Agri-Entrepreneurship Training Manual

Record Keeping

Nova Scotia Agricultural College
Truro, Nova Scotia, Canada
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Notes to Facilitator ~ Record-Keeping

Scope

The simplest form of record keeping is to keep all documents, notes and pieces of paper relating to the business in a box. Occasionally (every few months or once per year) the box should be emptied and the contents analysed (keeping relevant information and discarding the rest), tied together and placed in a safe long-term storage area.

The next level of record keeping is to transfer the information from the various documents, notes and pieces of paper to a record book or journal. The information should be sorted into categories such as sales for cash, sales on credit, purchases for cash, purchases on credit, money you repaid and money that was paid to you, etc. depending on how much information you have or can remember. This level of record-keeping won’t allow the business owner to calculate profit and loss but it will help to remember the cost of goods purchased, the selling price of goods sold, who has purchased goods on credit and how much they still owe and how much you owe to someone else.

The series of fact sheets contained in this module provide the foundation for understanding the concepts and practices related to record-keeping. This manual is designed to allow facilitators to develop a library of information on this topic, and other fact sheets can be added over time. This workshop has been designed to be used in a segmented fashion. However, each section could be presented separately or particular sections could be removed. Mix and match the activities to suit your purpose.

The following topics are covered in this module:
- Introduction to Record-Keeping
- Cash Book
- Record-Keeping for Inventory
- Cost-of-Production Records

General Instructions

- Sometimes people feel uncomfortable with the use of exercises as teaching tools particularly when the exercise might be a game. Be sure to explain clearly to the group the intent of the exercise and what will be accomplished. Then give the participants an opportunity to reflect on what has happened.

- This module can be broken apart in a number of ways. Most of the sections can stand alone or the different parts can be spread over a couple of days.

- The outline for this module assumes that the facilitator has had sufficient experience to change or modify the exercise to suit the nature of the group. If you are new to this type of teaching, then just try one exercise.

- The time limits are approximate, and will depend on the number of participants and their willingness to interact. It would be difficult to accomplish the objectives outlined with more than 20 people.
Understanding the Role and Responsibilities of Facilitators

The first module in the Agri-Entrepreneurship manual addresses Group Formation and Strengthening. The information provided below is, for the most part, directly from that module. It has been included here to provide you, the facilitator, with an understanding of the dynamics of working in groups, your role as a facilitator, and how you can best ensure effective group work.

Why do community projects not succeed? What do we, as community facilitators, need to know to help rural communities? One of the common complaints with any type of community development project is that people have difficulty working together. There are many reasons why groups do not achieve their objectives. These include:

- Lack of clear objectives
- Conflict over objectives or purpose
- Personal differences among members
- Lack of standards for behaviour
- Unwillingness or inability to contribute
- Poor leadership

Perhaps the most important thing to understand about groups is why they exist. Essentially, groups exist only to satisfy the needs and interests of their members. Therefore, translating individual needs and concerns into group priorities is important. Group members should clearly see what the end goals will be and how these will meet their objectives.

When working as community facilitators, we need to understand why people want to participate. This understanding contributes to the development of viable groups and facilitates conflict management. There are a number of reasons why people join groups including:

- If an influential member of the community or a respected elder participates, then, others will join because of the status associated with belonging to this group.
- On the same note, people don’t like to be left out of things, particularly if a programme is perceived to be successful.
- Some people join because of the social element. It is an opportunity to be with friends.
- Others join because they may receive a financial benefit or some other type of reward.
- Another reason is that some people have a strong desire to help others and their community. This makes them feel good.
- And some just like to learn new things.

The strength of a community group is a function of the individuals in the group, the interactions of the group members and the influence of the group on the community. Trainers need to understand all these factors to understand why a particular group succeeds or fails. The personality and approach of the community facilitator is a major factor as well.
Trainers often ask: Why do communities form groups to take advantage of available financing and then disband when the financing dies? The answer to this question is not simple, and there are many possible reasons. Several of these reasons are listed below:

- **Who has made the funding available?** It is not uncommon for a central government to decide on a particular programme with the aim to improve the quality of life of rural people. The idea may be conceived at a central location in the country, and then implemented by people who have little concept of what life is really like in small rural communities. The project will often not be a success because the planners have not considered the needs of local communities, and because the people have had little input in the planning process.

- **Two extremes can exist with the regulation of funding programmes.** Some projects may have many rules and regulations, which are designed to strictly control the project but can stifle creativity. Other projects can have too little control and result in a misuse of funds. This can cause funding agencies to become reluctant to implement new projects, and local people become cynical about the process.

- **Trainers or project managers can take the decision-making away from the community.** The group then becomes totally reliant on the funding agent to manage the process. When the money is spent, then the group has not developed the structure to allow it to function without help. As a project manager, it can be very difficult to trust the community to complete the task or design a process by themselves.

- **A fundamental concept in community development is helping people help themselves.** The community needs to take ownership of the programme, the activity or the process. Otherwise, no matter how good the project is, it will not endure.

- **The attitude of the trainer or the funding agency has a tremendous role to play.** Prejudicial and stereotypical attitudes hinder the relationship between the trainer or the agency and the community. A good working relationship based on trust and respect between the facilitator and the community is vital to the success of the project.

- **Communities are not all the same.** Each has its own set of abilities and constraints. The type of local leadership and power structures have a tremendous effect on the ability of a community to change.

A useful exercise for community facilitators would be to hold discussions with communities to find out why projects have failed in the past. Encouraging community groups to visit other communities that have implemented successful projects would also be useful.

Any activity, which promotes a better understanding of why some projects work and others do not, would be a valuable training exercise.
Finally, the role of the trainer cannot be discounted. Good working relationships are built on trust and respect. Frank discussion of how good relationships can be achieved with communities is needed. Listed below are some of the questions that we should ask ourselves before working in rural communities:

- Who am I and how does my personality affect my ability to work with others?
- What are my strengths and weaknesses? How do others see me?
- What do I believe about rural people’s ability to change, and do my actions reflect my beliefs?
- What are my prejudices and stereotypes about rural people (or ethnic groups, religions, gender etc.)? How do these impact on my work as a community facilitator?

Keep these questions in mind as you prepare, conduct, and reflect upon opportunities for facilitating community and business group work.
Notes & Time Lines ~ Record-Keeping

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<td>Cash Book ~ Workshop</td>
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<td>Total Estimated Contact Time Required</td>
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Notes ~ How to Use This Manual

Each component in this module can be used in the following ways:

1. A lecture based upon each fact sheet, followed by the corresponding workshop, which would serve to reinforce the concepts discussed in the lecture. The timelines listed beside the fact sheets above will be helpful if you choose this method.

2. The fact sheets can also be used as background information for facilitators, and not presented in a lecture format. With this method, facilitators would conduct each workshop with participants, and impart the information from the fact sheets as needed for the participants to complete each exercise.

The fact sheets are intended to provide stand-alone information for use as reference materials. The workshops, however, are not intended for use without the support of the fact sheets.

This manual has been designed to facilitate learning with both literate and illiterate learners. The facilitator may decide what print materials are appropriate for dissemination to participants.

It is expected that facilitators will have some prior knowledge of the concepts and practices being taught in each component.

General Workshop Guidelines are provided on the next two pages. These guidelines are intended to provide general information that will help ensure the effectiveness of workshops. Read these over prior to proceeding with the programme.
General Workshop Guidelines ~ Record-Keeping

The Approach

- The workshop is meant for adults. Adults have their own experience and knowledge and they want to be treated with respect. Their time is limited because they have many other commitments. Adults choose to participate in a workshop, or series of workshops, because they feel that the workshop contents are relevant and useful to them. Therefore, it is important to build, step by step, as much as possible on the experience and knowledge of the adult learners.

- Adults learn best when they participate actively in the learning process. The participatory approach is used as a guideline throughout each workshop. Each workshop has a number of steps to encourage participation through discussion, small group exercises, role-plays and individual exercises.

Time

- Time will vary from one workshop to another. However, 1.5 to 2 hours should be sufficient for most.
- If you have a group that plans to meet regularly to discuss a series of Agri-Entrepreneurship topics then you should discuss how many times per week they want to meet and which time is most suitable for them. Repetition and frequency of meetings is very important to a successful course. The group should meet at least two times per week. Participants may find it difficult to concentrate for periods longer than one and a half to two hours - particularly if they have just finished a day’s work.

Type of Participants

- Entrepreneurs such as retailers, wholesalers, farmers and manufacturers
- Village leaders
- NGO and government advisory agents

Number of Participants

- A group should preferably include 10 to 15 persons but it should definitely not exceed 20 participants. Larger groups make it very difficult for the facilitator to follow the progress of individuals.
Preparation

- Prepare yourself before each meeting. Read the Fact Sheets and prepare the exercises. This will make it easier for you to lead the discussion and it will save time during the workshop.

