **Benefits of self employment:**

- High degree of independence
- More productivity
- High degree of job security
- Determine own work time
- Improved creativity and innovation
- Unlimited income from profits
- Better status and recognition in society
- Positive contribution to society
- Family involvement
- Promotes confidence and self-esteem

### Activity 11

#### **Challenges of self employment/being an entrepreneur:**

- Risk of loss
- Uncertain income
- Long and irregular hours of work
- Unlimited liability
- Increased expenditure
- No defined tasks
- Non-financial benefits

### Activity 12

1. Define the term 'paid employment' and how it differs from self employment.
2. Is it good for you as a person? Ask learners to suggest the advantages of paid employment using the above listed pictures. With your other responses collected as a group ask learners to make a presentation to the class.

**The following are the expected responses/answers.**

1. Paid employment is where a person is given a job to do as a source of income.

**Benefits of being employed include:**

1. **There are fixed and favourable hours of work:** This avoids fatigue of the employees since they can be given short break or leave to release the tiredness.
2. There is a **steady income** since a person is supposed to receive an income regardless of whether the business makes profits or losses.
3. **Encourages specialisation:** Under this system, tasks are divided and allocated to those who can do them best. This increases labour efficiency and productivity.
4. It makes it easy for the government to collect legal payments such as pay as you earn, National Social Security Fund, etc as it is easily deducted from the source of income (salary).
5. **Limited Liability:** In case of huge business losses and debts of the firm, the employee is not severely affected under the system of paid employment. His/her duty is to perform the tasks allocated to him/her and wait for a wage/salary at the end of the stated period.
6. **Fringe benefits:** With paid employment, employees get the chance to enjoy other benefits which are different from the specified salary/wage. For instance; housing allowances, insurance, medical care, transport, purchase of company goods and services at a discount, etc. This leads to improvement in the standards of living of the employees.

**Disadvantages of paid employment.**

Study the pictures below carefully and ask learners to answer the questions that follow:



### Activity 13

1. Learners in groups study each photo and try to identify the various challenges of paid employment as observed including other challenges that you may supplement and make a proper presentation thereafter.

Some of the disadvantages may include the following alongside many others:

1. **Limited freedom of expression and decision making by the employee:** Under this system, the employees are given less freedom to decide on business operations which leads to low self-esteem.
2. **Employees in most cases are exploited by employers:** This is because the employer's main concern is to minimise cost in production and maximise profits. So employees end being over worked and paid less especially in developing countries where labour supply is high.

3. **There is always a fixed income:** The employee is subjected to a set and at times inflexible income regardless of input. Even if the organisation's profits increase, there is no proportional increase in the income paid by an employee.
4. **There is high level of job insecurity:** The job will depend on the employer's interest, tastes and tendencies. Therefore the employer may stop the employee from work any time.

## Unit Summary

Unit 2 focuses majorly on career opportunities (making rational career choices) and therefore a teacher is expected to guide learners to study and discover dimensions of career in the way to; ***Identify some of their own and their classmates' particular talents and interests'***; ***Identify careers based on own characteristics'***; ***Use various sources in order to get career information and guidance'***; ***Prepare a career plan of the work they are interested in'***; ***Distinguish with examples the types of work or careers that are involved in being employed and self employed'***; ***Assess the various employment options.***

**TOPIC AREA: WORK READINESS**

---

**SUB-TOPIC AREA:** Personal Development

## **UNIT 3:** Setting Personal Goals

**21 periods/lessons**

The above unit has to be taught in 21 periods and each period takes 40 minutes.

**Key unit competence:** To be able to make plans to reach their personal goals.

### **Learning objectives**

---

By the end of this unit, learners should be able to:

- Identify values, skills that employers want and personal strength and weaknesses.
- Explain characteristics of a goal (specific, measurable, realistic and time frame).
- Identify steps to setting a goal and creating a plan for tracking progress.
- Describe the various learning styles.
- Identify various strategies to better learning.

🕒 **Refer to pages 49 – 70 in the Learner's book**

### Unit Break Down

Topic Area	Content to be covered	Number of Periods
Work Readiness	Identifying values and skills	One period
	Identification of personal qualities;	Two periods
	Personal qualities in relation to Entrepreneurship	Two periods
	Personal qualities in relation personal development	Two periods
	Personal qualities in relation to engagement with society	Two periods
	Personal qualities in relation to work in schools and work place	Two periods
	Uniqueness and diversity /skills and qualities assessment	Two periods
	Setting goals and making plans relating to career	Two periods
	Steps, time frame and resources needed in setting SMART goals	Two period
	Learning new skills	Two periods
	Learning styles	Two periods
	Learning strategies	Two periods

### Teaching and learning steps

Teacher facilitates learners to identify values, skills and personal qualities that can develop their personality and also guide learners on how to formulate personal goals and how they can set procedure to achieve their set goals. Teacher should also ignite learners to discover their learning styles and abilities.

The following are the activities attached to the above unit and suggested brief responses:

#### Activity 1

1. Ask learners to explain briefly what each of the above photographs mean and relate their answers to personal development.
2. What does personal development mean?

**Suggested answers include:**

1. A plan on how to achieve something.
2. Setting personal goals towards achieving something.
3. Success after achieving everything that was planned.
4. Personal development in a broad sense means an everyday activity aimed at enriching ones knowledge, acquiring new skills to boost ones productivity to improve their self-organisation and to master communication with other people.

**Activity 2**

1. Guide learners through the assessment.
2. Help learners interpret and explain the proverb.
3. It shows that one has to start preparing for the future now.
  - It also shows that what one wants to be tomorrow is should be prepared now.

**Activity 3**

Guide learners through questions 1 and 2.

**Activity 4**

**Personal qualities related to:**

**Entrepreneurship:** Creativity, determination, Decision making, etc.

**Personal development:** Goal setting, responsibility, commitment, etc.

**Engagement with society:** Respect, Involvement, Tolerance, etc.

**Work in school:** Attentiveness, Communication, Loyalty, etc

**Workplace:** Cooperation, Respect, Ethics, etc.

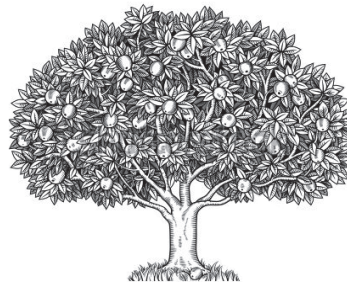


### Activity 5

1. Guide/help learners to fill in the table.
2. For some of the items, ask learners why they chose their responses. Emphasise that there are no right or wrong answers. Everybody has their own opinions, feelings, interests and skills. Sometimes we have similarities with others and sometimes we have differences. We are all unique.

### Activity 6

1. What is a goal?
2. Identify and explain various types of goals that you know. (Give examples).
3. Study the diagrams below.



- a) Relate personal development and achievement of our set targets to a tree/trees.
- b) Explain what the following would represent:
  - (i) Roots .....
  - (ii) The tree trunk .....
  - (iii) Stems
  - (iv) Branches .....

- (v) Branches .....
  - (vi) Leaves .....
  - (vii) Fruits .....
  - (viii) Thorns .....
4. What would you tell a person about qualities of a good goal?

**Expected answers to the above questions include:**

1. A goal is a target set by a person to be achieved after a given period of time
2. Types of goals include:
  - a) Long term goals
  - b) Medium term goals
  - c) Short term goals
3. b)
  - (i) **Roots** mean values and skills
  - (ii) **The tree trunk** means areas in our lives that give us strength i.e friends, families, churches, mosques, youth organisations, places of employment etc
  - (iii) **Branches** mean our main interests and goals (what we always want to do or accomplish).
  - (iv) **Leaves** mean resources that will be needed to reach our goals i.e people, information, etc.
  - (v) **Fruits** mean future achievements.
  - (vi) **Thorns** mean obstacles or challenges we always meet towards achievement of our set targets.

**Activity 7**

**Characteristics of a good goal**

1. All the examples are bad goals (encourage learners to give reasons).
2. Corrected goals (encourage the learners to make the above goals good ones).
  - I will start a small project with my little money I have.
  - I will attend morning lessons five days a week.

- I will apply for employment in Tigo company next year.
- I will milk 30 liters of milk from my cow every day.
- I will find a teaching job in the next three months.

### 3. **Smart goals**

SMART goals--the acronym that has been used by business to describe the key elements of effective goals. SMART stands for goals that are:

**Specific** (Goals must be clear and unambiguous).

**Measurable** (Results must be able to be measured in some way, for example, the number of products sold each week, or the percent completion).

**Attainable** (Goals must be realistic and attainable by the average employee).

**Realistic** (Goals must relate to your organisation's vision and mission; real goals).

**Time-bound** (Goals must have definite starting and ending points, and a fixed duration).

### Activity 8

1. Guide learners to relate the figures to goal setting.
2. When setting goals, it is good to think about:
  - Where do I want to be in the next 3 months, 6 months, 1 year?
  - What must I know to get there?
  - What steps must I take in order to know and be able to do these things?
  - What abilities and experience do I already have that will help me take these steps?
  - What obstacles might be in my way and how can I deal with them?
  - What should I do first, second and so on?

### Activity 9

Guide learners to complete the table of steps to achieve their goals.

### Activity 10

Guide learners through the activity and help them express their learning experience.

***People learn differently using the following styles.***



### Activity 11

1. Study each of the above illustrations carefully and identify the learning styles.

Suggested styles of learning:

- Listening
- Observing/seeing
- Doing
- Writing
- Reading
- Speaking

2. Encourage/guide learners in identifying the learning styles.

## Activity 12

1. Tell learners they are now going to do a learning style assessment to determine the main ways in which they tend to learn new things. Have learners turn to “How Do I Learn Best?” in their textbooks and ask them to check those items that apply to them. Emphasise that there are no right or wrong answers.

2. Learning new skills tips

### **If you learn best by listening...**

- Read aloud information you need to do a job or to study.
- Ask people to explain things to you that you don't understand.
- Study with other people.
- Call people on the phone instead of writing to them.
- Choose a job where listening plays an important role.

### **If you learn best by viewing...**

- Watch other people do the things that you need to know. You will be able to visualise their actions later on.
- As you read something, imagine what it would look like if it were happening in real life or on TV.
- Take note of the shape and colour of the things that you will want to remember.
- Visualise telephone numbers and words in your mind.
- Use charts, graphs and pictures.

### **If you learn best by doing...**

- If given a choice, show others that you know how to do something by showing them how you do it.
- Go on visits to places to see how things are actually done.
- If you have to learn how to do something new, watch someone who is actually doing it and ask them to coach you as you do it.
- Choose a job that lets you work with your hands and move around.

**If you learn best by writing...**

- When you read, underline and take notes as you read along.
- Take notes while listening to instructions.
- Write down the things that you need to do. Make lists. Keep a written schedule.
- Get a job that involves writing.

**If you learn best by reading...**

- Take good notes and then read them later on.
- Read instructions instead of having someone tell you or show you how to do something.
- Have people write down directions for you to read.
- Get information through the written words.
- Choose a job that requires reading.

**If you learn best by speaking...**

- Ask questions when you don't understand something or need clarification.
- Study with other people so that you can talk to them about the new information.
- Repeat things right after you hear them in order to better remember them.
- Choose a job that requires a lot of talking.

Many people aren't aware that learning preferences exist. Others are not usually aware of what their particular learning preference. Feel free to share with them what you know about your own learning style.

**Doing:** "I wonder if you could show me how this works?"

**Listening:** "Could you explain to me how this works?"

**Reading:** "Would you mind giving me written instructions of how this works?"

**Viewing:** "Would you mind showing me a diagram of how this works?"

**Speaking:** “Let’s talk through this together.”

**Writing:** “Let me write down what you are saying about how this works.”

**Other considerations:** It is also important to strengthen your weak learning styles. Select a style that is weak and share ideas with classmates about improving that learning style.

## Unit Summary

The above unit focuses on setting personal goals and a teacher is needed in all his/her activities during the lesson to properly guide learners so as to develop various **skills such as: Identifying their values, skills and personal strengths and areas for improvement; linking personal values to their daily lives; Identifying types of jobs that are related to particular skills/qualities; developing long term and short term goals; creating a plan on how to achieve their goals.**

## TOPIC AREA: BUSINESS LEGAL ASPECTS

---

**SUB-TOPIC AREA:** Business Laws and Contracts

# UNIT 4: Laws in Business Operation

20 periods/lessons

**Key unit competence:** To be able to evaluate the need for laws in business operations.

### Learning objectives

---

By the end of this unit, learners should be able to:

- Explain the meaning of laws and business laws
- Discuss the importance of laws in business
- Identify laws that relate to businesses in Rwanda
- Identify different legal institutions in Rwanda
- Identify the different legal forms of business carried out in Rwanda.
- Explain the benefits of business registration and the consequences of not registering a business.

📖 *Refer to pages 71 – 114 in the Learner’s book*

### Unit breakdown

---

Topic Area	Content to be covered	Number of Lessons
Business legal aspects	Laws in business operation and contracts.	One period
	<ul style="list-style-type: none"><li>• Meaning of the notion of the law.</li></ul> Business law currently applicable in Rwanda.	One period



Topic Area	Content to be covered	Number of Lessons
	<ul style="list-style-type: none"> <li>Importance of business laws in Rwanda.</li> <li>Legal systems in Rwanda.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>General meaning of business registration.</li> <li>(i) Procedure of registering sole proprietor form of business.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>(ii) Public limited company.</li> <li>(iii) Limited partnership.</li> <li>(iv) Commercial partnership.</li> </ul>	One period
	<p>Thorough explanation of :</p> <ul style="list-style-type: none"> <li>(i) Articles of association.</li> <li>(ii) Memorandum of association.</li> <li>(iii) Certificate of trade.</li> <li>(iv) Prospectus</li> </ul>	One period
	<p>Procedure for registering:</p> <ul style="list-style-type: none"> <li>(i) Trademarks and trade names.</li> </ul>	One period
	<p>Legal institutions in Rwanda.</p> <ul style="list-style-type: none"> <li>Rwanda Revenue Authority (RRA)</li> <li>Commercial court.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>Rwanda Development Board (RDB)</li> </ul>	One period
	<ul style="list-style-type: none"> <li>Rwanda Utility Regulatory Agency (RURA)</li> </ul>	One period
	<ul style="list-style-type: none"> <li>Benefits of registering a business.</li> <li>Negative consequences of operating a non-registered business.</li> </ul>	One period
	<p>Legal forms of business.</p> <p>a) Private sector.</p> <p>Meaning of private sector and examples of businesses under private sector.</p> <ul style="list-style-type: none"> <li>(i) Sole proprietorship (meaning, merits and demerits)</li> </ul>	One period
	<ul style="list-style-type: none"> <li>(ii) Partnership business.</li> <li>Meaning.</li> <li>Characteristics</li> <li>Types of partners and their classifications.</li> </ul>	One period

Topic Area	Content to be covered	Number of Lessons
	<ul style="list-style-type: none"> <li>• Advantages of partnership business.</li> <li>• Disadvantages of partnership business.</li> <li>• Challenges of partnership business.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Partnership deeds.</li> <li>• Meaning of partnership deed.</li> <li>• Content of the partnership deed.</li> <li>• Specimen partnership deed.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Winding up a partnership.</li> <li>• Joint stock companies.</li> <li>• Meaning of a joint stock company.</li> <li>• Types of joint stock companies.</li> <li>• Private limited and public limited companies.</li> </ul>	One period
	Discuss the differences between private limited companies and public limited companies.	One period
	<ul style="list-style-type: none"> <li>• Elaborate the advantages and disadvantages of limited companies.</li> <li>• Shares and debentures.</li> </ul>	One period
	Formation of joint stock companies. <ul style="list-style-type: none"> <li>• Explain in details the memorandum of understanding and the articles of association.</li> </ul>	One period
	Public corporations. <ul style="list-style-type: none"> <li>• Meaning of public corporations and examples from Rwanda.</li> <li>• Advantages</li> <li>• Disadvantages/challenges.</li> </ul>	One period
	Co-operatives. <ul style="list-style-type: none"> <li>• Definition.</li> <li>• Principles of co-operative societies.</li> <li>• Types of co-operative societies.</li> <li>• Socio-economic benefits of co-operatives.</li> </ul>	One period

## Teaching and learning steps

Teachers use groups and facilitate the learners to discuss the meaning of laws and business laws as well as explaining the current laws related to business in Rwanda.

### Activity 1

When learners reach late at school or escape and go back home before time, for no good reason the disciplinary teacher may call their parents to come to school so that they talk about the matter, tell them to clean their classes, or not allow them in class for sometime as a punishment. Suggest reasons why the school disciplinary teacher may do this. Do you think this is good?

#### Sample answers to activity 1

1. Escaping from school violates the school rules and regulations.
2. It spoils the public image of the school.
3. They may be involved in problems outside school during school time.
4. Parents may condemn the school for not taking care of their children.
5. The government requires that all children in the country should be at school.

#### Meaning of law

The system of rules which a particular country or community recognises as regulating the actions of its members and which it may enforce by the imposition of penalties.

#### Business laws in Rwanda

Business laws have a purpose of regulating business operations. These laws protect the consumers, the community, the environment and the businesses themselves. The business laws currently applicable in Rwanda today include:

### Activity 2

In groups ask learners to discuss why laws are important in business and suggest the laws related to the importances they have identified.

### **Possible answers include**

---

#### **Why laws are important in business:**

1. Ensures that consumers are not exposed to contaminated products.
2. Protects people from being cheated.
3. Set standards for goods and services.
4. Protect nature from being destroyed.
5. Promotes fair competition among businesses.
6. Generates revenue to government.
7. Settle conflicts among business partners.

#### **Suggested laws related to importance identified above.**

1. Consumer protection law.
2. Public health law.
3. Weighing and measures law.
4. The trading license act.
5. Environmental law (National Environmental Act)
6. The land Act. This is a law that provides for the tenure, ownership and management of land.
7. Food and drugs law. By this, the Ministry of Health controls businesses by ensuring that the expired drugs and bad foods are not sold to the customers.
8. Law of contracts. The law about making and enforcing contracts.
9. Commercial law. Commercial laws relate to the buying and selling of goods and service and regulating how it is done.

### Activity 3

In Rwanda today we are experiencing many environmental challenges among which include: landslides, deforestation, severe soil erosion, pollution of the atmosphere, unplanned settlements without proper wastes management, wetland reclamation, cultivating near lakes and rivers use of pesticides and many others. All these activities are related to entrepreneurial activities. In groups, ask learners to identify the laws that can be applied to overcome these challenges. How can entrepreneurs carry out their business activities at the same time conserving our Mother Nature?

#### Importance of business laws

1. The trade license acts as a source of revenue to the government.
2. Reduces conflicts between traders or service providers and their clients (customers).
3. Environmental law protects the society from the harmful effects that would result from the operation of some businesses on the environment.
4. The public health ensures that there is proper hygiene and sanitation in public places such as hotels, entertainment places, schools, etc.
5. They prevent producers from producing and distributing poor quality products in markets.
6. It also prohibits the business community from refusing to pay taxes.
7. The consumer protection law protects consumers from exploitation and being exposed to harmful products by the sellers.

### Legal institutions related to business in Rwanda

#### Activity 4

Instruct learners in groups to identify and discuss the various legal institutions related to business in Rwanda and suggest their importance.

- 1. Rwanda Revenue Authority (RRA)**  
Rwanda Revenue Authority is a body/ institution that has the responsibility of assessing, collecting taxes and enforcing tax laws.
- 2. Commercial courts**  
These are courts specialised in handling cases related to business in Rwanda and solve business conflicts.
- 3. Rwanda Commercial Registration Service Agency (RCRSA)**  
This is an institution that serves the purpose of providing registration information to both new and existing business.
- 4. Rwanda Utility Regulatory Agency (RURA)**  
It is a government department that monitors and controls selected services delivered and goods sold from selected sectors especially transport, energy, agriculture produce, telecommunication and broadcasting.

### **Activity 5**

Ask learners to brainstorm the roles of Rwanda Utility Regulatory Agency (RURA) in business operations. Also ask them to discuss the possible challenges of this institution in trying to help improve the activities of service providers and consumers.

### **Suggested answers to activity 5**

1. To set up necessary guidelines in order to implement laws and regulations in force.
2. To ensure compliance by public utilities with the provisions of laws and regulations governing the regulated sectors in an objective, transparent and non-discriminatory manner.
3. To ensure the continuity of service delivery by the licensed or authorised service providers and the preservation of public interest.
4. To protect and promote consumers' interests.

5. To promote the availability, accessibility and affordability of regulated services.
6. Promote and protect the rights and obligations of consumers and service providers.
7. To monitor and ensure compliance by regulated network or service providers in line with their licenses, permits and concession obligations.
8. To ensure fair competition in all regulated sectors.

### **Activity 6**

Ask learners to research about the roles of Rwanda Development Board (RDB) in business activities carried out in Rwanda. Let the learners share their findings in class.

### **Possible answers to activity 6**

#### **5. Rwanda Development Board (RDB)**

This is a government institution that is charged with the responsibility of registering new businesses in the country.

It plays the following roles among others:

1. It gives technical support and logistics to both domestic and foreign investors.
2. It houses other development agencies like Rwanda Revenue Authority (RRA), Rwanda Environment Management Authority (REMA), etc.
3. It promotes Rwanda tourism by conserving natural heritage centers, wildlife, water bodies, mountains, etc.
4. It promotes the development and thriving of private sector in Rwanda.
5. It also ensures good service delivery by sensitising the nationals about good customer care, and entrepreneurship skills development.
6. It advises potential investors on the available business potentials and area of profitable investment.

## **Forms of business enterprises/business units/ownership/ legal forms of business**

### **Activity 7**

Ask learners to research about the legal forms of business in Rwanda. They should separate them into: public or private. They should find definitions for each form of business identified.

### **Suggested answers**

1. Sole proprietorship
2. Partnership
3. Joint stock companies
4. Co-operative societies

Business units are broadly classified into two groups, namely:

1. Public sector
2. Private sector

### **A. Private sectors**

### **Activity 8**

Instruct learners to discuss the meaning of private sector. They identify some of the activity done by the private sector in their communities. Learners suggest the contribution of the private sector to the growth of Rwanda's economy.

### **Suggested answers**

These are forms of business owned by individuals or a group of people. They include:

1. Sole trade (proprietorship)
2. Partnerships
3. Co-operatives
4. Joint stock companies

Some examples of activities done by the private sector:



1. Provide education like private schools.
2. Health services by private clinics.
3. Food production.
4. Trading activities.
5. Transport services.
6. Communication services.
7. Banking services.
8. Entertainment services.

### **B. Public sectors**

#### **Activity 9**

Ask learners to identify activities and businesses carried by government in their districts, sectors, Umurenge and Akagari. Ask them to also identify government companies that provide services to the entire Rwanda.

#### **Suggested answers**

Public sectors are those businesses owned by government. They include:

1. Nationalised industries
2. Local government authorities like schools, hospitals etc.
3. Public corporations e.g. Rwanda Airlines, Rwanda Post and Telecommunications (RwandaTel), etc.

**Note:** Different legal forms of business ownership have varying implications for a business to start.

#### **Activity 10**

Instruct learners to use the meaning of sole and proprietor to discover the general definition of sole proprietorship form of business.

Learner should identify examples of sole trade businesses around the school or near their homes.

Learners should discuss the characteristics of these businesses, their possible advantages and likely problems.

## **Suggested answers**

---

### **Sole proprietorship**

This is a form of business ownership where the business is owned by one person.

Learners can give examples of sole proprietorship businesses depending on their locations.

No concrete answers. Exercise your judgement upon learners' answers.

### **Characteristics of sole proprietorship business**

1. The trader owns the business alone.
2. The trader is responsible for financing the business/ raising capital alone.
3. Decision making is done by one person.
4. Liabilities and profits are all incurred and enjoyed by one person respectively.
5. Limited government interference.
6. Sometimes employs family members.
7. Business is very flexible. i.e. can easily change from one line of production to another.

### **Advantages of a sole proprietorship**

1. Easy to start since it requires a small amount of capital.
2. Low initial capital required
3. Enjoys profits alone
4. Sole proprietor is self-motivated
5. Direct contact with his/her customers
6. Enjoys top secrecy
7. Easy co-ordination of activities
8. Easy to change business/Business flexibility
9. They have enough time for the business.
10. Minimising costs of production through employing family members.

### **Disadvantages of sole proprietorship**

1. Unlimited liability. The business owner suffers all the losses alone.
2. Limited capital. Normally sole trade is operated using a small amount of capital contributed by the owner alone.
3. No sense of specialisation, the trader deals in a range of items all sold on very small scale.
4. Difficult in supervision.
5. Personal attitude affects his/her business.
6. Over works. The trader over works since he/she does not employ other people to help him/her in operating the business.
7. Poor/low technology used. This is in most cases those operating on a small scale.
8. Limited goods and services.
9. Risk of the enterprise collapsing when the owner dies.

## **Partnership business**

### **Activity 11**

Who is a partner?

What is a business?

Then suggest the meaning of partnership business.

Ask the learners this question:

From your class can you find people you can play with an interesting sport like volleyball, or any other game of your choice? Now besides that, if you could have a plan to start a project of growing carrots in the school garden, who of your classmates do you wish to work with and why?

### **Suggested answers**

1. A partner can be an individual that works with other people.
2. A business can be an activity / work/ an organisation that produces goods or services for a profit or which markets

goods or services produced by other companies for a profit.

3. Partnership is a business which is owned by more than one person, ranging from 2-20 people with an aim of making profits.

Choosing partners to work with may depend on:

1. Working hard
2. Close relationship
3. Good leadership skills
4. Friendliness
5. Honesty

### **Characteristics of a partnership business**

1. It is owned by more than one person; 2-20 partners.
2. They share profits at the end of an agreed time.
3. All members contribute capital directly or indirectly as agreed upon.
4. They aim at making profits.
5. All members are equally responsible for business losses.
6. Before starting a partnership, there is a general agreement prepared and signed by each member. This document is known as a **Partnership deed**. In case of disagreements between the partners, the partnership deed becomes a point of reference.
7. The burden of running the business is shared by partners.
8. Transfer of ownership and admission of a new partner is by the consent of all partners.

## **Types of partners in a business according to role**

---

### **Activity 12**

Ask learners to research on the types of partners in business, that is; to say, active, dormant, real, quasi, major, minor, limited liability and unlimited liability partners.

**Suggested answers**

1. Active partner
2. Dormant partner
3. Real partner
4. Quasi partner
5. Major partner
6. Minor partner
7. Limited partner
8. Unlimited partner

**Advantages of partnership**

1. Division of labour
2. More capital is generated as compared to sole proprietorship
3. Losses and profits are shared equally
4. Talents are put at better use (pooled together)
5. Easy to join
6. Easy decision making
7. Top secrecy is respected (easy to keep the secrets of the business)
8. The incentives/ bonuses given motivate the shareholders

**Disadvantages of partnership**

1. Unlimited liabilities
2. Disagreements are common
3. Mishandling of property and business resources
4. Risk of being liquidated
5. Delayed decision making due to the many parties (members)
6. Profits are shared hence reducing the income of each member.
7. When a party dies in most cases the partnership has to be dissolved.

## **Partnership Agreement Deed**

---

### **Activity 13**

You and some other learners intend to form a patriotism club in your school, the patron of your school Mr. Ibyizabirimbere advises you and the other members to write down the values and principles you will have to respect and follow in your club. Suggest examples of these values and principles in your club.

### **Suggested answers**

---

1. Courageous
2. Interested in heroics activities
3. Ability to lead others
4. Hardworking
5. Patience
6. Never giving up

A partnership deed is a written agreement stating out the terms and conditions under which the partnership will be conducted.

This is necessary in case of some disputes or misunderstandings arise during the course of the business.

### **The components of a partnership deed**

1. The business name and location
2. Names and addresses of partners
3. The line of business
4. Nature of partnership (temporary/permanent)
5. The beginning and duration of the business
6. Amount of capital contributed by each member
7. Name of bank account and other details
8. How withdraws will be made
9. How profits and losses will be shared
10. Salary and wages to active partners if there will be any
11. Duties and rights of partners
12. The procedure of settling disputes amongst members

13. Preparations of business books of accounts
14. Procedures of dissolving the business

## **SAMPLE PARTNERSHIP DEED**

THIS DEED OF PARTNERSHIP IS MADE on this **12th day of January, 2015** by and BETWEEN

**Mr. Abera XYZ** hereinafter referred to as Party of the FIRST PART (which expression shall deem and include his heirs, executors, administrators, representatives, assigns and agents), AND

**Ms. Bahati XYZ** Party of the SECOND PART (which expression shall deem and include his heirs, executors, administrators, representatives, assigns), AND

WHEREAS the above named partners have decided to start the partnership business of **Recruitment Services** in the name and style of **M/s SSS** with effect from .....**th day of January, 20.....** on the terms and conditions hereinafter mentioned and have desired to reduce the terms and conditions into writing.

### **NOW THIS DEED IS WITNESSED AS FOLLOWS:**

1. THAT the PARTIES referred above shall carry on the business of **Recruitment Services** in the PARTNERSHIP FIRM under the name and style of **M/s SSS** hereinafter referred to as the FIRM **XYZ**, But by their mutual consent may start and carry on any other business or businesses under any other name or names at any other place or places.
2. THAT the business of the PARTNERSHIP pursuant to this DEED of PARTNERSHIP shall be deemed to have commenced with effect from .....**th day of January,**
3. That the capital required for the business of Partnership shall be contributed time to time by the PARTIES in such manner in all respect as may be agreed to between them and such capital may be paid interest as may be mutually agreed from time to time at the rate of rates not exceeding 12% (Twelve Percent) per annum.

4. That all the PARTIES referred above shall be Working Partners and shall attend diligently to the business of the Partnership and carry on the same for the greatest advantage of the Firm.
5. That all the WORKING PARTNERS may be paid Salary from ..... **day of Feb. 2015**, for the work of the FIRM as may be agreed mutually from time to time between the PARTIES in accordance with the provisions of the Income Tax Laws as well as business necessities and other factors, subject however, that the monthly Salary to each such Partner shall not exceed as under:

NAME OF WORKING PARTNER	MAXIMUM BASIC SALARY NOT TO EXCEED
-------------------------	------------------------------------

- |                      |                               |
|----------------------|-------------------------------|
| <b>a) Mr. Abera</b>  | <b>Rwf. 120'000 per month</b> |
| <b>b) Ms. Bahati</b> | <b>Rwf. 120,000 per month</b> |

6. That all business expenses shall be borne by the FIRM.
7. That the Profits or Losses, as the case may be, of the Partnership business shall be divided among the Partners as under :

NAME OF WORKING PARTNER	SHARE OF PROFIT	SHARE OF LOSS
<b>a) Mr. Abera</b>	<b>50%</b>	<b>50%</b>
<b>b) Ms. Bahati</b>	<b>50%</b>	<b>50%</b>

8. That the duration of the PARTNERSHIP shall be at WILL subject to Clause "10"
9. That any Partner may retire from Partnership after giving a notice to the other Partner (s) of not less than one month in writing and at the expiry of such notice period he shall be deemed to have retired.
10. Upon mutual understanding, each Partner or his duly authorized agent shall have free access to the account books of the Partnership and shall be entitled to take copies or extracts from any or all such books and records of the Partnership Business.



11. That no Partner shall have the right to sell, mortgage or transfer his share of interest in the FIRM to anyone else except to his heir or heirs or any one of the existing Partners or to their heir (s). In the event of heir (s) selling his/her + shares to anyone else, the existing Partners shall have a right or pre-emption in respect of such share (s) sold.
12. That the Partners shall keep or cause to be kept the books of account of the FIRM at the principal places of its business and make all entries therein, and that all such books of account kept shall be closed on 31<sup>st</sup> March every year or in the case of any necessity on any other date as the Partners may mutually decide.
13. That no Partner shall do any act or thing whereby FIRM or the FIRM property may be prejudicially effected.
14. That the terms of the Partnership Deed may be altered, added to or cancelled by the written consent of the Parties to this DE
15. That the partners can open the bank account of the firm, in any bank and bank account shall be operated by the partners jointly or individually, as the case may be.
16. That the partners shall not take any loan from any person/ Financing Company, bank or any other Government Department in any case, without the written consent of each other.
17. That in the case of any dispute arising out of this DEED between the Parties of this DEED; it shall be decided by Arbitration as provided for under the Rwandan Arbitration Act.

