

**BASIC BUSINESS SKILLS COURSE**

**FOR**

**DRUG SHOP OWNERS IN KIBALE DISTRICT**

**FOR THE**

**MSH - UGANDA ADDO INITIATIVE**

**TRAINEES' MANUAL**

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## **Introduction:**

MSH is pleased to introduce this training of Drug Shop Owners titled **Basic Business Skills** for Drug Shop Owners delivered by CKM Consultants Ltd.

A Training needs Assessment conducted recently in Kibale District revealed that Business Skills Training is needed for Drug Shop Owners and Attendants in Kibale District. Thus the *Basic Business Skills course* was designed to serve that need.

This course was adapted from one designed by MSH and MEDA in Tanzania. It is intended to help the Drug Shop Owners to acquire knowledge so that they can change their attitudes and have the practices needed to succeed in operating their business. The training covers the following set of skills:

- Maintaining Business Records;
- Bookkeeping
- Inventory Management
- Marketing
- Customer Care

## **Goals and Objectives of the Training**

The goal of the training is to teach the Drug Shop Owners in basic business skills to enable them to teach these skills to Drug Shop Attendants.

Specific objectives are:

- **To build on the trainees knowledge and experience to enhance their awareness and appreciation of basic business skills required to carry out day to day business activities;**
- **To develop the participants' ability to use financial statements to tell the story - what is happening in the business, how much they have achieved in profit, whether the business is meeting the owners' expectations;**
- **To give participants an understanding of fundamental business principles that work for their businesses to guide decisions.**

# **MODULE 1: RECORDS MANAGEMENT**

## **Session 1: Records for Sales, Stocks and Purchases**

### ***Overview:***

The purpose of this session is to enable the trainees to identify their needs for business records, to help them understand which records best meet their needs and why, and to show them how to keep and use those records.

### ***Learning Objectives:***

At the end of the session, the trainees will have:

1. Learned the costs and benefits of keeping records
2. Developed through practical case study exercises basic record keeping abilities;
3. Understood that keeping records in itself is a waste of time if records are not appropriately USED, and that the benefits from using them must outweigh the costs of keeping them.
4. Grasped the skills needed to use and write a cash receipt, a stock card or other approach to keeping track of inventory (to record stock in and stock out of the business), a goods received note, and are able to file all the above documents

### **Materials:**

- Exercises
- School exercise books
- Flipcharts

### **Lesson**

The costs of keeping records are:

- The paper and pens
- The tax collector may use them to demand higher taxes
- Family members may demand the profits
- Employees can demand higher wages
- The time that is spent writing them

- The time spent learning how to write them
- Business records are an investment of time and money, like any other form of spending; the benefits must outweigh the costs

## 2. Why do businesses have records?

- To conform to tax laws
- To prevent theft or excessive drawing
- To record the amount of cash spent and received
- To provide the data that helps to know how much profit you are making (profit and loss statement) which will help in decisions for growth or expansion of the business
- To calculate prices
- To know when you will be able to afford new / additional investment
- To keep track of what you owe
- To keep track of what you are owed
- To be sure what money belongs to the business
- To develop and exercise financial control over the business

Ways in which the same objective is achieved without keeping records such as:

- Put money in separate boxes / envelopes
- Make customers record their own transactions in separate books
- Do not give or take credit
- Handle all money yourself and count it daily
- Only take a fixed sum from the business for yourself each day

3. There are no standard 'right' ways to keep records. Every business person has to decide what is right for their business.

What sort of record would they keep for what purpose?

## 4. What must be done while keeping records?

- ◆ File information received daily.
- ◆ Read the documents carefully to avoid misfiling.
- ◆ Keep filing cabinets, cupboards/shelves locked to avoid documents getting lost.
- ◆ Always keep a record of files taken/being used.

What must not be done while keeping records?

- ◆ Do not leave loose letters on desks/tables.
- ◆ Do not discuss contents of any file with unauthorized person(s).
- ◆ Do not leave files to irresponsible person(s).
- ◆ Do not remove documents from a file. Look at documents or pass them on the file.