General Materials

- Flip chart or newsprint and markers OR chalkboard, chalk and a cleaning rag

Note: Materials specifically relating to each workshop are listed in the individual workshop descriptions.

General Workshop Programme

- 5 minutes of introductions and explanation of the purpose of the workshop.
- Discussion to make each participant think about the problems and objectives of the particular workshop and to relate the topic to their own experience and knowledge. In some cases, questions are provided with possible answers. The answers are given to help guide the discussion but they should not be considered as the only correct answer.
- Explanation of the workshop topic including issues raised during the discussion. The explanation should give the participants a clear understanding of what they will learn during this workshop.
- Break for 10 minutes (if appropriate).
- Present examples, which illustrate the topic and relate it to participants’ daily situations.
- Practise the lesson to be learned through group exercises, role-playing, discussion or individual exercises and homework. The objective is to ensure that the principles and concepts are understood and that the participants will feel confident in practising their new knowledge in their own work and life. Groups of 2 to 3 persons provide an effective learning environment. Try to change the composition of the group so that slow learners can benefit from the help of fast learners and the fast learners avoid getting bored.
- Summarize the workshop to make sure that everybody has understood the lesson. If you find that the participants have problems with some of the issues, you may have to do more exercises and try to explain it in a different way. You may have to provide some individual assistance or you could ask some of the fast learners to spend some time helping the slow learners.
- Require participants to go home and practise their new knowledge. All homework exercises should be related to the personal situation of the participant so you must be discreet when discussing the homework in the workshop.

Workshop Follow-up

- It is important to follow-up on each participant’s business site or at each participant’s community organization as soon as possible to correct mistakes, answer additional questions, and discuss suggestions for improvement.
Warm Up and Overview ~ Record-Keeping

Purpose

To welcome participants and help them feel at ease, and to discuss with participants both the learning objectives and the format of the course.

Expected Outcomes

After participating in this session, participants will:
1. Have become familiar with the other participants in the course
2. Understand the topics to be covered and the process of the course
3. Understand what the objectives are for the course
4. Understand what the learning outcomes are for the course

Materials

- Flip chart or newsprint and markers OR chalkboard, chalk and a cleaning rag
- Pens, pencils, rulers, erasers for all participants
- Exercise books for all participants OR slates where commonly used

Time

- 45 minutes

Warm Up

To help participants feel at ease, start off with a get-to-know-you exercise. This is particularly useful if the group members are not familiar with each other or with you. Discuss with the group why it is important to address these issues before beginning to work together:

- Helps reduce potential conflicts
- Members know exactly what they are supposed to do
- People have a better understanding of the characteristics of the other members of the group

Exercise

- Ask each member of the group to introduce himself or herself and to briefly describe a hope, fear, or expectation for this workshop.
- Write down on a flipchart (or blackboard) the participants’ hopes and fears.
- Depending on the size of the group, this exercise may take longer than 20 minutes.
Outline

Present the outline of the activities for the workshop and indicate to the group what you hope to accomplish. Be sure to invite questions or comments (10 minutes).

- Introduction
- Introduction to Record-Keeping
- Cash Book
- Record-Keeping for Inventory
- Cost-of-Production Records

The sessions in this module can be mixed and matched as desired, and even spread out over a period of days or weekly meetings.

Objectives of the Workshop

To help participants understand the following:

- The importance of keeping records and the consequences of keeping poor records
- Various approaches to keeping records and types of records for various businesses
- How to use a cash book
- Various ways to control cash
- The importance of record-keeping for inventory
- How to keep records for inventory and the consequences of keeping poor inventory records
- How to record “sold on credit” transactions
- How to record “bought on credit” transactions
- How credit transactions affect cash book records
- Cost-of-production
- Recording and calculating production
- Recording and calculating costs

Outcome

Explain to the group that the purpose of this workshop is to help them understand and implement effective record-keeping practices.

Try to relate the fears, hopes and expectations mentioned in the first exercise to what will happen in the workshop.
Introduction to Record-Keeping ~ Fact Sheet

Purpose

To discuss the variety of records needed to keep track of business transactions, and to understand the importance of these records.

Expected Outcome

After participating in this session, participants will be able to understand:
1. The importance of keeping accurate records
2. The consequences of not keeping business records
3. The various approaches to keeping records
4. The different types of records for various businesses

Materials

- Flip chart or newsprint and markers OR chalkboard, chalk and a cleaning rag
- Pens, pencils, rulers, erasers for all participants
- Exercise books for all participants OR slates where commonly used

Time

- 60 minutes

Overview

Many people do not write down how much money comes in and how much money goes out of their business. This is because they do not know how to do it and they do not know that it can help their business. Different types of records are used for different purposes.

- A Cash Book for example keeps a record of money coming in and money going out of your business.
- An Inventory Record keeps a record of physical items that your business has at any point in time. It includes what you had at the beginning of the year, what has been added to those items through purchases and production and how much has left your business through sales, consumption, planned use or losses.
- A Credit Book keeps a record of all the money that customers have to repay you and all the money you have to repay to others.
- A Labour Book keeps a record of who has worked for you, how much they have worked (number of hours, days, or quantity of work done), how much they were paid and when they were paid.

All of these records help you to improve your business, make better management decisions, deal with financial institutions and increase your profit!
Importance of Keeping Records

Record-keeping is important because you cannot keep everything in your head. Memory is not good enough for proper analysis and planning. Advantages of regular record-keeping are:

- You will know how much money you have received, how much you have spent and how you have spent it.
- You can calculate whether you are making a profit or a loss.
- You will be able to make better decisions on when and what to buy and sell.
- You can keep records of buying and selling on credit.
- You can keep records of money coming in and going out of group projects therefore preventing misuse of the money and avoiding mistrust among group members.
- By comparing your actual records with your planned budget, you can determine if you are on the right track during your business year.

Consequences of Keeping Poor Records

- You will not know how much money you are earning, whether your business is making a profit or losing money.
- You will not know why you are making a profit or losing money.
- You will not be able to make good decisions that will allow you to make more money and prevent your business from losing money.
- You will not know which customers owe you money, how much they owe you or how much you owe someone else.
- Where groups of people work together, lack of a proper record-keeping system often leads to mistrust and accusations between group members.
Various Approaches to Keeping Records

Records may be kept in a variety of different ways depending on the knowledge, time and interest of the person keeping the records. Different record keeping systems will have different levels of accuracy with the most complete records being the most accurate but also taking a large amount of time. The business owner must make a choice as to what and how much information they need, who will record the information and how much time it will take, and how the information will be used.

Many simple record-keeping methods have been devised to keep records of money transactions. However, all methods require self-discipline and commitment. People have to be motivated by the desire to improve their income level or perhaps to get themselves out of debt.

Physical inventory or records of how many items you have may be kept by using small stones, sticks or making marks on a piece of paper. Each stone, stick or mark would represent an item (e.g. one stick represents one chicken) or group of items (e.g. one stone represents one box of oranges). As items are added to inventory, a stone, stick or mark is added and when an item is sold, consumed or lost from inventory a stone, stick or mark is removed.

What happens if the business owner can write figures and make calculations but cannot write words? Drawings or symbols can be used to represent words or items. The symbol must be easy to draw, easy for the business owner to remember and the same symbol should be used for the same thing from year to year. Each business owner can develop or draw his or her own symbols.

One of the first symbols that must be decided are the symbols for ‘money in’ and ‘money out’. An example of a symbol for ‘money in’ would be “+”. An example of a symbol for ‘money out’ would be “−”.
An example of a Cash Book that records the money coming in and money going out of a business would be as follows:

**CASH BOOK**

<table>
<thead>
<tr>
<th>Sun (symbol for date)</th>
<th>+</th>
<th>£</th>
<th>Sun (symbol for date)</th>
<th>-</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>23-1-1</td>
<td></td>
<td>2000</td>
<td>23-1-1</td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>(symbol for 20 fish)</td>
<td></td>
<td>1500</td>
<td>(symbol for wood)</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>24-1-1</td>
<td></td>
<td></td>
<td>23-1-1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(symbol for 15 fish)</td>
<td></td>
<td></td>
<td>(symbol for bread)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>24-1-1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(symbol for transport)</td>
<td></td>
<td>600</td>
</tr>
</tbody>
</table>

**Types of Records for Various Businesses**

The kinds of records and amount of detail kept will vary according to your type of business, legal requirements, purchases and sales involving credit and number of employees. More information will assist you in making more accurate business decisions. However, collecting more information requires more time and cost and you must decide whether you will need or use all the information.

Some businesses only need to maintain a Cash Book. Other businesses may need to maintain a Cash Book, Credit Book, Inventory Records, Production Records, Labour Records, or perhaps even individual records for each machine or each employee.

**Summary ~ Introduction to Record-Keeping**

- Different types of records are used for different purposes, but all aim at improving the business and making good decisions.

