



Ministry of Rural Development
Government of India



Start-up Village Entrepreneurship Programme

PARTICIPANT HANDBOOK (ENGLISH)

Published by

National Rural Livelihood Mission, Ministry of Rural Development, Government of India

Developed by

Kudumbashree – National Resource Organisation

Illustrations

Deepak Sivarajan

Cover Photo

Babita Devi, Entrepreneur and CRP-EP (SVEP), Dumri Block, Jharkhand.

Photo Courtesy

Kudumbashree – National Resource Organisation

PREFACE

The National Rural Livelihood Mission (NRLM) has been supporting Self Help Group (SHG) members in setting up enterprises across various sectors. The efforts started with the Micro Enterprise Consultants (MEC) project in 2013 covering Bihar and Jharkhand. The learnings of the MEC project were used to launch the flagship entrepreneurship development programme of the Ministry called the Start-up Village Entrepreneurship Programme (SVEP) in 2015. SVEP has the objective of helping SHG and their family members to set-up small enterprises in the non-farm sector by developing an eco-system for entrepreneurship development in rural areas.

All the initiatives focus on building a cadre of Community Resource Persons-Enterprise Promotion (CRP-EP) for supporting and encouraging rural entrepreneurship. CRPs-EP provide business support services to entrepreneurs; it comprises of identifying business ideas, preparation of business plans, accessing loans and other support like marketing, maintaining accounts and taking business decisions.

Capacity building of CRPs-EP is one of the most important tasks in developing the eco-systems for supporting entrepreneurship. Over the years, lot of work has gone into developing a systematic process for meeting their training needs. With the objective of standardizing training tools for SVEP, NRLM entrusted the task to Kudumbashree National Resource Organisation (NRO) so that it can be used by SRLMs across the country. Kudumbashree NRO which has been supporting the entrepreneurship activities of NRLM has been part of the MEC and SVEP projects.

The book Faculty Manual developed under the SVEP is part of a set of three training tools developed for enhancing the skill sets of CRPs-EP. The other two are Classroom Teaching Aids and Participant Handbook.

Faculty Manual, which covers TEAM (Training in Enterprise Administration and Management) has been divided into two parts- TEAM A and TEAM B.

TEAM A includes a general preparatory session on mathematics, various types of businesses, understanding customers, and making products. TEAM B covers topics such as generation of financial statements, business diagnostics, and opportunity identification. The modules can be used by faculty members for providing training to MECs and CRPs-EP under SVEP.

It should be noted that these training materials have been developed based on years of experiences of working with enterprises and are intended to be continuously improved through its practical usage.

राजेश भूषण, आईएएस
सचिव
RAJESH BHUSHAN, IAS
SECRETARY



भारत सरकार
ग्रामीण विकास मंत्रालय
ग्रामीण विकास विभाग
कृषि भवन, नई दिल्ली-110001

Government of India
Ministry of Rural Development
Department of Rural Development
Krishi Bhawan, New Delhi-110001
Tel.: 91-11-23382230, 23384467
Fax: 011-23382408
E-mail: secyrd@nic.in

March 4, 2020



MESSAGE

Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM), is a flagship programme of the Ministry of Rural Development, which aims to improve the socio-economic status of rural women through collectivization, savings and credit, and promotion of multiple livelihood activities.

Rural households have, since the beginning of DAY-NRLM, availed of loans and engaged in enterprise based activities. This has been a key contributor in enabling them to diversify their income basket and overcome vagaries of agriculture. Available evidence suggests that poor families require 3-4 different income sources to get out of poverty. Rural non-farm enterprises are and will continue to be an important means towards this end.

In the budget speech FY 2014-15 the 'Start-up Village Entrepreneurship Programme' (SVEP) was announced to encourage rural youth to take up entrepreneurship as a source of livelihood. SVEP is operationalised on the field through Community Resource Persons for Enterprise Promotion, popularly known as CRPs-EP. These are women and men from the local community who are trained in business management and are instrumental in mobilising and enabling the entrepreneurs to set-up, run, and continuously improve their businesses.

It gives me immense satisfaction to see that the Enterprise management training toolkit has been developed to train CRPs-EP. The toolkit comprises Slides to enhance conceptual understanding, Faculty Manual to enable trainers convey the intended message using appropriate teaching aids, and Participant Handbook to help CRPs in business planning for the entrepreneur. The toolkit is available in English and Hindi.

This toolkit has been tested and used in more than 60 blocks and covers practical aspects that rural entrepreneurs routinely face. The toolkit can be used effectively to promote entrepreneurship in districts and blocks that are planning to implement non-farm activities in rural areas. It also lays a strong foundation for developing supplementary content aimed at expanding an existing enterprise, which is a priority area for government, private, and multilateral investments.