### **Exercise # 1**

On the 8<sup>th</sup> of June 2009, Sister Peace Mbabazi the Manager of Good Hope Medical clinic received money from Mr. Solomon Balinda for the sale of 1 tin (1000 tablets ) of panadol at Ushs. 5,000; 1 box (24 bottles of spirit) at Ushs. 24,000 and 1 Box of 500gm cotton wool at Ushs 38,000

Question.

Using the information above, prepare a simple and detailed receipt for Balinda Solomon and stock cards for the above items for Good Hope Medical.

- **Exercise # 2**

Using the school exercise books provided, rulers and pens, make a cash book, stock cards, debtors' ledger and creditors' ledger.

The records on their own are a cost; it is better not to have them if you do not accurately enter the information in the records or know how to use them.

## MODULE 2: FINANCIAL MANAGEMENT

### Session 2: Bookkeeping & Accounts

#### *Overview:*

This module introduces participants to the important aspects of bookkeeping. They will learn the most fundamental aspects in bookkeeping and be able to write basic accounting records in a professional manner.

#### *Learning Objectives:*

At the end of the session, the trainees should have:

- Learned how to write a cashbook, stock cards, debtors and creditors ledger

#### **Materials:**

- Case studies
- Accounting records made in Module 2
- Flipcharts

Book keeping is a way of writing down all transactions involving:

- ◆ Money coming into your business.
- ◆ Money going out of your business.

#### **DEFINITIONS**

**Bookkeeping:** A system of keeping track of all financial transactions

**Transaction:** A transaction is any exchange of money or promise of payment for goods or services.

**Receipt:** A voucher, which is provided to customers upon receipt of a payment when a sale is made or a service is provided.

**Voucher:** A document which verifies a financial transaction.

**Receipt Book:** This is a book that you use to issue receipts to clients.

Receipts are made by placing a carbon copy between pages, giving one copy to the customer and maintaining a copy for own records.

**Cash Book:** The cash book is where the cash transactions (receipts and payments) in the business are recorded. It should be filled in at the end of each day.



**Daily Cash Record:** This is used if the business sells many, less expensive products. It is a listing of all items sold for cash and is used to balance the daily cash sales.

**Debtors Ledger:** This is a book which records sales made to clients on credit as well as payments from those clients for previous credit sales. A listing of these clients provides the debtors list

**Cash Reconciliation:** The process of comparing records with cash at hand and determining causes of discrepancies.

1. **Exercise #3 – See handout in annex 1**
2. **Exercise # 4. – See handout in annex 1**

### **Session 3: Using Financial Statements**

#### ***Overview:***

This session introduces the participants to the profit & loss statements. They will practice to prepare and analyze simple Profit & Loss Statement to know whether the business makes money or loses money

#### ***Learning Objectives:***

At the end of the session, trainees will have grasped

1. How to make the profit and loss statements;
2. How to analyze a simple Profit & Loss statement
3. Difference between profit and cash and examine profit and loss statement to determine the status of a business;
4. Make decisions on what to do about the business (whether to expand or closely monitor it) based on profitability

#### **Materials:**

Exercise; P & L Statement Forms; Flip chart; marker pens, etc.

Points to Emphasize:

1. A P&L statement is a summary of transactions over any convenient period of time, usually a month or year.
2. The statement shows how successful the business is and gives an idea of what may be expected in the future
3. Based on this statement, important decisions can be arrived at by the owners of the business (whether to expand, cut some of the cost, etc.) depending on the status as given by the statement.

Profit and Loss Statement

Business Name-----

Period Covered:-----

---

TOTAL SALES -----

LESS: Cost of Goods Sold

-----  
-----  
-----  
-----  
-----  
-----

GROSS PROFIT

LESS: EXPENSES:

-----  
-----  
-----  
-----

NET PROFIT (LOSS)

**Exercise # 5 – See handout in annex 1**

**Exercise # 6 – See handout in annex 1**

#### **Session 4: Stock management & control**

##### ***Overview:***

This module introduces participants to the important aspects of stock control and management. They will learn the most fundamental aspects in stock management and control.

##### ***Learning Objectives:***

At the end of the session, the trainees should have:

- Learned the importance of purchasing the stock that is needed by the clients.
- Learned the importance of keeping the ideal stock levels.
- Learned how to control stocks.