- Poor record keeping causes uncertainty, mistrust and lack of information for planning.

- Record keeping does not have to be complicated, but requires self-discipline and commitment.

- Types of records can include cash book, credit book, inventory, production, and labour.
Introduction to Record-Keeping ~ Part I Workshop

Importance of Record-Keeping

General Instructions

Prior to conducting this workshop read over the General Workshop Guidelines. Additional information that explains the workshop process further will help ensure that learning objectives are achieved.

Background Information for the Facilitator

Many people do not write down how much money comes in and how much money goes out of their business. This is because they do not know how to do it and they do not know that it can help their business. They don’t really know how much money they are earning, how much they buy and sell on credit and how much they could improve their business. The aim of this workshop is to raise participants’ interest and make them aware of the importance of record-keeping.

Time

• 1.5 to 2 hours

Number of Participants

• A group should preferably include 10 to 15 persons but it should definitely not exceed 20 participants. Larger groups make it very difficult for the facilitator to follow the progress of individuals.

Materials

• Flip chart or newsprint and markers OR chalkboard, chalk and a cleaning rag
• Pens, pencils, rulers, erasers for all participants
• Exercise books for all participants OR slates where commonly used
Discussion

• What do you think a business is:
  – Let the participants discuss the answers first, before giving suggestions. Answers such as the following are good. (Answer) All activities whereby you try to earn an income on a regular basis are called businesses. A business can be producing and selling goods, buying and selling goods, or providing a service to people. Examples are smoking and selling fish, selling farm produce, selling rice and sugar in the market, building houses, sewing clothes for other people or driving a taxi.

• What type of business do you do?
  – If the participants are working together in a co-operative business, ask individual participants what additional income generating activities they do at home.

• What problems do you encounter within your own business?
  – All answers are good. Look for and remind them of the following:
    • Lack of capital to buy stock
    • Problems with selling
    • Money needed for emergency cases
    • People not paying their debts
    • Money needed for ceremonies

• How do you remember how much money comes in and goes out?
  – All answers are good. If someone has a method of how to remember how much money comes in and goes out, let her explain how she does it.

• Continue with a similar discussion by asking the following questions:
  – “How do you remember if someone owes you money or how much money you owe someone else?”
  – “How do you know how much time or money you spent on labour, how much you owe people who have worked for you and when they were paid?”
  – “How do you know when you should buy more materials for your production process or products to sell and how much to buy?”

• What happens if you forget something?

• What do you think record-keeping means?
  – (Answer) Record-keeping means writing down all the money that comes in and goes out of your business; keeping a record of physical items which you use in your business; keeping a record of all the money that customers have to repay you and all the money you have to repay to others; keeping a record of who has worked for you, how much they have worked (number of hours, days, or quantity of work done), how much they were paid and when they were paid.

• How do you think record-keeping could help your business?
  – (Answer) It will help you to make better decisions about your business so that you can earn more money.
Explanation

Record-keeping is important because you cannot keep everything in your head. Memory is not good enough for proper analysis and planning. Advantages of regular record keeping are:

- You will know how much money you have received, how much you have spent and how you have spent it.
- You can calculate whether you are making a profit or a loss.
- You will be able to make better decisions on when and what to buy and sell.
- You can keep records of buying and selling on credit.
- You can keep records of money coming in and going out of group projects therefore preventing misuse of the money and avoiding mistrust among group members.

Consequences of keeping poor records:
- You will not know how much money you are earning, whether your business is making a profit or losing money.
- You will not know why you are making a profit or losing money.
- You will not be able to make good decisions that will allow you to make more money and prevent your business from losing money.
- You will not know which customers owe you money, how much they owe you or how much you owe someone else.
- Where groups of people work together, lack of a proper record-keeping system often leads to mistrust and accusations between group members.
Examples – Role Play

Tell the participants that you would like them to perform a role-play because it will help them to better understand the importance of record-keeping. Divide the participants into three groups. Read the themes to each group.

**Theme for Group 1:**

A woman has a business (choose a business that is familiar to the participants). She does not write down how much money comes in or goes out. One day her son comes home from school with a letter from the head master. The school has increased the school fees, and it has to be paid immediately.

The woman gets very worried. She knows she has no money. She desperately tries to remember how much money she has received in the past week and how she spent it.

**Theme for Group 2:**

A carpenter has sold a cupboard for ₯ 750,000 to a customer. When the customer collected the cupboard, he told the carpenter that he did not have money at that moment but he promised to pay at the end of the month. At the end of the month the carpenter tries to get his money. The customer tells him that he only owes him ₯ 650,000, and he will not pay him more than that! A very angry discussion between the two persons follows. But the carpenter has no proof that he has sold the cupboard on credit for ₯ 750,000, and he has to accept the ₯ 650,000.

**Theme for Group 3:**

A group of women in your village has a bakery. They have divided the tasks as follows:

- One person always buys the ingredients for the bread and the firewood.
- One person is responsible for selling the bread.
- All the other members of the group assist in kneading the dough and baking the bread.
- The treasurer of the group is responsible for keeping the money safe.

The sales woman does not write down how much money comes in. Whenever there is cash money she gives it to the treasurer of the group, who keeps it in a cash box. The treasurer in turn gives money to the person who buys the ingredients and the firewood. The treasurer is a very reliable person but she does not know how to read and write.

At the end of the month the group wants to know how much money they have made by selling bread. When they open the cash box they find out that there is less money than they expected. Nobody knows what happened to the money. After a discussion they accuse the sales woman of stealing money.
Role Play Conclusions

After performing each role play, ask the participants the following questions:

Play 1

- What is the woman’s problem? What could she have done to avoid this problem?
  - (Answer) She had spent all her money without thinking about the school fees that she had to pay. She does not even remember what she has spent her money on. She could have kept records of her income and expenses and planned for the payment of the school fees.

Play 2

- Why was the carpenter cheated?
  - (Answer) Because he had no written proof of how much money the customer owed him.

Play 3

- Why were the group members angry? What could they have done to avoid this problem?
  - (Answer) The group members were angry because nobody knew what had happened with the money from the bakery. If they had kept records, they would have known how much money came in and went out of their business. It would also have helped them to know whether they were making a profit with the bakery or not.
Introduction to Record-Keeping ~ Part II Workshop

Use of Symbols

General Instructions

Prior to conducting this workshop read over the General Workshop Guidelines. Additional information that explains the workshop process further will help ensure that learning objectives are achieved.

Background Information for the Facilitator

When keeping records, you have to write down many things such as all the money that comes in to your business, all the money that goes out of your business, and changes in physical inventory. All participants must know how to write figures and do calculations but some participants may not be able to read and write. Therefore we have to develop a system of symbols and drawings.

Time

• 1.5 to 2 hours

Number of Participants

• A group should preferably include 10 to 15 persons but it should definitely not exceed 20 participants. Larger groups make it very difficult for the facilitator to follow the progress of individuals.

Materials

• Flip chart or newsprint and markers OR chalkboard, chalk and a cleaning rag
• Pens, pencils, rulers, erasers for all participants
• Exercise books for all participants OR slates where commonly used
Discussion

- Can you mention three sources from which you receive money? And three things on which you spend money?

- Invite some of the participants to come to the chalkboard or flip chart and make a very simple drawing of the following:
  - Money
  - Fish
  - Food
  - Transport
  - Firewood

Explanation

Draw examples of symbols on the chalkboard or flip chart. Ask the participants what they see in the pictures.

Explain that they can use any symbol that they find easy to draw as long as they know that they will remember it. It should be a very simple drawing so that it is easy to ‘write’ in the exercise book. They should keep the same symbol for the same thing throughout.

Spend sufficient time with the participants drawing different symbols so that they are confident and have developed a broad enough ‘vocabulary’ to record their business transactions. They should also try to draw symbols for things that they see in their surroundings (matches, cup, chair) in their exercise books.

Symbols for ‘Money In’ and ‘Money Out’

Financial record-keeping means that you write down all the money that comes in and the money that goes out. The following symbols will be used:

- Money in = money becomes more so we use the addition sign (+)
- Money out = money becomes less so we use the subtraction sign (-)
The Cash Book

The book in which we write all the money that comes in and goes out is called a ‘cash book’. You can use an ordinary arithmetic exercise book as a ‘cash book’.

- All money that comes in is written on the left page
- All the money that goes out is written on the right page

Example

Draw a ‘cash book’ on the chalkboard or flip chart. Ask the following questions and invite the participants to illustrate the answers by drawing a symbol on the correct side of the Cash Book.

(Note: The symbols presented in this example are meant to give you an idea. Do not just copy them but use the symbol that the participants feel comfortable with.)
• From which sources do you receive money?

Accept all answers. Remind them of:
  • Income from sales
  • Gifts from relatives and friends
  • Loans from money lenders or others (i.e. susu)

• What do you spend your money on?