IN WITNESS WHEREOF the Parties hereto have set and subscribed their respective hands to these presents the day, month and year first written above.

**WITNESSES:**

1. **MR. ABERA**  
**(Party of the First Part)**
2. **Ms. BAHATI**  
**(Party of the Second Part)**

### Activity 14

Ask learners to form small teams. Assign each team a task to write down a sample partnership deed in their names and for the businesses of their choice considering the components of a partnership deed.

#### Suggested answers

Learners should consider the components of the partnership deed and use them as a guide to write down their own samples of a partnership deed.

#### Dissolving a partnership business

Dissolution of a partnership is the ending of a partnership or termination of a partnership.

### Activity 15

From activity 12, you suggested values and principles of your patriotism club, assuming all members respect these values and principles, why do you think your club may break down?

#### Suggested answers for activity 15

1. If it was a temporary partnership.
2. If the partnership becomes illegal and put to an end by law.
3. If there is irreconcilable misunderstanding between partners.
4. If the business becomes bankrupt.
5. If one of the partners becomes mad or dies.
6. If one or more partners leave the partnership.
7. Mutual agreement between partners.

#### Joint stock companies

Joint stock companies are called so because people contributed their capital in form of shares to form joint organisation. They have legal entity i.e. they are recognised by the law and quite separate from members who compose them. This is why they have limited liability.

### Activity 16

Rugoli is an academics prefect at her school. She is also the chairperson of the Entrepreneurship club at her school. Rugoli and some of the club members wanted to start a project of making necklaces, craft shoes, and other art and craft items at their school. Learners, teachers and parents are the target market. The project needs 300,000 Rwf as capital. Rugoli and her members cannot raise the capital individually. If they succeed they expect to earn much profit from their business. On the day of going back home after examinations, Rugoli requested each learner to return with 1,000 Rwf from home as capital for their business and promised them to be sharing the profits of the business when they start working.

1. From the statement above, what do we call the 1,000 Rwf that Rugoli asked her club members to contribute?
2. Which benefits will this club enjoy in case they succeed to start their dream business?
3. Suggest challenges that this club is likely to face.

### Suggested answers for activity 16

1. Share holder/partners/owners
2.
  - a) Much capital for their business
  - b) High production
  - c) It might be easy for them to get a loan
  - d) Share responsibilities

### Characteristics of joint stock companies

1. They are a separate legal entity
2. Limited liability
3. Can sue/be sued
4. They own property
5. Raise capital through shares
6. Members enter into contracts

### Types of joint stock companies

There are two major types of joint stock companies:

1. Statutory companies

## 2. Registered companies

### Activity 17

---

Ask learners to research on the difference between statutory companies and registered companies.

Learners identify examples of statutory and registered companies in Rwanda.

#### 1. **Statutory companies**

These are companies which are owned by the state and are created under the Act of the Parliament.

The parliament chooses and appoints the board of directors to run the business.

#### 2. **Registered companies**

### Activity 18

---

Instruct learners to research about the meaning of private limited company and public limited company and their differences.

### Suggested answers

---

#### Differences

These are companies that were formed by shareholders and registered with the registrar of companies, under the company's Act.

**Note:** In general, registered companies are further classified into:

- Private limited company
- Public limited companies

#### Differences between private limited and public limited companies:

1. A private limited company has a minimum number of shareholders of two and a maximum of fifty, while a public limited company has a minimum number of seven and no maximum.

2. A private limited company does not invite the public to buy shares but a public limited company does.
3. In a private limited company shares cannot be transferred without the consent of other shareholders, while in public limited companies shares can be bought and sold freely on stock market.
4. The private limited company does not publish its balance sheet while the public limited company is required by the law to publish its balance sheet annually and send a copy to the registrar.
5. A private limited company is not separated from its members while a public limited company is a separate legal entity from its shareholders.
6. The Private limited company can start business immediately on incorporation, while a public limited company cannot until it has obtained a certificate of trading.

### **Activity 19**

Ask learners to discuss the advantages and disadvantages of limited liability companies in Rwanda.

### **Suggested answers for activity 19**

#### **Advantages of a limited company**

1. Limited liability
2. It facilitates the collection of huge resources due to a big number of shareholders.
3. It continues to exist even if all its members die. Therefore, there is no interruption of business.
4. Members can freely transfer their shares without the consent of other members.
5. Such a company has the capacity of engaging expert managers with the required skills in the manning of the business venture.
6. It is a separate legal entity.

### **Disadvantages of a limited company**

1. The company needs a wide range of documents and procedures before operating.
2. Excessive government control i.e. rules and regulations.
3. Lack of motivation and personal touch as there is a separation between the management and the ownership.
4. It is associated with corruption, fraud and embezzlement of company's funds.
5. There are delays in decision making due to several management levels
6. Lack of secrecy as it is required to disclose and publish a variety of information of its operation to the public.

## **Formation of joint stock companies**

---

### **Activity 20**

Ask learners to research about the legal documents that are needed for the formation of a joint stock company in Rwanda.

### **Suggested answers**

---

Any person desiring to form a Joint-Stock company is required to go the office of the registrar of companies with the following:

1. A memorandum of understanding
2. Articles of Association
3. A declaration that all requirements of the registration with the registrar have been made.
4. A list and statement of directors
5. After receiving these documents and the registration fee, the registrar issues a certificate of incorporation: There after the company is free to prepare a document called prospectus which advertises the company so that the public can be able to buy shares.

### **Memorandum of Understanding**

1. Is a document that shows the relationship between the company and public?

2. This is a document which outlines powers and limitations of a company. It sets out clauses each of which defines a particular aspect of the company.

This is a document prepared by the lawyer of a company indicating how the business is going to deal with the public.

Any person starting a business is supposed to know the clauses of this document i.e:-

1. Address clause
2. Objective clause
3. Capital clause
4. Liability clause
5. Name clause
6. Declaration clause

### **Articles of Association**

This is a document which sets out rules and regulations governing the internal management of a company. Usually this document will contain the following:

1. Procedure of calling general meetings
2. Rights and obligations of board of directors
3. Rights of shareholders
4. Minute book and who should keep it
5. Appointment and removal of board of directors
6. It also shows the audit and accounting requirements of the company

**Note:** When the memorandum of association, and articles of association and a list of board of directors are filed with the registrar of companies, the company is then given a certificate of incorporation. This means that the company is legally known by the public i.e., it can sue or be sued in its own names to the court and at this stage acquires limited liability (LTD).

However, the company will later be issued with a certificate of trading which will allow it to begin doing business.

After the registrar of companies has issued all these certificates, it will always need the company to keep records for reference. These records should always show the following:

1. The registration of Board of Directors.
2. List of shareholders showing each director's capital contribution and addresses.
3. Books of accounts should also be kept carefully and the minute book for recording proceedings of the meetings.

The company will issue a statement inviting members to buy shares.

### **Differences between shares and debentures**

1. A share is a unit of capital for a company while a debenture is unit of loans for a company.
2. A person who buys a share from a company is called a shareholder while the one who lends money to the company is called a debenture-holder.
3. Dividends can be delayed for years when the profits are not made, while interest is compulsory whether profits are made or not.
4. Shares earn dividends while debentures earn interest.

### **Public corporations**

These are organisations which are fully nationalised and the money used to form them is raised from tax payers. Some are run on commercial basis, while others are to lend social services to the public. Examples like Rwanda Airline, WASAC, etc., aim at making reasonable profits.

### **Activity 21**

1. Instruct learners to form groups and discuss the meaning of public corporations.
2. With examples ask learners to suggest the importance of public corporations in their communities and their disadvantages.



## **Suggested answers for activity 21**

---

### **Advantages of public corporations**

1. Some goods are made available to the public at a subsidised cost e.g. water and electricity
2. Some experts can be hired to train the other members e.g. doctors, teachers
3. Prices may be lower
4. Creation of employment opportunities
5. Source of income to the government.
6. Economies of large scale production are enjoyed by both the nation and citizens
7. They foster development e.g. construction of roads

### **Disadvantages of public corporations**

1. Mishandling of customers by the managers and workers
2. Limited competition; this may lead to production of poor quality products
3. Tax payers are always drained
4. Mismanagement of funds/embezzlement/corruption

## **Co-operatives**

---

A group of people who pool resources together for a common objective/goal

**A co-operative enterprise or society** refers to a group of people who carry out or join effort in production or distribution of goods and services and share profits among themselves depending upon the participation of each member.

### Activity 22

Mukamana is from Mbyo, Bugesera district. She is among the many ladies involved in handicraft activities, and she makes, baskets, mats, hats, necklaces and other related products. Mukamana and all other ladies face many challenges when buying raw materials, making their products and even marketing her finished products because they work as individuals. Sometimes they travel to Kigali to search for customers to buy their products and when they are away, they have to close their work places and open them for work when they return from Kigali.

1. Which benefits may Mukamana and the other ladies in Bugesera that do handicraft activities enjoy if they decided to do their handicraft work together?
2. How can the society also benefit from their activities?

### Suggested answers to activity 22

1.
  - Have a bigger market
  - Have a permanent work place
  - Produce in large quantities
  - Reduce cost.
2.
  - Society can benefit for example, by;
  - Getting jobs
  - Getting market for their raw materials
  - Getting ideas of business
  - Revenue

### Activity 23

#### Features/characteristics of a co-operative society

1. This association follows democratic principles in its operations.
2. Members have rights that deserve them as per the memorandum signed.
3. The startup capital required to fund the co-operation are solicited from the members.

4. The responsibility of each member is limited to the amount of the share capital that he/she owns.

#### **Types of co-operative societies or associations**

1. Consumer co-operatives
2. Credit and saving co-operatives (SACCOs)
3. Producer co-operatives

#### ***Producer co-operatives***

These are societies which co-operate to produce certain commodities for others to consume.

#### ***Consumers co-operative associations or societies***

These are co-operative associations composed of consumers of a given type of a commodity.

#### ***Workers co-operative associations***

These are co-operative associations made up of workers wishing to protect their employment and to control their working environment.

#### ***SACCOs (savings and credit cooperatives)***

These are cooperatives that carry out savings for their members and also provide credit facilities to them. E.g Umwalimu SACCO.

### **Activity 24**

#### **Principles of the co-operative societies**

Co-operatives of any nature are organised based on the following principles:

1. Open and voluntary membership.
2. Democratic administration. Leadership of the co-operative is democratic on the basis of one man one vote.
3. Each member of the co-operative society must contribute a minimum share capital that is agreed upon.
4. Distribution of surplus profits or dividend payment among members.

### **Problems faced by co-operative enterprises**

1. Lack of enough capital
2. Limited securities
3. Lack of skilled administration
4. Embezzlement of funds
5. Lack of interest of members
6. Disputes and misunderstandings between members
7. Tribalism/sectarianism/nepotism
8. High competition from similar co-operatives
9. Mismanagement of funds

### **Activity 25**

---

#### **Socio-economic contribution of co-operatives**

1. Creation of income generating activities like keeping animals, agriculture, trading, manufacturing and providing services
2. Developing human capacities
3. Increasing savings and investments, for example, the saving and credit co-operatives mobilise savings
4. Improving social and economic well-being through producing goods and service
5. Contributing to sustainable human development
6. Source of government revenue
7. Source of income. Usually cater for the weak and poorer sections of the society
8. Source of foreign exchange for the country through exportation of their products
9. Development of infrastructure
10. Production of food stuff which ensures food security
11. Development of urban center
12. Encourages industrialisation

### Activity 26

Visit a nearby co-operative society to find out the products that they make. Ask them to tell you about their objectives and the reasons why they formed that co-operative society; the benefit they enjoy and the challenges they face when managing that co-operative.

### Suggested responses for activity 26

#### Objective of co-operatives

1. Assist each other.
2. Fight poverty
3. Avail products to the community
4. Reduce malnutrition.
5. Mobilise savings.

#### Benefits of co-operative societies to members

1. Create jobs
2. Improve on their welfare.
3. Promotes use of their own materials in production
4. Get products they can use in their families.

#### Challenges may include;

1. Low funds
2. Limited skills.
3. Limited market for their products
4. Other responsibilities.

#### Registering a business in Rwanda

Rwanda has the fewest procedures and fastest processes in the whole of East Africa and possibly the world to register and start a business

### Activity 27

Ask learners to research on the process of business registration for a business familiar to them. They then role play the process of registering that business organisation, it may be sole trade, partnership, liability companies or a co-operative.

**Possible answers taking an example of sole proprietorship business, a company or a foreign branch**

---

1. An application letter indicating his/her names
2. Place and date of birth
3. Domicile and residence
4. Nationality, sex, marital status, in case married, name of the spouse and their matrimonial regime
5. Consent of the spouse in case their matrimonial regime is based on joint ownership
6. Name of the business enterprise and trademark if applicable
7. Commercial activities to be carried out
8. The headquarters of the business enterprise, in case of bankruptcy, judgements rendered to the applicant by Rwandan courts or foreign courts
9. If applicable, trademarks deposited before the state, indicating the place and date of deposit and two passport photos.

**N.B:** You can register your business online at the Office of the Registrar General which is a department within the Rwanda Development Board located in Kigali, the capital city ([www.rdb.rw](http://www.rdb.rw))

**The Companies Act recognises four types of companies that can be formed, although in practice, only the first two are mainly used:**

1. Limited liability company
2. Public limited company
3. Limited partnership
4. Commercial partnership

**Registration of trademarks and trade names**

Trademarks and trade names are registered upon submitting an application letter to the Registrar General or RDB.

A **trademark** is used to distinguish the goods and services of one trader from those of another. A **trademark** is a right that is granted for a letter, number, word, phrase, sound, smell, shape, logo, picture and/or aspect of packaging.

### Activity 29

1. Ask learners to form teams and research about the meaning of trademark. Ask them to they identify various trademarks for businesses common to them.
2. Using examples of trademarks identified by each team, ask them to design a trademark on a manila paper for a proposed product. It can be an imaginary product. Each team pins its trademark(s) on the wall.

### Sample trademarks



### Registering with the Rwanda Revenue Authority (RRA)

#### Activity 30

Ask learners to research about the meaning of tax identification number, how it is acquired and the reasons why traders should not carry out business without registering with Rwanda Revenue Authority (RRA).

### **Suggested answers**

---

TIN is a number that is given to individual companies or individuals by Rwanda Revenue Authority and it acts as an account for those companies or individuals while declaring and paying their taxes.

It is acquired by moving to RRA offices at any point around the country, and asking to be registered as a tax payer. The process takes only 30 minutes.

Traders should not carry out business without registering with RRA because.

1. It is against business laws in Rwanda.
  2. It can attract a penalty.
- For any complaint of being cheated, one may not get necessary help from authorities.





### **Applying for an Investment Certificate**

To apply for an investment certificate at RDB, attach: a business plan, notarised copy of Memorandum and Articles of Association as well as a copy of the certificate of incorporation.

The Agency is required by law to issue an investment license within 10 working days.



**ORG**  
Office of the Registrar General



Date of issuance: 06/10/2010

Company code:

### Certificate of foreign company registration

(Article 323 of law No 07/2009 of 27/04/2009 relating to companies)

Registration date: 06/10/2010

Company Name:

**Registered Office Address:**

Country: RWANDA  
Province: Umujyi wa Kigali  
District: Gasabo  
Sector: Kimironko

Phone number:

E-mail:

**Representative:**

Name:

ID document/number: Passport, no.

**Place of incorporation of the mother company:**

Country: ZIMBABWE  
Address line 1: HARARE

E-mail:

**Business activities:**

No.	Code	Description
1.	R9319	Other sports activities
2.	J6202	Computer consultancy and computer facilities management activities
3.	J6209	Other information technology and computer service activities
4.	M6920	Accounting, bookkeeping and auditing activities; tax consultancy
5.	N7830	Other human resources provision
6.	G4741	Retail sale of computers, peripheral units, software and telecommunications equipment in specialized stores



*Juvay*  
Juvay Sangano  
Registrar General

The investor is required to submit a letter having:

1. The name and address of the proposed business enterprise and its legal form.
2. The date of commencement of the activities.
3. The nature of the proposed business activity and level of planned capital investment.
4. The estimated number of persons to be employed and categories of jobs to be created.
5. The locally sourced inputs to be used by the project.
6. The prospects of transfer of new technology.
7. The nature and volume of waste that shall be generated by the enterprise's operations.
8. The proposed methods of management (Environmental Impact Assessment).
9. The nature of support and facilitation which the investor is seeking from RDB.

### **Benefits of registering a business**

#### **Activity 31**

Ask learners to discuss the importance of registering a business and also suggest possible dangers of operating a business which is not registered.

### **Suggested answers**

---

#### **Benefits of registering a business**

1. It enables a business to acquire a trade license and permit to commence its activities.
2. After registration, a business is eligible to protection by the country's business legal framework.
3. It helps a business to protect its product brand. That is to say after registration, a business' product brand and trademark are patented.
4. It safeguards the name of the business.

### **Dangers of not registering a business**

1. Being fined.
2. The government may close down such a business.
3. The business cannot issue official invoices.
4. The business may not be in position to have access to funds from financial institutions for investment.

## **Unit Summary**

**Laws and the business:** These are laws that protect consumer, sellers, the environment and the business themselves.

**Importance of business laws:** Protect the environment; prevents production and distribution of harmful products, protects hygiene in public places.

**Laws related to business:** Trading license act, land act, foods and drugs law, laws of contracts, commercial law.

**Legal institutions related to businesses:** RDB, RURA, Police, RBS.

**Legal forms of business ownership:** Sole proprietorship, Partnership, Joint stock, Parastatal companies, Co-operative.

**Sole proprietorship:** Business done by a single person

**Partnership:** Business owned by more than one person.

**Partnership deed:** It is a written agreement stating the terms and conditions of a partnership.

**Co-operative:** Group of people who join efforts in the production or marketing of goods and services.

**Parastatal:** These are government enterprises.

**Joint stock:** these are businesses co-owned between private individuals and government.

**Benefits of registering a business:** To operate legally; to access fund from banks; avoid penalties.

**TOPIC AREA: BUSINESS LEGAL ASPECTS**

---

**SUB-TOPIC AREA:** Business Laws and Contracts

## **UNIT 5:** Role of Standards in Business

**20 periods/lessons**

**Key unit competence:** To be able to analyse the role of standards in business.

### **Learning objectives**

---

By the end of this unit, learners should be able to:

- Explain the meaning and necessity of standards in business.
- Describe the process of standardisation.
- Discuss the importance of standardisation to the government, entrepreneur in the process of exercising their rights and obligations.

📖 **Refer to pages 115 – 128 in the Learner’s book**

### **Unit breakdown**

---

<b>Topic Area</b>	<b>Content to be covered</b>	<b>Number of periods</b>
Business legal aspects	Role of standards in business	One period
	Standards. <ul style="list-style-type: none"><li>• Thorough explanation of the meaning of standards.</li></ul>	One period
	<ul style="list-style-type: none"><li>• Explain the history of standards.</li></ul>	One period
	<ul style="list-style-type: none"><li>• Explain the process of standardisation.</li></ul>	One period

Topic Area	Content to be covered	Number of periods
	<ul style="list-style-type: none"> <li>• Explain the role of standards.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Need for international standardisation.</li> <li>• Reasons for international standardisation by ISO.</li> <li>• Worldwide progress in trade liberalisation.</li> <li>• Interpenetration of sectors.</li> <li>• Worldwide communication systems.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Global standard for emerging technologies.</li> <li>• Developing countries.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Benefits of standardisation.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Costs of standardisation.</li> </ul>	One period
	Levels of standardisation. <ul style="list-style-type: none"> <li>• International standards.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Regional standards.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• National standards.</li> </ul>	One period
	Types of standards. <ul style="list-style-type: none"> <li>• Basic standards.</li> <li>• Production standards.</li> <li>• Terminology standards.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Service standards.</li> <li>• Process standards.</li> <li>• Code of practice standards.</li> <li>• Ethical standards.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Performance standards.</li> <li>• Design standards.</li> <li>• Interface standards</li> </ul>	One period
	Institutions involved in inspection activities in different fields of standardisation. <ul style="list-style-type: none"> <li>• Rwanda Bureau of Standards.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• The agencies of the Ministry of Agriculture and animal resources, Rwanda Animal Resource Development Authority, Rwanda Horticultural Development Authority.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Ministry of Health.</li> <li>• The Ministry of Infrastructure.</li> </ul>	One period

Topic Area	Content to be covered	Number of periods
	<ul style="list-style-type: none"><li>• Rwanda Development Board.</li></ul>	One period
	Importance of standards to the, <ul style="list-style-type: none"><li>• Government.</li><li>• Industry.</li></ul>	One period
	<ul style="list-style-type: none"><li>• Customers.</li><li>• Society.</li></ul>	One period

### Teaching and learning steps

Teachers should use a variety of products to find out learners' knowledge about the characteristics of those products that makes them acceptable in the market. Teachers should also facilitate learners to make research about the importance of standards to the consumer, society, industries and the government.

#### Activity 1

Ask learners to answer the activity:

1. Imagine you have bought a flask in a supermarket. After less than a week it no longer keeps porridge hot. What can you do about it? Should the supermarket give you another flask?
2. What laws can we put in place to make sure this kind of thing does not happen?

### What is a standard?

It refers to a document established by agreement and approved by a recognised body that gives rules, guidelines, or characteristics for activities or their results, aimed at producing a common product.

Or, a widely accepted, agreed upon or established means of determining what something should be.



## Brief History of Standards

### Activity 2

Instruct learners to form teams and make research about the origin of standards, and how they have evolved over time. Each team should present their research findings to the entire class.

It is interesting to note that the earliest standards were made to enforce honesty among people. Human society has exchanged goods and services on the basis of physical measurement. Unfair dealings and incorrect measurements were resented and systems were developed to enforce honesty. The earliest written standards were for weights. Egyptians developed a standard of measurement called Egyptian royal cubit some 5000 years ago. The basis of this standard was pharaoh's forearm. On a block of black granite approximately 20.63 inches long 6-palms and 24-finger widths were inscribed. It formed the basic measurement standard for pyramids and other great monuments.

Shih Huang-Ti, the founder of Chinese Empire, and under whom the Great Wall was built, had a design for Chinese unity. He enforced one law, one weight, and one measure to rule out discord and confusion between petty states. His wall stood but his standards for weights and length did not. The standards proposed by the Chinese Emperor were used only for the construction of the Great Wall. The total length of this wall is 10,000 li (a Chinese unit of length) approximately 5,000 Kilometers. The unit li is no longer used.

Napoleon wars were among the first set of wars that tried to use standards to competitive advantage. After conquering most of the Western Europe, he noted from captured weapons the incompatibility of ordinance from various countries. Cannon balls were not the same size, weight systems and calibers were unique to each captured army. Napoleon had to attack this problem by the science of measurement called metrology. The system that developed to assist the Emperor was Le System International d'Unites, or the metric system. He imposed this

system on all the conquered and allied nations. This metric system was eventually adopted by all of Europe and exported to all parts of world in the era of colonialism.

### **Activity 3**

1. From the passage, why were the earliest standards enforced?
2. The earliest measurement were for weights called Egyptian royal cubits 5000 years ago. In real life situations, discuss how different forms of measurement are done.
3. Analyse the importance of using measurements in our daily lives.
4. Which science of measurement did Napoleon use to solve the challenge he faced?
5. Is this system still used in Rwanda and in the world today?

### **Suggested answers**

1.
  - a) To have common units of measurement
  - b) To be in position for use among many countries
  - c) To make servicing and repair of instruments possible.
2.
  - a) Use of heap
  - b) Weighing scales
  - c) Meters
  - d) Litres
3. Importance of using measurements in our daily lives
  - a) To be just
  - b) Be fair
  - c) Equate money to money paid for a product
  - d) To calculate costs and gains.
4. Napoleon used the science of metrology.
5. Yes, the system is still used today all over the world.

#### Activity 4

Whenever and in whatever, we need, we use standards whether we are aware or not.

1. Take these examples of all garments that we wear such as shirts, shoes, belts, even other things we use like pocket wallets, papers, books, pens, padlocks and keys, cups, plates etc. All these items are of various weights, shapes and they are used to serve different purposes.
2. In your opinion, why are standard necessary?
3. How are they enforced?
4. What can a consumer do in case he/she has a complaint about a standard of product or service?
5. What can an entrepreneur do to comply and minimise complaints about his/ her product?

#### Suggested answers

2. Why standards are necessary?
  - a) Reduce conflicts.
  - b) Make a product appealing to the consumers
  - c) Used to determine the value of products
  - d) Promote good health
  - e) Protect nature from being destroyed
3. They are enforced through:
  - a) Government setting rules and regulation to determine the quality of goods and services that should be provided
  - b) Setting up institutions to ensure quality
  - c) Testing the quality of products
4. A consumer who has a complaint about quality can:
  - a) Contact the seller from whom he/she got the product.
  - b) Report to the police department in charge of standards
  - c) Contact Rwanda Bureau of Standards (RBS)

5. What an entrepreneur can do to comply and minimise complaints about his/her product:
  - a) An entrepreneur can use quality raw materials
  - b) Test the quality of the product before putting it on market
  - c) Ask for customers' feedback on the quality of the product.
  - d) Receive customers' complaints positively.

### **Importance of standards to government**

#### **Activity 5**

In groups, ask learners to analyse the importance of standards to government.

#### **Suggested answers for activity 5**

1. Ensuring that goods and services emanating from or traded in Rwanda are designed, manufactured and supplied in a manner that matches the needs of the entire society.
2. It helps to meet the requirements of the purchasers and the customers as well as those of the regulating authorities in the local regional and international markets.
3. Strengthens and harmonises national metrology systems.
4. Development of a quality culture for the application of quality management systems in public and private institutions.
5. To facilitate the access of Rwanda goods and services to the external markets.
6. It leads to better public health, consumer and environment protection, economic growth, poverty reduction and better quality of life.

#### **Importance of standardisation to the industry**

1. Standardisation activities lead to lower costs of production minimising errors and time to market.

2. It enables industries to market their goods and services in other countries.
3. Industries maintain market access and remain competitive.
4. Reliance on quality earns customer loyalty to the industry.

## **The Process of Standardisation in Rwanda**

### **Activity 9**

Using an audio-visual aid, instruct learners to listen and watch clips on standardisation process reflecting on how standards are developed internationally, regionally and nationally.

Standardisation is the process of developing and implementing technical standards.

### **Suggested answers for activity 9**

The process of standardisation generally comprises seven major phases:

1. Identification of need: The user first identifies the need. Generally, there are two basic questions that determine whether a standard is needed or not.
2. Collective programming: This stage reflects needs identified and the priorities defined by all the partners.
3. Drawing up of the draft standard: The interested parties, represented by producers, distributors, users, consumers, administrators, etc. gather within standardisation committees and a draft of standard is prepared.
4. Consensus: In this phase, the views of all interests are taken into account: manufacturers, vendors, consumer groups, testing laboratories, governments, engineering professionals and research organisations.
5. Validation: This is done in the form of a public enquiry, involving all the economic partners in order to make certain that the draft standard does not give rise to any major objections.

6. Approval: This phase marks the approval of the text for publication as a standard.
7. Review: The application of all standards forms the subject of a regular assessment of its relevance by the standardising body which makes it possible to detect the time when a standard must be adapted to new needs.

### **Activity 10**

Ask learners to form small groups. In their groups, ask them to research about the process of standardisation in Rwanda. Each group should present their research findings to the class.

### **Role of Standards**

1. Standards serve as reference documents that are used in context of contracts or international trade on which the commercial transactions are based.
2. They represent a level of technical expertise and technology, and are used by the industrialists as the indisputable definitions that simplify and clarify the contractual relations between economic partners.
3. A standard is a document that is used by jurisprudence to settle disputes. For business partners it serves as:
  - A factor for rationalisation of production by defining the requirements of technical characteristics, customer satisfaction, and manufacturing methods validation from multiple viewpoints.
  - A factor for clarification of transactions by clearly defining the requirements and reducing the uncertainties that may have different practical values to the different parties in the transaction.
  - A factor for innovation and developing products by transferal of knowledge.
  - A factor for transferring new technologies by facilitating and accelerating the transferal and use of technologies.
  - A factor for strategic decision making for companies. The participation in standardisation activity assists in

identifying solutions and adapting them by increasing the competence of companies.

## **Need for international standardisation**

### **Activity 11**

In groups ask learners to analyse a variety of products used in daily life such as: shoes, balls, phones, chargers, batteries, time, sizes of products, etc. Discuss the need for a common standard for products in the world.

### **Suggested answers for activity 11**

1. Standard has enabled traders to use all means of transport, road, air and sea transport for example the standardised documents accompanying the cargo identify sensitive or dangerous cargoes.
2. Makes international trade cheaper, faster and safer.
3. Standards for similar technologies in different parts of the world contribute to the elimination of technical barriers to trade. For example, banking cards, credit cards, and telephone cards, paper sizes (ISO 216), the same symbols for automobile controls in cars all over the world, are some other examples of internationally accepted standards.
4. International standardisation eliminates the ambiguity in business transactions.
5. Information processing and communication, packaging, textiles, distribution of goods, energy production and utilisation, ship building, banking and financial services are some of the diverse fields for which there is well-established international standardisation.

### **Activity 12**

Instruct learners to visit the Rwanda Standards Board website to find out how they work; learners can also be given a list of principles to find out where they are applicable.

Suggested link for research:

Rwanda Standards Board website [www.rbs.rw](http://www.rbs.rw)

### **Levels of standardisation**

There are 3 levels of standardisation

#### **1. International standardisation**

International standards are developed by international standards organisation. For example, the International Organisation for Standardisation (IOS)

This is one way of overcoming technical barriers in international commerce caused by differences among technical regulations and standards developed independently and separately by each nation.

For example:

- a) International Electro Technical Commission (IEC)
- b) International Organisation for Standardisation (ISO)

### **How international standards affect consumers**

1. Consumers expect that services and products will be consistent in quality, durability and ease of use.

International standards are voluntary rules and guidelines that help to ensure:

- a) Safer, healthier, more environmentally sound products and services.
- b) Products with improved quality and reliability
- c) Better operational compatibility between products and greater consistency in the delivery of services
- d) Improved choice and access to goods and services
- e) Better product or service information

#### **2. Regional standardisation**

This enforces standards of services, goods, infrastructure in a given region.



### **Importance of regional standardisation**

1. Promotes regional peace and stability through abiding by the rule of law in the relationship among countries in the region.
2. To accelerate economic growth, social progress and cultural development in the region.

### **3. National standardisation**

National standard bodies are established by the national government of a given country. Therefore these bodies make sure the activities performed by businesses, goods and services produced in the country are of standard.

Examples of national standard bodies in Rwanda:

1. Rwanda Bureau of Standards (RBS)
2. Rwanda Environmental Management Authority (REMA)
3. Ministry of Health
4. Rwanda Development Board (RDB)
5. Rwanda National Police (RNP)
6. Ministry of Agriculture and Animal Resources.

### **Types of Standards**

1. Basic standards
2. Product standard
3. Terminology standard
4. Test and measurement standards
5. Service standards
6. Process standards
7. Code of practice standards
8. Ethical standard
9. Performance standards
10. Design standard
11. Interface standards

### Activity 13

Ask teams to discuss what may make a product substandard giving examples. Give ample time to each team to present their work to the entire class.

#### Suggested answers

1. Break easily
2. Lack some components
3. Losing colour
4. Being blown up
5. No warranty

### Activity 14

Learners research on the institutions involved in different standardisation activities in Rwanda and their responsibilities.