##### ***Materials:***

- Accounting records made in Module 2

##### **Purchasing**

The importance of purchasing in a retail business is that of ensuring a steady flow of products to clients. The purchasing function will aim to obtain the best value for money and will try to provide the best services for a low cost without sacrificing on quality. A successful purchasing function will keep costs down, produce a fast stock turnover, reduce obsolescence, ensure continuity of supply of goods and reduce lead time (the time interval between the realization of a need and its ultimate fulfillment upon delivery).

##### **Stock Control**

In an ideal world where businesses know demand well in advance and where suppliers always meet delivery dates, there would be little need for stocks. In practice, demand varies and suppliers are often late and so stocks act as a protection against unpredictable events.

The aim of any stock control system is to provide stocks which cater for uncertainties but which are at minimum levels to ensure that costs are kept low while at the same time, not affecting service to customers

Clearly, balancing stocks at the right levels is of fundamental importance to the business. The keeping of low stocks or excessively high stocks can have harmful effects. High stocks will represent money lying idle when it could be put to better use, whereas low stocks could result in not being able to take on and meet orders. The disadvantages of having wrong stock levels can be summarized as follows:

Problems of Low Stocks

- i. It may be difficult to satisfy customer demands
- ii. It can lead to a loss of business
- iii. It can lead to a loss of goodwill
- iv. Ordering needs to be frequent and handling or transaction costs are higher; capital

Problems of High Stocks

- 1. There is an increased risk of stock becoming obsolete;
- 2. The risk of stock losses is increased;
- 3. The costs of storage are high
- 4. Stocks can tie up working capital

Buffer stocks can be built up as a preventive measure against running out of stocks due to unexpected variations in demand. A minimum level will be set, below which it will be hoped that stocks will not fall though this may depend on the lead time between placing an order and its receipt.

To ensure maximum control on your stock, make sure:

- Use “stock cards”
- Make regular stock counts.
- You always have enough stock to satisfy the needs of your customers
- The average number of items held in stock are at minimum levels to ensure that costs are kept low while at the same time, not affecting service to customers
- You know how many each of items are in stock
- You can see and count all your stocks easily
- You write down in a special book details of what stock is received, and what stock is sold or used
- When you check your stocks, you have the same number of items in stock as those shown in your records

- You know how long you may have to wait for delivery of different items after you have ordered
- You know how much old, damaged, and useless stock you have in your store / shop
- You have a way of getting rid of old, damaged, and useless stocks by acceptable methods.

### Quality Control

Quality relates to the individual characteristics of each product or service which enable it to satisfy customers and to ensure safety. The basic objective of any quality control system is to satisfy the customer at the lowest cost with a product that can be delivered on time. The essential requirement of a quality control system is a feedback so that deviations can be picked up quickly and the source of the deviation corrected.

## **MODULE 3: MARKETING**

### *Overview*

This module will present the basic concepts of marketing for any business and will also look closely at some of the specific considerations that are necessary for private health care practitioners. It will start with a review of the 4 PCs of marketing: product, price, place, promotion. It will then review the 2 Cs of marketing; Customers and Competition.

### *Learning Objectives*

By the end of this session the participants should be able to:

- Identify, assess and exploit market opportunities available to them to enhance / improve their businesses.

### *What is to be covered?*

- Introduction to Marketing
- 4Ps and 2Cs of Marketing
- Market Research
- Marketing Plan

### **Session 5: Introduction to Marketing**

#### *Learning Objectives:*

At the end of the session, the trainees should have learnt the key concepts used in marketing.

## DEFINITIONS

**Market:** A place where people meet to buy and sell goods and services and the people who come to buy products and services.

**Marketing:** Everything you do to satisfy the needs of your customer and make a profit by providing products or services they need, setting prices that they are willing to pay, getting your products or services to them, and informing them about your products and services.