Accept all answers. Remind them of:
  • Buying materials (fish, rice, seed)
  • Firewood
  • Transport (taxi, bus)
  • School fees, school uniforms
  • Medicines, hospital bills
  • Food
  • Cloth
  • Beauty products
  • Hairdresser
  • Ceremonies (weddings, funerals)
  • Sweets, snacks, ice cream
  • Church

**Exercise**

Ask the participants to take their exercise books and do the following exercises:

• Draw a symbol for ‘money in’ on the left side, and the symbol for ‘money out’ on the right side.

• Think about the sources from which you receive money and draw a symbol for each source under ‘money in’.

• Think about the money that you spend and draw a symbol for each item you spend money on under ‘money out’.

Help the participants where they have difficulties.
<table>
<thead>
<tr>
<th>Item</th>
<th>Symbol</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nails</td>
<td>+</td>
<td>Money In</td>
</tr>
<tr>
<td>Saw</td>
<td>-</td>
<td>Money Out</td>
</tr>
<tr>
<td>Assistant</td>
<td>☀</td>
<td>Date</td>
</tr>
<tr>
<td>Tin of Sardines</td>
<td>$</td>
<td>Amount</td>
</tr>
<tr>
<td>Matches</td>
<td>🎈</td>
<td>Profit</td>
</tr>
<tr>
<td>Bananas</td>
<td>😞</td>
<td>Loss</td>
</tr>
<tr>
<td>Oranges</td>
<td>💰1000</td>
<td>Cash Money</td>
</tr>
<tr>
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<td>Gift</td>
</tr>
<tr>
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</tr>
<tr>
<td>Smoked Fish</td>
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<td>🐟</td>
<td>Fish</td>
</tr>
<tr>
<td>Sugar</td>
<td>🍎</td>
<td>Firewood</td>
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<tr>
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<td>🍞</td>
<td>Bread</td>
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<tr>
<td>Oil</td>
<td>🎨</td>
<td>Taxi</td>
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<tr>
<td>Charcoal</td>
<td>🍃</td>
<td>Bus</td>
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<tr>
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<td>🍩</td>
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<tr>
<td>Buttons</td>
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<td>Lining</td>
</tr>
<tr>
<td>Sewing Thread</td>
<td>💰1000</td>
<td>Needles and Oil</td>
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<tr>
<td>Cloth</td>
<td></td>
<td></td>
</tr>
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<tr>
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<tr>
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<tr>
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<tr>
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<tr>
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<td></td>
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<tr>
<td>Porter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tomato</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onion</td>
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<td></td>
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<tr>
<td>Okra</td>
<td></td>
<td></td>
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<tr>
<td>Household</td>
<td></td>
<td></td>
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<tr>
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<td></td>
<td></td>
</tr>
<tr>
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<td></td>
</tr>
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<td></td>
</tr>
<tr>
<td>Repayment of Credit</td>
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<td></td>
</tr>
<tr>
<td>Balance</td>
<td>💰1000</td>
<td></td>
</tr>
</tbody>
</table>
Cash Book ~ Fact Sheet

Purpose

To understand the uses for a cash book, and the mechanics of setting up and maintaining an accurate cash book.

Expected Outcome

After participating in this session, participants will be able to understand:

1. How to set up and maintain a cash book
2. The type of transactions recorded in a cash book
3. The difference between ‘money in’ (income) and ‘money out’ (expenditure)

Materials

• Flip chart or newsprint and markers OR chalkboard, chalk and a cleaning rag
• Pens, pencils, rulers, erasers for all participants
• Exercise books for all participants OR slates where commonly used

Time

60 minutes

Overview

Most small-scale entrepreneurs do not write down how much money comes in and goes out of their business. It is easy to remember events that have just happened. But when more items are bought and sold over a period of time, it becomes difficult to remember everything. Therefore it is important to write down all the money that comes in and goes out of a business.

When we analyse where the money comes from and where the money goes, we can make decisions on how to improve our business and make more profit.
## Description and Examples Using a Cash Book

A *Cash Book* keeps a record of money coming in and money going out of your business.

<table>
<thead>
<tr>
<th>☀️</th>
<th>+</th>
<th>☢️</th>
<th>☀️</th>
<th>−</th>
<th>☢️</th>
</tr>
</thead>
</table>

When we open a Cash Book, we see two pages. The page on the left is to record the money coming in to your business or *income*. The page on the right is to record money going out of your business or *expenditure*. Each page has three columns.

**Left Page**
- **1st Column**: Date: the day that you received the money
- **2nd Column**: Source of income
- **3rd Column**: How much money

**Right Page**
- **1st Column**: Date: the day that you pay the money
- **2nd Column**: What the money was spent on
- **3rd Column**: How much money
Example

Elizabeth sells tomatoes, onions and okra in the market.

- On September 1st she starts recording in her Cash Book. She has €8000 in cash money.
- In the morning she buys the following vegetables:
  - 2 baskets of tomatoes at €2000 each; 2 x €2000 = €4000
  - 1 bag of onions at €2500
  - 1 basket of okra at €1200
- During the day she sells:
  - Tomatoes for €1000
  - Onions for €600
  - Okra for €400
- She takes €600 for herself to buy food for her household.

She will sell the rest of the vegetables the next day. Before she goes home, she writes all her income and expenditures of the day in her Cash Book and she calculates her total income and expenditure.

At the end of the day, Elizabeth has €1700 in cash money.

\[
\begin{align*}
\text{Total money in} & \quad - \quad \text{total money out} \quad = \quad \text{cash balance} \\
€10,000 & \quad - \quad €8300 \quad = \quad €1700
\end{align*}
\]
Tips for Cash Control

• Write all money that comes in and goes out immediately in your Cash Book.

• Count your cash when the day begins and again when the day ends.

• When you take money for the household or yourself from the business money, write it in your Cash Book under ‘money out’, because it is money that goes out of the business;

• Write in the Cash Book only the items that are paid in cash. Buying and selling on credit will be recorded in a separate book called the Credit Book.

• You can calculate the balance every day, every week or every month, whenever it is most convenient for your business. It will always have to be done when you fill a page in your Cash Book. Remember that the balance should always be written at the start of a new page.

Summary ~ Cash Book

• It is important to keep a record of all cash coming into a business and all cash leaving a business. This record is called a cash book.

• Cash books are divided into two sections: Money-In (income) and money out (expenditure).

• Cash books should record dates, amounts of money, reason for transaction, and the source.

• To reduce error, always balance the cash book with actual cash on hand at regular time periods.
Cash Book ~ Workshop

General Instructions

Prior to conducting this workshop read over the General Workshop Guidelines. Additional information that explains the workshop process further will help ensure that learning objectives are achieved.

Background Information for the Facilitator

This workshop will introduce the Cash Book and reinforce the concepts of ‘money in’ (income) and ‘money out’ (expenditure). It also reinforces the concepts introduced in the Money Management Workshop found in the Financial Management Theme.

Time

• 1.5 to 2 hours

Number of Participants

• A group should preferably include 10 to 15 persons but it should definitely not exceed 20 participants. Larger groups make it very difficult for the facilitator to follow the progress of individuals.

Materials

• Flip chart or newsprint and markers OR chalkboard, chalk and a cleaning rag
• Pens, pencils, rulers, erasers for all participants
• Exercise books for all participants OR slates where commonly used

Discussion

• What is a Cash Book?
  – (Answer) A Cash Book is a book in which you write all the cash money that comes in and goes out of your business.

• Why is it important to write down your income and expenditure in a Cash Book?
  – (Answer) It is easy to remember events that have just happened but when more items are bought or sold over a period of time, it becomes difficult to remember everything. Therefore it is important to write down all the money that comes in and goes out of a business in a Cash Book.
**Explanation**

Draw a Cash Book on the chalkboard or flip chart as shown below:

| ☀ | ☉ | ¢ | ☉ | ☔ | ¢ |

Explain the following:

Left Page = ‘Money in’ (or income)
1^st^ Column = Date: the day that you received the money
2^nd^ Column = Source of income
3^rd^ Column = How much money

Right Page = ‘Money out’ (or expenditure)
1^st^ Column = Date: the day that you pay the money
2^nd^ Column = What the money was spent on
3^rd^ Column = How much money
Examples

Use the following examples to explain how to write the details of income and expenditure in the correct columns in the Cash Book. Read the examples item by item. Use the Cash Book on the chalkboard or flip chart to draw the symbols. Take the following steps:

1. The first entry in the Cash Book is the amount of money in hand at the beginning. This is written under ‘money in’.

2. Ask the participants to tell you which item should go to ‘money in’ and which item should go to ‘money out’. Illustrate it on the Cash Book in front of the group. Agree on which symbol is to be used for each item. Write the date, the symbol and the amount.