#### **The institutions involved in inspection activities in different fields of standardisation in Rwanda include:**

1. The Rwanda Standards Board (RSB)  
Rwanda Standards Board (RSB) is a public institution established by Rwanda government to determine the responsibilities, organisation and functioning of the Rwanda Standards Board to undertake all activities pertaining to the development of standards, conformity assessment and metrology services in the country.
2. The agencies of the Ministry of Agriculture and Animal Resources.  
Rwanda Animal Resources Development Authority, Rwanda Agricultural Development Authority, Rwanda Horticulture Development Authority.  
These agencies carry out plant protection and animal health inspection as well as controlling agro chemicals.

3. **The Ministry of Health**  
The Ministry of Health inspects food supplements, food hygiene, medical products etc. to ensure that they meet the required standards.
4. **The Ministry of Infrastructure (MININFRA) and Local Government Authorities.**  
The Ministry and Local Government Authorities inspect buildings, roads, bridges and other civil engineering structures.
5. **Rwanda National Police (RNP)**  
Rwanda National Police carries out inspection of motor vehicles for road worthiness.
6. **Rwanda Development Board (RDB)**  
Rwanda Development Board ensures that any business established meets its specifications as a board.
7. **Rwanda Environmental Management Authority (REMA)**  
REMA inspects projects, activities and products that may cause environmental degradation. Among products such as prohibited products that can pollute the environment such as prohibited chemicals and gases.

### **Importance of standards to consumers**

#### **Activity 7**

Isimbi went to the market and bought a new piece of cloth that she wished to put on at her brother's graduation party but when she washed it for the first time it lost its colour and she really felt betrayed by the seller as the cloth was no longer good for the party. Mugeni also bought a pair of open shoes, when she was going to visit Mukambwe, not very far from her home but her new shoes got torn and she had to pay money to someone to repair her shoes before continuing with the journey.

1. What kind of inconvenience did Isimbi and Mugeni experience?
2. What caused this problem?
3. Identify the dangers such products can cause to a consumer. Give examples.

Consumers expect that services and products will be consistent in quality, durability, and ease of use.

International standards are voluntary rules and guidelines that help to ensure:

1. Safer, healthier, more environmentally sound products and services.
2. Products with improved quality and reliability.
3. Better operational compatibility between products and greater consistency in the delivery of services.
4. Improved choice and access to goods and services.
5. Better product or service information.

### **Importance of standards to the society**

---

#### **Activity 8**

---

In Rwanda today the government came up with the road map to development called Vision 2020. All Rwandans are very supportive and happy for this plan which intends to transform Rwanda into a middle income country. Roads, schools, hospital, power generation plants are being constructed, there is free education to all children, free laptop per child, bye- bye Nyakasti and Gira Nka projects have been put in place.

1. How can the use of poor construction materials, building without using proper plans, buying of fake laptops for children, teachers using poor teaching methodologies affect the fulfilment of Vision 2020 in the Rwandan community?

2. Identify the possible accidents that may happen in society because of using substandard products and services.
3. Standardisation of infrastructure is a basic condition for the success of economic policies aimed at achieving sustainable development in society. Creating such infrastructure in society is essential for improving productivity, market competitiveness, and export capability.
4. Standards protect the natural environment from being contaminated by the activities of entrepreneurs such as industrialisation, use of chemicals like in agriculture etc.
5. Enhanced product quality and reliability at a reasonable price.
6. Improved health, safety and environmental protection, and reduction of wastes in society.
7. Greater compatibility and inter-operatability of goods and services in society.
8. Simplification for improved usability.
9. Reduction in the number of models, and thus reduction in costs.
10. Increased distribution efficiency, and ease of maintenance.
11. Standards provide confidence in products and services to the users.

### **Activity 15**

Form teams; each team should choose an institution involved in inspection of standards in Rwanda. Clearly explain its role in standards assurance in Rwanda. Use activity 14 to do activity 15.

## **Unit summary**

---

**Meaning of standards in business:** It is a document established by government that gives rules, guidelines, or characteristics of activities aimed at producing a common product.

**Types of standards:** Basic, product, terminology, test and measurement, service code of practice, ethical, interface and design

**Importance of standards:** Ensure that goods on market match the needs of the society, it strengthens the national metrology, it enables a country to access the international market.

**The process of standardisation in Rwanda:** Identification of needs, collective programming, drawing up of draft standard, consensus, validation, approval and review.

### **Role of Standards in Business**

**Levels of standardisation:** International, Regional and National

**Institutions involved in standardisation activities:** RBS, Ministry of Agriculture, Ministry of Health, Ministry of Infrastructure and Local Government

**TOPIC AREA: BUSINESS GROWTH AND SUSTAINABLE DEVELOPMENT**

---

**SUB-TOPIC AREA:** Business Market Research

## **UNIT 6: Market Research**

**22 periods/lessons**

**Key unit competence:** Be able to identify key components of a market, how they inter-relate and importance of market research.

### **Learning objectives**

---

By the end of this unit, learners should be able to:

- Explain the meaning of market, marketing and marketing research.
- Explain the 4 components of marketing mix.
- Identify various marketing strategies that can be used in commercial activities.
- Explain the importance of market research in commercial activities.
- Identify the tools of market research.

📌 **Refer to pages 129 – 171 in the Learner's book**

### **Unit breakdown**

---

<b>Topic Area</b>	<b>Content to be covered</b>	<b>Number of periods</b>
Business growth and sustainable development	Business market research.	One period

Topic Area	Content to be covered	Number of periods
	<ul style="list-style-type: none"> <li>• Meaning of market research.</li> <li>• A market, real market and potential market of a business.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Market research</li> <li>• Methods used to carry out market research.</li> <li>• The need for market.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• The market mix and related tools.</li> </ul> <p>Product</p> <ul style="list-style-type: none"> <li>• Meaning of a product.</li> <li>• Product cycle.</li> <li>• Why sales of a given product may reduce.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Ways of increasing sales.</li> <li>• New product development.</li> </ul>	One period
	<p>Price</p> <ul style="list-style-type: none"> <li>• Meaning of price.</li> <li>• Objectives of price.</li> <li>• Factors affecting pricing decision.</li> <li>• Methods of price determination.</li> </ul>	One period
	<p>Place</p> <ul style="list-style-type: none"> <li>• Meaning and explanation.</li> <li>• Marketing intermediaries.</li> </ul> <p>Promotion</p> <ul style="list-style-type: none"> <li>• Meaning of promotion.</li> <li>• Forms of promotion.</li> <li>(i) Advertising.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>(ii) After sales services.</li> <li>(iii) Sales promotion.</li> <li>(iv) Public relations.</li> <li>(v) Personal selling.</li> </ul>	One period
	<p>Market survey/market research</p> <ul style="list-style-type: none"> <li>• Meaning of market research.</li> <li>• Importance of market research.</li> <li>• Steps that are involved in carrying out market research.</li> </ul>	One period



Topic Area	Content to be covered	Number of periods
	Customer survey <ul style="list-style-type: none"> <li>• Meaning.</li> <li>• Types of customers.</li> <li>• Importance of customers to the business.</li> <li>• Importance of treating customers well.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Advantages of customers' survey.</li> <li>• Steps to create effective customer surveys.</li> <li>• Demonstrate a sample customer survey template.</li> </ul>	One period
	Product analysis <ul style="list-style-type: none"> <li>• Meaning of product analysis.</li> <li>• Purpose of product analysis.</li> <li>• Criteria to use while conducting product analysis.</li> </ul>	One period
	Steps involved in development of a new product.	One period
	Product/service analysis and quality control <ul style="list-style-type: none"> <li>• Define quality.</li> <li>• Define product/service analysis.</li> <li>• Product characteristics on which analysis is based.</li> </ul>	One period
	Quality management <ul style="list-style-type: none"> <li>• Meaning of quality management.</li> <li>• Methods of quality control.</li> <li>• Advantages of quality control.</li> </ul>	One period
	Quality assurance <ul style="list-style-type: none"> <li>• Meaning of quality assurance.</li> <li>• Advantages of quality assurance.</li> </ul>	One period
	Total quality management <ul style="list-style-type: none"> <li>• Meaning of total quality management.</li> <li>• Benefits of total quality management.</li> </ul>	One period
	Supplier survey <ul style="list-style-type: none"> <li>• Meaning of supplier survey.</li> <li>• Factors considered when choosing the best supplier of a given input or product.</li> </ul>	One period
	Types of suppliers	One period

Topic Area	Content to be covered	Number of periods
	Chain of distribution <ul style="list-style-type: none"><li>• Meaning</li><li>• Channels of distribution.</li></ul>	One period
	<ul style="list-style-type: none"><li>• Factors affecting</li><li>• Developing a market plan.</li></ul>	One period

### Teaching and learning steps

Teacher guides teams to find out the meaning of market, marketing and marketing research. Facilitate learners to explain the 4 components of marketing mix, importance of market and identify various marketing strategies for commercial activities.

#### Activity 1

If you have a kitchen garden (Akarima Kigikoni) where you grow onions, carrots and cabbages, because the season was good, your garden produced more than you can eat at your home. Suggest how you can get buyers who will buy extra carrots, onions and cabbages that you cannot consume at your home so that they do not become wasted.

#### Suggested answer

1. Sell to your neighbours
2. Visit market places
3. Visit restaurants and ask to supply them

A market is an arrangement through which buyers and sellers come into contact to negotiate and exchange defined goods and services.

Real or actual market of the enterprise/business refers to the individuals, companies and institutions willing and able to buy products of an enterprise at an ongoing price.

#### Potential market

Refers to the other enterprises, or individuals that are able but not yet willing to buy the product.

## Activity 2

1. You are a craftsperson. You produce mats and baskets from local materials. You do not have your own shop where you could sell your goods or as a seller you come into contact with possible buyers?
2. If you want to find out the price to sell your goods you need to find out what prices for which other people in the area are selling your kind of goods.

There may be people who would like your goods but do not come to the place you are selling them. How could you increase the sale of your mats and baskets?

### Suggested answers

1. Put your products along the road where they can be seen
2. Take products to the market
3. Tell people about your products
4. Give out business cards.

### Increase the sale of your mats by:

1. Joining other mat sellers
2. Market research
3. Making quality mats
4. Advertising your mats
5. Charging affordable prices
6. Giving good customer care

### Factors used to determine the potential market to a business.

1. Number of substitute products.
2. Price: The customers' ability to buy a product of the business is very much affected by the price.
3. Income level: Market potential for a product depends on the target market's ability to purchase the product which depends on their incomes.
4. Business location.

5. Size of the population and other businesses present in the area.
6. Competition in the market: Businesses that produce and sell similar products to the same customers share and compete for customers.
7. Demand: The higher the demand, the higher the potential market and vice-versa.

### **Market research**

#### **Activity 3**

Move out of your school compound and visit nearby businesses like petrol stations, restaurants, bus parks, stadiums, groceries, etc. In groups of four learners, ask them to identify the potential customers for a restaurant, a stadium, groceries or any other economic activity in their surroundings.

Market research refers to the process of collecting and analysing data related to the demand of a good or service in a particular market. Market research gathers information about consumers, competitors, distributors, within a firm's target market.

In order to obtain the necessary information; the entrepreneurs can use the following methods:

1. Statistical data.  
Statistical data may be obtained from the following:
  - a) Specialised agencies.
  - b) University research centers.
  - c) Consumer associations.
  - d) Advisory board of trade, like Rwanda Development Board (RDB), Private Sector Foundation (PSF), etc.
  - e) Business associations producing similar products, etc.
2. Questionnaire or contact method.
3. Interviews (asking questions).
4. Observation (just looking around by your own eyes).

5. Postal survey.
6. Consumer panels.
7. Test marketing.

#### **Activity 4**

In relation to the previous activity 3, ask learners give reasons why they may need to gather information from customers and what kind of information they would like to get, and how they could get it? Learners should discuss their findings and report them to the class.

#### **Suggested answers**

1. To know their complaints.
2. To know whether the quality of the product is okay for the customers.
3. To know what they like about products of the competitor.
4. To relate the price with customers' responses.
5. To assess the marketing strategies used.

#### **Kind of information**

1. About price
2. About quality
3. About their extra likes
4. About competitors
5. About satisfaction

#### **How to get it**

1. Interviewing
2. Observation
3. Questionnaires
4. Suggestion boxes
5. Market survey

#### **The need for market research**

1. Market research helps to reduce risks involved with a new product since data obtained is used to assess with some degree of accuracy the likely chances of the new product achieving satisfactory sales.

2. Market research helps the firm to improve its knowledge of consumers and competitors so that changing trends can be identified.
3. Market research helps a business to predict its sales and make appropriate plans. If sales are expected to increase, production will be increased and reduced if sales are expected to reduce.
4. To monitor the effectiveness of business activities. For example, a company that produces cooking oil may want to know the percentage of homes that use their product
5. Market research is used to gather data which can be used as a basis for market decision making.
6. Market research is use to assess the most favourable designs, styles and packaging which consumers rate most highly.
7. It helps the firms to identify competitors.
8. Market research data provides explanations for product success or failure in the market.

### **Activity 5**

Mr. Kanamugire is a pineapple farmer. Every month he can produce 2000 pineapples on his farm. However, because his farm is very far away from town, he always fails to sell the pineapples. This makes him lose money because pineapples cannot be kept for a long period of time. Advise Mr. Kanamugire so that he can find market for his pineapples.

### **Suggested**

1. Should add value on the pineapple by producing pineapple juice
2. Do market research
3. Form a co-operative with other farmers
4. Build cold room where he can preserve his pineapples.

### **The marketing mix and related tools**

The marketing mix is often referred to as the “4p’s”, i.e. Product, Place, Price and Promotion. It is a term used to describe all the activities which go into marketing a product.

To meet customers’ needs, a business must develop products to satisfy them, charge the right price, get the goods to the right place and it must make the existence of the product known through promotion.

#### **Activity 6**

Ask learners in their small groups to list down examples of items that they always use at home. Where do they get those items, how do they get them? Let them tell the class about the most interesting products that they always enjoy buying? How much they pay for them, and how they know where to find them.

#### **Suggested answers**

Soap, sugar, toothpaste, rice, cooking oil, beans, coffee, tea, cloths, shoe polish, brooms, fruit, tec

How you get them: Go to shops, markets and buy them. Others produced at home.

How much you pay depends on the product.

How you know where to find them; watch advertisement on television, over the radio, go to market places and search for them, ask other people.

#### **1. Product**

A product is something that is offered to the market. A product can be a good or a service.

#### **2. The Price**

Price is the amount paid by a consumer for a product. The fixing of a price for a commodity is a vital component of the marketing mix.

### **Objectives of price**

1. To target the market share.
2. To maximise short term profits.
3. To maximise long term profit.
4. To stimulate growth of the business.
5. To discourage new entrants.

### **Factors affecting pricing decision**

1. Government influence
2. Level of competition
3. Demographic factors
4. Costs incurred

### **Methods of price determination in the market**

#### **Activity 7**

When buyers go in the market to buy products, each product they buy costs a different amount of money.

1. Why are different products sold at different prices?
2. How is the price of a product determined?

### **Suggested answers**

---

1.
  - a) Because the cost of production is not the same.
  - b) Due to different locations.
  - c) Different uses of products.
  - d) Different sellers.
  - e) Different material used to produce different products.
2.
  - a) Haggling (Bargaining).
  - b) Auctioning (Bidding).
  - c) Fixing by treaties (Agreements).
  - d) Government determination (legislation).
  - e) Interaction of the forces of demand and supply.
  - f) Resale price maintenance.



### Activity 8

Soda, juice, milk and other drink are produce by Bralirwa company in Gisenyi, Inyange company in Masaka and other companies located in different parts of Rwanda. How do the products reach to the consumers from where they are manufactured? Who distributes them and why? How best can consumers get these products without delay and over spending their money?

#### Suggested answers

Through transportation.

This shows how products move from the manufacturer to the final consumer. It refers to the channel of distribution that is used.

The distribution process includes: manufacturers, wholesalers, service providers, retailers, marketing specialists and customers.

Middlemen: The term middlemen is used to refer to wholesalers, retailers and marketing specialists that are intermediaries between manufacturers or service providers and their customers.

#### Types of marketing intermediaries

1. **Middlepersons:** Refers to an independent business concern that operates as a line between producers and consumers or industrial users.
2. **Agents:** These are wholesalers/retailers who do not own the goods they sell. Agents normally specialise by customer type or by product or by product line.
3. **Wholesaler:** These are merchants establishments engaged in bulk buying, storing and physically handling the goods and sell the goods to retailers.
4. **Merchant middleman** engage in buying goods from the wholesalers and selling them to the final consumers.
5. **Brokers:** Are people who do not buy goods themselves but arrange deals between buyers and sellers.

## Promotion

This involves different ways of attracting customers to buy products either for the first time or to buy more of them often.

### Activity 9

**Role-play.** Instruct learners to form teams and each team choose a product to promote. They have to demonstrate all possible forms of promotion including; advertising, personal selling, after sales service and sales promotion.

## Suggested answers

---

### Forms of promotion

There are several forms of promotion that can be used by a business. They include among others:

1. **Advertising:** This is the process of informing the public about existence of goods or services through the use of various media, such as: newspapers, radio, television, journals etc
2. **After sales services:** This is a system of product promotion where dealers in a certain product arrange to offer maintenance services to customers who buy their products. These services may include repairing services, etc.
3. **Sales promotion**  
This refers to the application of various techniques to attract customers and increase sales.
4. **Public relations**  
This is a deliberate measure used by an enterprise to keep the public aware of its trading and other activities.  
  
It is aimed at promoting the good image of the business and its products through activities like, sponsoring events, such as, football matches, naming of Gorillas (Kwita izina) etc. and making charity donations to the needy.
5. **Personal selling**

### Activity 10

Ask learners to discuss about the various promotion activities that they hear on radio, watch on television, surf on the internet, even see physically from their community where they come from. Learners may role play promotion strategies of a new telephone company, such as; Airtel or Tigo.

#### Suggested answers

1. Giving discounts or price reductions.
2. Free gifts for purchase of a product.
3. Self –service, where customers serve themselves.
4. Delivering product to customers' homes.
5. Use of fantastic music.
6. Attractive display of products.
7. Answering questions about the product and demonstration of the use fulness of the product.

### Activity 11

Instruct learners to use products such as biscuits, sweets, avocados, oranges, bananas, mangoes etc, to role play personnel selling. Learners should form groups and each group can have a different product to sell to other groups.

#### Marketing strategies

It's fundamental goal is to increase sales and achieve advantage in the market over other competitors.

### Activity 12

Consumers do not buy what you sell. They buy what has value to them. We are exposed to hundreds of marketing messages every day. We do not respond to all these messages but we select the most relevant.

Why does a marketing strategy matter?

Identify some marketing strategies commonly used by business people in Rwanda.

### **Suggested answers**

---

1. Sports marketing
2. Cause marketing
3. Selecting customers to serve
4. Targeting marketing
5. Positioning marketing
6. Segmentation marketing
7. Value proportion marketing

### **Market survey/market research**

Market survey refers to the process of gathering and analysing information about the market situations e.g. brand loyalty, competitors, consumers' tastes and preference, etc.

### **Activity 13**

---

Mutoni is planning to start a poultry farm in your village. She has trust in you and she believes that you are capable of working at the farm as a marketing manager. Your duty on the farm will be to market and sell eggs and off layer chicken from the farm. Show a plan of how you will search for market of your products and also show how you can overcome competition from other farms that produce the same products like you.

### **Suggested answers**

---

1. Finding the topic of the research study
2. Defining the research problem
3. Setting of objectives
4. Determine the scope
5. Designing a clear plan on how to conduct collecting data.
6. Analysing data. This is done during and after the real field study
7. Presenting data

### **How to overcome competition**

1. Giving exceptional customer service
2. Having personal contacts with customer
3. Ensuring quality of the product

### **Importance of market survey/research**

1. It enables an entrepreneur intending to introduce a new product on the market to know his / her competitors and their products.
2. Market survey enables the entrepreneur to gather information about macroeconomic variables.
3. It helps an entrepreneur not to rely on feelings about the market situations but have knowledge of products preferred by the consumer and why it is preferred.
4. It enables entrepreneurs to find new ways of doing business or come up with new products.
5. Market survey helps the entrepreneur to outcompete other businesses.
6. It enables a business to reach its potential buyer.
7. Market survey enables the entrepreneurs to determine the feasibility of new business ideas and gaps in the market before taking them on.

### **Steps that are involved in carrying out market survey**

1. Finding the topic of the research study.
2. Defining the research problem.
3. Setting of objectives.
4. Determining the scope.
5. Designing a clear plan on how to conduct data collection.
6. Analysing data. This is done during and after the real field study.
7. Presenting data.

### **Customers' survey**

#### **Activity 14**

Ask learners to form teams and each team designs a customer survey template in form of questions that they can use to assess how much their customer like the products or services they provide and how they can serve them even better.

This is a procedure through which a producer or a trader tries to find out customers' attitudes towards his/her products on the market or the products that he/she plans to put on the market.

### **Types of customers**

1. Impulsive customers.
2. Potential customers
3. Loyal customers.
4. Real/Actual customers.
5. Discount customers.
6. Cash, Cheque or Credit customers

### **Importance of customers to a business**

Many businesses consider their customers to be very important and this is reflected even in their daily slogans for example in Rwanda, there is common saying "**Umukiriya ni umwami**" (customer is king); **customer is boss; never confront a customer.**

### **Activity 15**

#### **Role play**

Uwase and Anne Marie are busy chatting when a customer walks into the restaurant. They see the customer but keep conversing. The customer makes eye contact and asks if there is food. Uwase and Annie Marie act as if they have been greatly inconvenienced, making the customer feel like he/she should go somewhere else.

#### **Ask learners to comment about the behaviour of Uwase and Annie.**

How best would Uwase and Annie Marie have conducted themselves towards the customer? If this happened to you what would you do? If you were Annie Marie, would you have done this?

### **Suggested answers**

1. The behaviour of the two people reflected poor customer care.
2. They are likely to cause business failure.

The best way they would have conducted themselves would have been:

1. Welcoming the customer
2. Asking the customer how they can help
3. Showing concern
4. Giving the customer attention

Ask learners for their personal opinion if this had happened to them and how would they have reacted if they were the customer?

Customers have some of the following importance to a business.

1. Customers are a source income to the business through provision of revenue when they purchase.
2. They advise the entrepreneur on the quality of the product produced or provided in the business.
3. They evaluate business performance by giving feedback to the business if requested by business or through complaints about services provided by the business.

#### **Importance of treating customers well**

1. To increase sales.
2. For good reputation.
3. They will be able to pay you promptly.
4. It is a basis for business growth and success.
5. Security of the business resources.

#### **Good ways of treating customers**

1. Giving them discounts
2. Giving gifts to customers e.g. sweets, caps, etc
3. Giving credits
4. Organising parties for your customers (get-together).
5. Being honest and kind to your customers
6. Deliver goods on time
7. Offer transport facilities to customers.
8. Accepting goods returned in case they have defects e.g damaged goods.

9. Giving them fresh goods i.e., goods which are not expired.

### **Advantages of customers' surveys**

1. It helps the producer / trader to find out whether customers are satisfied by their products or not. This helps him to decide whether to maintain their products and services or change them.
2. Through customer surveys, producers widen their market and this leads to business expansion.
3. Customers get an opportunity to think and talk about the services of their suppliers which helps suppliers to correct their mistakes.
4. Inconveniences are cited and solved before eroding the relationship between customers and their suppliers.
5. The supplier gets a chance of identifying competitive differences and strength in the market places.
6. Customer surveys are relatively cost effective and efficient as compared to other marketing efforts like parties and launches.
7. Through customer surveys, "rapport" develops between the market surveyor and the customers. This encourages interpersonal relationships.
8. There is development of skills like information searching, team building, interpersonal communication and guidance, socialisation and report writing skills.
9. Suppliers get chances of identifying the best distribution channels for their products because they come to know the difficulties involved in distributing their products.

### **Steps to create effective customer surveys**

1. Choosing the right timing of the survey: Timing of the survey depends upon the surveyor and what he or she would like to achieve.
2. Asking right questions: This is a crucial step in market surveying. In this case one should ask questions that help him or her to identify what customers think about their products and the business as a whole.



3. Planning the right follow-up: In the follow-up phase, thank each customer who responded telling them how much you appreciated their efforts and time.

### Activity 16

In groups learners role play the methods of collecting data from customers by reflecting how and when they may use, social media, internet, records, consumer behaviour and so on.

#### Customer data collection

- **Collecting data using the mobile technology.** It is very apparent that Smartphones have become a part of the lifestyle of the majority of humanity across the globe. About 63.7% of the Rwandans population use mobile phones for checking messages, receiving SMS alerts and to obtain information. Businesses can ably use phones to collect data from customers.
- **Collecting data using the internet technology.** Web marketers are getting more inclined to start collecting the data available from their customers using the internet.
- **Customers' Real-Time Behaviour.** To understand your customers better, you have to get greater insight into how they actually behave. Surveys are fine and generalisations drawn from basic demography are still important, but businesses today need to gather as much data as possible on the way customers are behaving in real time.
- **Customer Service Records.** When people call to return products, get more information and the like, it is the perfect opportunity to ask them a few questions about what they like/dislike, how they found you and how they are using their product or service.
- **Referral Source.** Many times on a sales call you are busy tracking all the information about the client that is relevant to them closing a sale, but you forget to track the referral source of the lead. Without the referral source, it's hard to understand how you can better reach your customers.
- **Personal Tastes and Preferences.** Businesses have to specialise in collecting data about consumers' tastes and

preferences so they can use this consumer intelligence to create content that is liked with the users.

- **Social Media.** Statistics show that millennials are on social media on average 5.4 hours a day. That's one-fifth of each day. Clearly the best place to reach consumers is where they spend their time such as Facebook, Whatsapp, etc.
- **Comprehensive Contact Information.** An accurate and informative contact list is one of the most powerful marketing tools. Once you've closed a deal, you need to keep the lines of communication open with each client.

### Product Analysis

This basically refers to asking questions about a product and forming answers. It means experts analysing a product or a member of the general public or potential customers or a group of people.

#### Activity 17

Instruct learners to come up with a questionnaire that they used to analyse the services that are provided in their school by the various departments, such as; cooks, bursar's office, director of studies, subject teachers, prefects body or school nurse. Learners should ask fellow learners or staff members at school.

#### Suggested answers

Learners should come up with their own questionnaire and responses will depend on what the interviewees will answer.

#### Purpose of product analysis

1. To help the customer to determine whether the product is worth buying.
2. Product analysis may be aimed at designing an improved one.
3. Sometimes a prototype/ model may be analysed. In this way improvements may be done before the final product is manufactured.

4. To help the entrepreneur and the manager to determine that the products is worth producing.
5. Product analysis helps to determine a relevant price for a specific product.

### **Criteria to use while conducting product analysis**

When analysing a product, first prepare a list of questions. Every product has its own criteria that can be used to analyse it. For example, below is a list of questions that could apply to a table:

1. **Ergonomics** i.e. Will a particular consumer need to stretch too far while using the table? Will this make the consumer uncomfortable?
2. **Cost:** How much it will cost to make a product and for how much it will be sold should also be considered.
3. **Aesthetics:** This involves questions, like, does the product look good? Is it the style liked by the customer or not?
4. **Construction method:** How the product has been made and the joining techniques used have to be looked at.
5. **Client's requirements**
6. **Health and safety**
7. **Colour and texture**
8. **Materials:** This involves questions like are the materials suitable for that type of product or are they quality materials?
9. **Environmental impact:** Consider the environmental impact of the product.

### **Steps involved in developing a new product**

#### **Activity 18**

Ask learners to imagine that they want to start a project of making craft shoes, necklaces, arm bands and igniting bags. Learners should think of the procedure they can follow when developing each of the products to meet customers' desires.

### Suggested answers

1. **Step 1:** Idea generation. This is the first step of product development which involves gathering ideas.
2. **Step 2:** Screening. After idea generation, the ideas are evaluated by the company's personnel to get out the few best and relevant ones.
3. **Step 3:** Concept development and testing.
4. **Step 4:** Business analysis.
5. **Step 5:** Production and marketing mix development. At this stage, companies direct their research and development teams to construct an initial design of the idea. This stage involves company activities such as advertisement, pricing and distribution options.
6. **Step 6:** Market testing. At this stage the company looks at the degree by which its new products are liked by customers from few selected areas.
7. **Step 7:** Commercialisation. If market testing provides promising results, the product becomes ready to be introduced to a wider market.

### Product analysis check list.

1	Material	Materials used in manufacturing the product.
2	Module	Standard module of the product.
3	Appearance	How the product looks like.
4	Manufacturing	Product analysis will tell us complete manufacturing process of the product.
5	Cost	What should the product cost.
6	Features	Important features of the product like use and benefits of the product.
7	Specifications	Physical appearance of the product like size, colour, etc.
8	Functions	Basic functions of the product.
9	Drawbacks	Limitations and drawbacks of the product.
10	Final remarks	Complete review of the product.

## Product/service analysis and quality control

### Activity 19

What is quality? Ask learners to use a dictionary to find the answer and discuss how they can distinguish a high quality product from a counterfeit product.

### Suggested answers

1. Quality: Refers to the ability of a good or service to satisfy the needs of a customer. Or. It refer to the characteristics of a product that make if fit for the purpose for which is meant to serve.
2. For a product to be considered of quality, the producer should recognise certain standards depending on the needs of the customers.
3. Quality is relative for example; one customer may consider a phone with facebook as of good quality while another customer may consider a phone with a torch to be of quality hence quality varies among customers.
4. Product/Service analysis: Refers to the act of finding out by the entrepreneurs/suppliers whether the goods or service they offer to customers meet their needs.
5. The quality (characteristics) of their products can be subjected to judgement in comparison to quality (characteristics) of other similar products.

### Activity 20

Your friend Kayibanda for a long time has been keeping money wanting to buy a laptop computer from Nyarugenge market. Kayibanda does not have knowledge about poor quality and good quality laptops. How can you advise him so that he can buy the best laptop?

### Suggested answers

Product characteristics on which product evaluation /analysis is based may include:

1. Colour brightness
2. Ease of getting dirty
3. Aesthetics (physical appearance/description)
4. Ease of maintenance
5. Durability of the product
6. Price of the product
7. User friendliness

### **Quality management in production**

Quality management is when entrepreneurs ensure that they control all production activities so as to produce products that meet required specifications or standards.

#### **Activity 21**

1. Instruct learners to form teams. Each team should think of a product that they can produce. Each team should demonstrate how the production activities should be carryout in order to make their product the best for consumption.
2. Learners should show how they can ensure that they produce a quality product.
3. Ask them to explain the benefits of producing a good product.

### **Methods of quality control**

- It reduces competition: Production of quality products helps a business to outcompete other businesses that produce the same commodities like theirs.
- It promotes brand loyalty: Customers will be attracted to a product of better quality hence the product and the entrepreneur will earn a better public image.
- It is a way of complying with the standards prescribed by Rwanda Bureau of Standards.
- It reduces on the costs of production thereby helping the firm to generate more profits.
- It minimises conflicts between the producers and the consumers because consumers will not often times find defaults on products.

---

## **Suggested answers for activity 22**

---

Determinants/methods of quality control may include:

1. Monitoring and supervision of the production process.
2. Providing very good storage facilities for both the raw materials and the finished products.
3. Using experienced and skilled manpower in the process of producing goods and services.
4. Use of machines in production to reduce on human error and promote standardisation.
5. To carry out market research to find out what consumers really want.
6. Selection of better raw materials.

### **Benefits of quality control**

1. It reduces competition: Production of quality products helps a business to outcompete other businesses that produce the same commodities like theirs.
2. It promotes brand loyalty: Customers will be attracted to a product of better quality hence the product and the entrepreneur will earn a better public image.
3. It is a way of complying with the standards prescribed by Rwanda Bureau of Standards.
4. It reduces on the costs of production thereby helping the firm to generate more profits.
5. It minimises conflicts between the producers and the consumers because consumers will not often find defaults on products.