I am certain that practitioners will find this toolkit useful and will be able to adapt it to their context to promote local entrepreneurship.

(Rajesh Bhushan)

अल्का उपाध्याय

अपर सचिव एवं महानिदेशक (एन आर आई डी ए)

Alka Upadhyaya

Additional Secretary & DG (NRIDA)

Tel. : 23383880

Fax : 23381268

E-mail : ualka@ias.nic.in



सत्यमेव जयते



Message

Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM) is working towards improving the socio-economic capacity of rural women through collectivization, access to credit, and promotion of livelihoods activities.

DAY NRLM has been able to mainstream the poor through financial inclusion and the focus is now on livelihood enhancement for the rural households. Seeing the overall dependence on agriculture, livelihood diversification in rural India is essential for increase in productivity. The role of the non-farm sector is thus crucial for enhancing household incomes and catalytic for jobs creation.

In order to support enterprises at the village level, Start-up Village Entrepreneurship Program (SVEP), was introduced in 2015 across 23 states. SVEP addresses issues related to – missing financial, incubation and knowledge ecosystems for rural start-ups. Through independent evaluation, it has been found that the scheme has played a critical role in bridging the consistent gap in capital and technical support to rural enterprises.

The project is being spearheaded by the CRP-EPs (Community Resource Person for Enterprise Promotion), carefully selected among the SHG members who offer last mile extension services. These CRP-EP act as business development agents for the enterprises and support in setting up the enterprises and their further scale up. In an Enterprise management training toolkit to train CRP-EP in business understanding and planning, financial management techniques and most importantly in market linkages and intelligence has been developing.

Along with this, there is also a participant's handbook with activities and exercises for better understanding of the concepts for the CRPs. There is also a separate module which includes the slide deck for the CRPs which can assist them in training the entrepreneurs. In order for the toolkit to help maximum beneficiaries, the modules are available in both Hindi and English.

I commend the team of experts who have contributed to plan and implement this detailed toolkit. I am hopeful that these manuals will help our CRP-EPs to be able to support our budding entrepreneurs from poor and vulnerable backgrounds in a more effective manner.

(Alka Upadhyaya)

**LEENA JOHRI, IAS
JOINT SECRETARY**



ग्रामीण विकास मंत्रालय
ग्रामीण विकास विभाग
7वीं मंजिल, एनडीसीसी. बिल्डिंग- II
जय सिंह रोड़ जंतर मंतर, नई दिल्ली-110001
MINISTRY OF RURAL DEVELOPMENT
Deptt. of Rural Development
Government of India
7th Floor, NDCC Building-II,
Jai Singh Road (Opp. Jantar Mantar)
New Delhi-110001

Foreword

Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM) was launched by the Ministry of Rural Development (MoRD), Government of India in June 2011 to create efficient and effective institutional platforms of the rural poor, enabling them to increase household income through sustainable livelihood enhancements and improved access to financial services.

The Mission, through endorsing the discipline of thrift and credit, created a system of savings within the community federations across rural India. These savings that get borrowed by community members enable them to meet immediate financial requirements ranging from household expenses to health and education to expenses for enhancing social and cultural standing. Experiences from the past few years show that there has been a significant growth in uptake of loans for setting up of micro-enterprises in rural areas.

To lay a structured path for promoting entrepreneurship, DAY-NRLM launched the 'Start-up Village Entrepreneurship Programme' (SVEP) in 2015 to encourage rural youth to take up entrepreneurship as a source of livelihood. SVEP envisages creating an enterprise ecosystem in the rural areas in order to bridge the existing gaps of knowledge, incubation, and financial support systems.

CRPs-EP are an important cog in the SVEP implementation machinery. They are the barefoot soldiers, from the community, trained in technical knowledge of enterprise administration and management providing consultancy and handholding services to micro enterprises in rural areas. The technical expertise covers knowledge on identification of business ideas, training of entrepreneurs, preparation of business plans, market and credit linkage and regular tracking of enterprise performances. To standard learning outcomes across CRPs-EP in these states, a module was developed that trains them to set-up, support, and improve enterprise performance.

These CRPs-EP are trained on the field by community trainers. To aid these community trainers, a faculty manual has been developed to guide them on use of training material, exercises, and teaching aids. Additionally, a participant handbook has also been developed to assist CRPs-EP to conduct viability check for the enterprise and prepare business plans.

This toolkit is an extensive set of study materials and teaching aids comprising a compendium of slides focusing on business management concepts, one faculty manual for trainers to standardize classroom teaching, and a participant handbook for CRP-EP to use as a guide for end-to-end support of an enterprise.