3. After writing all the income and the expenditures in the Cash Book:
   − add up both columns;
   − subtract ‘money out’ from ‘money in’;
   − that will give you the money you have left.
   This is called the balance. This amount should be the same as the amount of cash that you have in hand.

4. Add the balance to the total of ‘money out’. ‘Money in’ and ‘money out’ should be equal.

5. Write the balance on the ‘money in’ side at the top of the next page. Or if you continue on the same page, draw a line under the addition and start again with the balance under ‘money in’.

NOTE: Stress that participants should write the figures properly under each other (the units, tens, hundreds and thousands in the right column) so that they do not make mistakes in their addition of the total income and total expenditure.

Example 1

You may use the example of Elizabeth selling tomatoes, onions and okra described in the Cash Book Fact Sheet.

Elizabeth sells tomatoes, onions and okra in the market.
• On September 1st she starts recording in her Cash Book. She has ₡ 8000 in cash money.
• In the morning she buys the following vegetables:
  − 2 baskets of tomatoes at ₡ 2000 each; 2 x ₡ 2000 = ₡ 4000
  − 1 bag of onions at ₡ 2500
  − 1 basket of okra at ₡ 1200
• During the day she sells:
  − Tomatoes for ₡ 1000
  − Onions for ₡ 600
  − Okra for ₡ 400
• She takes ₡ 600 for herself to buy food for her household.
She will sell the rest of the vegetables the next day.

Before she goes home, she writes all her income and expenditures of the day in her Cash Book and she calculates her total income and expenditure.

- How much money has Elizabeth got left at the end of the day?

\[
\text{Total money in} - \text{total money out} = \text{cash balance}
\]

\[
\mathbf{\text{C}10,000} - \mathbf{\text{C} 8300} = \mathbf{\text{C} 1700}
\]

The money Elizabeth has left in cash should be the same as the balance in her book.

Elizabeth first writes the balance under ‘money out’.

She then writes the balance in the ‘money in’ column on the next page, as this is the cash money with which she will start the new page.

The next page will look like this:
Example 2

John is a carpenter.  
- On July 5th he starts his business with €10,000.  
- On the same day a customer asks him to make a table. John buys the following materials:  
  - 3 pieces of wood at €1000 each; 3 x €1000 = €3000  
  - 1 box of nails at €500  
- On July 7th he sells the table for €5500  
- On July 8th he buys a new saw for €2000  
- On July 9th he makes four chairs from the left over wood. He sells the chairs on the same day at €1500 each; 4 x €1500 = €6000  
- On July 10th he pays his apprentice €1000  
- He also takes €2000 out of his business money for his own salary.

John writes his income and expenditures every day in the Cash Book. He calculates the balance at the end of the workweek.

The Cash Book will look like this:
Explanation

Give the following tips for cash control:

- Write all money that comes in and goes out immediately in your Cash Book;
- Count your cash when the day begins and again when the day ends;
- When you take money for the household or yourself from the business money, write it in your Cash Book under ‘money out’, because it is money that goes out of the business;
- Write in the Cash Book only the items that are paid in cash. Buying and selling on credit will be recorded in a separate book called the Credit Book.
- You can calculate the balance every day, every week or every month, whenever it is most convenient for your business. It will always have to be done when you fill a page in your Cash Book. Remember that the balance should always be written at the start of a new page.

Suggested Practice Exercises

Before starting the exercises ask all participants to draw the lines for a Cash Book in their exercise books. Make sure ‘money in’ is on the left side and ‘money out’ is on the right side, and that each page is correctly divided into three columns for date, description and amount.

Practice Exercise 1

Ask a participant to draw a cash book on the chalkboard or flip chart. Ask individual participants to write the details of the following exercise in the Cash Book.

- Choose a business you know well:
  - Start with writing an amount of cash money in hand on the ‘money in’ side.
  - Discuss the process:
    - What materials do you usually buy?
    - What services do you pay for?
    - What wages do you pay?
    - How much do you spend on replacements and repairs?
    - How much do you sell your goods or services for?
  - Write all the income and expenditures in the Cash Book on the chalkboard or flip chart using symbols.
  - Add up both columns and find out how much cash is left.
- Ask participants to copy the example from the chalkboard or flip chart in their exercise books.
Practice Exercise 2

Divide the group into pairs. Each pair is to do the following exercise.

Read the exercise. Repeat it item by item and write the dates, symbols and amounts on the chalkboard or flip chart.

Amina sells groceries (such as tea and matches) from a kiosk at the roadside.

- On January 22, 2001 she has ₦ 6000 cash in hand.
- She goes to town and buys the following items:
  - 5 tins of sardines for ₦ 400 each; 5 x ₦ 400 = ₦ 2000
  - 4 packs of matches at ₦ 200 = ₦ 800
  - Bananas for ₦ 1200
  - She pays ₦ 200 for transport
- On January 23, 2001 she sells the following items:
  - 2 tins of sardines at ₦ 450 each; 2 x ₦ 450 = ₦ 900
  - 1 pack of matches at ₦ 250
  - Bananas for ₦ 700
- She takes ₦ 400 from the business money to go to the market to buy foodstuffs for herself.

Each pair is to answer the following questions and write the details in their exercise book:

- Write all the money that Amina spent and all the money that she received in a Cash Book.
- How much money did she spend in total?
- How much money did she receive in total?
- How much money does she have left?

In the end the Cash Book will look like this:

<table>
<thead>
<tr>
<th>Cash</th>
<th>Total</th>
<th>₦</th>
<th>Cash</th>
<th>Total</th>
<th>₦</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-7</td>
<td></td>
<td>6000</td>
<td>5-7</td>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>6-7</td>
<td>2 x 450</td>
<td>900</td>
<td>5-7</td>
<td>4 x 200</td>
<td>800</td>
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<td>6-7</td>
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<td>1 x 1200</td>
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<td>6-7</td>
<td>1 x 700</td>
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<td>1 x 200</td>
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<td>6-7</td>
<td></td>
<td>6-7</td>
<td>7850</td>
<td>4600</td>
<td>3250</td>
</tr>
</tbody>
</table>

From now on the participants should try to write down all their income and expenditure transactions in a Cash Book. Facilitators should follow-up with visits to each participant’s home or place of business to encourage the participants and assist them with any questions.
Record Keeping for Inventory ~ Fact Sheet

Purpose

To help participants understand the various uses for inventory records, and the benefits of keeping accurate inventory records.

Expected Outcome

After participating in this session, participants will be able to understand:

1. The importance of keeping accurate inventory records
2. How to set up and maintain inventory records
3. How to measure the level of inventory on hand
4. How to use inventory records to measure profitability and production
5. How to use inventory records to plan re-order of stock, and to help spot and deter theft

Materials

- Flip chart or newsprint and markers OR chalkboard, chalk and a cleaning rag
- Pens, pencils, rulers, erasers for all participants
- Exercise books for all participants OR slates where commonly used

Time

- 60 minutes

Overview

An Inventory Record keeps a record of physical items that your business has at any point in time. It includes what you had at the beginning of the year, what has been added to those items through purchases and production and how much has left your business through sales, consumption, planned use or losses. This information is of critical importance to the daily operation of your business.

Inventory records can help you decide when to re-order stock, how profitable your business is, if you should add or remove certain stock from the business offerings, and can even help pinpoint inventory losses due to theft.
Why is Record Keeping for Inventory Important?

- To help measure profitability
- To measure production
- To plan for re-order to avoid running out of supplies or items to sell
- To deter theft

Measure Profitability

Keeping records for inventory on hand at the beginning of a period, purchases made and production throughout the period, and inventory on hand at the end of the period is necessary to accurately determine total expenses incurred during the year.
Measure Production

Maintaining records for yields from production over a period of several years allows one to recognize important trends in the production cycle. This knowledge is useful for planning future production and the marketing of products.

Plan Re-order

In operating a small market, having too much inventory on hand is costly since the cost of these products must be borne by the market owner and it reduces the amount of cash available for other expenses and purchases.

On the other hand, running out of inventory can be costly in terms of lost sales!

Good records of inventory levels and seasonal adjustments help avoid these problems by determining the lead-time necessary to purchase additional supplies and to ensure the right amount of inventory to have at any one time.

Theft Deterrence

Making an accurate count of inventory at frequent intervals will help identify when theft is occurring and allow the market owner to take steps necessary to uncover the culprit. In addition, frequent recounting of perishable inventory will help determine market demand and allow removal of spoiled product.
How Can You Keep Better Records of Inventory?

- Record the number of units, cost and description of each group of items, then enter them as inventory. This includes production from farming, craft production, as well as any merchandise purchased for resale.

- As a product is sold, record the number of units, selling price and description. These amounts will be subtracted from the inventory on hand.