### **Quality assurance**

This involves planned and systematic activities implemented within the quality system and demonstrated as being necessary to provide adequate confidence that the quality will be maintained and achieved.

### **Advantages of quality assurance**

1. It can help an enterprise to maintain its market share because of consistent level of quality.

2. It eliminates resource wastage since faulty products can be easily detected at the successive stages of production before they are put on market.
3. Workers gain respect and recognition since they have more ownership of the product.

**Total quality management.**

This refers to the organisational structure, resources, processes and procedures needed to implement the quality culture in an enterprise.

Total quality management is a general philosophy of gradually improving the operations of a business.

There are a number of tools available to assist in a TQM effort, such as:

1. Benchmarking.
2. Failure analysis.
3. Process management.
4. Product design control.

Statistical process control. TQM can be implemented successfully in any part of a business, such as:

1. Accounting
2. Field servicing
3. Finance
4. Legal and administration
5. Maintenance
6. Manufacturing
7. Materials management
8. Research and development
9. Sales and marketing

**The advantages of total quality management (TQM) include:**

1. Cost reduction: When applied consistently over time, TQM can reduce costs throughout an organisation, especially in the areas of scrap, rework, field service, and warranty cost reduction



2. Customer satisfaction: Since the company has better products and services, it gets fewer complaints from customers.
3. A higher level of customer satisfaction may also lead to increased market share.
4. Defect reduction: TQM has a strong emphasis on improving quality within a process, rather than inspecting quality into a process. This makes it less necessary to employ a team of quality assurance personnel.
5. Morale: The ongoing and proven success of TQM leads to noticeable improvement in employee morale, which in turn reduces employee turnover, and therefore reduces the cost of hiring and training new employees.

### Supply survey

Supply survey is the process of finding out and establishing the best potential suppliers of a given input or product.

#### Activity 23

You plan to start an activity of selling fruits at home to your neighbours, you have to look for people who can provide you with fruits like lemons, mangoes, oranges, yellow bananas, pineapples and others for buying. So many people are willing to provide you with these fruits. Which criteria can you use to choose the best person (s) to be selling these fruits to you?

What can you consider when choosing someone to supply you?

Identify the types of suppliers that you are likely to work with.

### Suggested answers

The following factors needs attention when choosing the best supplier of goods or raw materials.

1. The quality of goods and services supplied.
2. The consistency and reliability of the supplier.
3. Communication.
4. Terms and condition.

5. The lead time together with the distance between the supplier and the buyer should also be considered.
6. Taxes and regulatory procedures in the purchase and delivery of goods.
7. Ability of the supplier.
8. Price.
9. The supplier's after-sales service offered by different suppliers always influence the choice the entrepreneurs make on the suppliers.
10. The reputation of the suppliers greatly influences the entrepreneur's choice.
11. The methods of delivery also have to be considered by the entrepreneur.

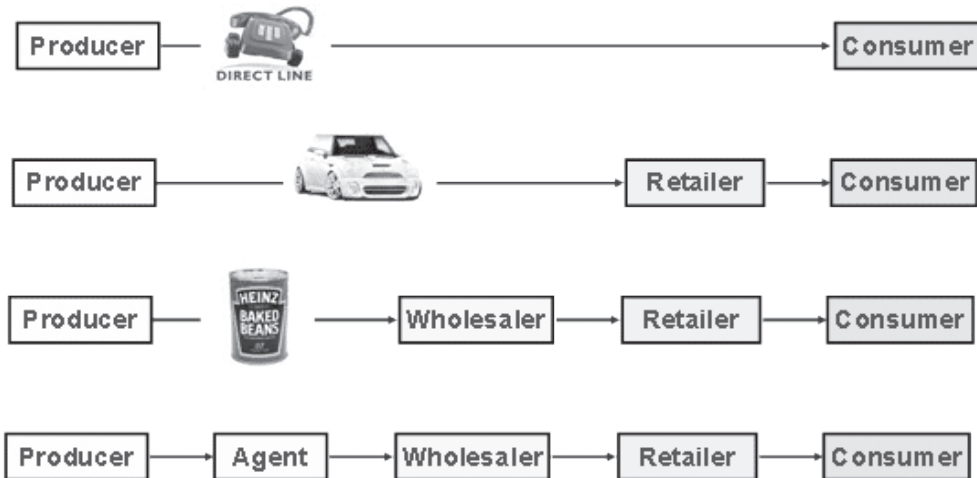
### **Types of suppliers**

1. Manufacturers
2. Agents
3. Wholesalers
4. Retailers

### **Chain of distribution**

These are the channels through which goods are distributed from the producer to the final consumer. These channels include:

1. Consumers who are in position to buy in large quantities may buy directly from the producer.
2. The most common channel is from the producer to the wholesaler, then to the retailer and finally to the final consumer.
3. Some retailers may buy from producers and then sell to the final consumers.
4. Consumers may buy from producers through appointed agents.
5. Small scale retailers may buy from large scale retailers and sell to final consumers.

*Illustration of a distribution chain***Factors affecting the chain of distribution**

1. Nature of goods. Expensive goods like cars tend to be sold directly to the consumer.
2. Scale of production
3. Nature of market
4. Government policy

**Developing a marketing plan**

A marketing plan refers to the strategies of a business, on how to: price, promote and distribute so as to attract and retain customers.

The marketing plan includes:

1. Identification of the products or services, their location, how they buy, from whom they buy and why they buy.
2. Statement of market size, growth and expected market share. For example, to achieve a market share of 50% within the first 2 years.
3. Analysing the various ways of communicating with and influencing customers through advertising and promotion.
4. Current market prices for the product and similar products.

5. The channels of distribution to be used and how they function and the strategy of bringing products to customers with ease.
6. Projected marketing expenses.
7. Target market and market segments.
8. Business trends and opportunities in the industry that the business is planning to make use of.
9. The position of the competitors; where they are located and what advantages and disadvantages they have, their strength and weaknesses (SWOT analysis).
10. Expected sales and recruitment plans and motivation of sales team in order to achieve the sales targets.
11. How the product will be advertised and promoted.
12. Pricing strategies to be used, how the price will be determined.

#### **Activity 24**

Ask learners to refer to activity 18, from the products they chose to produce, to design a plan which will help them to sell their product to their customers.

#### **Suggested answers**

Learners should use the components of a marketing plan mentioned above.

### **Unit summary**

---

**Marketing:** It is the action of promoting and selling products including market research and advertising,

**Components of marketing/4Ps:** Product, Price, Place and Promotion.

**Importance of the four “P” of marketing in a commercial activity:** It enables businesses to meet the target group, reduce competition, increase sales, improve on quality of the products, and track changes in the market, charge fair and affordable prices, create brand loyalty and trust.

**Marketing strategies:** These are method used by an enterprise to increase sales and achieve advantage in the market over other competitors.

**Market surveys:** Refers to the process of gathering and analysing information about the market.

**Elements of market surveys/Customers survey:** Finding a topic, defining the research problem, setting of objectives, determining the scope, designing a clear plan on data collection, analysing data and presenting data.

**Competitor survey:** Refers to the process of gathering and analysing information about a company's competitor.

**Product/Service Analysis and Quality Control:** This refers to asking questions about a product and forming answers.

**Market Research:** Refers to the process of gathering and analysing information about the market of a product.

**Quality:** Refers to the ability of a good or service to satisfy the needs of the customer.

**Quality management:** Is when the entrepreneurs ensure that they control all production activities so as to produce products that meet required standards.

**Quality assurance:** This involves planned and systematic activities implemented within the quality system to meet the consumer expectations of a product.

**TOPIC AREA: BUSINESS OPERATIONS MANAGEMENT**

---

**SUB-TOPIC AREA:** Business Organisation and Management

## **UNIT 7:** Business Organisation and Management

**22 periods/lessons**

**Key unit competence:** To be able to describe the importance of management in a business organisation.

### **Learning objectives**

---

By the end of this unit, learners should be able to:

- Know the meaning of business organisation and management
- Identify various forms of business organisation
- Know what an organisational structure and chart is
- Explain the importance of management in a business organisation
- Describe the management functions in a business organisation
- Identify the categories of people to work within the business organisation

📌 **Refer to pages 172 – 201 in the Learner's book**

### Unit break down

Topic Area	Content to be covered	Number of Periods
Business Organisation and Management	Introduction Meaning of business organisation	One period
	Forms of business organisation categorised according to size a) Micro businesses b) Small scale c) Medium scale d) Large scale	Three periods
	Classification according to activities carried out a) Manufacturing b) Agri-business c) service	Two periods
	Classification according to legal status and ownership. a) Sole proprietor b) Partnership c) Joint stock companies d) parastatals	Two period Two periods Two periods One periods
	Introduction to management	One period
	Roles of management in business	Two periods
	How to select employees of a business	Two periods
	Evaluation – business organisation	Two periods
	Evaluation – management	Two periods

### Teaching and learning steps

Teachers should use groups and facilitate learners to discuss the meaning of business organisations and management

#### Activity 1

1. With the aid of any school club, ask learners to list its membership according to the level of responsibilities.
2. Let them describe the role of each member in the club.

### **Sample answers to activity 1**

---

1. Entrepreneurship club
2. Debating club

The list of its members is as below:

President, vice president, treasurer, secretary and coordinator.

1. A president is the overall controller of the club.
2. A vice president is the assistant to the president.
3. A treasurer is responsible for keeping records of the club's finances.
4. A secretary keeps the documents of the club.
5. A coordinator is the mobiliser of the club.

### **Activity 2**

---

1. List the various types of businesses that exist in your community and those you are familiar with.
2. List the types of merchandise/goods sold or what line of business they deal in.
3. Categorise/classify the various types of businesses identified above according to size, products, life span and ownership.

### **Sample answers to activity 2**

---

1. Shops, selling household items for daily needs like sugar and bread.
2. Bars selling alcoholic drinks like spirits, beers and wines.
3. Groceries selling fresh food stuffs like bananas, cabbages, potatoes.
4. Pharmacies selling human drugs.
5. Hardware shops selling construction materials like cement, iron sheets.

### **Activity 3**

---

1. Suggest the likely benefits enjoyed by micro businesses.
2. Identify challenges faced micro businesses.



### **Sample answers to activity 3**

Benefits of micro businesses:

1. It requires little capital to start up.
2. It is easy to manage. Usually, it is run by the owner.
3. It does not need to be registered by the local authorities before starting.
4. It may be exempted from paying taxes.
5. It can be easily relocated from one place to another.
6. It sells few items that can easily be bought by the customers.

**Challenges faced by micro businesses:**

1. Due to size, it is not easy for them to access loans for expansion.
2. In most cases they are temporal because the owners misuse the capital.

### **Activity 4**

Guide learners to identify examples of such businesses in their community.

1. Suggest the likely benefits enjoyed by small scale enterprises.
2. Identify challenges faced by small scale enterprises.

**Advantages enjoyed by small scale enterprises**

1. They bring goods and services nearer to the customers.
2. They usually target the local market.
3. The startup capital is usually small.
4. They are flexible in that the owner can change from one line of business to another.
5. They use simple technology in their operations.

**Challenges faced by small scale enterprises.**

1. Difficulty in accessing loans due to lack of securities such as fixed assets like buildings.
2. They are usually out-competed in the market by medium or large scale enterprises.

3. When the owner of these businesses die, it is very rare for them to survive.
4. They normally operate at higher costs which may not make them get good profits.
5. Usually they are managed by an owner who may lack management skills.

### Activity 5

Businesses that have characteristics of medium scale enterprises.

1. Inyange industries located in Masaka, Kigali (guide learners).
2. Rwanda Foam in Kigali.

### Exercise

Guide learners to categorise the following examples of business enterprises in Rwanda:

- Bralirwa (producing beers), Telecommunications companies like MTN (Mobile Telecommunication Network), TIGO, AIRTEL, Commercial banks like, Bank of Kigali, Ecobank, supermarkets like Nakumatt, Inyange Industries, Sorwatom, Urwibutso (Sina Gerard).

**Manufacturing enterprises:** Bralirwa (producing beers), Inyange Industries, Sorwatom, Urwibutso (Sina Gerard)....

**Service provision enterprises:** Telecommunications companies like MTN (Mobile Telecommunication Network), TIGO, AIRTEL, Commercial banks like, Bank of Kigali, Ecobank.

**Trading enterprises:** Supermarkets like Nakumatt,

### Activity 6

Identify various forms of agribusinesses in your community.

List the products obtained from the various forms of agribusinesses identified above.

**Various forms of businesses in your community.**

1. **Porcine/piggery:** This is the rearing of pigs. Pigs are reared for pork. Piggery involves selling of piglets and adult ones for slaughter in order to get pork.
2. **Poultry:** This is the rearing of birds. This type of businesses involves the rearing and selling of different types of birds for meat, eggs and feathers. Birds commonly kept include chicken, turkeys and ducks.
3. **Livestock production:** This type of agribusiness is concerned with the rearing and selling of different types of animals. These include: cattle, sheep, goats and rabbits.
4. **Horticulture:** This is the growing of fruits and vegetables for sale. Such vegetables include: carrots, cabbages and tomatoes.

Fruits include: mangoes, oranges, and passion fruits.

**Activity 7**

1. Other than those pictured above, identify other forms of service businesses.
2. Suggest ways of making service delivery better.

Other forms of services businesses include;

1. Internet cafes
2. Secretarial bureaus
3. Mobile money services
4. Telecommunication services

Ways of making service delivery better involve;

1. Improved customer care
2. Improved technology
3. Easy access to the services

### Activity 8

Business enterprises that get involved in buying and selling of goods and or services may include;

- (i) Wholesale shops
- (ii) Retail shops
- (iii) Manufacturer outlets
- (iv) Supermarkets such as SIMBA, NAKUMATT, etc
- (v) Groceries
- (vi) Etc

### Activity 9

1. A sole proprietorship is a business owned by a single person who raises the capital, bears all the risks and if the business makes profits, they all belong to him/her.

The main features of proprietorship form of business can be listed as follows:

2.
  - One Man Ownership:  
In proprietorship, only one man is the owner of the enterprise.
  - No Separate Business Entity:  
No distinction is made between the business concern and the proprietor. Both are one and the same.
  - No Separation between Ownership and Management:  
In proprietorship, management rests with the proprietor himself/herself. The proprietor is a manager also.
  - Unlimited Liability:  
Unlimited liability means that in case the enterprise incurs losses, the private property of the proprietor can also be utilised for meeting the business obligations to outside parties.

- **All Profits or Losses to the Proprietor:**  
Being the sole owner of the enterprise, the proprietor enjoys all the profits earned and bears the full brunt of all losses incurred by the enterprise.
- **Less Formalities:**  
A proprietorship business can be started without completing much legal formalities. There are some businesses too that can be started simply after obtaining necessary manufacturing licence and permits.

#### **Advantages of sole proprietorship**

- Simple to start
- Takes/enjoys all profits alone
- Quick decision making
- Complete control of the business
- Motivates owner to work hard

#### **Disadvantages of sole proprietorship**

- Unlimited liability of the owner
- No time to rest/overworked
- Limited sources of capital
- Lack of combined/various business talents
- Absence/death of the owner disrupts business

1. a) What is a Business Organisation?

A Business organisation is a social unit of people which is systematically structured and managed to pursue a common business goal.

b) Differentiate between a Micro Business and Small Scale Business.

#### **Micro Business**

These are types of very small businesses which employ less than five people. Examples include; hawkers, kiosks, groceries, roadside vendors.

**Features:**

- Mainly operate with very little capital as little as Rwf 150,000 but a maximum of Rwf 3,000,000.
- Mainly use very simple technology or simple methods of production.
- Mainly employ unskilled people; depends on skills of their owners who may be assisted by family members.
- Usually operate without registration; just require a trading license from local authorities.
- Their sales are usually low in quantity and value because of limited capital.
- They don't own permanent premises; some rent premises, while others use temporary structures while others are mobile.
- They normally serve a small number of clients, so the market is small.

**Small Scale Business**

Small Scale Businesses are businesses bigger than micro businesses. Examples include; retail shops, restaurants, bookshops, bakeries and maize mills.

**Features:**

- Their capital ranges between Rwf 3,000,000 and Rwf 50,000,000.
  - Small scale businesses mainly use simple technology and produce goods mostly for the local market.
  - They mainly normally employ between 2 to 20 people.
  - Small Scale businesses are mainly started as sole proprietorships and others as partnerships.
  - Their sales are relatively higher in quantity and value than micro businesses.
  - They usually operate from fixed premises that are owned by the proprietor or rented from other people.
- c) Give the differences between medium scale businesses and large scale businesses.

Medium scale businesses are bigger than small scale businesses. Examples include; big bakeries, milk processing plants, packaging businesses, coffee hulling factories.

**Features:**

- Medium scale businesses use capital of between Rwf 50 million and Rwf 500 million.
- They directly employ between 20 and 100 people some of whom are skilled in specific areas of the business.
- They are mainly registered as joint stock companies or operate as partnerships.
- Medium scale businesses mainly operate from large fixed premises usually owned by the business and fitted with electricity, water and telephone facilities.
- They basically use sophisticated machinery and equipment operated by skilled operators.
- Their output is usually high and they are able to produce for the local market and even export some surplus products.

Large-scale businesses are large business enterprises that require huge sums of capital to start operation. Examples include banks, telecommunication companies, textiles, soft drinks manufacturers, cement factories, etc.

**Features:**

- Large scale businesses employ capital above Rwf 500 million.
- They directly employ over 100 people some of whom are highly skilled personnel like managers, accountants, engineers, technicians, etc.
- They are registered as joint stock companies. Some are registered as joint ventures between private and government.
- They use a lot of equipment and sophisticated machinery; they use some of the latest production methods.
- Large-scale businesses produce goods and provide services on large scale for the local and foreign markets.

### Activity 10

Guide learners through the activity.

### Activity 11

1. What is a partnership?
2. What are the features of a Partnership business?

### Answers to activity 11

---

#### 1. Partnership Firms: Definition and Features

##### **Definition:**

The proprietorship form of ownership suffers from certain limitations such as limited resources, limited skill and unlimited liability. Expansion in business requires more capital and managerial skills and also involves more risks. A proprietor finds himself/herself unable to fulfill these requirements. This calls for more persons to come together, with different ages and start business. For example, a person who lacks managerial skills but may have capital.

Another person who is a good manager but may not have capital. When these persons come together, pool their capital and skills and organise a business, it is called partnership. Partnership grows essentially because of the limitations or disadvantages of proprietorship.

Let us consider a few definitions on partnership:

The Indian Partnership Act, 1932, Section 4, defined partnership as “the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all”. The Uniform Partnership Act of the USA defined a partnership “as an association of two or more persons to carry on as co-owners of a business for profit”.

According to J. L. Hanson, “a partnership is a form of business organisation in which two or more persons



up to a maximum of twenty join together to undertake some form of business activity”. Now, we can define partnership as an association of two or more persons who have agreed to share the profits of a business which they run together. This business may be carried on by all or anyone of them acting for all.

The persons who own the partnership business are individually called ‘partners’ and collectively they are called as ‘firm’ or ‘partnership firm’. The name under which partnership business is carried on is called ‘Firm Name’. In a way, the firm is nothing but an abbreviation for partners.

## **2. Main features:**

Based on the above definitions, we can now list the main features of a partnership form of business ownership/organisation in a more orderly manner as follows:

(i) More Persons:

As opposed to proprietorship, there should be at least two persons subject to a maximum of ten persons for banking business and twenty for non-banking business to form a partnership firm.

(ii) Profit and loss Sharing:

There is an agreement among the partners to share the profits earned and losses incurred in partnership business.

(iii) Contractual relationship:

Partnership is formed by an agreement, oral or written, among the partners.

(iv) Existence of lawful business:

Partnership is formed to carry on some lawful business and share its profits or losses. If the purpose is to carry some charitable works, for example, it is not regarded as partnership.

(v) Utmost good faith and honesty:

A partnership business solely rests on utmost good faith and trust among the partners.

(vi) Unlimited liability:

Like proprietorship, each partner has unlimited liability in the firm. This means that if the assets of the partnership firm fall short to meet the firm's obligations, the partners' private assets will also be used for the purpose.

(vii) Restrictions on transfer of shares:

No partner can transfer his share to any outside person without seeking the consent of all other partners.

(viii) Principal-Agent relationship:

The partnership firm may be carried on by all partners or any of them acting for all. While dealing with a firm's transactions, each partner is entitled to represent the firm and other partners. In this way, a partner is an agent of the firm and of the other partners.

### **Activity 12**

---

#### **Advantages**

As an ownership form of business, partnership offers the following advantages:

1. Easy formation:

Partnership is a contractual agreement between the partners to run an enterprise. Hence, it is relatively easy to form. Legal formalities associated with formation are minimal. The registration of a partnership is desirable, but not obligatory.

2. More capital available:

We have just seen that sole proprietorship suffers from the limitation of limited funds. Partnership overcomes this problem, to a great extent, because now there are more than one person who provide funds to the enterprise. It also increases the borrowing capacity of the firm. Moreover, the lending institutions also perceive less risk in granting credit to a partnership than to a proprietorship because the risk of loss is spread over a number of partners rather than only one.

3. Combined talent, judgement and skill:

As there are more than one owner in partnership, all the partners are involved in decision making. Usually, partners are pooled from different specialised areas to compliment each other. For example, if there are three partners, one partner might be a specialist in production, another in finance and the third in marketing. This gives the firm an advantage of collective expertise for taking better decisions. Thus, the old maxim of “two heads being better than one” aptly applies.

4. Diffusion of risk:

You have just seen that the entire losses are borne by the sole proprietor only, but in case of partnership, the losses of the firm are shared by all the partners as per their agreed profit-sharing ratios. Thus, the share of loss in case of each partner will be less than that in case of proprietorship.

5. Flexibility:

Like proprietorship, the partnership business is also flexible. The partners can easily appreciate and quickly react to the changing conditions. No giant business organisation can stifle so quickly and create responses to new opportunities.

6. Tax advantage:

Taxation rates applicable to partnership are lower than proprietorship and company forms of business ownership.

**Disadvantages:**

In spite of the above advantages, there are certain drawbacks associated with the partnership form of business organisation.

Descriptions of these drawbacks/ disadvantages are as follows:

1. Unlimited liability:

In a partnership firm, the liability of partners is unlimited. Just as in proprietorship, the partners' personal assets may be at risk if the business cannot pay its debts.

2. Divided authority:

Sometimes the earlier stated maxim of two heads better than one may turn into "too many cooks spoil the broth." Each partner can discharge his responsibilities in his concerned individual area. But, in case of areas like policy formulation for the whole enterprise, there are chances for conflicts between the partners. Disagreements between the partners over enterprise matters have destroyed many a partnership.

3. Lack of continuity:

Death or withdrawal of one partner causes the partnership to come to an end. So, there remains uncertainty in continuity of a partnership business.

4. Risk of implied authority:

Each partner is an agent for the partnership business. Hence, the decisions made by him/her bind all the partners. At times, an incompetent partner may lead the firm into difficulties by taking wrong decisions. Risks involved in decisions taken by one partner is to be borne by other partners also. Choosing a business partner is, therefore, much like choosing a marriage mate life partner.

**Activity 13**

1. A partnership agreement is a contract between partners in a partnership which sets out the terms and conditions of the relationship between the partners, including: Percentages of ownership and distribution of profits and losses. Description of management powers and duties of each partner.

2. The different kinds of Partners that are found in Partnership Firms are as follows:

a) Active or managing partner:

A person who takes active interest in the conduct and management of the business of the firm is known as an active or managing partner.

He carries on business on behalf of the other partners. If he wants to retire, he has to give a public notice of his retirement; otherwise he will continue to be liable for the acts of the firm.

b) Sleeping or dormant partner:

A sleeping partner is a partner who 'sleeps', that is, he/she does not take active part in the management of the business. Such a partner only contributes to the share capital of the firm, is bound by the activities of other partners and shares the profits and losses of the business. A sleeping partner, unlike an active partner, is not required to give a public notice of his retirement. As such, he will not be liable to third parties for the acts done after his retirement.

c) Nominal or ostensible partner:

A nominal partner is one who does not have any real interest in the business but lends his name to the firm without any capital contributions and doesn't share the profits of the business. He also does not usually have a voice in the management of the business of the firm, but he is liable to outsiders as an actual partner.

Sleeping vs Nominal Partners:

It may be clarified that a nominal partner is not the same as a sleeping partner. A sleeping partner contributes capital, shares profits and losses, but is not known to the outsiders.

A nominal partner, on the contrary, is admitted with the purpose of taking advantage of his name or reputation. As such, he is known to the outsiders, although he does not share the profits of the firm nor does he take part in its management. Nonetheless, both are liable to third parties for the acts of the firm.

d) Partner by estoppel or holding out:

If a person, by his words or conduct, holds out to another that he is a partner, he will be stopped from denying that he is not a partner. The person who thus becomes liable to third parties to pay the debts of the firm is known as a holding out partner.

There are two essential conditions for the principle of holding out: (a) the person to be held out must have made the representation, by words written or spoken or by conduct, that he was a partner; and (b) the other party must prove that he had knowledge of the representation and acted on it, for instance, gave the credit.

e) Partner in profits only:

When a partner agrees with the others that he would only share the profits of the firm and would not be liable for its losses, he is in own as a partner in profits only.

f) Minor as a partner:

A partnership is created by an agreement. And if a partner is incapable of entering into a contract, he cannot become a partner. Thus, at the time of creation of a firm, a minor (i.e., a person who has not attained the age of 18 years) cannot be one of the parties to the contract. But under section 30 of the Indian Partnership Act, 1932, a minor 'can be admitted to the benefits of partnership', with the consent of all partners. A minor partner is entitled to his share of profits and to have access to the accounts of the firm for purposes of inspection and copy.

He, however, cannot file a suit against the partners of the firm for his share of profit and property as long as he remains with the firm. His liability in the firm will be limited to the extent of his share in the firm and his private property cannot be attached by creditors.

On his attainment of age of consent he has to decide within six months whether he will become a regular partner or withdraw from the partnership. The choice in either case is to be intimated through a public notice, failure of which he will be treated to have decided to continue as a partner, and he/she becomes personally liable like other partners for all the debts and obligations of the firm from the date of his admission to its benefits (and not from the date of his attaining the age of majority). He also becomes entitled to file a suit against other partners for his share of profits and property.

g) Other partners:

In partnership firms, several other types of partners are also found, namely, a secret partner; who does not want to disclose his relationship with the firm to the general public. Outgoing partner; who retires voluntarily without causing dissolution of the firm, limited partner; who is liable only up to the value of his capital contributions in the firm, and the like.

### **Activity 14**

1. A limited liability company is a company with a minimum of 2 persons and a maximum of 50 people whereas a partnership is a business with a minimum of 2 and a maximum of 50 people (Joint stock company).
2. Encourage learners to give examples of joint stock companies in Uganda.

3. The following are the important characteristic features of a Joint stock company.
- (i) An artificial person:  
The company enjoys all the rights as a citizen of a country would enjoy. It can own properties; enter into contracts etc.
  - (ii) Legal formation:  
The formation of a joint stock company is governed by the rules and regulations laid down in the Companies Act, 1956.
  - (iii) Voluntary organisation:  
It is formed by members voluntarily joining the organisation and contributing money or money's worth for the business.
  - (iv) Separate legal entity:  
The company has a separate legal existence. The owners are different from the people who manage the business. The management is, however, headed by owners who are elected directors. The company is separate from the persons who own it. The company cannot be held responsible for any misdeeds of the members.
  - (v) Perpetual succession:  
Unlike sole proprietorship and partnership, the company has continuous existence. The continuity of the business is not affected by the death, insolvency or insanity of any member. "Men may come and men may go, but a company will go until it is wound up."
  - (vi) Limit to liability:  
The liability of the members of a company is restricted to the extent of the unpaid value of the shares held by him/her. The personal assets of a shareholder cannot be used to pay the company's liabilities.



(vii) Large capital:

A joint stock company can generate huge amount of money towards capital, because the number of persons contributing towards capital are more in number when compared to sole proprietorship or partnership organisation.

(viii) Large scale operation:

Since huge amounts are collected as capital, the operation of the business will generally be on a large scale basis.

(ix) Transferability of shares:

The shares of a Joint Stock Company are easily transferable from one person to another, since it is a Public Limited Company. The shares of a private limited company or government company are not transferable.

(x) Common seal:

The company, being an artificial being, cannot affix its signature on the documents on its own. The common seal is used in place of a signature.

### Activity 15

In groups, ask learners to discuss these questions:

1. Why is a limited liability company a separate entity?
2. Why is it called a limited liability company?
3. What are the advantages of joint stock companies?
4. What are the challenges that joint stock companies face?
5. Who meets up the debts of limited liability companies?

#### Merits of joint stock companies

1. Shareholders have limited liability.
2. The business is assured of continuity.
3. It is easier to get capital to invest.

#### Demerits of joint stock companies

1. They are difficult to start.

2. Decision making is slow.
3. Sharing of dividends reduces the amount each gets.

### **Advantages and disadvantages of a joint stock company**

#### **Advantages**

1. **Huge financial resources:** A company can collect large sum of money from large number of shareholders. There is no limit on the number of shareholders in a public company. Since its capital is divided into shares of small value even a person of small means can contribute to its capital by simply purchasing its shares. It facilitates the mobilisation of savings of millions for the productive purposes. In addition, a company can borrow from banks to a large extent and also issue debentures to the public.
2. **Limited liability:** The liability of shareholders in a company is limited to the face value of the shares they have purchased. The limited liability encourages many people to invest in shares of joint stock companies. If the funds of a company are insufficient to satisfy the claims of the creditors, no members can be called to pay anything more than the value of shares held by them.
3. **Perpetual existence:** Due to its separate legal existence, it has perpetual existence. The life of company is not dependent die or become insolvent. The members of a company may go on a company. The stability of business is of great importance to the society as well as to the nation.
4. **Transferability of shares:** The shares if a public company are freely transferable. This transferability of shares brings about liquidity of investment. It encourages many people to invest. It also helps a company in tapping more resources.
5. **Diffusion of risk:** In sole proprietorship and in partnership business, the risk is shared by few persons. But in a joint stock company, the number of shareholders is large, so many persons share the risks. Therefore, the burden of risk upon any individual is not huge. This attracts many investors. It enables companies to take up new ventures.

6. **Efficient management:** In a joint stock company, ownership is separate from management.  
A company has enough resources to utilise the services of experts and managers who may be highly specialised in different fields of management. It can attract talented persons by offering them higher salaries and better career opportunities. The efficient management will help the company to take balanced decisions and can direct the affairs of the company in the best possible manner. It also helps to expand and diversify the activities of the company.
7. **Economies of large scale production:** Large scale production of modern days is the result of company form of organisation. This results in economics in production, purchase, marketing and management. These economies will help company to provide quality goods at lower cost to the consumers.
8. **Democratic management:** The company is managed by the elected representatives of shareholders called the 'directors'. Directors are responsible and accountable to the general body of shareholders. Decisions are taken by a majority of votes completely based upon democratic principles. This prevents in mismanagement of a company.
9. **Public confidence:** A company enjoys a greater public confidence and reputation in the market due to legal control, publicity of accounts and perpetual existence. Audit of Joint Stock Company is compulsory. A company's financial accounts and statements are published, circulated and are open to public inspection. Therefore public have enough faith in it. So, it can get loan from different financial institutions.
10. **Social importance:** The company provides opportunity to mobilise scattered savings of the community. It also creates employment opportunities. Due to large-scale production consumers get cheaper goods. The society is supplied with enough quantity of goods. Government gets income in the form of taxes.