This toolkit is a result of extensive field experience and learnings of Kudumbashree and NRLM's other partners. With inputs from domain experts, community trainers, and field practitioners, the toolkit has undergone many iterations and has been simplified for ease of use on the field. It is a detailed set of teaching and study tools, in both English and Hindi, to develop business acumen among its users and aims to be a guide for anyone who wishes to start and run a non-farm enterprise in a rural area.

(Leena Johri)

Table of Contents

S No.	Tools	Page Number
1	Tool 1 – Identifying Business Opportunities	1
2	Tool 2 – Select the Right Product / Service for the Business	10
3	Tool 3 – Estimate Revenue of the Business	16
4	Tool 4 – Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur	25
5	Tool 5 – Estimate Costs of the Business	36
6	Tool 6 – Estimate Profit of the Business	42
7	Tool 7 – Create Sales Plan for the Business	44
8	Tool 8 – Create Inventory Plan for the Business	49
9	Tool 9 – Set Price for Products / Services: Instructions for Using the Tool	59
10	Tool 10 – Estimate Fixed Capital Needs of a Business: Instructions for Using the Tool	63
11	Tool 11 – Estimate Working Capital Needs of a Business: Instructions for Using the Tool	68
12	Tool 12 – Prepare Business Plan for a New Business: Instructions for Using the Tool	85
13	Tool 13 – Create Posters / Leaflets for the Business	103
14	Tool 14 – Keep Records of the Business	107
15	Tool 15 – Checklist for Starting a Business	117
16	Tool 16 – Financial Statements for an On-going Business	118
17	Tool 17 – Checklist for Improving a Business	123

Tool 1 – Identifying Business Opportunities

- A business opportunity in a given location (block or district) is one where:
 - there is a need that is unmet for potential **customers** inside that location, or
 - there is a possibility of catering to needs of **customers** who are from outside that location, or
 - there is a possibility that the **revenues and profit** allow the person to earn desired sum of money over a period of time
 - **capabilities** required to conduct a business activity are available within the area
 - the area has potential for sufficient availability of **capital** to operate a business

- Let us first understand the basic demography of the area. List the information from a verified source for the following points:

Demographic Details	Population
Total population	
Male population	
Female population	
Total population (split population by age groups)	
Age group 1	
Age group 2	
Age group 3	
Age group 4	
.....	
Nature of occupation (split population by occupation)	
Occupation 1	
Occupation 2	
Occupation 3	
.....	
Income level (split by income groups)	
Poorest of poor	
Poor	
Lower-middle income	
Middle income	
High income	
Population by caste	
Caste 1	
Caste 2	
Number of tourists arriving in the area per year	

- ☑ **Authentic sources of information may include BDO office, BPM office, Panchayat office, and DIC**

- To identify business opportunities in a given area, the following factors need to be examined. These factors form the basis for identifying a certain basket of businesses within a location that one can use to further evaluate opportunities

- As the first step, list the local commodities available in the area, along with their quantities and months / seasons of availability
 - Commodity based resources (surplus from agri-products after own-consumption):
 - Tree / forest-based products (honey, fruits, vegetables, etc.):
 - Livestock (bee-keeping, milk, etc.):
 - Spices:
 - Other raw material:

- Next, list all the tourist attractions in the area. Also mention the type of existing enterprises and the enterprises that can be set-up in tourist destinations. Tourist attractions may include:
 - Historic value (palace, forts, caves)
 - Religious value (temples, mosques)
 - Scenery (lake, waterfalls, lakes, gardens, hills)
 - Wildlife (reserve forest/safari tours)
 - Picnic (boating, playground)
 - Marketplace (mandis, haat, bazaar)
 - Special food items (dal-baati, litti-chokha, etc.)
 - Highways / roads, etc.
 - Any other potential tourist spot

Tourist attractions	Tourist Footfalls (high / medium / low)	Available enterprises	Potential enterprises

- Now, mention the artisanal skills (and other skills) available in the area. Skills may include basket weaving, pottery / clay toys, wooden toys, stitching, bangle making, making medicinal products, etc. You may also mention the number of households engaged in each activity and if they have received any training to acquire / enhance their skill

Skills (acquired / innate / artisanal)	Number of Villages	Number of Households

- Mention the local festivals in the area and the types of products and services that are used and sold

Festival	Products and services used	Products and services sold	Business opportunity - Which products are used but not sold in adequate quantities

- You may also look at the products and services produced by the Community Based Organisations (CBOs) in the area and consider clustering / standardising them

Products / Services produced by CBOs	Name of Village	Number of households / units	Can a cluster be formed (Yes / No)

- Let us look at hotspots in the area and understand the products / services in demand and supplied. Hotspots may include railway stations, bus-stops, schools, hospitals, etc.