- Depending upon the type of business and type of inventory held, the entrepreneur should physically count the inventory on hand at frequent intervals. This is compared to the amount that should be on hand based on the quantity sold, quantity used for other production or household consumption, and the quantity lost due to spoilage or death. Any discrepancy should be investigated since theft or some other problem may cause it.

- At the end of the recording period the remaining inventory must be counted and verified with sales records to help determine the cost of the products sold.

- Calculation of Ending Inventory:

\[
\begin{align*}
&+ \quad \text{Value of Beginning Inventory} \\
&+ \quad \text{Value of Production} \\
&+ \quad \text{Value of Product purchased for resale} \\
&- \quad \text{Value of Product sold} \\
&- \quad \text{Value of Product used in business/personal} \\
&- \quad \text{Value of Product lost by theft or spoilage} \\
&\text{Total equals ending inventory}
\end{align*}
\]

Inventory Record Sheet

<table>
<thead>
<tr>
<th>Date</th>
<th>Item Description</th>
<th>Beginning Inventory</th>
<th>Production</th>
<th>Purchases</th>
<th>Sales</th>
<th>Used</th>
<th>Losses</th>
<th>Ending Inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Quantity</td>
<td>Value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Quantity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Consequences of Not Keeping Good Inventory Records

- Inability to accurately measure profit for a period because the amount of inventory sold cannot be determined.

- Current levels of production are difficult to calculate if product is simply added to existing inventory.

- In a retail business, lack of inventory records may reduce sales because not enough product is on hand.

- Without inventory records the amount and incidence of theft or spoilage of products cannot be determined.

Summary ~ Record Keeping for Inventory

- An inventory record keeps a record of physical amounts that your business has at any point in time.

- Inventory records are important to help measure profitability, productivity, timing for re-order, and to deter theft.

- Lack of inventory records increases the level of risk and uncertainty in a business, which affects profits.

- Ending inventory for a period equals the inventory at the beginning of the period plus any increases through production or purchasing less any reductions through personal/business use, sales or theft.
Record Keeping for Inventory ~ Workshop

General Instructions

Prior to conducting this workshop read over the General Workshop Guidelines. Additional information that explains the workshop process further will help ensure that learning objectives are achieved.

Background Information for the Facilitator

Ask participants (where applicable) to come prepared to describe their own system(s) for inventory record keeping.

Time

• 2 to 3 hours

Number of Participants

• A group should preferably include 10 to 15 persons but it should definitely not exceed 20 participants. Larger groups make it very difficult for the facilitator to follow the progress of individuals.

Materials

• Flip chart or newsprint and markers OR chalkboard, chalk and a cleaning rag
• Pens, pencils, rulers, erasers for all participants
• Hand calculator (if available)
• Exercise books for all participants OR slates where commonly used
• Product (e.g., fruit or vegetables) to use for demonstration
• Area suitable for writing

Type of Participants

• Entrepreneurs such as retailers, wholesalers, farmers and manufacturers
• Village leaders
• NGO and government advisory agents
Introduction and Warm-Up

- Use the first 5 minutes of the workshop to introduce all participants, and to discuss the purpose of the workshop.
- If necessary, allow an addition 10 to 15 minutes for a warm-up activity. This will allow participants to feel more comfortable with one another.

Process

Over a 30-minute period, first summarize the points covered in the fact sheet, and then discuss as a group the reasons why record keeping is important, and how to do it. An effective method of presentation is through a series of short pantomimes and pictures.

- Allow 20 minutes for participants to describe the problems they have with record keeping and the solutions they are presently using.
- Then conduct a 10-minute discussion of participants’ points with suggestions for improvement.
- Break for 15 minutes

- Allow 60 minutes for participants to practise record keeping using the products brought for demonstration to symbolize production and subsequent sale of the products.
- More fun and excitement can be included by having someone “steal” some of the product during the exercise.
- After 60 minutes, summarize the workshop.
- Require participants to go home and start an inventory record system of their own.

Follow-Up

Conduct a workshop follow-up within 60 days. Visit all participants at their business sites and do the following:
- Observe their record keeping practices
- Answer all questions
- Make appropriate suggestions for improvement where necessary
Credit Book ~ Fact Sheet

Purpose

To discuss the importance of keeping accurate credit books, and the mechanics of setting up and maintaining credit book records.

Expected Outcomes

After participating in this session, participants will be able to understand:

1. The importance of maintaining credit books
2. The consequences of not keeping credit books
3. How to set up a “Sold on Credit” book
4. How to set up a “Bought on Credit” book
5. How credit transactions affect the business’ cash book

Materials

• Flip chart or newsprint and markers OR chalkboard, chalk and a cleaning rag
• Pens, pencils, rulers, erasers for all participants
• Exercise books for all participants OR slates where commonly used

Time

• 60 minutes

Overview

Many small-scale entrepreneurs buy and sell on credit but they do not keep records of it. They try to keep this information in their head. Problems with repayments of credit often cause a loss of money. Keeping records of buying and selling on credit will help to avoid this problem.

The Credit Book keeps a record of all the money that customers have to repay you and all the money you have to repay to others.

There are different ways to keep Credit Books. You can keep two books - one for the goods or services that you have sold on credit and one for the goods or services that you have bought on credit. Another system is to have one book and use one half of the book for ‘sold on credit’ and the other half for ‘bought on credit’.
### Recording Transactions Sold On Credit

#### SOLD ON CREDIT

Name of Customer: ____________________

<table>
<thead>
<tr>
<th>Date</th>
<th>Goods Sold</th>
<th>Amount Sold</th>
<th>Amount Paid</th>
<th>Balance Owed</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The customer is the person who buys from you. Use one page in your credit book for each customer and begin by writing the name or a symbol to represent the name of the customer on the top of the page. You can also use symbols instead of words for column headings.

**Goods Sold**
- Use a symbol to describe the goods or service that was sold on credit to the customer on that date.

**Amount Sold**
- Record the value of goods or services sold on credit.

**Amount Paid**
- Record the payment or part-payment of the amount sold on credit.

**Balance Owed**
- Record the total amount the customer has to repay.

**Signature**
- Get the customer to sign or make a fingerprint in this column each time she buys on credit or repays you.

Every time a customer buys something on credit, write down the date, the description of the goods and the value. After that you add the value to the balance owed. Every time the customer repays or pays part of the amount owed to you, record it under Amount Paid. After each payment you have to adjust the balance owed to see whether the customer has paid all her debt or whether she still has to repay you some amount. Request the customer to sign or make a fingerprint each time she buys on credit or repays you.
Recording Transactions Bought On Credit

**BOUGHT ON CREDIT**

Name of Supplier: ____________________

<table>
<thead>
<tr>
<th>Date</th>
<th>Goods Sold</th>
<th>Amount Sold</th>
<th>Amount Paid</th>
<th>Balance Owed</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The supplier is the person you are buying from on credit. Use one page in your credit book for each supplier and begin by writing the name or a symbol to represent the name of the supplier on the top of the page. You can also use symbols instead of words for column headings.

**Goods Sold**

- Use a symbol to describe the goods or service that was bought on credit from the supplier on that date.

**Amount Sold**

- Record the value of goods or services bought on credit.

**Amount Paid**

- Record the payment or part-payment of the amount bought on credit.

**Balance Owed**

- Record the total amount you still owe to the supplier.

**Signature**

- Get the supplier to sign or make a finger print in this column each time you make a payment.

Keep one page on the credit book for each person buying regularly on credit. Every time that person buys something on credit or repays part of the debt, write this on his/her page and calculate the new balance. This way you can always see whether this person repays regularly and whether he/she still has to pay a balance.

In the same way, if you are always buying on credit from the same supplier, you should also keep one page for each supplier in the book. When a particular customer or supplier page is full, continue the record on the next available page.

If you do not have regular customers or suppliers, then you should enter each transaction in your Credit Book as it occurs on a day-to-day basis. Then you will have to add an extra column for the names of the different people. However, it is not advisable to sell on credit to people who do not buy from you regularly.
How Do Credit Transactions Affect Your Cash Book?

Every time someone pays you for goods that she or he bought from you on credit, you write it in your Cash Book under ‘money in’ because it is cash money that goes into your business.

In the same way, every time you pay for the goods that you bought on credit, you write it in your Cash Book under ‘money out’ because it is cash money that goes out of your business.

Summary ~ Credit Book

- Providing credit to loyal customers is one way to increase sales, but accurate records in the credit book are essential.

- Receiving credit for business purposes is one way to expand your business and earn higher profits, but accurate records in the credit book are essential.

- The credit book records loans you have made to other people and all loans other people have made to you, including date, amount, interest charges, and repayment schedule.

- Always have payments initialed or marked to reduce any misunderstandings or disagreements about the accuracy of the credit book balances.
Credit Book ~ Workshop

General Instructions

Prior to conducting this workshop read over the General Workshop Guidelines. Additional information that explains the workshop process further will help ensure that learning objectives are achieved.