### **Disadvantages**

1. **Difficulty in formation:** A company is not easy to form and establish. A number of persons should be ready to associate for getting a company incorporated. It requires a lot of legal formalities to be performed. The shares will have to be sold during the prescribed time. It is both expensive and risky.
2. **Lack of secrecy:** A company has to observe many legal formalities. Most of the business activities are decided through meetings. Profit and Loss Accounts and Balance Sheet are required to be published. So trade secrets cannot be maintained.
3. **Delay in decisions:** In company decisions making process is time consuming. All important decisions are made by either Board of Directors or by General Annual Meetings. So many opportunities may be lost due to delay in decision making.
4. **Separation of ownership and management:** A company is owned by shareholders but managed by directors. The shareholders play an insignificant role in the working of the company. Though directors are owners of some qualification shares only, the result of their activities are to be borne by all shareholders. The profit of the company belongs to shareholders and the Board of Directors is paid only a commission.

### **Parastatals**

#### **Activity 16**

In groups, discuss and present the following in class

Now that you know the meaning of parastatals;

1. Give examples of parastatals found in Rwanda that you know.
2. Discuss the various benefits /advantages resulting from existence of such enterprises in Rwanda.
3. Discuss the various disadvantages of parastatals.

These are corporations that are owned, controlled and managed by the government or state. The main aim of these

parastatals is to provide specific goods and services that meet the needs of a country at a reasonable price.

The government cannot easily privatise the provision of those utilities for the sake of the welfare of its citizens.

The examples in Rwanda are: WASAC (Water and Sanitation Corporation)

REG (Rwanda Energy Group)

Main features include:

- There are no private shareholders. Government owns 100% shares.
- The government appoints the management board.

#### ***Advantages of parastatals***

- State corporations or parastatals provide vital services at a reasonable price such as water and electricity.
- They are usually service oriented and not profit motivated.
- The profits are used to support the country's national budget.
- They safeguard jobs rather than retrench.

#### ***Disadvantages of parastatals***

- Financial losses of the company are usually borne by the tax payer.
- There is often a lack of proper accountability.
- They are usually not efficient because of political interference.

#### **Exercise**

1. In your opinion, should cooperatives be promoted in your locality?
2. Select a cooperative business in your community that you know and find out the major challenges it faces.
3. Suggest measures to overcome the challenges.

### **Advantages of cooperatives**

1. Shared control of the business.
2. There is continuity even if one member withdraws or dies.
3. Members enjoy limited liability.

Encourage learners to brainstorm on the measures to overcome the challenges in cooperatives.

### **Activity 17**

1. a) Business organisation is the identification of the activities which are to be done, grouping them into different sections as well as designing and delegating the activities to specific individuals while, organisational structure refers to how authority and responsibility for decision making are distributed in the business entity.
- b) Importance of forming departments in a business organisation:
  - It eases management with each departmental head managing a reasonable number of staff instead of all employees being under one manager.
  - It encourages specialisation so that each department specialises in a particular activity or role.
  - It makes coordination and flow of information more organised and systematic.
  - It reduces the workload of the top management as different activities are done by different sections.
  - It enables the organisation to employ specialists so that each department is headed by someone specialised in a given area.
  - Departments ensure accountability since each department is tasked to perform a specific function and is answerable to the top management of the organisation.

### **Activity 18**

#### **Functions of accounting and finance department**

1. This department handles all financial matters and prepares all the accounts of the business. Its functions are as follows:
  - Preparing budgets.
  - Receiving payments of cash and cheques and issuing receipts for such payments received.
  - Keeping all the financial records of the business.
  - Making appropriate payments to suppliers, contractors, employees and service providers.
  - Banking all cash and cheques.
  - Paying taxes and other obligations of the organisation like social security, salaries, wages, etc.
  - Monitoring the movement of financial resources within the organisation and outside the organisation.
  - Producing financial statements for the business especially the income statement, balance sheet, cash flow statement and statement of owner's equity.
2. The human resource department deals with matters related to the employees of the organisation. It performs the following functions:
  - Identifying the need for workers in the organisation.
  - Recruitment and training of new workers.
  - Counseling and guiding workers.
  - Preparing job descriptions and specifications.
  - Laying off workers who are no longer needed by the organisation.
  - Disciplining workers.
  - Managing the payroll.
  - Keeping staff records.
  - Appraising the performance of employees.

- Managing welfare of the workers while at work and create policies that balance the needs of the organisation and the welfare of the workers.
- Motivating workers.
- Negotiating with trade unions.

### Activity 19

1. a) Leadership roles in business
  - **Visionary role:** The leader has the vision of the future and conveys his/her belief to the team.
  - **Executive role:** The leader determines the business objectives to be achieved by the group and directs and coordinates group activities in achieving them.
  - **Planning role:** The leader decides what the group should achieve and how it should be achieved.
  - **Policy making role:** The leader participates in making policies that guide the group activities.
  - **The leader is an expert:** The leader has the expertise and information required by the group.
  - **Controlling relationships:** The leader decides on the internal organisation of the group and influences how people work together in the group.
- b) The personal values and attributes employees look for in an employee.
  - An employee who is talented.
  - An employee with good inter-personal relations.
  - An employ who is a good performer.
  - An employee with relevant qualifications.
  - An employee who is self-disciplined.
  - An employee with good communication skills.
  - An employee who is self-motivated and initiative.
  - An employee who is creative and innovative/who will bring in new blood in the business.



- An employee with problem-solving abilities.
- An employee with leadership abilities.
- An employee with a teamwork spirit.
- An employee who is willing to learn.
- An employee who is hardworking, flexible, trustworthy and open-minded.
- Honesty and integrity.

### **Activity 20**

1. a) The procurement department is responsible for acquiring goods and services necessary for the business to perform its operations while;  
The marketing and sales department deals with generating revenue for the business organisation by selling goods and services.
- b) The functions of the marketing and sales department include:
  - Selling goods and services of the business to customers.
  - Generating demand for the products by identifying new markets.
  - Managing and coordinating all marketing, advertising and promotional activities.
  - Studying and analysing competitors' strengths as a way of developing and selling better products.
  - Developing and implementing marketing plans.
  - Determining and managing the marketing budget.
  - Expanding the market share of the enterprise by attracting new customers and retaining old ones.
  - Coordinating the production and distribution of marketing materials like posters, stickers and radio advertisements as a means of promoting the company products.

- Developing pricing strategies for products.
- Liaising with media to ensure the company is always well covered in the media like on radio, television and newspapers.

### Activity 21

1. (a) **Managerial functions are used to achieve business success**

(i) **Directing**

It involves the implementation of plans by mobilizing individuals and group efforts through motivation, communication, leadership and supervision. Directing may be defined as the process of activating the efforts of employees towards the achievement of organisational objectives.

(ii) **Controlling**

The key to profitable and successful business is how well the manager is able to control its operations in the continuous process of monitoring and guiding the activities of the business to ensure that they are taking place as planned and that the right results are being achieved.

(iii) **Planning**

This enables the manager to set objectives and goals of a business and determine the ways in which they will be achieved for the success of the business.

(iv) **Organisation**

This involves the developing of a framework where total work is divided into manageable components to facilitate the achievement of the set objectives and goals.

**b) Considerations an entrepreneur should make when choosing a business partner**

- **Financial capacity:** How much is a person able to contribute now and in future. People with stable incomes are good because in case of need for additional money, they can contribute.
- **Skills and qualifications needed by the business:** It is always good to choose partners that have skills relevant to the needs of the business.
- **Character of a person:** Choose a person with a character you can handle and fit into the business.
- **Other business interests:** It is always better to have a business partner whose other businesses do not conflict with the business.
- **Vision:** What is the vision of the person in the short term and long term? The person's expectation must match with the vision of the business.
- **Experience in business:** People with experience are better business partners than those without any past experience.
- **Honesty and integrity:** A good business partner should be honest and with integrity as this creates trust and builds confidence in one another.
- **Beliefs and customs:** A person's religion and customs should be able to accommodate all business activities.

**Activity 22**

1. (a) Definition of the following terms as regards employees in a business organisation.
  - **Recruitment:** This is the initial identification of suitable candidates for the job at hand.
  - **Selection:** This is the process of obtaining and using job related information from applicants to their suitability for the job they are being recruited for.

- **Socialising:** This is the process of orienting the selected candidates to the organisational goals, values and culture.
  - **Job analysis:** This is the process of getting detailed information about a particular job, such as, skills, knowledge and attributes an employee must have; new tasks or responsibilities.
  - **Job description:** This informs employees exactly what is expected of them and provides a useful document to refer to when evaluating an employee's performance.
  - **Workforce turnover:** This is the measurement of how many people leave the workplace (voluntarily and involuntarily) over a certain period.
  - **Functional conflicts:** These are conflicts considered to be innovative and creative, encourages performance and helps to collectively achieve goals.
  - **Dysfunctional conflict:** These are conflicts that hinder achievement of your business goals by affecting the employees and ultimately, the business productivity.
- (b) The sources of employees for a business enterprise:
- **Head hunting/talent spotting:** This involves specifying the type of person required and then searching for a person that has those qualities.
  - **Trade unions:** Trade unions normally have a register of people looking for jobs and their qualities, qualifications and skills.
  - **Past applicants:** People who applied for jobs some time back may be called upon to take up vacant positions, if they are still interested in those jobs they applied for earlier.
  - **Media:** Announcements may be placed in newspapers, magazines, radio stations and television inviting interested applicants to apply.

- **Employment agencies:** These are specialised organisations that specialise in recruiting workers for other organisations.
- **Transfers:** This is an internal method of recruitment whereby workers are transferred from one department or branch to another.
- **Referrals:** Current employees, managers, customers and other people may recommend someone for employment.
- **Internships:** Learners often spend some time after college in an organisation learning practical skills. Many employers may identify some hardworking learners and offer them jobs.
- **Schools, colleges and universities:** An organisation may approach a school, college or university to recommend past learners/workers for employment.
- **Internet:** There are many websites on the internet on which vacancies can be posted and interested job seekers apply.

### Activity 23

1. You intend to operate a restaurant in your town.
  - (a) The factors you would consider when recruiting employees in your business.
    - **Sex of the employee:** Naturally some jobs are better suited for men while others are better suited for women.
    - **Age of the employee:** Some jobs require younger people who are physically strong while others require older people who are more stable, careful and experienced.
    - **Cost of the employee:** The cost of the employee in terms of the salary and other benefits the employee receives from the organisation.

- **Experience:** Experienced people are more productive and do not require additional training than inexperienced ones.
  - **Qualifications:** The level of education of the employee is another consideration as some jobs require highly qualified people while others don't require high skills.
  - **Marital status:** The state of being married or single, as some jobs are better suited for single employees rather than married people.
  - **Language and communication skills:** Employees who are able to use more than one language and have good communication skills tend to be preferred.
- (b) **The techniques you would use to motivate employees in your business.**
- Favourable job content
  - Promotion prospects, provision of transparency in business.
  - Performance appraisal of workers.
  - Giving rewards, open communication to employees, improving the working conditions.
- (c) **The methods you would use to appraise the performance of your employees:**
- Ranking,
  - Grading,
  - The rating scale,
  - Open ended method.

#### Activity 24

1. Ways an entrepreneur can maintain good relations with employees in an enterprise
  - Treating all employees with respect and dignity.
  - Practising effective communication in an organisation.
  - Motivating workers such as prompt payments, giving them fringe benefits, etc.

- Putting in place mechanisms or methods of handling their complaints.
  - Showing sympathy to workers in problems.
  - Creating a good working environment such as cleanliness, protecting them from dangerous machineries.
  - Putting in place strict and effective implementation of methods of punishing unethical employees.
  - Practicing, encouraging and providing a good and exemplary leadership.
  - Promoting economic development of employees in an organisation.
  - Allowing or encouraging employees to participate in decision making.
  - Promoting workers in an organisation on merit.
  - Promoting accountability to all workers in an organisation.
  - Promoting fairness to all employees without discrimination.
- (b) What methods can be used by an entrepreneur to assess the candidate's suitability for the job?
- **Written applications** as they give you an understanding of what a person is and has done in the past, in a written form.
  - **Informal chats** allow you to talk to a person to get to know them and very useful when recruiting for upper level jobs and when you need to hire skills other than practical competences.
  - **Work sample tests** assess the ability of the applicant to do an actual task required for the job, e.g. answering a phone, operating a machine or changing a tyre.
  - **Written tests** may include multiple choices, true/false or short answer questions which are useful when you need to determine the level of knowledge or understanding of certain aspects of the job.

- **Presentations** require candidates to prepare a presentation on a set topic for an interview panel especially where it involves making public speeches or presentations which are part of the job such as a sales person.
- **Examples of previous work** are useful if they are relevant to the positions, for example, graphic artists, photographers or furniture makers may present a portfolio of work.
- **Referee checks** are recommended to always be conducted, both verbally and written as they confirm the candidates' claims as well as for concrete evidence not just opinions.

### Activity 25

1. (a) **Management** is the process of dealing with or controlling people and activities to achieve specific objectives and goals.

Also, **management** is a course of action directed in the act of coordinating people's efforts towards a problem solving process that enhances achievement of an organisation's objective through effective and efficient use of available scarce resources in the dynamic global competitive environment.

- (b) Managerial functions

Managerial functions are those routine activities that managers perform and undertake to achieve the objectives and goals of the enterprise. These include:

- **Planning:** Managers plan for the business enterprise by setting objectives and goals of a business and determining the ways in which they will be achieved.
- **Organising:** Managers organise people and resources within the business or organisation to perform specific tasks.



- **Coordinating:** A manager coordinates different workers and different departments of the business so that they work in harmony.
- **Controlling:** A manager measures and evaluates the work that other workers do to make sure that they are doing the right thing.
- **Staffing:** A manager ensures that the business has the right number and quality of people who are able to do what is required of them.
- **Budgeting:** It's the function of the manager to budget for the business as a whole or for specific departments so as to know what resources are required and where the resources are to be used.
- **Motivating:** Managers should inspire and encourage their workers by showing appreciation for the work well done, allowing them to participate in decision making processes, paying their salaries regularly and giving them incentives, bonuses and benefits.
- **Communicating:** It's the function of the manager to pass on information regarding responsibilities, targets to be achieved, suppliers, customers, laws and regulations in the business organisation.
- **Commanding:** Managers give orders and instructions to other staff so that targets and deadlines are met in the business organisation.

### **Activity 26**

1. a) Features in managing an enterprise.
  - Personal involvement of the entrepreneur so as to have a very good understanding of how the various resources are being managed.
  - Organisation of goods and services
  - Ensuring production in an enterprise
  - Ensuring/instilling quality control measures

- Ensuring constant supply of both products on the market as well as supplies
  - Marketing of the products or services
  - Ensuring returns/profitability on investment
  - Proper managing of the finances
  - Watching the competition for business survival
- b) An organogram, also known as an organisational chart is a diagram that shows the structure of an organisation and the relationships and relative ranks of its parts and positions or jobs.
- c) Kinds of information that is provided by an organogram.
- It shows the reporting relationship/seniority in an organisation and avoids misunderstanding in this regard.
  - It improves communication through the appropriate channels.
  - It assists with categorising employees according to an appropriate job grading system that is used for different purposes such as remuneration, employment, equity and skills development – all legal requirements that need to be adhered to.
  - It reflects the relationship between the different departments in the organisation to ensure best practice and alignment with good corporate governance.

### Activity 27

1. (a) How the work schedule helps an entrepreneur in proper management of an enterprise?

A work schedule is the time frame that an employee works during a certain course of time.

Or

A plan of procedure for a project/enterprise, allotting the work to be done and the time for it.

- It facilitates timely completion of the planned activities.
  - It helps in full utilisation of human resource, that is to say, no redundancy.
  - It facilitates proper sequencing of jobs as some jobs need to be completed before others.
  - It helps in proper coordination of departments in an organisation.
  - Leads to full customer satisfaction as their work is done on agreed time.
  - It controls disorder and conflicts in a firm as work is allocated accordingly. No one is overworked.
- (b) Importance of management in a business
- To reduce wastage of resources as it helps a business to efficiently manage the use of resources to avoid wastage.
  - Management helps to coordinate the factors of production so that there is efficiency in the production of goods and services in the enterprise.
  - Management ensures that all business resources are maximumly made use of through coordinating the use of resources, allocating the resources properly and disposing unnecessary resources.
  - Management helps to build commitment among workers through training, rewards and benefits and when there is commitment, productivity increases.
  - Management through such departments such as the legal affairs ensures that all the activities of the business are legal.
  - Management ensures monitoring of the activities and performance of the people within the organisation to increase discipline so that there is efficiency and profitability.

- Business management helps allocate the scarce resources efficiently within the various departments of the business to ensure efficiency and productivity of the enterprise.
- Management in business helps to solve conflicts between individuals within the business, between various departments and even between the business and third parties.
- Business management helps to coordinate the public relations of the enterprise and ensure that the enterprise has a good image which in turn helps it to maintain reputation and customers.

### Activity 28

---

1. (a) What is meant by team building?  
Team building refers to the various activities undertaken to bond and motivate team members and increase team performance.
- (b) Team building is important and a wide range of activities presented to businesses are designed for improving team performance. Team building is important because:
  - It helps to identify and effectively use the strengths of team members.
  - It improves team productivity.
  - It involves every member in goal setting.
  - It makes the workplace comfortable and attractive.
  - It improves communication among team members.
  - It motivates team members.

## Additional Content

---

### Management/managing an enterprise

---

Management is the process of dealing with or coordinating people and activities to achieve specific objectives.

Management refers to the coordination of the activities of an enterprise to achieve defined objectives.

Management involves running a business effectively by combining resources, people and ideas to achieve the business goals and objectives. The person charged with the management of an enterprise is called a manager.

A manager has the responsibility of ensuring and seeing what work is done through people and proper utilisation of resources; gets involved in all business tasks and activities both directly and indirectly in order to achieve the set objectives and goals.

In order to perform the functions effectively and efficiently, it requires the manager to possess suitable qualities/skills which include the following:

- **Technical skills:** A manager should be technically knowledgeable about the business, its production process and its goods and services.
- **Resource management skills:** A manager should be good at managing both people and finances and therefore should possess human and financial management skills.
- **Communication skills:** He/she should be a good communicator.
- **Motivation skills:** He/she should be an effective motivator to encourage his workmates so he/she can easily get things done successfully and satisfactorily.
- **Interpersonal and public relation skills:** He/she should know how to maintain good relationships with workmates and other businesses.
- **Time management skills:** A good manager should be punctual always and good time keeper.

**Conceptual skills:** This is an individual's mental ability to perceive or understand the organisation as a whole and see how the various parts must work together to achieve long term goals.

## **Types /forms of management in business**

---

### **1. Product and service management**

This deals with managing a product or service e.g. product creation, development, production, and distribution and sales.

### **2. Quality management**

This deals with the continuous improvement of the quality/standard of the product or service i.e. continuous improvement, bench marking and re-engineering etc.

### **3. Inventory management**

### **4. Supply chain management**

This deals with the supply sector of the business i.e. managing the purchasing of the inputs and outputs of the given business.

### **5. Logistics and transportation management**

This type of management is most concerned with the flow of materials and goods from the suppliers through the organisation or enterprise and then to the consumers. This highly holds efficiency and cost effectiveness with great concern.

### **6. Facilities management**

In business, the effectiveness of management depends mainly on how facilities are catered for or handled. This type of management deals with facilities such as buildings, computer systems, lighting, etc.

### **7. Configuration management**

It is of paramount significance to track the various versions of products and services in relations to the market situation. It puts into consideration the new products on the market such as software that are continually produced.

## **Management styles**

---

The three most known management styles are democratic, autocratic and consultative. To achieve the objectives and goals of the enterprise, selecting the correct management style may lead to greater motivation and productivity from your

staff. The manager sets the tasks and gives staff complete freedom to complete the tasks as they deem fit.

- a) **Democratic/laissez faire management style:** A democratic manager delegates authority to his/her staff, giving them responsibility to complete the task given to them.
- b) **Autocratic/dictatorship management style:** An autocratic manager dictates orders to their staff and makes decisions without any consultation.
- c) **Consultation management style:** A consultative management style can be viewed as a combination of the above two. The manager will ask views and opinions from their staff, allowing them to feel involved but he/she ultimately makes the final decision.

### Summary of the management styles

	Description	Advantages	Disadvantages
<b>Autocratic</b>	Senior managers take all the important decisions with no involvement of workers.	<ul style="list-style-type: none"> <li>• Quick decision making.</li> <li>• Effective when employing many low skilled workers.</li> </ul>	<ul style="list-style-type: none"> <li>• No two-way communication so can be demotivating.</li> <li>• Creates “them and us” attitude between managers and workers.</li> </ul>
<b>Consultation</b>	Managers make decisions in the best interest of workers after consultation.	<ul style="list-style-type: none"> <li>• More two-way communication so motivating.</li> <li>• Workers feel their social needs are being met.</li> </ul>	<ul style="list-style-type: none"> <li>• Slows down decision making.</li> <li>• Still quite dictatorial/autocratic as the manager makes the final decision.</li> </ul>
<b>Democratic</b>	<ul style="list-style-type: none"> <li>• Workers allowed to make own decisions.</li> <li>• Some businesses run on the basis of the majority decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Authority delegated to workers which is motivating.</li> <li>• Useful when complex decisions are required that need specialist skills.</li> </ul>	<ul style="list-style-type: none"> <li>• Mistakes or errors can be made if workers are not skilled or experienced.</li> </ul>

## **Managerial functions**

---

These are routine activities that managers perform and undertake to achieve the objectives and goals of an enterprise. In all businesses, all managers perform the following functions:

- **Planning:** This involves setting of objectives and goals of a business and determining the ways in which they will be achieved. It is the act of determining what, where, how and when it will be done and who will do it. Planning therefore involves the following:
  - Setting the goals and objectives of the business
  - Determining the alternative courses of action to achieve the goals and objectives.
  - Selecting the best alternative.
  - Formulating strategies to translate the chosen alternatives into action.
- **Organisation:** This involves identification of activities to be done, grouping them into sections and designing the activities to particular individuals to carry them out. The manager organises people and resources within the business organisation to perform specific tasks. Organising includes the following:
  - Identifying and grouping the tasks that must be performed.
  - Developing and keeping up-to-date work plan for the tasks and activities.
  - Assigning tasks to individuals and designing their responsibilities and authority.
  - Delegating authority to chosen employees, like heads of department, managers, etc.
  - Determining the working relationship between and among persons, and designing the structure to ensure cohesive and efficient functioning of the enterprise.
  - Coordinating the activities to ensure that they are done as planned.
- **Staffing:** This involves the process of recruiting, training, developing compensating and evaluating employees who



do the identified tasks. It is the function of the manager to ensure that the business has the right number and quality of people who are able to do what is required of them.

- **Controlling:** This involves looking back at set goals; establishing whether they are being achieved as planned and if not taking correct measures to ensure their achievement. It involves setting goals, monitoring what workers do and making sure that there is no misuse of money, stock, and physical assets. Controlling specifically involves:
  - Establishing standards of accounting
  - Checking how activities are performed
  - Measuring working progress against planned results
  - Interpreting results
  - Taking corrective actions and carrying out the necessary improvements
- **Budgeting:** This is the process of preparing a detailed plan that shows the expected business finances and resources and how they are to be used over a given period of time. It is the function of the manager to budget for the business as a whole or specific departments so as to know what resources are required and where the resources are to be used.
- **Leading:** This involves motivating and guiding the employees about procedures and methods, hence influencing them to work willingly towards the achievement of the set objectives and goals.
- **Motivation:** This is the process of encouraging people to give their best skills and time towards the achievement of the desired goals of the enterprise. It involves showing appreciation for the work well done, allowing them to participate in decision making process, paying their salaries regularly and giving them incentives, bonuses and benefits.
- **Communication:** This involves passing on information and understanding from one person to another. The manager should transmit and share ideas, opinions, facts

and information to his suppliers, workers and customers and also ensure reception of feedback from them

### **Importance of management in business**

---

- **Reduces wastage of resources.** Management helps a business efficiently manage the use of its resources and avoid wastage.
- **Coordinate factors of production to produce goods and services.** Management helps to coordinate factors of production so that there is efficiency in the enterprise.
- **To maximumly make use of business resources** through coordinating the use of resources, allocating the resources properly and disposing of unnecessary resources.
- **To build commitment among workers** which increases productivity. It builds commitment through training, rewards, and benefits as well as setting goals and objectives and help workers have a long term vision of the enterprise.
- **To operate within the laws of the country.** Management ensures that all the business are legal and therefore advise all people within the organisation against activities that may breach the law.
- **To ensure discipline within the organisation.** Management ensures monitoring of the activities and performance of the people to increase discipline so that there is efficiency and profitability.
- **To efficiently allocate resources within the business.** Management helps allocate scarce resources efficiently within the enterprise to ensure efficiency and profitability of the enterprise.
- **To solve conflicts** between individuals, various departments, and even between the business and third parties.
- **To handle public relations:** Business enterprise deals with other parties like suppliers, government departments, and customers with whom they must maintain good relations to ensure the enterprise has a good image.

### **Role of an entrepreneur in the management of an enterprise**

An entrepreneur is very different from a manager. In small enterprises, the entrepreneur performs the following roles:

- **Decision making on business establishment, operation and management**
- **Resource allocation:** He makes decisions on what, how, where, when, and why allocate resources such as time, funds, equipment and machinery
- **Leadership role:** An entrepreneur is a leader who influences, guides and directs other workers to work willingly and committed towards the achievement of the business objectives and goals.
- **Monitoring business environment and gathering information** concerning the enterprise and outside environment affecting the enterprise like changes in consumer tastes and preferences, competitors' targets and strategies, etc.
- **Networking role:** He has to maintain a network of outside contacts through regular communication and cooperation which enables him/her assess his business competitors, social changes, changes in government rules and regulations.
- **Conflict resolution:** An entrepreneur usually solves differences and conflicts within the business among employees and also with other businesses.
- **Figurehead role:** An entrepreneur as the top most manager receives visitors, signs legal documents, invites important customers, represents and gives speeches on public occasions, conferences, etc.
- **Making negotiations:** The entrepreneur makes negotiations on behalf of the enterprise with suppliers, prime customers, financiers, stakeholders, government officials and regulatory bodies.

### **Management tasks**

Management tasks refer to the routine activities performed by specific managers to ensure continued and smooth operation of the business.

These are:

a) **Production Management Tasks**

Production is the process of creating goods or services that a business sells. The production management tasks include:

- Quality control and setting of standards
- Production planning
- Product design
- Stock control
- Maintenance of premises and equipment

b) **Personnel Management tasks**

This refers to human resource management. It deals with the management of people within an organisation. Personnel management tasks include:

- Identify gaps that need to be filled
- Selecting employees and recruitment
- Motivating workers
- Remuneration and compensation
- Conflict resolution
- Preparing job descriptions and specifications
- Disciplining and retiring employees

c) **Financial Management tasks**

These are routine tasks performed within the finance department of the business. These include:

- Recording all financial transactions
- Supervising receipts and expenditure
- Paying debts, salaries and taxes
- Depositing, withdrawing and balancing bank accounts
- Preparing financial statements

d) **Marketing Management tasks**

Marketing is important because it generates revenue by creating market for the business products. Tasks under this department include:

- Market research (identify customers and their needs)

- Pricing of products
- Selling products to consumers
- Promoting products through advertising and promotions
- Attending customer relation

## **Team building**

---

Managing teamwork is the base for every successful management regardless of the size of the business.

Team building refers to the various activities undertaken to bond and motivate team members and increase team performance.

A team is a small number of people with complementary skills who are committed to a common purpose, performance goals and common approach for which they hold themselves mutually accountable.

### **A team is characterised by the following:**

- A team must have a common goal.
- A team must have more than one person.
- Members must be committed to the common goal.
- Decisions are reached by consensus.
- Willingness of members to contribute resources, skills and ideas to help achieve the common goal.
- Productive participation of all members.
- Communication: open, honest and effective exchange of information.
- A sense of belonging-cohesiveness by being committed to understand mandate and team identity.

### **Teams in Businesses**

---

- a) **Finance team:** This is in charge of the financial records, collection of funds, payments and preparation of financial statements.
- b) **Sales team:** This works to ensure business products are sold to customers whenever they are demanded.

- c) **Legal team:** This ensures that the business operates within the law, its contracts are enforced and defends the organisation in courts of law.
- d) **Production team:** This creates the goods and services that the business sells to generate revenue.
- e) **Other teams:** Such as customer care team, support staff team, security team, human resource team, etc.

### **Building Effective Teams**

The following guidelines can be used to develop effective teams:

- Set clear goals for the team, i.e. the goals for each team should be SMART.
- Define a mechanism for clear communication among team members.
- Define a procedure for team members to solve problems and make decisions.
- Define staffing procedures.
- Monitor and report on a team members.
- Assign team leaders to ensure that all members are active in achieving the team goals.

### **Importance of Team Building**

---

- Improves the way team members interact.
- Improves their ability to solve problems.
- Increases efficiency and tends to boost morale and productivity.
- It helps reduce stress among team members.
- Turnover and operating costs tend to reduce.
- Improves attitude to work.
- It involves every member in goal setting.
- It improves communication among team members.

### **Features of a Good Team**

---

- Everyone participates actively and positively in getting things done.
- Team goals should be understood by every member.

- Everyone takes initiative to get things done.
- Each teammate trusts the judgement of others.
- The team is always ready and willing to take risks.
- There is plenty of communication between team members.
- Team decisions are made using organised logical methods.
- Members are carefully listened to and receive thoughtful feedback.
- Full team acceptance is expected as decisions are made.
- Every member should be focused on the ultimate goal of the business.

### **Effective Communication**

---

Communication is the process by which information is transmitted from one person to another through a defined medium.

The person sending the message is called the **sender** and the person who receives and acts on the information is called the **receiver**.

The medium of instruction is the means by which information is sent from the sender to the receiver, which could be a letter, a telephone, e-mail, or any other means.

When a message is received and the receiver acts on the basis of that information, the action taken by the receiver of the message is called a **response**.

**Effective communication** takes place if the receiver of the message is able to understand it and respond to it appropriately. If the message is not well understood and not properly responded to, then there is **ineffective communication**.

### **Communication direction**

---

Basically communication can be in three directions as explained here under;

a) **Downward communication**

This is when the communication is from the high position of administration and the receiver is a subordinate; the production manager for example if he/she is communicating to the company driver.

Under such communication direction, there is one way communication, the receiver gets orders or instructions from the superior and there is no feedback needed.

b) **Upward communication**

This portrays that the message is from the lower levels of administration or the subordinates to the senior staff/boss. The junior communicates to his supervisor. In case the sender requires feedback, then it becomes a two-way communication.

c) **Horizontal communication**

This occurs when the people are at the same stage of position in an organisation communicating to one another, for example, teacher communicating to a fellow teacher.

### **The Communication Process**

---

The communication process involves the sender, medium and the receiver. If one step is missing, then the communication process is incomplete and communication cannot take place.

- a) **The Transmitter or Sender or Source:** This is the person who starts the communication process by sending a message.
- b) **The Message:** This is an idea or information that is to be sent to the receiver.
- c) **The Content:** Message can be verbal or non-verbal.
- d) **The Channel/Medium:** This is the method or means by which a message moves from a sender to a receiver such as a letter, memo, noticeboard, etc.
- e) **The Receiver:** This is the person who receives a message.
- f) **Feedback/response:** This is the reply from a receiver of a message that is sent back to the sender. This ensures



that the message has been received and understood, and if necessary, acted upon.

### **Forms of communication**

There are three basic forms of communication, i.e.

- a) **Verbal communication:** This is the use of spoken words to communicate. The message is delivered by use of spoken words. The following media may be used for verbal communication because they enable the sending and receiving of sound in form of words that can be heard:
  - (i) **Telephones:** These may be mobile telephones, land lines or satellite phones. They allow instant two way communication.
  - (ii) **Radio calls:** These also enable communication by words.
  - (iii) **Radio:** Announcements and news are read for listeners who cannot immediately reply to them.
  - (iv) **Sounds (drums, gunshots, clapping, etc.)** can be used to communicate some information.
  - (v) **Voice Over Internet Protocol (VOIP):** This is a new technology that enables people who are connected to the internet to talk to each other. This includes, Skype, etc.
  - (vi) **Face to face talking:** This involves saying something to somebody as you are facing one another.