**Marketing plan:** A plan that details how you will market your products and services to your customers.

**Market research:** The process of getting information about your customers and competitors.

**Product (service):** The items that your customers want to buy. These can be physical items or services.

**Price:** the amount of money that your customers are willing to pay for your products or services.

**Place:** The location where you make your products or services available.

**Promotion:** The activities you undertake to inform your clients of your products and services.

**Advertising:** spreading information to customers about your goods and services.

**Customers:** The people who buy from your business.

**Competition:** Other businesses that provide similar products and services.

The need for marketing;

- Create awareness on the products and services offered.
- Provide tailor made services and products.
- Increase sales

- Attract new customers
- Know the needs of existing customers and target customers.
- To find out what customers want and how they want it.
- To ensure that customers know about the product and where to find it.
- Checking on competition
- To minimize wastage of resources

## **Session 6: 4Ps and 2Cs of Marketing**

### *Learning objectives*

At the end of the session, the trainees should have acquired knowledge on the 4Ps and 2Cs of marketing.

The 4Ps and 2Cs include:

- **Product;** the term product refers to what you are selling. Generally, a product is defined as a physical item that you have for sale. To be successful in business, you must have a product your customers want and for which they are willing and able to pay. A successful business finds out what customers and what they need.
- **Price;** is the money people will pay to buy your product or service. The price must be right if you are to get customers to buy from you and for you to make a profit. When setting your price, you need to know several things: your costs, how much your customers are willing to pay, and your competitors' prices.
- **Place;** this is where your business is located. Your business may have the right products and services set at the right price, but sales may still be low. This may be due to the fact that customers do not know where to buy your products or services.

**Promotion;** process of informing and attracting customers to buy your product or service. Promotion is the proactive approach to selling more and making more profit.



The 2Cs: Customers and Competition.

## Customers

These are people who buy from your business. Before you start your business, it is important to know who your customers are. The facilitator adds that; in order to promote products and services, quality of care and client satisfaction, a health provider should specifically consider the following elements:

- **Interpersonal qualities:** it is important to treat your clients with respect and dignity.
- **Affordability of services:** How affordable are your services? can most of the people in your community afford your rates.
- **Accessibility of services:** What sort of customers do you serve? Accessibility means how easily your patients can get to your drug shops clinic.
- **Professional skills:** It is important for your clients to know that you are a trained professional.
- **Discourage all forms of informal charging:** This can create distrust of health services.

## Competition

Other businesses selling goods and services are similar to your goods and services are called competitors.

Compare your business to that of your competitor and tick the appropriate answer.

|                       | Better | Same | Worse |
|-----------------------|--------|------|-------|
| Availability of goods |        |      |       |
| Quality of your goods |        |      |       |

|   |  |  |  |
|---|--|--|--|
| Ease for customers to reach your business |  |  |  |
| Price of your goods                       |  |  |  |

## **Session 7: Pricing & Costing**

### *Learning objectives*

At the end of the session, the trainees will be able to cost their shop products at the correct price.

### **Pricing Strategies**

Businesses will have different pricing policies depending on what their objectives are at the time they set the price. The possible pricing strategies include:

#### *1. Maximizing Profits*

For many businesses short term profit maximization is the most important pricing objective.

#### *2. Cost – Plus Pricing*

Some businesses set a target of how much profit they would like to make over what their costs are. For example, costs plus 10 percent; the business would then work out the expected costs and add 10 percent for profits. This approach is easy to use because information about costs is easier to collect than is information on other variables involved.

#### *3. Competitive Pricing*

Pricing decisions would be based on what competitors charge.

#### *4. Maximizing sales*

Some businesses may be more interested in increasing sales in order to take a large share of the market than in maximizing profits

#### *5. Contribution Pricing*

Contribution is the sum remaining after direct costs of a product have been subtracted from selling price of the product. This is another form of cost – plus pricing

## **Factors affecting Pricing Decisions**

Pricing decisions are influenced by a wide range of factors, some of which are internal and others external to the business. Internal influences on price include:

1. The objectives of the business (e.g. profit maximization)
2. The pattern of cost behavior
3. Existing prices of similar and other products offered by the business
4. Existing ideas about price setting in the firm
5. The firm's knowledge of the market

External influences on price include:

1. Strength and behavior of competitors
2. Elasticity of demand for the product
3. Motivation of customers
4. General conditions of the market

Because there are so many variables involved in pricing decisions and because information available to a firm at any one time will be imperfect, it will be necessary to select only certain critical factors to help make pricing decisions.