Background Information for the Facilitator

Many small-scale entrepreneurs buy and sell on credit but they do not keep records of it. They try to keep this information in their head. Problems with repayments of credit often cause a loss of money. Keeping records of buying and selling on credit will help to avoid this problem.

Time

• 1.5 to 2 hours

Number of Participants

• A group should preferably include 10 to 15 persons but it should definitely not exceed 20 participants. Larger groups make it very difficult for the facilitator to follow the progress of individuals.

Materials

• Flip chart or newsprint and markers OR chalkboard, chalk and a cleaning rag
• Pens, pencils, rulers, erasers for all participants
• Exercise books for all participants OR slates where commonly used

Discussion

• How do you remember who has to repay you and how much?
  – All answers are good. If someone has a method let her explain how she does it.

• How do you remember how much you owe others and who you owe for things bought on credit?
  – All answers are good. Ask for examples.
**Explanation**

Refer to the Credit Book Fact Sheet.

**Examples**

**Example 1**

Draw a Credit Book page on the chalkboard or flip chart and work through the following example with the participants.

**SOLD ON CREDIT**

Name of Customer: ____________________

<table>
<thead>
<tr>
<th>Date</th>
<th>Goods Sold</th>
<th>Amount Sold</th>
<th>Amount Paid</th>
<th>Balance Owed</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mary has a regular customer in the market to which she sells her smoked fish. Her name is Akosua.

- On December 14th Mary sells two baskets of fish for ₵ 6000 each (2 x ₵ 6000 = ₵ 12,000) on credit to Akosua. They agree that Akosua will pay the money on the next market day.

- On December 21st Akosua pays ₵ 10,000 to Mary. She still owes Mary ₵ 2000.

- On the same day she buys one basket of fish for ₵ 6000 on credit again. She now owes Mary ₵ 8000 (₴ 2000 + ₵ 6000 = ₵ 8000)

- On December 24th Akosua pays all the remaining debt.

After writing everything in the Credit Book, Mary also writes the cash payments that Akosua made in her Cash Book as ‘money in’.

On December 21st she writes in her Cash Book under ‘money in’ ₵ 10,000, and on December 24th she writes ₵ 8000 under ‘money in’.
Example 2

Mary usually buys fresh fish from the same fisherman on credit.

She pays the fisherman for the fish only after selling the smoked fish.

Every time she buys a load of fish she writes it in her ‘bought on credit’ book so that she will not forget the amount that she has to pay the fisherman.

- On November 20th she buys 3 crates of fish for €4000 each;
- On November 21st she buys 5 crates of fish for €3500 each;
- On November 22nd she buys 2 crates of fish for €4500 each;
- After coming home from the market on November 23rd she pays the fisherman €30,000

How much money does she still owe the fisherman?

<table>
<thead>
<tr>
<th>Date</th>
<th>Quantity</th>
<th>Price</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-11-93</td>
<td>3 x 4000</td>
<td>12,000</td>
<td>0</td>
<td>12,000</td>
<td>Jonas</td>
<td></td>
</tr>
<tr>
<td>21-11-93</td>
<td>5 x 3500</td>
<td>17,500</td>
<td>0</td>
<td>29,500</td>
<td>Jonas</td>
<td></td>
</tr>
<tr>
<td>22-11-93</td>
<td>2 x 4500</td>
<td>9,000</td>
<td>0</td>
<td>38,500</td>
<td>Jonas</td>
<td></td>
</tr>
<tr>
<td>23-11-93</td>
<td></td>
<td>0</td>
<td>30,000</td>
<td>8,500</td>
<td>Jonas</td>
<td></td>
</tr>
</tbody>
</table>

After paying the fisherman the €30,000, Mary writes in her Cash Book on November 23rd €30,000 as ‘money out’.
Suggested Practice Exercises

Exercise 1

Draw a ‘sold on credit’ page on the chalkboard or flip chart. Read the following story and write the details (dates and description of goods sold) on the page. Ask participants to come to the chalkboard or flip chart and write the amounts in the correct columns.

Aba is a farmer. She sells tomatoes and onions. She has a regular customer whose name is Regina.

- On July 1st Aba sells tomatoes for 5000 and onions for 4000 to Regina on credit. Regina promises to pay on the next market day.
- On July 7th Regina pays Aba 7000
- On the same day she buys tomatoes for 2000 on credit again.

After writing the exercise on the chalkboard or flip chart, the participants should copy it in their exercise books.

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Credit</th>
<th>Debit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-7-93</td>
<td>1 x 5000</td>
<td>5000</td>
<td>0</td>
<td>5000</td>
</tr>
<tr>
<td>1-7-93</td>
<td>1 x 4000</td>
<td>4000</td>
<td>0</td>
<td>9000</td>
</tr>
<tr>
<td>7-7-93</td>
<td>1000</td>
<td>0</td>
<td>7000</td>
<td>2000</td>
</tr>
<tr>
<td>7-7-93</td>
<td>1 x 2000</td>
<td>2000</td>
<td>0</td>
<td>4000</td>
</tr>
</tbody>
</table>
Exercise 2

Draw a ‘bought on credit’ page on the chalkboard or flip chart. Read the following story and let the participants write the details on the page.

Amina is a baker. She often buys bags of flour on credit from the wholesale shop. The name of the shop is ‘Okay Store’. She always writes everything she buys on credit in her Credit Book so that she will not forget anything.

- On February 15th Amina buys 2 bags of flour at ₯15,000 each. She pays cash for only one bag and agrees to pay the remaining ₯15,000 in two weeks’ time.
- On February 25th she pays ₯15,000
- On the same day she buys another 2 bags of flour on credit at ₯15,000 each.

After writing the exercise on the chalkboard or flip chart, the participants should copy it in their exercise books.

NOTE: In the February 15th transaction Amina bought two bags of flour. She paid cash for one bag and bought the other bag on credit. She therefore records the purchase of one bag in her Cash Book and the other in her Credit Book.
Cost-of-Production Records ~ Fact Sheet

Purpose

To discuss the importance of the cost of producing items for sale as it relates to profitability.

Expected Outcomes

After participating in this session, participants will be able to understand:

1. How to determine the cost-of-production of a particular item
2. What the ‘break-even price’ is, and the importance of knowing it
3. How the cost-of-production relates to selling prices and profitability
4. How to create and maintain a production record

Materials

- Flip chart or newsprint and markers OR chalkboard, chalk and a cleaning rag
- Pens, pencils, rulers, erasers for all participants
- Exercise books for all participants OR slates where commonly used

Time

60 minutes

Overview

As with the previous business records discussed, the cost-of-production record can have a direct impact on the success or failure of your business. This record is used to keep track of the various factors that affect the cost of producing items for sale, such as labour, raw materials, equipment repair, etc.

Many business people do not know their costs and think that they are less than they really are. Therefore many people sell at a price that is too low and they make little or no profit. Knowing the cost of production will help you set the selling price and improve your profit.
Understanding Cost-of-Production

Cost of Production is a term used to describe the average cost of producing one unit of a given product. It is calculated by dividing the total cost of producing a quantity of goods by the quantity produced. In the case of maize production for example, the total cost to produce the crop of maize is divided by the quantity of maize harvested and the result is expressed as cedis per kilogram.

The cost of production may also be called the break-even price or the price necessary to cover all costs at a given yield or level of production. It will change not only with changes in costs but also with changes in the yield or quantity produced.

Recording and Calculating Production

Calculating your cost of production will require information from your Cash Book and from your production records. Production records show the physical amount produced. It could be kilograms harvested, kilograms of milk produced, number of animals raised, number of dresses made, metres of cloth woven, etc.

Production records may also include other physical information which explains the production process such as seed variety, seeding rate, fertilizer application rates, chemicals used, hours of labour used, etc. depending on the type of product you are producing.

Keeping this more complete information over a number of seasons allows you to identify problems and adjust production methods to improve yields and reduce costs.

<table>
<thead>
<tr>
<th>Field Production Record</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field Name or Number</td>
</tr>
<tr>
<td>Size of Field</td>
</tr>
<tr>
<td>Year/Season</td>
</tr>
<tr>
<td>Variety and Type of Crop</td>
</tr>
<tr>
<td>Fertilizer Type and Amount</td>
</tr>
<tr>
<td>Fertilizer Cost</td>
</tr>
<tr>
<td>Seed Amount and Cost</td>
</tr>
<tr>
<td>Chemicals Used (Type and Amount)</td>
</tr>
<tr>
<td>Amount of Labour</td>
</tr>
<tr>
<td>Preparation</td>
</tr>
<tr>
<td>Seeding</td>
</tr>
<tr>
<td>Tending</td>
</tr>
<tr>
<td>Harvesting</td>
</tr>
<tr>
<td>Amount Harvested</td>
</tr>
<tr>
<td>Value of Harvest</td>
</tr>
<tr>
<td>Amount Marketed</td>
</tr>
<tr>
<td>Notes: (Weather conditions, market conditions, other factors affecting production)</td>
</tr>
</tbody>
</table>
### Recording and Calculating Costs

**EXAMPLE:**

Elizabeth is a seamstress. The manager of a clothing shop is interested in her clothes and asks her for the prices. She has no idea, but she promises to make a quotation.