### **Advantages of Verbal Communication**

- It allows immediate response and feedback. It is very appropriate for two way communication.
- It is very fast and therefore suitable for urgent information.
- It is very flexible and the message can be adjusted during the process of transmitting it.
- It is easy and natural. It does not require learning anything
- The message can be given out to many people at once
- Since the information is not stored, it can be used for very sensitive information.

- There is personal contact between the sender and the receiver of the message.
- There is no distortion of the message since there are no third parties that would distort the message before it reaches the receiver.
- Facial expressions, tone of voice and gestures that accompany the message may help to reinforce the message and make it clearer.

### **Disadvantages of Verbal Communication**

- There is no record of the message for later use.
  - Communication may be distorted by unusual pronunciation or if the speaker is very fast.
  - If the receivers of the message are many, all of them may not follow at the same rate. Some listeners may not understand.
  - If it is by use of electronic gadgets like telephones and computers, it requires learning by both the sender and the receiver.
  - Noise may interfere with the sending and receiving of the message.
  - Breakdown of the equipment may stop the communication process.
- b) **Audio-Visual communication:** This involves the use of the eyes to receive the information. Audio-visual communication combines the use of sound and sight. Information that can be received visually is available on billboards, signs and gestures, television, charts, photographs, signposts, maps, films and PowerPoint presentations.

### **Advantages of Audio-visual communication**

- The same message can be used to reach many receivers at the same time.
- Such messages can be easily remembered.
- The message can be made very interesting, entertaining and appealing which makes many people want to listen to it.

- The same message can be received over and over again.

#### **Disadvantages of Audio-visual communication**

- The message may be so interesting that the receiver gets so excited and misses the information.
- The messages cost a lot of money to produce and send.
- You may require special equipment to send and receive the message.
- At times, it is difficult to know who receives the message.

- c) **Written Communication:** This involves the use of text that can be read and understood. Information is conveyed in written words in a given language. This may be in form of; letters, memos, circulars, newspapers, emails, reports, notices, faxes and posters.

#### **Advantages of Written communication**

- The message can be stored and used again at a later date in case there is need for reference.
- It is most appropriate for detailed communication like graphs, maps, technical drawings and others.
- It is suitable when there is need to use the information later on in case of court cases.
- It can easily be reproduced by photocopying and then distributed to many people.
- It is suitable for communicating information where the receiver must acknowledge that the message has been received.
- The same message can be used by very many people.

#### **Disadvantages of Written Communication**

- Messages can be only sent and received by people who know how to read and write.
- The blind may not be able to send and receive written communication except by use of specialised equipment.
- The time of delivery can be long and this may delay important information and decisions.
- There is no immediate feedback. It is, therefore, not suitable for emergencies.

- The process of sending written communication may be expensive because of the cost of paper, pen and postage.
- There is no personal contact between the sender and the receiver of the messages.

### **Choosing a Communication channel**

The following factors should be considered in choosing the appropriate medium of communication:

- **Speed:** Some channels are faster than others. For a message that is urgent, the most speedy channel should be used.
- **Distance:** The distance between the sender and the receiver determines the choice of the communication channel.
- **Reliability:** The channel should be reliable so that the messages are not interrupted, lost, distorted or destroyed.
- **Nature of the message.** Some messages are best sent through specific media than others.
- **Confidentiality:** This relates to who should access the message. If the message is private, then the most confidential channels must be selected.
- **Cost of the medium:** This refers to the amount of money spent using the channel of communication. The most cost effective channel should be used.
- **Need for accuracy:** Some channels are more accurate and more suitable for certain kinds of messages. For example you cannot use a telephone to explain the accounts of a business.
- **Legal consequences:** Some forms of communication may not be legally binding and will therefore not be suitable for certain information; for example when appointing someone to a job, the information should be communicated in writing.
- **The receiver:** It is very important to consider the nature of the person receiving the message. The receiver may be able to understand one channel and not another.

### **Importance of Communication in Business**

---

- Communication helps entrepreneurs to know when, how, and where to meet customers.
- It helps the entrepreneurs to keep a good relationship with business customers. E.g. entrepreneurs get complaints from customers about the quality of products and services.
- Communication helps to pass relevant information to the staff of the business which is important while coordinating the different departments of the business.
- It helps entrepreneurs to implement their policies, when he/she makes a decision; he/she has to communicate it to the staff so that they can implement it.
- It is important in recruiting suitable workers for the business.
- Communication increases the sales of the business by informing customers about the presence of goods through advertising, sellers increase demand for their products and getting more profits as a result of increased number of customers.
- Communication promotes good relationship between the employees and the entrepreneur which in turn improves their morale, production and profitability of the business.
- Etc.

### **Essentials of Effective Communication**

---

Effective communication is the process of creating, transmitting and interpreting ideas, facts, opinions, and feelings between two or more people in a business. For communication to take place, the message communicated should be fully understood by the receiver as intended by the sender. The principles or essentials of effective communication are summed up as **7Cs** of communication. For any effective communication to take place, one should consider the following principles:

- **Clear:** The message should be clear and easy to understand. It should not be ambiguous. The sender should use the language the receiver understands.

- **Courteous:** The sender should communicate to the receiver in a respectful way. If the message is not courteous, it may not be well received by the receiver.
- **Concise:** The message should be as brief as possible so that it contains only the information that is required. It should not contain a lot of useless and irrelevant details.
- **Considerate:** The sender should consider the receiver's feelings, religious and cultural beliefs, age, sex, status, etc. If the message is not considerate, it may not generate the required response.
- **Concrete:** The message should be based on facts and the sender should be able to provide evidence of such facts.
- **Correct:** The information should be correct and accurate with a right address so that it is received by the right person.
- **Complete:** The message should be complete by including all relevant details that the receiver needs to be able to understand.

### **Barriers to Effective Communication**

---

A barrier is an obstacle. Communication can become ineffective if any part of the message has a problem. The most common barriers to effective communication are summarised below:

#### **Communication Barriers Related to the sender**

- Sender using difficult, technical language to a receiver who does not have such knowledge.
- Failure to plan and arrange the message before sending it.
- Sender not being clear and specific.
- Sender speaking so fast that the receiver misses some words, especially on telephone or face-to-face communication.

#### **Communication barriers related to the message**

- The message being too long and too detailed.
- Message sent at a wrong time.
- Message being incomplete.
- Message being ambiguous, that is, not clear.

- Message getting lost during transmission.

**Communication barriers related to the medium**

- Medium not functioning (e.g. phone is off, computers are down).
- Medium may not be popular – wrong medium.
- Medium is slow (e.g. posting a letter for a message to be received within a few minutes).
- Medium distorts the message (e.g. you send someone to deliver information and the person forgets some of the information he/she is supposed to deliver).
- Receiver not conversant or not having access to the same medium (putting announcements on the internet for rural farmers).

**Communication barriers related to the receiver**

- Receiver is not attentive or something else is attracting his/her attention.
- Receiver is sick.
- Bias about the source, the medium and the message.
- Receiver does not have trust in the sender of the message.

**Communication barriers related to the environment**

- Noise
- No light to read the message
- Other distractions

## **Public Relations**

---

Every business enterprise deals with the public. They deal with shareholders, customers, suppliers, communities and many others, all of whom need accurate and timely information about different aspects of the organisation.

Therefore, the business enterprise needs to maintain good relations with the public through effective communication.

Public relations is the practice of managing the flow of information between an organisation and the public. The public include the following:

- Employees
- Investors and shareholders
- Suppliers
- Neighbours to the business
- Contractors
- Service providers
- Customers

Public relations is about shaping the image that the public has about an organisation through information. Public relations is used to enhance a company's reputation.

### **Functions of Public Relations**

---

- **Educate the public** about the important issues in the business or things that affect the business.
- **Mitigate negative publicity:** The public relations department must identify any negative publicity against the business and the products and make effort to correct such negativity.
- **Represent the business** at important functions, events and ceremonies.
- **Monitor the media:** Clearly monitor the media for any comments, complaints and issues about the company and its products and take necessary action.
- **Manage crisis:** The public relations department manages crisis periods and ensures that problems like machine breakdowns, late deliveries and poor service do not adversely affect the business and its products. This is called **crisis communication**.
- **Provide accurate information:** It is the duty of the public relations department to provide honest and accurate information about the business.
- **Enforce community relations:** Every business organisation must be seen to be good, important and have the goodwill of the community. Therefore, public relations creates community relations programmes to build the goodwill.



- **Fosters employee relations:** The public relations department maintains employee goodwill and ensures that employees have a good image of the organisation.

### **Tools of Public Relations**

---

- **Press release:** This is a document produced by the organisation and circulated to the press. The press then uses the information to communicate through stories and articles.
- **Photographs:** These may also be used to communicate and create the desired image about an event or situation in the organisation.
- **Advertorial:** These are a combination of an advertisement and an editorial. An advert is accompanied by some write up that explains text about the product or event.
- **Interviews:** This is a meeting with journalists who ask questions and you provide the answers about the organisation.
- **Brochure:** This is a booklet published by an organisation that contains information about the organisation, its vision, mission, ethics, past and present achievements, etc.
- **Letters to editors:** These are letters written to editors of newspapers, journals and magazines often in response to a news article or other published letters and opinions.
- **Conferences:** The most common are press conferences where representatives of various media houses are called upon and a knowledgeable member of the organisation explains the required information.
- **Print media:** The print media, particularly newspapers are the most common tools of public relations. They are widely circulated and readily available to a wide audience.
- **Newsletters and publications:** These are internal publications in which information about the company, its values, achievements, profits, management and other information is produced.
- **Internet:** Notices may be placed on the company website, e-mail, sent to the public and social networking websites like Face-book, Twitter, etc.

## **Public Relations**

---

This is the relationship between the entrepreneur and customers and how customers are treated.

## **Customer care/service**

---

This is the provision of services to customers before, during and after a purchase.

Customer service is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectation.

## **Responsibilities of a Customer Service Officer**

Customer Service Department is designed for the support of customers and it usually comes into action after a product or service has been offered. The responsibilities of the customer service officer include:

- Promote customer care business in the organisation.
- Help customers resolve their queries.
- Develop relationship with the customer bases.
- Follow the code of Business Conduct and Ethics and other related policies, maintaining ethical relationships at all times.
- To answer to the queries of the customers in an ethical and informative way.
- To give appropriate and relevant information to the customers.
- To maintain a position of trust and responsibility by keeping all customer business confidential.
- To update any requests made by the customers into the system to complete the task.
- Self-motivation to increase knowledge and skills by in-house trainings and seminars.
- Have complete knowledge of services rendered, and complete line of products, taking responsibility to stay update and ask for assistance to acquire latest developments.
- Answer confidently or find appropriate solutions to customers' problems.

- To initiate conversation to uncover customers' needs.

**How can a customer care service official provide customer care to his/her customers? / How to be a successful sales person**

A successful sales person is one who realises increased or maximum sales or profits and also maintains the customers. Successful or good salesmanship may entail doing the following:

- Establishing customers' needs by asking questions and listening.
- Offering products and giving advice that satisfies the identified customer needs.
- Warmly welcoming customers with a smile, greeting them and where possible calling them by names.
- Showing interest and readiness in serving the customers and politely telling them to be patient as you attend to all.
- Being polite and friendly makes the customers to feel welcome with a smile as it cost nothing.
- Being tidy and clean.
- Listening carefully and understanding what the customers say and ask to find out what they need.
- Being patient with customers as they decide what they want to buy.
- Being honest and trustworthy for example, telling the right prices and usage of the product.
- Not arguing with customers and not showing them anger but allowing them space for doubt or objection.
- Thanking customers for coming even when they have not bought anything.
- Offering aftersales services such as repair, explaining usage of products.

**As a business manager, what are the benefits of customer care to a business?**

- **Creates a competitive edge:** Good customer service initiates personal touch between the entrepreneur and

customers thus giving the enterprise a competitive edge above others.

- **Secures customer loyalty:** Satisfied customers will keep coming back thus leading to higher and stable sales for business survival.
- **Positive word of mouth advertising:** Satisfied customers spread the good news which establishes a credible positive image for the business and increases its business sales.
- **Job satisfaction:** Good customer may result into a pleasant work environment which could reduce labour turnover, cardiac symptoms and absenteeism, hence job satisfaction.

### **How should a customer care service officer handle customer complaints?**

Customer complaints should be handled politely, sympathetically and above all swiftly. Handling of customer complaints should involve:

- Listening sympathetically to establish the details of the complaint.
- Recording the details together with the relevant material, such as a sales receipt, or damaged goods.
- Offering rectification-whether by repair, replacement or refund.
- Appropriate follow-up action, such as a letter of apology or phone call to make sure that the problem has been solved.

## **Supplier relations**

---

This is an area of a business' activities focused on cultivating positive and beneficial relationships with vendors who provide supplies. This includes suppliers of raw materials, manufactures, and other types of supply partners.

### **Motivation**

---

This is the process of stimulating people to give all the best in order to achieve organisational goals and objectives.

### **Ways of Motivating Employees in an Enterprise**

- Ensuring job security of the employees, whereby the employer will not dismiss them at any time he feels so, without prior notice.
- By giving them fringe benefits such as pension, sick-leave, maternity leave, general welfare, etc.
- By timely and adequate remuneration to workers. When employees get a satisfying payment for a given amount of work done, they become highly motivated.
- Promotion of workers objectively without any bias but only on merit.
- Encouraging teamwork within the enterprise.
- Provision of on job training and sponsoring employees for further studies.
- Proper management of discipline at the work place.
- Giving employees special rewards for specific good results on the work well done.
- Sharing and showing concern for workers' problems.
- Ensuring open communication in an enterprise. Employees should have an opportunity to openly communicate in an enterprise without any special considerations.
- Practising transparent management. Administrators need to be honest and faithful to the people they work with.
- Giving employees a chance to actively participate in decision making as it makes them have a feeling that they are part of the enterprise.
- Ensuring pleasant working conditions for employees.
- Organising staff parties and giving out gifts at the end of the successful periods by management.
- Undertaking performance appraisals which shows their results, recommendation of merits and opportunities.
- Special monthly and annual recognition to employees who have performed exceptionally well.

### **Role/importance of motivating employees in an enterprise**

- It prevents employees from seeking alternative employment opportunities elsewhere.
- It is also very important since it is used as a way of avoiding strikes by employees.
- It makes it easy to achieve the business set targets such as increased sales, cost control, increased production.
- Teamwork, which is a very essential aspect in an organisation can best be achieved through motivating members of an enterprise. This increases productivity.
- If motivation is in terms of money, it helps in improving the employee's standards of living which increases their commitment to the enterprise.
- Motivation helps in enhancing work to be carried out successfully. When individuals are motivated, they will put in more effort hence successful completion of the work.
- Effective motivation creates job satisfaction which results into warm relations between the employer and the employees.
- Motivation enhances cooperation, loyalty and commitment in an enterprise which leads to improved discipline.

### ***Using the additional content***

- Guide learners to do activities 29, 30 and 31 on pages 198-199.

**TOPIC AREA: BUSINESS OPERATIONS MANAGEMENT**

---

**SUB-TOPIC AREA:** Financial Institutions and Markets

## **UNIT 8:** Financial management

**22 periods/lessons**

**Key unit competence:** To be able to evaluate short and long term capital for future investment.

To be introduced to finance management in business.

### **Learning objectives**

---

By the end of this unit, learners should be able to:

- Explain the meaning of finance, financial systems and financial management.
- Explain the functions of financial management.
- Identify the various sources of capital and their advantages and disadvantages.
- Explain the meaning and types of interest.
- Define break-even, payback period and Return on Investment.
- Differentiate the various sources of business capital.
- Know how to compute simple and compound interests.
- Know how to compute the Breakeven point of various businesses.
- Know how to compute the Return On Investment (ROI ) for various business investments.
- Know how to compute the Return on Equity (ROE).
- Know the most appropriate source of capital for a business.

📌 **Refer to pages 203 – 228 in the Learner's book**

### Unit break down

Topic Area	Content to be covered	Number of Periods
Financial management	The meaning of: Finance Financial system Financial management	Two periods
	Money Functions of money	Two periods
	Functions of financial management	Two periods
	Business Capital: Sources	Two periods
	Advantages and disadvantages of sources of capital Uses of capital	Two periods
	Interest	Seven periods
	Breakeven point, Payback period and Return on Investment, Return on Equity	Five periods

### Teaching and learning steps

Teacher is expected to introduce role play, as well as, assigning group work to learners, who will later, pick a group representative to summarise the group work to the, whole class. Teacher should ensure that, there is no sex bias since all learners' contribution is vital in the learning process.

### Learners extension activities

Learners should be assigned an extra task to test their capabilities.

### Suggested answers to different lesson activities

#### Activity 1

1. Business finance may be defined as those activities which have to do with the provision and management of funds for the satisfactory conduct of business.



2. Raising of financial resources (funds) within a school.
  - Budgeting for the enterprise
  - Collection of cash and cheque payments
  - Making payments to credit suppliers
  - Banking of collected cash
  - Keeping of financial records and preparing financial statements and reports
  - Collection of debts
  - Payment of expenses, such as, salaries, wages, bills and dues

### **Effective allocation of financial resources**

#### **Activity 2**

1. Financial management is concerned with efficient acquisition and deployment of both short term and long term resources to ensure the objectives of the enterprise are achieved.

Financial management means planning, organising and controlling financial activities such as procurement and utilisation of funds of the enterprise.

Financial management is the routine functions and activities that are performed within an organisation to ensure efficient use of funds.

Financial management is concerned with raising financial resources and effectively using those resources to achieve the goals of a business organisation.

### Activity 3

1. Raising of financial resources (funds) within a firm and effectively using those resources.
2. Effective allocation of financial resources
  - a) The investment decision
  - b) The financing decision
  - c) The dividend decision
  - d) The working capital management or liquidity decision

#### **Purpose of financial management**

Financial management involves planning, directing and controlling the financial activities of a business organisation to get maximum benefit from the resources.

Financial management involves:

- Budgeting for the enterprise
- Collection of cash and cheque payments
- Making payments to credit suppliers
- Banking of collected cash
- Keeping of financial records and preparing financial statements and reports
- Collection of debts
- Payment of expenses, such as, salaries, wages, bills and dues

#### **Purpose /objectives of financial management**

Financial management is very important for both individuals and organisations because it deals with managing the funds. It is very important to any business because it affects all activities of an enterprise. The purpose of financial management includes the following:

- (i) To ensure regular and adequate supply of funds to the concerned.
- (ii) Ensure that assets are used in a way that brings the highest possible returns.

- (iii) Repaying all borrowed funds using generated profits.
- (iv) Evaluating the need for new assets and determining how much value they will add to the organisation.
- (v) To ensure adequate returns to the shareholders which depend upon the earning capacity and market price of the shares.
- (vi) To ensure optimum utilisation of available funds and resources.
- (vii) Ensuring profitability of the business enterprise by maintaining proper records.
- (viii) To plan a sound capital structure. There should be a sound and fair composition of capital so that a balance is maintained between debt and equity capital.
- (ix) To ensure that an organisation maximizes profits so as to expand the business.
- (x) To ensure that enterprises identify, assess and manage business risks.

## **Key elements of financial management**

### **1. Financial Planning**

Financial planning is the task of determining how a business will afford to achieve its strategic goals and objectives.

Management needs to ensure that enough funding is available at the right time to meet the needs of the business. In the short term, funding may be needed to invest in equipment and stocks, pay employees and fund sales made on credit.

In the medium and long term, funding may be required for significant additions to the productive capacity of the business or to make acquisitions.

### **2. Financial Control**

This refers to controlling (as in [HYPERLINK "http://www.businessdictionary.com/definition/planning.html"](http://www.businessdictionary.com/definition/planning.html) planning, [HYPERLINK "http://www.businessdictionary.com/definition/performance-evaluation.html"](http://www.businessdictionary.com/definition/performance-evaluation.html) performance evaluation, and [HYPERLINK "http://www.businessdictionary.com/definition/performance-evaluation.html"](http://www.businessdictionary.com/definition/performance-evaluation.html) performance evaluation, and [HYPERLINK "http://www.businessdictionary.com/definition/performance-evaluation.html"](http://www.businessdictionary.com/definition/performance-evaluation.html) performance evaluation).

[www.businessdictionary.com/definition/coordination.html](http://www.businessdictionary.com/definition/coordination.html) coordination) of HYPERLINK “<http://www.businessdictionary.com/definition/financial-activities.html>” financial activities aimed at achieving desired HYPERLINK “<http://www.businessdictionary.com/definition/return-on-investment-ROI.html>” return on investment. HYPERLINK “<http://www.businessdictionary.com/definition/manager.html>” Managers use HYPERLINK “<http://www.businessdictionary.com/definition/financial-statement.html>” financial statements (a HYPERLINK “<http://www.businessdictionary.com/definition/budget.html>” budget being the HYPERLINK “<http://www.businessdictionary.com/definition/primary.html>” primary one), HYPERLINK “<http://www.businessdictionary.com/definition/operating-ratios.html>” operating ratios, and other HYPERLINK “<http://www.businessdictionary.com/definition/financial.html>” financial HYPERLINK “<http://www.businessdictionary.com/definition/tool.html>” tools to HYPERLINK “<http://www.businessdictionary.com/definition/exercise.html>” exercise financial HYPERLINK “<http://www.businessdictionary.com/definition/control.html>” control.

Financial control is a critically important activity to help the business ensure that the business is meeting its objectives. Financial control addresses questions such as:

- Are assets being used efficiently?
- Are the businesses assets secure?
- Does management act in the best interest of shareholders and in accordance with business rules?

### 3. **Financial Decision making**

The finance department of a company generates a variety of financial information that is helpful in decision making, including:

- **Profit and Loss accounts** provides details of whether the business is making efficient use of financial resources.

- **Balance Sheet information** provides details of a business's assets and liabilities, as well as the liquidity of the business.
- **Sales and purchases information** sets out particular types of trading accounts with particular customers and suppliers.

By providing a steady and up-to-date flow of information, a business is able to make appropriate decisions about:

- How to reduce costs
- How to increase sales
- How to raise profitability
- When to purchase new capital assets
- The best sources of finance, duration, etc.

### Functions of financial management

1. Estimation of the required capital. A financial manager has to make estimates with regards to:

#### Activity 4

Accounting measures; revenue and expense schedules; wages and balance sheet verification

#### Activity 5

1. Money is something that is accepted as a form of payment for products or services, or for the payment of obligations.
2. Rwanda Francs, dollar, pound, etc

### Money

Money refers to anything that is generally accepted as a medium of exchange and in the settlement of debts and obligations in the economy.

### Historical evolution of money

- a) The barter exchange system: This is where goods and services were exchanged directly for goods and services. Or this is a system of exchange where goods were exchanged for goods and services for services.

### **Problems/limitations of barter trade**

1. Perishability of some commodities because they cannot be stored for a long time.
  2. Lack of double coincidence of wants. It was hard to come across a buyer who wants what you have and has what you want.
  3. It was hard to measure the value of goods and services; for example measuring of a cow in terms of maize.
  4. Goods were not easily divided into smaller units e.g. a cow into smaller pieces to be exchanged for smaller goods like beans.
  5. Lack of standard of differed payments. Lending and borrowing was difficult since it was hard to determine the value to be returned.
  6. It was hard to transport goods from one place to another looking for buyers and sellers.
  7. Limited scope of specialisation. It does not expose the businessman to a number of options.
- b) **The commodity money system:** This is where different commodities were selected and used as a medium exchange. Commodities like cowries shells, salt, tobacco, spears, etc.
  - c) **The metallic money standards:** Here, selected metals were adopted and chosen as money to help in facilitating the exchange of goods and services and settlement of debts. These metals include; Gold, Silver, Copper, Diamond.
  - d) **The gold exchange standard:** During this stage, all societies adopted using gold as the only standard form of money. Gold was used as the determinant value of all goods and service.
  - e) **The paper money:** The original suppliers of money were the goldsmiths. They could get gold from the public and would in turn give these people receipts. People would use these receipts to obtain goods and services; and the person with the receipt would claim the gold, or have the receipt until he/she was paid back.

- f) **E-money (electronic money):** This is the most recent development in money and it includes ATM (automated teller machine) cards, credit cards, etc.

### Forms of money

1. Common money: This refers to the money in the hands of the public/circulation including paper notes and coins.
2. Hard currency /convertible currency/ international liquidity: This refers to money which is internationally accepted and can be easily converted into different forms of currency e.g. Dollars (\$) pound (£) Japanese yen (¥), France's Francs.
3. Fiat money: Money issued by the government/the central bank to be used as medium of exchange during the period of financial crisis.
4. Fiduciary issue: This is money printed and issued by the central bank and not backed by Gold reserves/hard currency reserves.
5. The demand deposits: A deposit of money that can be withdrawn without prior notice, e.g. in a current account. Cheques and bankdrafts are used as a medium of exchange in modern economies.

A demand deposit is an account with a bank or other financial institutions that allows the depositor to withdraw his or her funds from the account without warning or with less than seven days' notice.

### Qualities/ features of good money

- **Acceptability:** Good money must be acceptable to buyers and sellers when carrying out their transactions.
- **Scarcity:** Good money should be relatively scarce and it should only be acquired through hard work.
- **Durability:** It should be long lasting i.e. it should not easily deteriorate in physical quantity and value. It should not wear and tear out easily.
- **Portability:** Should be easily moved with or easy to carry.

- **Stability of value:** Should have a stable purchasing power. Good money should relatively remain stable in terms of value.
- **Divisibility:** Good money should be easily converted/ divided into smaller denominations without losing value in order to cater for small transactions.
- **Homogeneity:** Money of the same denomination should be similar in colour, size and shape throughout the economy.
- **Recognisable:** Money should be easily identified as a particular type of money. All units of a given currency should easily be recognised in terms of colour, size and shape.
- **Should be difficult to forge.** Good money should not be easy to forge. People should find it difficult to forge the features of a genuine currency.
- **Transferability:** Ownership of money should be easily transferred from one person to another without a lot of formalities. Good money should keep on changing hands as a sign of improved economic activity and of increased levels of transaction.

### Activity 6

1. A means of payment, a unit of account, a store of value.
2. Buy books, pens, pencils  
Buy bread  
Pay for picnics  
Pay school clubs
3. It is the exchange of goods and services for other goods and services
4. Exchanging books for pens  
Exchanging books for bread  
Exchanging a shirt for a trouser



**5. Advantages**

- a) Barter trade is not severely affected by inflation and there are no problems of foreign exchange scarcity.

**Disadvantages**

- a) Absence or difficulty of double coincidence of wants
  - b) Measure of value
  - c) Indivisibility
  - d) Portability
  - e) Deferred payments
  - f) Another problem with barter is that it tends to limit the scope of specialisation
  - g) Perishability of commodities was another problem associated with barter trade.
6. The barter system later evolved to the use of commodity money. Some few items were more readily acceptable than others and so became a medium of exchange. Such items were called *commodity money* because in addition to being used as a medium of exchange, they had value in themselves as commodities.

**Stage 1: Barter Trade**

The earliest form of exchange was barter trade i.e. direct exchange of goods for goods and services for services. For example, a farmer with surplus maize exchanges some of his maize for some meat from a hunter. You give something and receive something.

**Stage 2: Commodity Money**

One of the most important improvements over the barter system was the tendency to select one or two items which then became generally accepted because of their qualities in acting as a medium of exchange. Commodities were chosen for a number of reasons; some were easily stored, some had high value densities (high value in a small quantity like gold), others were portable while others were durable. A few commodities particularly gold and silver almost had all these qualities

and were generally acceptable across bigger areas. These commodities, being widely acceptable, would be easy to exchange for others and therefore came to be accepted as money. Examples of such commodities include tobacco, salt, corn, cloth, hides and skins, spears, ornaments like bracelets, cows. These commodities, in addition to acting as a medium of exchange, also had non-monetary value by their ability to directly satisfy wants of man. Cows could be slaughtered for meat, ornaments could be worn, and tobacco could be smoked. These commodities were therefore referred to as **Commodity Money**. They were money and a commodity at the same time.

**Stage 3:** Durable Commodities

Commodity money like cows, shields, iron, spears and corn had numerous limitations like indivisibility, perishability, bulkiness. Imagine someone paying you with something that starts rotting two days later or paying you with a cow which you later discover to be sick. This prompted the use of selected durable, less bulky and more widely acceptable commodities like; copper, iron, beads, cowrie shells and silver.

**Stage 4:** Precious Metals

Scarce but rare precious metals like gold, silver, and copper were then selected to act as a medium of exchange at this stage. These metals could be divided into smaller amounts or units (coins) to facilitate small transactions. These metals acted as good money because they were scarce. Normally, the metals were weighed at the time of the transaction so that the appropriate value was given. With time, the metals were minted into round disks (coins) with the value stamped on them to eliminate the tedious process of weighing. This is how coins came into being.

**Stage 5:** Development of Paper Money

As time went on, goldsmiths emerged and people trusted them to act as custodians of gold. People could deposit their gold with the goldsmiths who would issue receipts

as proof that some amount of gold had been deposited with them. These receipts did not bear the name of the person depositing the gold. It became common for people to give their receipts to others in exchange for goods and services instead of going to the gold smiths first, withdraw the gold and pay for goods. The sellers could accept the receipts being aware that they could, at any time, claim the gold from the goldsmiths by presenting the receipts. These receipts later gained recognition and people could use them in settlement of debts because they were as good as gold themselves i.e. they could be converted to gold whenever they were presented to the goldsmiths (convertible paper money).

The work of the goldsmiths was later taken over by the banks, whereby the gold receipts were standardised to paper money. This paper money was fully backed by gold: it was as good as gold and convertible to gold. Each bank printed and circulated its own receipts (bank notes) and so many bank notes circulated side by side. This continued until government and the central bank took the monopoly of issuing notes.

The gold standard (backing up all paper money with gold) was adopted as a key component of money management for a very long time. Under this system, all the notes issued were fully backed and convertible to gold.

### Activity 7

1. Medium of exchange  
Store of value  
Standard of deferred payments  
Money facilitates specialisation  
Unit of account and measure of value  
Money serves as tool of monetary policy  
Money facilitates borrowing/lending

### **Activity 8**

1. Financial management refers to the routine functions and activities that are performed within an organisation to ensure efficient use of funds.
2. Receiving and recording cash transactions.  
Supervising daily cash receipts and expenditures.  
Banking of surplus cash balances.  
Payment of debts in cash or by cheque.  
Record keeping of all financial instructions.  
Collecting of debts.  
Preparation of financial statements like financial reports, balance sheets, statements of accounts for credit customers, etc.
3. Assessment and valuation of investment opportunities to ensure that the generated resources are invested effectively. This also increases the investment of surplus cash in short term profitable investments.  
Assessment of the optimum amount of asset mix required including the determination of fixed assets, current assets and liquid resources needed by the business.  
Ensuring that stocks of raw materials, finished goods and work in progress are kept at optimum levels is consistent with business efficiency.  
Determining the volume of financial resources required at any given period of time and the acquisition of the required financial resources either internally through profit retention and dividend policy or externally through share issues, debenture issues or acquisition of loans.  
Ensuring that suitable control systems are employed for authorisation of expenditures.  
Ensuring that all risks capable of being calculated are covered by insurance including cover in aspects of accident, fire and consequent loss.

Ascertain that cash available in the business is used as fully as possible throughout the year.

Consideration of the needs of the providers of finance including their required returns on the investment and maximisation of the value of their wealth.

The maintenance of an optimum mix of funding bearing in mind the potential impact of the capital structure on the market value of the business.

### Activity 9

Business capital is the amount of financial resources that is needed by the entrepreneur to properly implement a business plan.

It refers to financial and physical input within the business for purposes of making profits.