**Do exercise # 7 in Annex 1**

## **MODULE 4: CUSTOMER RELATIONS MANAGEMENT**

### **Session 8: Customer Care**

#### ***Overview:***

This module introduces participants to the important aspects of customer care.

#### ***Learning Objectives:***

At the end of the session, the trainees should have:

Learned what customer care is and the benefits of treating customers well.

Learned how to handle difficult customers.

Learned how to get feedback from customers.

Customers: is a group of people or individuals who have business relationships with the business.

Customers include: Direct recipients of products and services, the internal customers who produce services & products for final recipients and other organizations & entities that interact with the organization to produce products & services.

Customer care is a management design of considering a customer as an important stakeholder in the operation of a business and meeting his/her expectations.

It is “caring for and about your customers” and it is not what you think it is but what the customer thinks.

Customer satisfaction is the value difference of the services a customer expects and those that he/she actually receives.

“A satisfaction is always a satisfaction when the customer says YES.

#### **Benefits of treating customers well**

Increase customer satisfaction and retention.

Achieves a maximum number of advocates for the business.

Ensures products and services are delivered right first time.

Improves profitability and reduces costs.  
Fewer employee grievances and absenteeism.  
Improves staff morale.  
Increases employee satisfaction and retention.  
Fewer Complaints.  
Brings about continuous improvements to the operation of the business.

### **Handling difficult customers**

Listen to the customer's complaint. Keep quiet, take notes of key issues and do not interrupt. We must always remain calm and polite.

Apologize. Say that you are sorry for the inconvenience caused to the customer. A sincere apology will help defuse the customer's anger.

Sympathize; Show concern or sympathetic interest about the customers' complaint/ situation.

Do not redirect blame.

Do not dispute blame.

Find out if you can handle the customer's complaint, if not refer the complainant to your immediate boss.

### **Getting Customer Feedback**

It is important to always get customers' feedback on the services and products offered by the business. This has the following advantages:  
One is able to know whether the business is meeting customer needs or not.  
Creates an opportunity for innovation and improvement on the operations of the business

### **How to get client feedback**

Put in place a suggestion box.

Customer satisfaction surveys.

Individual interviews.

Focus group discussions with customers.

Mystery shopping: hire people to pose as customers and evaluate customer service.

Exit interviews.

Visit regular customers frequently.

## **10 Commandments of quality customer care**

The customer is the most important person.

The customer is not dependent on us – we are dependent on the customer.

We work for the customer.

The customer is not an interruption to our work. The customer is the purpose of our work.

The customer does us a favour by visiting our business.

The customer is as much a part of our business as anything else.

The customer is a person with feelings and emotions, just like us. Treat the customer better than you would like to be treated.

The customer is not someone to argue with or despise.

It is our job to satisfy the needs, wants and expectations of the customers and whenever possible, resolve their fears and complaints.

## Annex 1

### **Exercise # 3**

| <u>Transaction</u> | <u>Date</u> | <u>Item</u>  |
|--------------------|-------------|--|
| i.                 | 8 January   | Sold 2 cartons panadol<br>Ushs 60,000 cash from the customer                               |
| ii                 | 10 January  | Sold 3 bottles iodine Ushs 3,000   |
| iii.               | 10 January  | Bought 3 new exercise books, 2<br>payment vouchers and 2 receipt books<br>for Ushs.10,000  |
| iv.                | 15 January  | Drug store license is paid to town<br>council for Ushs 25,000                              |
| v.                 | 16 January  | Pfizer deliver quinine solutions worth<br>Ushs.70, 000 to be paid at month end             |
| vi.                | 18 January  | Kagadi clinic purchase quinine<br>solutions worth Ushs. 30,000 to be<br>paid on 28 January |
| vii.               | 19 January  | A deposit of Ushs. 20,000 is paid to<br>Pfizer   |
| viii.              | 19 January  | Kagadi clinic makes a deposit of<br>Ushs.12, 000   |
| ix.                | 22 January  | The shop owner takes 15,000 for her<br>personal use  |

**Exercise # 4.**

Nyangoma realized that she should keep her Drug shop money separate from her personal money, as she had learned at the training course, but she found it very difficult.