Elizabeth calculates all the costs of making a dress, thinks about the profit she wants to make and the price the customers are willing to pay.

- **Materials and services:**
  - 3 yards of material (3 \( \times \) ₣ 1500) = ₣ 4500
  - 1 zipper = ₣ 50
  - 5 buttons (5 \( \times \) ₣ 20) = ₣ 100
  - Sewing thread = ₣ 150
  - Lining = ₣ 650
  - Needles and oil = ₣ 150
  - Transport = ₣ 100

- **Wages:**
  - It takes Elizabeth two days to make a dress. She decides to ask a moderate fee for workmanship of ₣ 1000 per day (2 \( \times \) ₣ 1000) = ₣ 2000
  - She pays one apprentice ₣ 250 per day for her assistance (2 \( \times \) ₣ 250) = ₣ 500

- **Replacement and Repair:**
  - Elizabeth is afraid that her sewing machine will break down and she wants to set aside some money so that she will be able to repair it when necessary. She decides to put ₣ 300 on top of the cost of each dress to save for this purpose.

- **Total Cost:**
  - Her total costs are ₣ 5700 + ₣ 2500 + ₣ 300 = ₣ 8500

- **Profit:**
  - Elizabeth thinks that ₣ 500 is a reasonable profit for each dress.

- **Final Price:**
  - Her price will be ₣ 9000. This is a price she thinks the customers will be prepared to pay.
Summary ~ Cost-of-Production Records

- Cost of production records are needed for an accurate calculation of profit as well as a comparison of costs from year to year.

- If the cost of production is unknown, then the selling price is often set too low – at an unprofitable level.

- Both the physical quantities and costs of inputs into the production process must be recorded to understand total cost of production and productivity. These include materials, labour and repairs.
Cost-of-Production Records ~ Workshop

General Instructions

Prior to conducting this workshop read over the General Workshop Guidelines. Additional information that explains the workshop process further will help ensure that learning objectives are achieved.

Background Information for the Facilitator

Many business people do not know their costs and think that they are less than they really are. Therefore many people sell at a price that is too low and they make little or no profit. Knowing the cost of production will help you set the selling price and improve your profit.

Time

• 1.5 to 2 hours

Number of Participants

• A group should preferably include 10 to 15 persons but it should definitely not exceed 20 participants. Larger groups make it very difficult for the facilitator to follow the progress of individuals.

Materials

• Flip chart or newsprint and markers OR chalkboard, chalk and a cleaning rag
• Pens, pencils, rulers, erasers for all participants
• Exercise books for all participants OR slates where commonly used

Discussion

• How do you determine the selling price for the products or services you sell?
  – Let the participants explain how they usually do it.
**Explanation**

To be able to determine the price, you will have to know all the costs that are involved in making and selling your product.

When you sell your product for a price that is higher than the cost to make and sell your product (its cost of production), then you are making a profit.

When you sell your product for a price that is lower than its cost of production, then you are selling at a loss.

**Examples**

Use the example of ‘Elizabeth the seamstress’ described in the Cost-of-Production Records fact sheet.

You may also use an example that is familiar to the participants and let the participants tell you the process and write down all the production and selling costs involved with their appropriate symbols on the chalk board or flip chart. Ask the participants to copy the example from the chalkboard or flip chart in their exercise books.

Examples could be a carpenter who makes cupboards, somebody who sells cooked food, someone who processes and sells palm oil, or a group that raises chickens to sell in the market.
Practice Exercise

Sam is a farmer who raises chickens and also works for a wage in the village. He buys the chickens when they are 2 days old, feeds them, gives them medicine if they are sick, protects them from predators and thieves and sells them at the market.

- On January 2\textsuperscript{nd} Sam bought 50 chicks, which were 2 days old. He purchased feed every week and cared for them for 10 weeks before taking them to market. Following is information recorded in Sam’s Cash Book:

<table>
<thead>
<tr>
<th>(symbol for date)</th>
<th>+</th>
<th>¢</th>
<th>(symbol for date)</th>
<th>-</th>
<th>¢</th>
</tr>
</thead>
<tbody>
<tr>
<td>01-01-2001</td>
<td>Beginning cash</td>
<td>95000</td>
<td>02-01-2001</td>
<td>(symbol for chicks)50x1000</td>
<td>50000</td>
</tr>
<tr>
<td>18-01-2001</td>
<td>(symbol for wages earned)</td>
<td>10000</td>
<td>02-01-2001</td>
<td>(symbol for feed)</td>
<td>25000</td>
</tr>
<tr>
<td>01-02-2001</td>
<td>(symbol for wages earned)</td>
<td>10000</td>
<td>15-01-2001</td>
<td>(symbol for feed)</td>
<td>25000</td>
</tr>
<tr>
<td>22-02-2001</td>
<td>(symbol for wages earned)</td>
<td>10000</td>
<td>18-01-2001</td>
<td>(symbol for wages paid)</td>
<td>2000</td>
</tr>
<tr>
<td>12-03-2001</td>
<td>(symbol for chicken) 40x10000</td>
<td>400000</td>
<td>01-02-2001</td>
<td>(symbol for gift)</td>
<td>10000</td>
</tr>
<tr>
<td>01-02-2001</td>
<td>(symbol for wages paid)</td>
<td>50000</td>
<td>01-02-2001</td>
<td>(symbol for medicine)</td>
<td>50000</td>
</tr>
<tr>
<td>12-03-2001</td>
<td>(symbol for wages paid)</td>
<td>3000</td>
<td>01-03-2001</td>
<td>(symbol for feed)</td>
<td>3000</td>
</tr>
<tr>
<td>01-03-2001</td>
<td>(symbol for household)</td>
<td>6000</td>
<td>12-03-2001</td>
<td>(symbol for wages paid)</td>
<td>5000</td>
</tr>
<tr>
<td>12-03-2001</td>
<td>(symbol for transport)</td>
<td>10000</td>
<td>Money out</td>
<td>402000</td>
<td></td>
</tr>
</tbody>
</table>

- Sam’s inventory and production records show that 5 chickens died. The other 5 chickens were given to family members.

Ask the participants to calculate the cost of production. Note that the ‘money out’ for household and gifts should not be included in the cost of raising the chickens. Therefore the cost of raising and selling the chickens is 380,000.
This exercise can also be used to calculate the profit or loss Sam made by raising chickens

Money in from sale of chickens - Money out for cost of production = Profit/Loss

\[ \text{₦} 400,000 - \text{₦} 380,000 = \text{₦} 20,000 \]

You could also ask the participants to calculate Sam’s profit if he had sold 45 chickens rather than 40 chickens.

\[ (45 \times \text{₦} 10,000 = \text{₦} 450,000 - \text{₦} 380,000 = \text{₦} 70,000 \text{ profit}) \]

Money in from sale of chickens - Money out for cost of production = Profit/Loss

\[ \text{₦} 450,000 - \text{₦} 380,000 = \text{₦} 70,000 \]

What would be the profit or loss if 10 chickens had died assuming the costs remained the same and if Sam still gave 5 chickens to family members?

\[ (35 \times \text{₦} 10,000 = \text{₦} 350,000 - \text{₦} 380,000 = \text{₦} 30,000 \text{ loss}) \]

Money in from sale of chickens - Money out for cost of production = Profit/Loss

\[ \text{₦} 350,000 - \text{₦} 380,000 = \text{₦} 30,000 \text{ (loss)} \]
Wrap Up and Evaluation ~ Record-Keeping

Participants will need time to process the information discussed. The facilitator should briefly review the accomplishments for the session and discuss how participants can implement the information learned.

He/she should ask the group the following types of questions:

- What is the next step?
- When should they meet again?
- What other preparatory work needs to be done?

When this task has been completed, the facilitator needs to conduct some type of evaluation. This final exercise will help the facilitator and group obtain the feedback necessary for judging the success of the workshop. The following exercise can be undertaken:

The group is asked to consider the following questions. They can either write down their responses or the facilitator can ask the questions of the group.

- Things I liked
- Things I did not like
- Suggestions for improvement
- The most important lesson I learned
- What I found the most difficult
- What is the main obstacle our group will face putting what we have decided to work
References ~ Record-Keeping

- Extensive use was made of the Simple Bookkeeping and Business Management Skills For Small Scale Entrepreneurs Facilitators Guide, November 1997 Second edition, published by the Food and Agriculture Organization of the United Nations, Regional Office for Africa in preparing the Workshop Guides in this text.