**OR.** It refers to the amount of financial and physical resources that is needed by the entrepreneur to properly implement a business plan.

#### Types of Capital

- a) **Seed capital:** This is money you need to do your initial research and planning for your business. For example money needed for business registration, communication and other small expenses before starting the business.
- b) **Start-up capital/working capital:** This is money that helps you pay for equipment, rent, supplies, etc., for the first years of operation. This is basically capital needed to start the business.
- c) **Mezzanine (expansion) capital:** This is funding required to help a company grow to the next level, purchase bigger and better equipment, or move to a larger facility.
- d) **Bridge capital:** This is funding that helps bridge the gap between current financing and the next level of financing.

### Activity 10

1. Personal savings  
Retained profits  
Trade credit or supplier's credit  
Loans from banks and other financial institutions  
Ordinary shares or common stock  
Partners  
Grants

#### Personal savings

Advantages	Disadvantages
<ol style="list-style-type: none"><li>1. No extra costs are incurred by the entrepreneur unlike borrowing from the bank, where one has to pay interest rate, bank charges and many others.</li><li>2. Using personal savings promotes financial discipline on the part of the entrepreneur. He/she would not want to waste his or her hard earned savings.</li></ol>	<ol style="list-style-type: none"><li>1. Personal savings may be too small to start and maintain a good business.</li><li>2. Using personal savings means that the entrepreneur bears all the business risks alone.</li></ol>

#### Retained profits

Advantages	Disadvantages
<ol style="list-style-type: none"><li>1. They have no explicit cost other than the indirect cost of dividend due to the shareholders.</li></ol>	<ol style="list-style-type: none"><li>1. May have a negative information signal to the market. The firm is unable or is denying shareholders dividends.</li></ol>

### Trade credit or supplier's credit

Advantages	Disadvantages
<ol style="list-style-type: none"> <li>1. It reduces the cost of looking for raw material, goods or services needed as they are always delivered to the business premises.</li> <li>2. It reduces the storage costs of the supplier of the products.</li> <li>3. Creates good relationship between the business person and the supplier of goods and services.</li> <li>4. Allows continuity in production as produced goods and services are delivered to the distribution points.</li> </ol>	<ol style="list-style-type: none"> <li>1. Inferior and low quality goods may be supplied to the business person.</li> <li>2. This type of capital leads to inflexibility on the side of the business person.</li> </ol>

### Loans from banks and other financial institutions

Advantages	Disadvantages
<ol style="list-style-type: none"> <li>1. May give you a long time to pay back.</li> <li>2. The banks may help you with financial advice before and after getting the loan.</li> <li>3. There are many banks you can approach and so you have choice.</li> <li>4. Forces the borrower to work harder in order to be able to pay back the money in time.</li> </ol>	<ol style="list-style-type: none"> <li>1. You need security to get the loan.</li> <li>2. The money may not be given to you at the exact time you need it.</li> <li>3. Borrowing from the bank may make the bank have some control over your business.</li> <li>4. In case the business fails to pay back the money, business or personal property may be taken away.</li> </ol>

### Ordinary shares

Advantages	Disadvantages
<ol style="list-style-type: none"> <li>1. It is a permanent source of business capital, has no maturity.</li> <li>2. By issuing its common stock, a firm increases its financial base and future borrowing capacity.</li> </ol>	<ol style="list-style-type: none"> <li>1. Issuance of new common stock may result into dilution of ownership and therefore will have implications on its control.</li> <li>2. Dividends are not tax deductible, expenses making common stock an expensive source of finance through a high cost of capital.</li> </ol>

## Partners

Advantages	Disadvantages
<ol style="list-style-type: none"><li>1. Business partners can always contribute to the business whenever there is need in form of buying more shares.</li><li>2. Business responsibilities and tasks are also shared where many partners contribute capital.</li></ol>	<ol style="list-style-type: none"><li>1. Most partners may not raise as much money as is required.</li><li>2. Personal issues and conflicts may affect the business.</li><li>3. Partners may want quick profits and may constantly withdraw money from the business.</li></ol>

4. **Payroll and its Peripheral Expenses:** Capital is required by the business enterprise to pay for salaries, wages and other pay roll-related expenses like allowances, medical care and others.

**Utilities** (phones, electricity internet/communications): The enterprise needs capital to cater for these expenses.  
**Rent** as a fixed cost of production: the business should be able to pay this cost even before it starts production.

**Supplies:** Supplies may be finished products or raw materials depending on the nature of the enterprise.

**Maintenance:** Maintenance of equipment, premises, vehicles, and machinery is another use of capital in a business enterprise.

**Insurance:** It is always advisable that entrepreneurs take up insurance policies to guard against risks and other business uncertainties that would lead to total loss of business assets and stocks.

Business capital promotes self employment and self-reliance for business people from the capital invested into the business.

Business capital promotes the creation of employment opportunities for the people who do not have the starting capital. This improves their standards of living.



5. Purchase property like land
  - Buy food items
  - Pay rent
  - Pay school fees etc

### Activity 11

1. Interest is the cost for use of borrowed funds.
2. **A variable interest** rate loan is a loan in which the interest rate charged on the outstanding balance varies as market interest rates change. As a result, your payments will vary as long as your payments are blended with principal and interest.  
**Fixed interest** rate loans are loans in which the interest rate charged on the loan will remain fixed for that loan's entire term, no matter what market interest rates do. This will result in your payments being the same over the entire term. Whether a fixed-rate loan is better for you will depend on the interest rate environment when the loan is taken out and on the duration of the loan.
3. Simple interest is the interest paid basing on the principal amount borrowed. This means that the amount of interest is equal throughout the repayment period.

### Activity 12

1.
 
$$\text{Simple interest} = \frac{P \times R \times T}{100}$$
 Where,
  - P = Principal amount borrowed
  - R = Rate of interest
  - T = Time
$$\text{SI} = \frac{125,000 \times 13/2 \times 5/2}{100} = 36,562.5$$

2.

$$\text{Simple interest} = \frac{P \times R \times T}{100}$$

$$\text{Time} = \frac{\text{simple interest} \times 100}{P \times R} = \frac{(89600 - 76800) \times 100}{76,800 \times 5/100}$$

$$= \frac{12,800 \times 100}{76,800 \times 5}$$

$$= \frac{1,280,000}{384,000}$$

$$= 3.33\text{yrs}$$

3.

$$\text{Simple interest} = \frac{P \times R \times T}{100} \text{ So, } P = \frac{\text{S.I} \times 100}{T \times R}$$

$$\text{Principal} = \frac{\text{simple interest} \times 100}{TR} = \frac{2,160 \times 100}{8 \times 25} = 10,800\text{Rwf}$$

4. Compound interest arises when interest is added to the principal, so that from that moment on, the interest that has been added also earns interest.

### Activity 13

$$\text{Simple interest} = \frac{P \times R \times T}{100}$$

$$1. \text{ Interest} = \frac{P \times 12 \times 5}{100}$$

$$I = \frac{60P}{100} = 60P$$

$$A = P + I$$

$$128,000 = P + I$$

$$128,000 = P + \frac{60P}{100}$$

$$128,000 = 100P + 60P$$

$$128,000 = 160P/100$$

$$P = 80,000$$

Therefore, original cost of the car was 80,000Rwf

2.

**1st Month**

$$\frac{2}{100} \times 18,000 = 360$$

$$18,000 + 360 = \underline{18,360\text{Rwf}}$$

**2nd Month**

$$\frac{2}{100} \times 18,360 = 367.2$$

$$18,360 + 367.2 = \underline{18,727.2\text{Rwf}}$$

**3rd Month**

$$\frac{2}{100} \times 18,727.2 = 374.5$$

$$18,727.2 + 374.5 = \underline{19,101.7\text{Rwf}}$$

**4th Month**

$$\frac{2}{100} \times 19,101.7 = 382$$

$$19,101.7 + 382 = \underline{19,483.7\text{Rwf}}$$

**5th Month**

$$\frac{2}{100} \times 19,483.7 = 389.7$$

$$19,483.7 + 389.7 = \underline{19,873.4\text{Rwf}}$$

**6th Month**

$$\frac{2}{100} \times 19,873.4 = 397.5$$

$$19,873.4 + 397.5 = \underline{20,270.9\text{Rwf}}$$

**OR**

$$\begin{aligned} A &= P(1 + r)^n \\ &= 18,000(1 + 0.02)^6 \\ &= 18,000(1.02)^6 \\ &= \underline{20,270.9\text{Rwf}} \end{aligned}$$

Kanimba would therefore pay 20,270.9 Rwf after six months.

3.

$$\text{a) } P = 2,000,000$$

$$I = 245,000$$

$$T = 1\text{year}$$

$$I = \frac{PRT}{100}$$

$$R = \frac{I \times 100}{P \times T}$$

$$2,000,000 = \frac{2,000,000 \times 1 \times R}{100}$$

$$R = 12.2\%$$

$$\text{b) } A = P[(1+R/100)]^n$$

$$2,400,000 = 2,000,000[(1+12.2/100)]^n$$

$$n = 2\text{years}$$

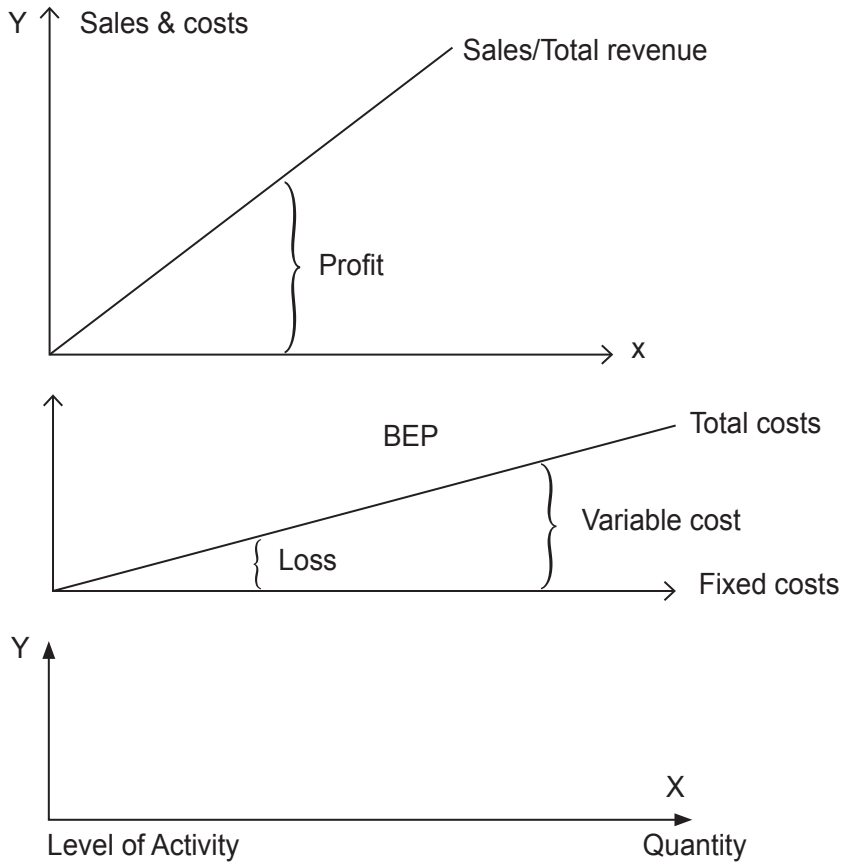
$$\frac{2,400,000}{2,000,000} = (1 + 12.2/100)^n$$

$$\frac{6}{5} = (1 + 0.122)^n$$

$$1.2 = 1.122^n$$

**Activity 14**

1. BEP is that point of sales volume at which total revenue is equal to total costs. It is a no-profit, no-loss point.
- 2.



**Fig.** A chart showing the breakeven point

3. Selling prices and variable costs per unit remain the same at various levels of output.  
Fixed costs remain unchanged at all levels of activity within the given range of time.  
It is possible to distinguish between the cost and sales of single product only.  
The technique of production remains unchanged.

4. This chart is helpful to find the break-even point and profit or loss at a specific level of output.

This chart shows the behaviour trend of cost and sales.

This chart establishes the relationship between costs, sales and profit. This information can further be used to make proper decisions.

This chart helps to find out safety level at a particular level of activity.

5. These are only true within specific levels of activity.

Fixed costs may change at different levels of activity.

Variable costs may not also give a linear trend.

Managerial decisions can alter the fixed and variable costs.

The relevant time factor can affect the chart.

### Activity 15

1.

Price = 1,500 Rwf

Direct material = 400 Rwf

Direct labour = 150 Rwf

Fixed costs = 1,800,000 Rwf, Variable overheads = 50Rwf

a) Total variable costs  $400 + 150 + 50 = 600$ Rwf

$$\begin{aligned} \text{b) B.E.P} &= \frac{\text{Fixed costs (F)}}{\text{Price (P) - variable costs (VC)}} = \frac{1,800,000}{1,500-600} \\ &= 2000 \text{ chocolates} \end{aligned}$$

$$\begin{aligned} \text{c) } Q &= \frac{\text{profit } (\pi) + \text{fixed costs (FC)}}{\text{Price (P) - variable costs (VC)}} = \frac{900,000 + 1,800,000}{900} \\ &= 3000 \text{ chocolates} \end{aligned}$$

d) Contribution per unit produced (P-VC)

$$\text{Price - Variable cost} = 1,500 - 600 = 900 \text{ Rwf}$$

2.

Price = 80,000 Rwf

Variable cost = 25,000 Rwf

Fixed cost = 75,000,000 Rwf

Variable cost = 30,000 Rwf

Total production = 100,000 Rwf

a) Breakeven point in units

$$\begin{aligned} \text{B.E.P (Q)} &= \frac{\text{fixed cost}}{\text{Price} - \text{variable cost}} = \frac{75,000,000}{80,000 - (25,000 + 30,000)} \\ &= 3000 \text{ containers} \end{aligned}$$

Breakeven point in sales

Total revenue = price X quantity

$$= 80,000 \times 3,000 = 240,000,000 \text{Rwf}$$

$$\text{B.E}_{\text{sales}} = \text{B.E}_Q \times \text{Price}$$

**OR**

$$= 3,000 \times 80,000$$

$$= 240,000,000 \text{Rwf}$$

b)

$$\begin{aligned} Q &= \frac{\text{profit } (\pi) + \text{fixed costs (FC)}}{\text{Price (P)} - \text{variable costs (VC)}} \\ &= \frac{100,000,000 + 75,000,000}{80,000 - 55,000} = 7,000 \text{ containers} \end{aligned}$$

c) Margin safety in units

= budgeted quantity – breakeven quantity

$$= 40,000 - 3,000 = 37,000 \text{ containers}$$

Margin safety in sells

= budgeted total revenue – breakeven total revenue

$$= (\text{price} \times \text{quantity}) - (\text{price} \times \text{quantity})$$

$$= (40,000 \times 80,000) - (3,000 \times 80,000)$$

$$= 2,960,000,000 \text{ Rwf}$$

$$\begin{aligned} \text{d) Firm's contribution per unit} &= \text{price} - \text{variable cost} \\ &= 80,000 - 55,000 \\ &= 25,000\text{Rwf} \end{aligned}$$

e) Labour cost increases by 20%  
Selling price reduced to 70,000 Rwf

$$\frac{2}{100} \times 30,000 = 6,000$$

$$\text{New variable cost } 6,000 + 30,000 = 36,000$$

$$\begin{aligned} Q &= \frac{\text{fixed cost}}{\text{Price} - \text{variable cost}} = \frac{75,000,000}{70,000 - 61,000} \\ &= 8,333.333 \text{ containers} \end{aligned}$$

$$\text{f) New contribution} = 9,000$$

$$\text{Old contribution} = 25,000$$

$$25,000 - 9,000 = 16,000$$

$$\frac{16,000}{25,000} \times 100 = 64\%$$

$$\text{g) Profit level/Profit output (Q)} = \frac{\text{profit } (\pi) + \text{fixed costs (FC)}}{\text{Price (P)} - \text{variable costs (VC)}}$$

But, Profit level (Q) = 60% of 100,000 containers (firm production capacity)

$$\begin{aligned} Q &= 60,000 \text{ containers} \\ 60,000 &= \frac{\text{profit} + \text{fixed costs}}{\text{Price} - \text{variable costs}} \end{aligned}$$

$$60,000 (P - VC) = \text{Profit} + \text{F.C}; \text{ Profit} = 60,000 (P - VC) - \text{F.C}$$

$$= 60,000(80,000 - 55,000) - 75,000,000$$

$$= 1,425,000,000\text{Rwf}$$

$$= \frac{60}{100} \times 100,000 = 60,000$$

$$\text{Profit} = 60,000(80,000 - 55,000) - 75,000,000$$

$$= 1,425,000,000 \text{ Rwf}$$



### Activity 16

1. Payback period is the minimum period required to recover the original cash outflow in the investment.

#### **Advantages of payback period**

1. It is quick and simple to understand. The business executives consider the simplicity of this method a virtue.
2. It costs less than most of the sophisticated techniques that require a lot of the analyst's time and use of computers.
3. This method makes it clear that no profits arise till the payback period is over. It helps companies in deciding when they should start paying dividends.
4. The payback period may be very appropriate for the firm suffering from a liquidity crisis.
5. A firm with limited liquidity might use payback as a selection criterion because it emphasises quick recovery of firm's original outlay.

#### **Disadvantages of payback period**

1. The first major shortcoming of payback method is that it ignores all cash inflows after the payback period.
2. This could be very misleading in capital budgeting valuation.
3. It ignores the time value of money.
4. It does not discount the future cash flows but rather treats a franc received from second or third year as valuable as a franc received from first year.
5. Another failure of the payback method is that it does not take into consideration the entire life of the project during which cash flows are generated.
6. As a result the project with large inflows in the later part of their lives may be rejected in favour of less profitable projects which happen to generate a larger proportion of their cash inflows in the earlier part of their lives.

Period	Cash flow	Cumulative cash flow
1	8,000,000 Rwf	8,000,000 Rwf
2	7,000,000 Rwf	15,000,000 Rwf
3	9,000,000 Rwf	24,000,000 Rwf
4	10,000,000 Rwf	

$$\text{Pay Back Period} = A + (B) \times 12$$

C

Where; A = a year before cumulative cash flow is greater than initial cost (year 2)

B = Cost/investment - cumulative cash flow for year A (20,000,000 - 15,000,000)

C = cash flow for the year after A (9,000,000)

$$\begin{aligned} \text{Pay Back Period} &= 2\text{years} + 5,000,000/9,000,000 \\ &= 2.6 \text{ years} \end{aligned}$$

### Activity 17

**Return on investment (ROI):** This is a measure used to calculate the efficiency of an investment or to compare the efficiency of a number different investments.

- Returns on investment (capital) are given by the formula:-  
Returns on capital employed or investment

$$\text{ROI} = \frac{\text{PBIT}}{\text{Capital employed}} \times 100\%$$

$$\text{ROI} = \frac{\text{PBIT}}{\text{CE}} \times 100$$

Where: ROI is a return on investments

PBIT is profit before interest and tax

CE is capital employed

2. The return on equity is defined as;  
“the amount of net income returned as percentage of shareholders equity”

**OR** It is the measure of the efficiency of a firm at generating profits from each unit of shareholder equity, also known as net assets or assets minus liabilities.

$$\frac{\text{Equity earnings}}{\text{Average equity}} \times 100$$

Net Profit

$$\text{ROE} = \frac{\text{NP}}{\text{SE}_{\text{avg}}}$$

Return on Equity  
average shareholders' equity

$$\text{Return on equity} = \frac{\text{Net income} \times 100}{\text{Owner's equity}}$$

$$\text{Return on equity} = \frac{1000 \times 100}{18000} = 5.5\%$$

#### RETURN ON EQUITY WORKSHEET

1. Net Equity	Example	Your Property
Current Market Value	\$120,000	\$ _____
Loan Balance(s)	- 40,000	- _____
Net Equity	\$ 80,000	\$ _____
2. Current Annual Benefits		
Cash Flow before Tax	5,000	_____
+ Principal Reduction	+ 2,000	+ _____
+ Tax Saved	+	+ _____
or		
- Tax Paid	- 1,400	- _____
- Total Annual Benefits	5,800	\$ _____
3. Current Annual Rate of Return		
Total Annual Benefits	- 5,800	_____
Net Equity	- 80,000	_____
Divide Total Annual Benefits by Net Equity		
Rate of Return on Equity	7%	_____

3. Amount of money required  
How quickly the money is needed  
The cheapest option available  
The amount of risk involved is the reason for the cash  
The length of time of the requirement for finance
4. An overdraft from the bank  
A loan from a bank or building society  
The sale of new shares through a share issue

5. Mortgages
  - Bank loans
  - Share issue
  - Debentures
  - Retained profits
  - Hire purchase
6. Day-to-day cash from sales to customers.
  - Money loaned from trade suppliers through extended credit.
  - Reductions in the amount of stock held by the business.
  - Disposal (sale) of any surplus assets no longer needed (such as selling a company car).

## Unit summary

---

**Business finance:** Is defined as those activities which deal with the provision and management of funds for the satisfactory conduct of business.

**Financial management:** Is concerned with the efficient acquisition and development of both short term and long term resources to ensure the objectives if the enterprise are achieved.

**Money:** Is something that is accepted as a form of payment for products or services, or the payment of obligations.

**Functions of money:**

**Functions of financial management:** Determining the volume of financial resource, ascertain the cash available in the business, consideration of the need of the providers of finance.

**Business Capital:** It is the money needed to start and run a business.

**Sources of business capital:** Grants, partners, retained profits, personal savings.

**Breakeven point:** This is a point of sales volume at which total revenue is equal to total cost.

**Payback period:** It is the minimum time required to recover the original cash outflow in the investment.

**Return on Investment:** It is the anticipated profits on investment.

**Return on Equity:** Measures the profitability of equity funds invested in the firm.

**TOPIC AREA: BUSINESS OPERATIONS MANAGEMENT**

---

**SUB-TOPIC AREA:** Financial Institutions and Markets

## **UNIT 9:** Financial Institutions

**22 periods/lessons**

**Key unit competence:** To be able to evaluate the services/products offered by financial institutions.

### **Learning objectives**

---

By the end of this unit, learners should be able to:

- Explain the meaning of financial institutions.
- Appreciate the roles of financial institutions to an entrepreneur.
- Analyse the types, functions/roles of banking and non-banking financial institutions.
- Identify the various financial products and services in financial institutions.
- Explain the different banking documents and the parties involved.
- Explain the steps followed for acquiring a bank loan.

📌 **Refer to pages 229 – 252 in the Learner's Book**

### Unit break down

Topic Area	Content to be covered	Number of Periods
Financial institutions	<ul style="list-style-type: none"> <li>Financial institutions</li> <li>Roles of financial institution to entrepreneurship</li> </ul>	Two periods
	<ul style="list-style-type: none"> <li>Banking financial institutions</li> <li>Types and Functions/roles</li> </ul>	Two periods
	<ul style="list-style-type: none"> <li>Non- banking financial institutions</li> </ul>	Two periods
	<ul style="list-style-type: none"> <li>Types and functions/roles</li> <li>Financial products and services</li> </ul>	Two periods
	<ul style="list-style-type: none"> <li>Banking documents</li> <li>Parties</li> </ul>	Two periods
	<ul style="list-style-type: none"> <li>Bank Loans</li> </ul>	Twelve periods

### Teaching and learning steps

Teacher is expected to introduce role play, as well as assigning group work to learners, who will later, pick a group representative to summarise the group work to the, whole class. Teacher should ensure that, there is no sex bias since all learners' contribution is vital in the learning process.

### Learners extension activities

Learners should be assigned extra tasks to test their capabilities.

### Suggested answers to different lesson activities

#### Activity 1

1. Financial institutions are institutions that deal in providing a variety of financial services to the public ranging from providing safe custody for peoples savings, deposits and withdraw services, payment means and fund transfer, loan services and financial advice among others. Examples of financial institutions in Rwanda include; Bank of Kigali, Ecobank.

2. A financial institution buys and sells foreign exchange.  
Act as referees.  
Act as trustees.  
Agents of stock exchange markets.  
ATM services.  
Custodian of valuable items.  
They advise the customers on business and investment matters.  
Offer credit facilities.  
Provide excellent means of payment.  
Receiving deposits.

### **Activity 2**

1. The central bank is a government/state bank established and managed by the government to control, guide and assist other financial institutions in the country, provide banking services and financial advices to the government and also to act as a major channel through which the government executes its monetary policies. The central bank of Rwanda is National Bank of Rwanda.
2. Issue of currency.  
Banker to commercial banks.  
Banker to the government.  
It is a bank of central clearance.  
It manages the national debts.  
Advisor to the government.  
Lender of last resort.  
Controller of foreign exchange.  
Credit control.



3. These are banks/financial institutions that offer a wide range of banking or financial services that include accepting deposits from clients/customers, safe guarding the deposits received and providing loans plus other facilities such as money transfer facilities, etc, to clients.  
A commercial bank buys and sells foreign exchange.  
Act as referees.  
Act as trustees.  
Agents of stock exchange markets.  
ATM services.  
Custodian of valuable items.  
They advise the customers on business and investment matters.  
Offer credit facilities.  
Provide excellent means of payment.  
Receiving deposits.
4. Examples include: Ecobank, Coge Bank, Bank of Kigali, equity bank, KCB bank.

### Activity 3

1. Development banks are unique financial institutions that act as catalytic agents in promoting balanced development of the country and thereby aid in the economic growth of the country. A development bank is a financial institution dedicated to fund new and upcoming businesses and economic development projects by equity capital or loan capital. Development banks are those financial institutions engaged in the promotion and development of industry, agriculture and other key sectors. Examples of such banks include: Rwanda Development Bank (RDB), Uganda Development Bank (UDB), East African Development Bank (EADB).

2. Financial Gap Fillers; Development banks do not provide medium-term and long-term loans only but they help industrial enterprises in many other ways, too. These banks subscribe to the bonds and debentures of the companies, underwrite to their shares and debentures and, guarantee the loans rise from foreign and domestic sources. They also help undertakings to acquire machinery from within and outside the country.
  - Undertake Entrepreneurial Role
  - Development banks extend financial assistance for meeting working capital and arrange such funds from other sources.
  - Refinance facility
  - Credit guarantee
  - Underwriting of Securities
3. Merchant banking is a combination of banking and consultancy services. It provides consultancy to its clients for financial, marketing, managerial and legal matters.

**The functions of merchant banking are:**

1. Raising finance for clients.
2. Broker in stock exchange.
3. Project management.
4. Advice on expansion and modernisation.
5. Managing public issue of companies.
6. Handling government consent for industrial projects.
7. Special assistance to small companies and entrepreneurs.
8. Services to public sector units.
9. Portfolio management.
10. Corporate restructuring.
11. Money market operation.
12. Leasing services.
13. Management of interest and dividend.

Micro-finance institutions: These are financial institutions that mobilise savings from low income earners as well as provide them with credit where necessary.

### **Functions of micro-finance institutions**

1. To improve the quality of life of the poor by providing access to financial and support services.
2. To be a viable financial institution developing sustainable communities.
3. To mobilise resources in order to provide financial and support services to the poor, particularly women, for viable productive income generation enterprises enabling them to reduce their poverty.
4. Learn and evaluate what helps people to move out of poverty faster.
5. To create opportunities for self employment for the underprivileged.
6. To train rural poor in simple skills and enable them to utilise the available resources and contribute to employment and income generation in rural areas.

#### **Activity 4**

1. They play an important role in facilitating access to credit, procurement and storage, distribution of input and marketing of products. In the process of playing these roles, cooperatives create employment opportunities, particularly in rural areas, and allow disadvantaged groups to be organised for social and economic benefit.

Cooperatives play an important role in mitigating risks and solving pressing social problems by; improving living and working conditions of farmers and factory workers; providing members with financial services to help them respond to unexpected problems.

2. Umurenge SACCO, Kibilizi, Umwalimu SACCO and Tuzigamire SACCO.

### **Activity 5**

1. An insurance company is that company that offers insurance policies to the public, either by selling directly to an individual or through another source such as an employee's benefit plan. An insurance company is usually comprised of multiple insurance agents. An insurance company can specialise in one type of insurance, such as life insurance, health insurance, or auto insurance, or offer multiple types of insurance. Examples of insurance companies in Rwanda include; La Rwandaised'Assurance Maladie (RAMA), SONARWA SA, SORAS SA, Société Rwandaised'Assurances-SORAS SA, Phoenix, AAR Health Services, Military Medical Insurance (MMI), Prime Life Ltd.

Social security fund: The government established the Rwanda Social Security Board (RSSB) after the merger of Social Security Fund of Rwanda (SSFR) with Rwanda Health Insurance Fund (RAMA). The mandate of the institution is to administer social security in the country. The branches currently managed include; pension, occupational risks and health insurance. The benefits offered under the different branches are; old age, invalidity, survivorship, work injuries and work related diseases and health insurance benefits.

A brokerage is a business whose main responsibility is to be an intermediary that puts buyers and sellers together in order to facilitate a transaction. Brokerage companies are compensated via commission after the transaction has been successfully completed.

A mutual fund is nothing more than a collection of stocks and/or bonds. You can think of a mutual fund as a company that brings together a group of people and invests their money in stocks, bonds, and other securities. Each investor owns shares, which represent a portion of the holdings of the fund.

2. Responses from the learners.

3. Income is earned from dividends on stocks and interest on bonds. A fund pays out nearly all of the income it receives over the year to fund owners in the form of a distribution.

If the fund sells securities that have increased in price, the fund has a capital gain. Most funds also pass on these gains to investors in a distribution.

If fund holdings increase in price but are not sold by the fund manager, the fund's shares increase in price. You can then sell your mutual fund shares for a profit.

### Activity 6

1. Ecobank, Coge Bank, Bank of Kigali, Equity bank, KCB bank.
2.
  - Banking and Cash
  - Mortgage
  - Insurance
  - Credit and Loans
3. Date, description, cheque number; value date; debt; credit; balance
4.
  - Digitisation (electronic banking)
  - Mobile banking
  - Electronic banking
  - Phone banking
  - Electronic (E)-statements
  - Online banking/internet banking
  - Real time SMS Alerts (RTAs)
  - Exclusive electronic banking centres
  - Exclusive electronic banking centres
5. **Transaction type; transaction amount; currency; account number; transaction narration; transaction remarks; date / time; account cleared balance; account uncleared balance**

### Activity 7

1. **Bank cheques:** This is an unconditional written order by the drawer to his/her bank to pay a specific sum of money to a specific person on demand.

**Bank deposit slip:** This is a document issued by the bank to its clients to confirm the cash or cheques have been deposited to the bank account.

**Bank statement:** This is a document issued by a bank to its clients for a given period (weekly, monthly). It shows the transactions between the client and the bank over a given period.

**Banker's card:** This is a card that gives details of the client for identification.

**Money transfer slip:** This is a document issued by the bank to its clients to confirm that a customer has given an order to do a transfer of a sum of money to a third party's account either within a country or abroad.

**Withdrawal slip:** This is a document issued by the bank to its clients to confirm that cash or cheques have been withdrawn from the bank account.

2. The teacher will present various banking documents and the learners can then give the details
3.
  - a) 018003590
  - b) Ahimbisibwe Phionah
  - c) 451000
  - d) United Bank for Africa
  - e) Ugx

### Activity 8

1. The person who issued the cheque (Kayitesi) – Drawer.  
The company that receives the cheque (Akagera Motors) – Payee.  
The bank in which Kayitesi has an account and which will make the payment – Drawee bank.

### Activity 9

1.

Drawer	Must grants-uarto
Drawee	Standard Chartered bank
Payee	United Bank for Africa
Account number	0102808045001
Date	23-07-2015
Bank name	Standard Chartered bank
Amount in figures	812,500
Cheque number	001038
Bank branch	Mbarara branch

2. A bank cheque is a written order by an account holder instructing the bank to pay a stated amount of money to a named person.

3. **Bank cheques:** These are unconditional written orders by the drawer to his/her bank to pay a specific sum of money to a specific person on demand.