She had kept a list of all the transactions relating to her business in an exercise book as follows:

|                      |                                     |               |
|----------------------|-------------------------------------|---------------|
| Jan 3 <sup>rd</sup>  | Gift from Husband                   | Ushs. 100,000 |
|                      | Paid deposit for purchases          | Ushs. 47,500  |
|                      | Paid for shop supplies              | Ushs. 5,500   |
| Jan 4 <sup>th</sup>  | Paid for Purchases                  | Ushs. 23,500  |
|                      | Sales                               | Ushs. 10,000  |
|                      | Own cash invested                   | Ushs. 16,000  |
|                      | Paid for counter bought             | Ushs. 16,000  |
| Jan 7 <sup>th</sup>  | Paid by Atwooki for various goods   | Ushs. 32,000  |
|                      | Paid wages to the attendant         | Ushs. 6,000   |
|                      | Paid for purchases                  | Ushs. 25,000  |
|                      | Taken out for buying school uniform | Ushs. 11,000  |
| Jan 9 <sup>th</sup>  | Paid by Mrs. Nyakairu for Hedex     | Ushs. 120,000 |
|                      | Paid for panadol sold               | Ushs. 39,000  |
|                      | Paid for husband's beer             | Ushs. 10,000  |
| Jan 10 <sup>th</sup> | Paid for saline solutions           | Ushs. 15,000  |
|                      | Paid for iodine                     | Ushs. 5,000   |
| Jan 12 <sup>th</sup> | Taken for school fees               | Ushs. 25,000  |
|                      | Paid for bandages                   | Ushs. 15,000  |
|                      | Paid for iodine                     | Ushs. 23,000  |
|                      | Paid for meat                       | Ushs. 14,500  |
|                      | Paid for milk of magnesia           | Ushs. 5,000   |
| Jan 14 <sup>th</sup> | Paid wage for attendant             | Ushs. 6,000   |
|                      | Payment for fridge for drugs        | Ushs. 10,000  |

**Assignment:**

Using a one page 3 column cashbook record Jane's cash receipts and payments.



## Exercise # 5

Adyeeri started her “Adyeeri Native Bags Business” last month. She has the feeling that she is making money and would like to hire a shop assistant who will work in the shop permanently at Ugx. 200,000 a month (8 working hours per day)

Adyeeri thinks that if she hires this assistant, she would be free to travel more often to nearby towns and show samples of her bags to different stores. Right now, she only receives orders from *Kabandore Fashions*. Kabandore Fashions is currently buying most of the bags produced and sold at Adyeeri Native Bags.

Adyeeri has the following information about her business:

|  |         |
|--|---------|
| Total Sales from Kabandore Fashions<br>(35 bags at Ugx. 10,000 each) | 350,000 |
| Cost of woven material for 35 bags                                   | 40,000  |
| Cloth lining for 35 bags   | 30,000  |
| Thread   | 12,000  |
| Finishing  | 5,000   |
| Adyeeri’s labor (sewing for 10 days)                                 | 100,000 |

### Required:

Do a profit and loss statement for Adyeeri

How would you advise her?

Should she hire the assistant?

Should she explore more outlets in nearby towns?

Answer to Exercise # 5

Case One: Adyeeri's Native Bag:

Profit and Loss Statement

Period June 5 – July 5, 2009

|                                | Ushs.   | Ushs.   |
|--------------------------------|---------|---------|
| TOTAL SALES                    |         | 350,000 |
| LESS:                          |         |         |
| Cost of Goods Sold:            |         |         |
| Woven Material                 | 40,000  |         |
| Cloth Lining                   | 30,000  |         |
| Thread                         | 12,000  |         |
| Finishing                      | 5,000   |         |
|                                | -----   |         |
| Total Cost of Goods Sold       |         | 51,000  |
|                                |         | -----   |
| GROSS PROFIT                   |         | 299,000 |
|                                |         |         |
| LESS: EXPENSES                 |         |         |
|                                |         |         |
| Labor (Adyeeri)                | 100,000 |         |
| Labor (Assistant's Weekly pay) | 50,000  |         |
|                                | -----   |         |
| Total Expenses                 |         | 150,000 |
|                                |         | -----   |
| NET PROFIT (LOSS)              |         | 149,000 |
|                                |         | =====   |

Observations:

Adyeeri is making a profit in her business. Adyeeri should not hire the assistant immediately. She should first explore the bag market in the nearby towns and if she finds that there are more buyers for the product, she should go ahead and hire the assistant on a permanent basis. Further, Adyeeri should feel optimistic about her business.

## Exercise # 6

Amooti started her shop two weeks ago. It is a big one located at Kyenjojo town center. Amooti has two attractive sellers who help in the shop. Her husband's niece, Akiiki who is 15 years old, has completed primary school and is now applying to Amooti to be a third seller.

Amooti would like to accommodate the niece's request because of pressures from her husband. Amooti is not sure whether it will be healthy for her business to add this extra expense. She started working on her profit and loss statement from the following information:

|                        |         |
|------------------------|---------|
| Total sales of 2 weeks | 600,000 |
| Cost of goods sold:    |         |
| Soap                   | 32,000  |
| Coffee                 | 12,000  |
| Candy                  | 40,000  |
| Rice                   | 32,000  |
| Cooking oil            | 10,000  |
| Cigarettes             | 70,000  |
| Seasoning              | 50,000  |
| Snacks                 | 30,000  |
| Soft drinks            | 40,000  |

Expenses:

|                                     |         |
|-------------------------------------|---------|
| Rent (20,000 per month)             |         |
| Electricity (15,990 per month)      |         |
| Wage for two helpers (200,000 each) |         |
| Shop repainting                     | 50,000  |
| Drawings                            | 100,000 |

### Question:

What did Amooti find out about her business?

What should she tell her husband?

How could she prove it using the profit and loss statement?

Answer to exercise # 6

Amooti's Shop, Profit & Loss Statement, Period Covered: July 1- 5, 2009

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|                     |         |                   |
|---------------------|---------|-------------------|
| Total Sales         |         | 600,000.00        |
| Less:               |         |                   |
| Cost of Goods Sold  |         |                   |
| Soap                | 32,000  |                   |
| Coffee              | 12,000  |                   |
| Candy               | 40,000  |                   |
| Rice                | 32,000  |                   |
| Cooking oil         | 10,000  |                   |
| Cigarettes          | 70,000  |                   |
| Seasoning           | 50,000  |                   |
| Snacks              | 30,000  |                   |
| Soft drinks         | 40,000  |                   |
|                     | -----   | <u>316,000.00</u> |
| Gross Profit        |         | 284,000.00        |
| Less: Expenses      |         |                   |
| Rent                | 10,000  |                   |
| Electricity         | 7,500   |                   |
| Wages               | 200,000 |                   |
| Shop Repainting     | 50,000  |                   |
| Owner's Salary      | 100,000 |                   |
|                     | -----   | <u>367,500.00</u> |
| Net Profit / (Loss) |         | (83,500.00)       |
|                     |         | =====             |

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Observations:

Amooti should show this P&L to her husband and tell him they could not afford to hire another helper. Amooti should even consider releasing one of the sellers to cut off costs. She should also consider minimizing her salary drawings.

### Exercise # 7

Abwooli adds 25% markup on her costs to get her final product price. What price would she charge for a consignment of drugs received yesterday with the following costs?

Purchase cost in Ushs.  
Panadol tablets - 39,000  
Quinine tablets – 70,000  
Cotton wool box – 38,000  
Saline solutions – 15,000  
Transport cost, Ushs 10,000  
Lunch, Ushs 3,000

What other considerations does she need to have as she sets her selling price?

Answer to exercise # 7

|         | Cost                  | Transport            |
|---------|-----------------------|----------------------|
| Panadol | 39,000                | 2,407                |
| Quinine | 70,000                | 4,320                |
| Cotton  | 38,000                | 2,345                |
| Saline  | <u>15,000</u>         | <u>1,417</u>         |
|         | <b><u>162,000</u></b> | <b><u>10,000</u></b> |

The Lunch is not a direct business cost therefore the Ushs 3,000 is ignored.