**Bearer's cheque:** This is a cheque on which the payee is not named such that any person who presents it to the bank receives the payment.

**Open cheque:** A cheque that can be presented for payment across a bank counter. When the cheque is presented to the bank, cash is paid immediately. The payee can hand in the cheque at the bank and get paid cash.

**Crossed cheque:** This is a cheque with parallel lines across its face. This means that the cheque cannot be presented for payment but instead must be banked and the payee gets money from the account on which the cheque is banked.

**Postdated cheque:** A cheque not yet due for payment. This means that the date on the cheque is a future date and the bank cannot pay it until that date.

**Stale cheque:** A cheque that is more than two months old. Such a cheque cannot be paid by the bank.

**Blank cheque:** A cheque that is signed but which does not have the amount of money to be paid written on it.

**Dishonored cheques;** This is a cheque which, when presented, payment is refused by the bank because of insufficient funds or because it is not in order.

#### **4. Advantages of using a cheque**

1. Acts as a record of payment – details of the payment are recorded in the cheque counterfoil which is a record for future reference.
2. Can be used for deferred payment or future payment by writing a post-dated cheque.
3. Convenience: It is more convenient and time saving to write a cheque for a large sum of money than counting a large number of currency notes and coins.
4. Crossed cheques can be sent by post safely compared to cash. Debts can be paid by posting a crossed cheque to the creditor.
5. Effects transfer of money without money leaving the bank.
6. Ensures accuracy of payment: This is because mistakes made in counting large sums of money are avoided.

#### **Disadvantages of using cheques**

1. Cheque books are paid for by the account holder. This means that for every cheque written out the drawer incurs an extra cost.
2. Cheques are not legal tender unlike cash. This means that an individual has the right not to accept a cheque.
3. Cheques written to be paid by up country banks take long to mature and until then the person paid would not be using money.
4. Given the illiteracy rate prevailing in the country, majority of the people do not understand how cheques function.
5. It may be rejected by the bank for reasons say; insufficient funds; it is forged; signature differs, amount in words not corresponding with figures.



6. The person paid may not easily and quickly make use of the money because he has to move to the bank and at times wait for some days before the cheque matures.
7. The system is not suitable for smaller payments like 500Rwf, 1000Rwf.
5. **A cheque may be dishonored due to the following reasons:**
  1. If the cheque is not signed by the drawer or if there are differences in the signatures i.e. the one on the cheque and that on the account.
  2. If the cheque is postdated i.e. when the cheque is presented for payments before its maturing date.
  3. If the cheque is stale i.e. a cheque presented to the bank for payment after a period of validity.
  4. If there are alternatives or cancellations on the cheque which are not countersigned.
  5. When the account is already closed by the drawer.
  6. When the amount in words on the cheque differ a from the amount in figures.
  7. When the amount on the cheque is greater than the amount on the account or when the drawer has insufficient funds on his account.
  8. When the cheque has no date on which it was written.
  9. When the drawer is dead or bankrupt, then the cheque may be dishonored.

### Activity 10

1. A bank loan is a debt financing obligation issued by a bank or similar financial institution to a company or individual that holds legal claim to the borrower's assets above all other debt obligations.

### Types of loans

**Credit Cards:** A credit card is a form of borrowing. It may be a convenient mode of payment as it allows you to buy goods and services without using cash, but it is not intended to be a long term credit facility.

**Overdraft:** An overdraft facility allows you to write cheques or withdraw cash from your current account up to the overdraft limit approved. It is a short term standby credit facility which is usually renewable depending upon the institution policy. It is repayable on demand by the bank at any time.

**Term and Revolving Loans:** With a term loan, you must repay the loan either by instalments over the loan period, or in full at the end of the loan period, depending on the terms agreed with your lender. Revolving loans allow you to use the money up to an agreed credit limit whenever you need it. Once you repay the amount owed, the credit becomes available to draw on again.

**Secured and Unsecured Loans:** A loan is secured when a borrower is asked to pledge assets to the lender as security or collateral for the loan. If the value of the collateral falls below a certain proportion of the loan amount, the lender may ask you to top up the collateral (by pledging more assets). If you cannot repay your loan, the lender can sell off these assets to recover the money owed. If the money from the sale is not enough to recover what you owe, you have to make up the amount (shortfall) still outstanding.

2.

Product	Requirements
Short term loan	<ul style="list-style-type: none"> <li>• Bank statement ( to check turnovers)</li> <li>• Financial card</li> <li>• Audited books of accounts</li> <li>• Collateral; legal mortgage on land &amp; buildings.</li> <li>• Board resolution to borrow (for companies)</li> <li>• Site visit report (both business and collateral)</li> <li>• Key man risk insurance for sale properties.</li> <li>• Copy of the title being pledged as collateral</li> </ul>
Overdraft	<ul style="list-style-type: none"> <li>• Bank statement ( to check turnovers)</li> <li>• Financial card</li> <li>• Audited books of accounts</li> <li>• Collateral; legal mortgage on land &amp; buildings.</li> <li>• Board resolution to borrow (for companies)</li> <li>• Site visit report (both business and collateral)</li> <li>• Key man risk insurance for sale properties.</li> <li>• Copy of the title being pledged as collateral</li> </ul>

Product	Requirements
Temporarily overdraft	<ul style="list-style-type: none"> <li>• Customers must have maintained an account for at least 3 month.</li> <li>• Bank statement ( to check the turn over)</li> <li>• Financial card</li> <li>• Board resolution to borrow (for companies)</li> <li>• Site visit</li> <li>• Key man risk insurance for sole proprietors</li> </ul>

3. The learners in their groups will give some of the procedures that are being used to acquire loans from financial institutions after having gone for the field study.
4. The teacher will guide the learners on how to fill the loan application forms provided.
5. The learners will give live examples and experiences on how they have paid back the loans acquired.

## Unit summary

**Financial institutions:** These are institutions that deal in providing a variety of financial services to the public such as providing safe custody for their saving deposit and withdraw services.

**Roles of financial institution to entrepreneurship:** Providing credit, accepting deposits, giving interest on deposits, facilitating payments and money transfer.

### **Banking financial institutions, types and functions/roles**

Non-banking financial institutions. These are financial institutions which do not create credit but accept deposits from the public such as insurance companies, trust companies, building societies. They provide specialised services that cannot be provided by commercial banks.

**Financial products and services:** These are the activities done by financial intermediaries to meet the needs of the public such as insurance, money transfer, loans.

**Banking documents:** These are the written, digital or printed facts showing transactions between financial institutions and their clients.

**TOPIC AREA: BUSINESS OPERATIONS MANAGEMENT**

---

**SUB-TOPIC AREA:** Accounting and Inventory Management

## **UNIT 10:** Initiation to Accounting

**22 periods/lessons**

**Key unit area:** To be able to recognise the value of keeping accounting records in business.

### **Learning objectives**

---

By the end of this unit, learners should be able to:

- Explain the difference between book keeping and accounting.
- Describe the accounting process.
- Explain the importance of keeping accounting records in business.
- Identify different users of accounting information.
- Define Assets, liabilities and equity.
- Distinguish between cash and credit transactions.
- Identify various source documents for the business.

📌 **Refer to pages 255 – 278 in the Learner's Book**

### **Units break down**

---

<b>Topic Area</b>	<b>Content to be covered</b>	<b>Number of Periods</b>
Business operations management.	Accounting and inventory management	One period

Topic Area	Content to be covered	Number of Periods
	Book keeping and accounting. <ul style="list-style-type: none"> <li>• Explain the difference between book keeping and accounting.</li> <li>• Elaborate the components accounting. i.e recording, classifying, summarising, interpreting and analysing of financial data.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Importance of book keeping and accounting.</li> <li>• Types of accounting.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Users of accounting information. That is to say, internal users and external users.</li> </ul>	One period
	Source documents. <ul style="list-style-type: none"> <li>• Define source document.</li> <li>• Cash receipt</li> <li>• Bank statement.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Cash sale slip</li> <li>• Invoice</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Cash payment</li> <li>• Credit note</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Debit note</li> </ul> Common terms used in accounting. <ul style="list-style-type: none"> <li>• An account, assets, liabilities, petty cash payment voucher.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Capital, debtor, ledger, drawings, stock, statement of account.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Cheque, a delivery note, cheque counter foil, single entry system.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Double entry system, transaction, a trader.</li> </ul>	One period
	The accounting equation. <ul style="list-style-type: none"> <li>• Meaning of accounting.</li> <li>• Define a balance sheet.</li> <li>• Explain the components of a balance sheet.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Deriving capital and liability formula.</li> <li>• Give examples.</li> </ul>	One period

Topic Area	Content to be covered	Number of Periods
	Business transactions. <ul style="list-style-type: none"> <li>• Meaning of a business transaction.</li> <li>• Define cash transaction and explain advantages of selling on cash basis.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Management of cash sales/ cash transaction.</li> </ul>	One period
	Credit transaction. <ul style="list-style-type: none"> <li>• Meaning of credit transactions.</li> <li>• Advantages of credit transactions.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Disadvantages of credit transactions.</li> </ul>	One period
	Installment payment. <ul style="list-style-type: none"> <li>• Meaning of installment payment.</li> <li>• Hire purchase- meaning of hire purchase.</li> <li>• Deferred payment- meaning of deferred payment.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Advantages of installment selling to the buyer.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Advantages of installment selling to the buyer.</li> </ul>	One period
	<ul style="list-style-type: none"> <li>• Disadvantages of installment system to the;                             <ul style="list-style-type: none"> <li>(i) Buyer.</li> <li>(ii) Seller.</li> </ul> </li> </ul>	One period

### Teaching and learning steps

Teachers use groups and facilitate the learners to discuss the meaning of book keeping and recognise the value of accounting records.

#### Activity 1

Instruct learners to form small groups and discuss the distinction between book keeping and accounting.

### Suggested answer

1. Book keeping refers to the recording, classifying and summarising of business transactions in an accurate and systematic way.

2. On the other hand, accounting refers to the recording, classifying, summarising, interpreting and analysing financial information.
3. Book keeping is a component of accounting.

### Activity 2

Ask teams to role play the school departments, for example, academic department, Kitchen department, Head teachers' office, etc which does not keep accounting record and the importance of keeping accurate records of the business.

### Suggested answers

The outcomes of the role play should reflect what happens when an individual does not take record of his her activities of all sorts and also reflect the benefits of keeping records.

### Importance of book keeping and accounting

1. It helps in tax assessment.
2. Book keeping acts as a tool for planning.
3. It acts as a tool of control.
4. Book keeping helps an entrepreneur to ascertain whether the business has realised a profit or it has incurred a loss.
5. Helps an entrepreneur in credit transaction.
6. Book keeping acts as a proof for financial position of the business.
7. It helps to solve disputes among business members e.g partnerships co-operatives etc.
8. Acts as a center for reference whenever information about the business is required.
9. For comparison purposes. For example, to compare the performance of business over time.

### **Activity 3**

In small groups ask learners to discuss who would need/use accounting information in case they owned a business enterprise and kept business records.

#### **Suggested answers**

1. Owners
2. Employers/ managers
3. Shareholders (in case of companies)
4. Government departments
5. Customers
6. Lenders (financial institutions)
7. Creditors
8. Local community

#### **Types of accounting**

Accounting is divided into three categories:

1. Management accounting
2. Financial accounting
3. Cost accounting

#### **Users of accounting information**

There are many users of accounting information who will use them, make judgements and influence decision related to the business. These include:

##### ***Internal user***

1. Owners
2. Employers/ managers
3. Shareholders (in case of companies)

##### ***External users***

1. Government departments
2. Customers
3. Lenders (financial institutions)
4. Creditors
5. Local community



## Common terms used in accounting

### Activity 4

Ask learners to identify as many concepts in accounting as possible and then do research on their application in daily life and in carrying out transactions.

1. **Account:** An account is a record of transactions. It is a page in a ledger book where details of transactions of the same nature are recorded.
2. **Assets:** These are business possessions that have monetary value. Assets are divided into three types, that is to say;
3. **Fixed Assets:** These are assets that are owned by the business for a period more than one year and they are not for resale. Examples of fixed assets include: Land, vehicles, computers buildings etc.
4. **The intangible assets:** These are assets which cannot be seen physically (intangible) or non-material possessions of the business for example; copyrights, company name, goodwill, trademark, etc.
5. **Current assets:** These are valuable resources that a business owns for a short period of time; that is usually one year. They can be turned into cash or they are used in the production process during the year. Examples include; stock, cash, debtors and prepaid expenses.
6. **A petty cash payment voucher:** This is a document prepared to petty expenses in an enterprise. Payments for small expenses like brooms, cleaning, pens etc are recorded in this voucher.
7. **Capital:** This is property or money that is invested in business by the owner(s).
8. **Debtor:** A debtor is a person or company that took goods or obtained services on credit. For example, Vanessa sells Vanina 5 lip shiners but Vanina promises to pay at a future date. Vanessa calls Vanina a debtor and she remains a debtor until she pays the money. The amount of money still held by a debtor is called a **debt**.

9. **Debiting:** This refers to the recording of date on the left hand side of the T-ledger account.
10. **Ledger:** It is a book of accounts in which the results of business transactions are arranged under suitable titles, for example, purchases account, sales account, equipment account, transport account, etc.
11. **Drawings:** This refer to the monetary value of goods and services taken out of business by the owner for personal use.
12. **Entry:** It is when a transaction is recorded once in the books of accounts.
13. **Expenses:** It is the monetary value paid or payable for goods and services in the course of business transaction.
14. **Purchases:** These are goods bought for resale or for use in the business for production of more goods and services.
15. **Stock:** These are goods not yet sold or goods still undergoing the production process like raw materials.
16. **Liabilities:** These are obligations against the business for example, loans, creditors, bank overdraft, etc. Liabilities are classified into two, that is to say, Long term liabilities and current liabilities. Long term liabilities are liabilities that have to be after a specified period of time say five years like loans; current liabilities are paid recurrently or continuously as they reoccur; utilities (water, electricity, salaries of workers, etc).
17. **Statement of account:** This is a chronological list of transactions between two parties for a particular period of time i.e between a debtor and a creditor.
18. **A cheque:** This is a written order from a depositor telling the bank to pay cash to the person or business named on the cheque.
19. **A delivery note:** This is a document issued by the seller showing goods delivered or taken by the buyer.
20. **Cheque counters foil:** This where the details of the information on the cheque issued is recorded and

detached when the cheque is made. It gives good accountability for the money spent by the business.

21. **Double entry:** Is a system followed in accounting where a transaction is recorded twice in the books of accounts. In one account the transaction is debited and then credited in the other.
22. **Transaction:** A transaction is the smallest unit of a business activity. It is a deal between two or more people that involve exchange of goods and services for money.
23. **A trader:** This is a person who buys goods and resales them for a profit.

## The Accounting Equation

The fundamental equation of book keeping is the equality between the assets and liabilities of the business. This equation, known as the accounting equation or the book keeping equation, is the guiding element in the preparation of the balance sheet.

### Activity 5

In groups of four, ask learners the meaning of a balance sheet. Let them discuss what comprises a balance sheet, giving examples of the component of the balance sheet and using them to prepare a balance sheet of their format.

### Suggested answers

A balance sheet is a statement that shows the assets and liabilities together with capital of the business in a given period of time. It measures the financial position of a business.

A balance sheet has two sides and the two sides of the balance sheet should always be equal. This is because one side shows where the business' resources come from (Capital or owners' equity + Liabilities) and the other shows how the resources have been used by the business (Assets).

**Note:** All resources owned by the business are referred to as **Assets**. All money or items due to people or organisations outside the business are known as the **liabilities**. Among the liabilities are any resources of the owner(s) that have been invested in the business as **capital (Owners' equity)**.

The equality between assets and liabilities and owners' equity is expressed by the accounting equation, that is;

**Assets = Liabilities + Owners' equity.**

Therefore, the accounting equation is usually shown as:

**ASSETS = CAPITAL + LIABILITIES (A = C + L)**

From the above equation, we can derive the capital and liability formulae as follows:

**Capital = Assets – Liabilities (C = A – L)**

**Liabilities = Assets - Capital (L = A - C)**

If the business transactions are recorded properly, the accounting equation is always “in balance”. This means that the left hand side of the equation is equal to the right hand side of the equation.

The table below shows four businesses. Use the accounting equation to determine the values of W, X, Y and Z.

	<b>Assets</b>	<b>Liabilities</b>	<b>Capital</b>
Remera Traders	X	900,000 Rwf	285,000 Rwf
Vision 2020 Traders	685,000 Rwf	Y	340,000 Rwf
Ubumwe and sons	792,000 Rwf	578,757 Rwf	Z
Rwagasabo Ltd	W	667,842 Rwf	695,980 Rwf

**Suggested answers**

	<b>Assets</b>	<b>liabilities</b>	<b>capital</b>
Remera Traders	1,185,000 Rwf	900,000 Rwf	285,000 Rwf
Vision 2020 Traders	685,000 Rwf	345,000 Rwf	340,000 Rwf
Ubumwe and sons	792,000 Rwf	578,757 Rwf	213,244 Rwf
Rwagasabo limited	1,363,822 Rwf	667,842 Rwf	695,980 Rwf

$$\begin{aligned} X &= \text{Assets} = \text{Capital} + \text{Liabilities} \\ &= 900,000 + 285,000 \\ &= 1,185,000 \text{ Rwf} \end{aligned}$$

$$\begin{aligned} Y &= \text{Liabilities are} = \text{Assets} - \text{Capital} \\ &= 685,000 - 340,000 \\ &= 345,000 \text{ Rwf} \end{aligned}$$

$$\begin{aligned} Z &= \text{Capital} = \text{Assets} - \text{liabilities} \\ &= 792,000 - 578,756 \\ &= 213,244 \text{ Rwf} \end{aligned}$$

$$\begin{aligned} W &= \text{Assets} = \text{Capital} + \text{Liabilities} \\ &= 667,842 + 695,980 \\ &= 1,363,822 \text{ Rwf} \end{aligned}$$

### Activity 6

- (i) Assets – something of value that a business or organisation owns. Examples include cash, land, etc. Assets can be either fixed assets or current assets.
- (ii) Liabilities – claims of creditors against the assets of the business. Examples include creditors, loans, etc. Assets can be either long term liabilities or short term liabilities.
- (iii) Owner's equity (capital) – this is the claim of the owner against the business assets.

### Activity 7

$$\text{Owner's Equity} = \text{Total Assets} - \text{Total Liabilities}$$

**But**

$$\begin{aligned} \text{Total Assets} &= \text{Stock (96,000)} + \text{Cash at bank (10,500,000)} + \text{Debtors (2,100,000)} \\ &+ \text{Motor Van (8,200,000)} + \text{Equipment (1,945,000)} + \text{Land (920,000)} \\ &+ \text{Raw materials (200,000)} = 23,961,000\text{Rwf} \end{aligned}$$

$$\begin{aligned} \text{Total Liabilities} &= \text{Creditors (1,420,000)} + \text{Rent payable (543,000)} + \text{2 year loan (17,567,000)} \\ &+ \text{Bank Overdraft (300,000)} = 19,830,000\text{Rwf} \end{aligned}$$

Therefore,

$$\begin{aligned} \text{Owner's Equity} &= 23,961,000\text{Rwf} - 19,830,000 \text{ Rwf} \\ &= \mathbf{4,131,000\text{Rwf}} \end{aligned}$$

## Business Transactions

### Activity 8

Ask learners to use various resources to discover the meaning of a transaction, a cash transaction and a credit transaction.

#### Suggested answers

1. A transaction is an agreement between buyers and sellers to exchange goods and services for money.
2. A cash transaction is when cash or cheque is used in buying and selling of goods and services. Buying something by paying cash or cheque instantly is called cash purchase while selling goods or services to someone for cash or cheque is called cash sale.
3. Credit transaction is when the business supplies or is supplied with goods or services without paying cash / on credit and receives payment or pays after a certain future date.

#### A Cash Transaction

Cash transaction is when cash or cheque is used in buying and selling of goods and services.

### Activity 9

Ask learners in groups to suggest benefits and disadvantages of selling goods and services by cash only.

#### Suggested answers

1. It enables the business owner to plan for his/ her capital.
2. Business reduces the risk of losing money through bad debtors.
3. The entrepreneur may not frequently borrow money to finance his/her purchases since he/she is likely to have enough cash to utilise.
4. The entrepreneur would be free from accounting work which involves some expenses.

5. The entrepreneur is likely not to be involved in legal expenses in case the buyer fails to pay the amount due.
6. It promotes selling of products in relatively small quantities since the customers can afford to pay for them instantly
7. It enables the seller to pay his/her creditors promptly which can help him/her benefit by receiving cash discount.

### **Management of cash sales (cash transactions)**

In order to ensure that cash is properly managed, an entrepreneur should:

1. All cash received in a business should be banked.
2. All cash receipts and other documents for cash should be kept for reference.
3. The entrepreneur has to avoid using business money for personal uses.
4. All the cash received should be receipted and accounted for.

### **Credit transaction/trade credit/supplier credit**

This is when the business supplies or is supplied with goods or services without paying cash / on credit and receives payment or pays after a certain future date.

#### **Activity 10**

Divide learners in groups to discuss the advantages and disadvantages of credit transaction. Or they role play the good and bad side of credit transactions.

### **Suggested answers**

#### **Advantages**

1. There may be no interest charged on raw materials or goods or services obtained on credit hence profits of the firm may increase.
2. It is a way of promoting sales of a certain business since credit transactions attract customers to the business.

3. It enables a business to acquire the needed raw materials and services for the production process.
4. It enables business to reduce the storage costs since it can supply the products and then receive payments later.
5. It creates a good relationship between the seller/supplier and the customer (buyer).
6. Credit transactions fetch more profits since they do not involve discounts.

### **Disadvantages**

1. It may lead to loss of money by a business if customers fail to pay their debts (Bad debtors).
2. The entrepreneur may fail to raise enough finance to run the business, that is, may fail to purchase raw materials, pay worker and other utilities due to shortage of funds.
3. Credit transactions may also force the entrepreneur to depend on borrowed funds. This increases the costs of business operation because of interest charged on borrowed funds.
4. It causes conflicts between buyers and seller.
5. Administering credit requires much paper work.
6. Under credit, a buyer may not be in position to bargain, so the seller may over charge.

### **Instalment Payment**

This system allows a customer to pay a certain portion of the price of the goods or services on the day he/she takes them and promises to pay the remaining amount in agreed portion, at regular intervals until when the whole amount is settled.

#### **Activity 12**

**Ask learners to role play.** Teams should demonstrate people buying and selling product through installment payment and then after discuss the advantages and disadvantages of this mode of business transaction.



### Suggested answers

1. Learners to role play how people buy by hire purchase.  
Instalment credit may be under:
2. Hire purchase
3. Deferred system.
  - a) **Hire purchase:** Under this system, the buyer takes possession of the goods but ownership is not his/hers until the last instalment is paid.  
He/she is require to pay a certain amount percentage known as down payment or deposit payment and the remaining balance is paid in agreed time. When the buyer fails to pay, the goods will be repossessed by the buyer and the already paid instalments are not refunded.
  - b) **Deferred payment:** This enables the buyer to have possession of the goods and to have full ownership on payment of the first instalment. If the buyer fails to pay all instalments as agreed, the seller cannot repossess the product, but takes court action to recover the money not paid.

### Advantages of instalment payment

1. **To the buyer**
  - a) Obtaining expensive goods.
  - b) Raise standards of living.
  - c) Bank security.
  - d) Convenience.
  - e) Partial payment.
2. **To the seller**
  - a) Increasing the turnover.
  - b) Increase sales.
  - c) Repossession is possible.
  - d) High profits are realised.
  - e) Defaulters can be eliminated.
  - f) Facilitates continuous business.

### **Disadvantages of instalment system**

#### ***To the buyer***

- a) Consumers may be induced to buy products they cannot actually afford.
- b) Commodities are expensive.
- c) High interest charged.
- d) Burdens the buyers.
- e) Lacks full rights over goods.

#### ***To the seller***

- a) Ties up capital.
- b) Items repossessed may not easily sell.
- c) As a result of regular payments, a lot of book keeping is involved and this increases the administration costs.
- d) May spoil business image.
- e) May lead to total loss.

### **Source Documents**

---

Source documents are documents which provide the accounting information when required.

#### **Activity 13**

---

Ask teams to identify source documents used for different transactions. Teams practice writing out a variety of sample source documents and point out their relevancy.

#### **Suggested answers**

---

- a) Cash receipt
- b) Bank statement
- c) Cash sale slip
- d) Invoice
- e) Cash payment voucher
- f) Credit note
- g) Debit note

Ask learners to practice writing the above source documents.

Learners should point out the relevance of each of the above mentioned source documents.

**a) Accounting**

Accounting is an art of recording, classifying, analysing and summarising transactions in terms of money and interpreting the results thereafter.

**b) Book keeping**

Book keeping is the classifying, and recording of financial transactions in books of accounts such as cash books and journals.

Book keeping is also defined as the process of recording business transactions accurately and systematically in an enterprise.

**Importance of accounting**

1. **To ascertain profits or losses:** Accounting records helps to ascertain whether the business has made profits or losses in a given accounting period
2. **Helps in credit dealings:** Most business firms find it necessary and fit to extend credits to their trustworthy customers in order to increase sales. These transactions are made on the basis of promises-to-pay in future and therefore these records help businessmen to demand such debts or pay such creditors.
3. **Proof of financial position:** Accounting information gives a proof of the financial position of the business. This proof is contained in the income statement and balance sheets.
4. **Acts as a tool of control:** Accounting information acts as a tool of control in any enterprise since any sizable business would have a number of properties and departments with records regarding different transactions that are properly kept.
5. **Helps in assessment of tax:** In order to be able to calculate and pay a correct amount of tax, the businessman must know his exact amount of sales

revenue and expenditures which are only got from accounting information in the records of the business.

6. **Acts as an aid and a basis for future planning.** If accounting information is properly maintained in the enterprise, it acts as a base for future planning.
7. Records help the entrepreneur when applying for a loan from financial institutions.
8. Accounting records also help in directing and guiding investors who would wish to invest in the business by buying the shares or as the records help them to make appropriate decisions whether to buy share in the business or not.
9. Acts as reference centers whenever information on business is required especially by researchers.
10. Information helps in resolving business disputes especially among partners, company shareholders and comparatives.

### **Different users of accounting information**

These could either be internal or external users.

Internal users or parties are the ones who take part in the day-to-day running of the business, whereas, external users are the ones who do not take part in the day-to-day running of the business but are stakeholders and make decisions that have an effect on the business.

1. **Lenders** e.g. banks, finance companies, might need to know how much money the organisation already has, how much it already owes others and whether it owns anything of value which could be used as a security for any unpaid debts.
2. **Suppliers of goods and services to organisations:** These need to be sure that their bills will be met, so they will be interested in the ability of the organisation to access funds quickly.
3. **Customers' confidence in the business:** Customers also need to be assured that the business is sound and a reliable source of supply, and is not likely to close or fail to provide the required goods and services.

4. **Tax authorities** e.g. Revenue and customs tax collectors need to know how much profits the organisation has made or it will make and how much tax has to be paid.
5. **Owners / shareholders** particularly if they are not involved in the day to day running of the organisation, might need an overview of the state of the organisation from time to time.
6. **Prospective buyers:** These might need to know the value of business items and how much profits it has made in the past, in case the owner wants to sell it.
7. **Financial analysts and advisors:** These will require information from investors / entrepreneurs to provide a statistical data for publication or submission to the government.
8. **Prospective partners:** If the owner wants to share ownership with somebody else, the person will need accounting information about the business.
9. **Investors either existing or potential ones:** They will want to know whether to invest their money in the business or not.
10. **Competitors:** They are interested in accounting records of the firm in the same industry in order to compare their own performance against that of their competitors so as to improve upon their performance.
11. **Employees of an organisation** who need to be assured of the security of their jobs.
12. **Managers of the organisation** and the type of the information they need include all the items mentioned for external users. In addition, they need detailed information about costs incurred by individual departments or products.

### **The Accounting Process (The Accounting Cycle)**

The accounting process is a series of activities that begins with a transaction and ends with the closing of the books. Because this process is repeated each reporting period, it is referred to as the accounting cycle and includes these major steps:

1. Identify the transaction or other recognisable event.

2. Prepare the transaction's HYPERLINK "<http://www.NetMBA.com/accounting/fin/process/source/>" source document such as a purchase order or invoice.
3. Analyse and classify the transaction. This step involves quantifying the transaction in monetary terms, identifying the accounts that are affected and whether those accounts are to be debited or credited.
4. Record the transaction by making entries in the appropriate journal, such as the sales journal, purchase journal, cash receipt or disbursement journal, or the HYPERLINK "<http://www.NetMBA.com/accounting/fin/process/journal/>" general journal. Such entries are made in chronological order.
5. Post general journal entries to the HYPERLINK "<http://www.NetMBA.com/accounting/fin/process/ledger/>" ledger accounts.

The above steps are performed throughout the accounting period as transactions occur or in periodic batch processes. The following steps are performed at the end of the accounting period:

6. Prepare the unadjusted HYPERLINK "<http://www.NetMBA.com/accounting/fin/process/trial/>" trial balance to make sure that debits equal credits. The trial balance is a listing of all of the ledger accounts, with debits in the left column and credits in the right column.
7. Correct any discrepancies in the trial balance. If the columns are not in balance, look for math errors, posting errors, and recording errors. Posting errors include:
  - a) Posting of the wrong amount.
  - b) Omitting a posting.
  - c) Posting in the wrong column.
  - d) Posting more than once.
8. Prepare HYPERLINK "<http://www.NetMBA.com/accounting/fin/process/adjusting/>" adjusting entries to record accrued, deferred, and estimated amounts.
9. Post adjusting entries to the ledger accounts.

10. Prepare the adjusted trial balance. This step is similar to the preparation of the unadjusted trial balance, but this time the adjusting entries are included. Correct any errors that may be found.
11. Prepare the HYPERLINK "<http://www.NetMBA.com/accounting/fin/process/statements/>" financial statements.
  - a. Income statement: prepared from the revenue, expenses, gains, and losses.
  - b. Balance sheet: prepared from the assets, liabilities, and equity accounts.
  - c. Statement of retained earnings: prepared from net income and dividend information.
  - d. Cash flow statement: derived from the other financial statements using either the direct or indirect method.
12. Prepare HYPERLINK "<http://www.NetMBA.com/accounting/fin/process/closing/>" closing journal entries that close temporary accounts such as revenues, expenses, gains, and losses.
13. Post-closing entries to the ledger accounts.
14. Prepare the after-closing trial balance to make sure that debits equal credits. At this point, only the permanent accounts appear since the temporary ones have been closed. Correct any errors.

### **Source Documents**

A source document is a document which provides the accounting information when required.

Source documents ensure that there is documentary evidence to support the purchase or sale of items of value and the receipt and payment of money.

Source documents provide the evidence or proof that a transaction has actually occurred which makes it difficult for people to misappropriate or steal cash or other resource items from the business.

### **Accounting source documents are required for:**

1. Providing evidence for the transaction that has taken place in the business.

2. Enforcing discipline among management and staff by ensuring all transactions are recorded.
3. Providing necessary information used to post information to books of accounts.
4. Ensuring that business resources, especially money are not misused or embezzled since whoever handles them writes and signs for them in a source document.
5. Making investigations for the missing resources, especially money.
6. Cross checking and correcting errors in financial records.
7. Satisfying the requirements of the tax law in regard to proof of income and expenditure.

A source document should describe all the key aspects of the transaction such as:

1. The names and addresses of the entity buying/selling the good/services.
2. The date when the transaction occurred.
3. The amount of the transaction.
4. The amount of any taxes.
5. The nature and purpose of the transaction (i.e. descriptions).
6. The special terms and conditions of the transaction (i.e. discount, payment and delivery details).
7. Authorised signature for payment or acceptance of goods/services.