Hotspot	Products / services demanded by people	Products / services sold in the area	Business opportunity for products / services demanded but not sold

- Let us also consider the products and services which have a demand in the block but are purchased from outside the block

Products and Services purchased from outside the block	Can this be produced within the block? (Yes / No)

- We can also consider institutions available in the area. They may have food / stationery or any other needs that can be serviced through enterprises

Institutions	Needs of Institutions	Are these needs being serviced (Yes / No)	If no, is there a business opportunity? (Yes / No)

- The next step is to mention the schemes and projects implemented by various government departments in the area and mention the type of enterprises that can be set up under each scheme. Schemes may include Swachh Bharat Mission, construction of road, bridge, dam, subsidy for nutrition of mothers and children

Government scheme	Potential enterprises

- Once the potential business opportunities have been listed, let us evaluate them against various demographic parameters. You may tick the cell(s) where the business opportunity may fit:

Business Opportunities	Male population			Female population			Occupation						Households by Income groups					Markets outside the area	For tourists	For government schemes	Does the business have enough customers?	
	Age group 1	Age group 2	Age group 3	Age group 1	Age group 2	Age group 3	Occupation 1	Occupation 2	Occupation 3	Occupation 4	Occupation 5	...	Pop	Poor	Lower middle-income	Middle income	High income					
<i>Pottery</i>														X	X			X	X			<i>Yes</i>
<i>Dal Mill</i>															X							<i>No</i>

- From the above table mention all the business opportunities that have a customer base to serve...
- Now, let us examine these business opportunities against 4Cs – Customers and competition; Cost and profit; Capabilities; and Capital – to arrive at a short-list of feasible business opportunities for the given location:

(if both columns are yes, the opportunity may be selected for further analysis, if both columns are no, the opportunity should be discarded. If one column is yes, and one is no, the CRPs-EP should discuss and take a decision)

Customers and Competition			
Business Opportunities / potential products / services ↓	Is this product / service in high demand in the area? (Yes / No)	Is this need fully addressed by available businesses? (Yes / No)	Feasible business for the area? (Yes / No)

- The feasible business opportunities may be subject to the next C – Capabilities. The following matrix may be referred to for deciding on feasible business opportunities:

Is the skill needed to develop the product / provide a service available in the area? (Yes / No)	If the skill is not present, is it easy or difficult to learn?? (Easy / Difficult)	Are there enough people available in this location who can be trained to help run the business? (Yes / No)	Feasible business for the area? (Yes / No)
Yes	-	-	Yes
No	Easy	Yes	Yes
No	Easy	No	No
No	Difficult	Yes	CRP's decision
No	Difficult	No	No

- The selected business opportunities should be analysed based on last C – Capital.

Capital			
Business Opportunities / potential products / services ↓	Does this business type here run on cash or credit? (Cash/credit)	How much is the maximum amount that is given as loan in this area? At how much interest?	In case the loan amount is insufficient for an individual, can this business be run as a group? (Individual / Group / Both)

- Besides the 4Cs, the CRPs also need to consider the environment in which the businesses would operate. Environment factors may include political, economic, social, technological, legal, local environment (weather / climatic) conditions. Some enterprises may have to be weaned out if the larger business environment is unfavourable. Business environment may be analysed in the following table:

Environment							
Business Opportunities / potential products / services ↓	Political (Favourable / unfavourable)	Economic (Favourable / unfavourable)	Social (Favourable / unfavourable)	Technological (Favourable / unfavourable)	Legal (Favourable / unfavourable)	Environment (Favourable / unfavourable)	Feasible business for the area? (Yes / No)

- Based on the above analysis, the CRP-EP may short-list feasible business opportunities in the given area. Please note that the list is only indicative
- The entrepreneur may choose a business from this list or may also propose a business apart from this list. Each proposed business opportunity must go through a viability analysis (tools 2-12) to select the business for the entrepreneur
- Additionally, the CRPs-EP may also mention the clusters that exist in the area. Secondary sources such as <http://clusterobservatory.in/clustermap/m1.php>, SFURTI Clusters List, Innovation Clusters;

<http://www.dcmsme.gov.in/schemes/InnovationClusters4May2011.pdf> may be referred to for listing the clusters. Viability assessment could be conducted to understand the possibility of incorporating more members in the cluster or improving the financial performance of the cluster

Tool 2: Select the Right Product / Service for the Business

- Discuss with the entrepreneur and choose a business idea for which she would like to invest time, money, and effort for preparing a business plan. Write the business idea and proposed name of the business in the space below:

- Discuss with the entrepreneur and decide the name of the business

- The first step, now, is to understand the types of customers who will come to business and what products they will buy. Remember, there can be four broad categories of customers that the entrepreneur will be able to cater to. They are:
 1. Individuals
 2. Retailers or nearby shops
 3. Wholesalers
 4. Institutions and other businesses

Taking a cue from the above categorisation, list the types of customers who will come to the entrepreneur's shop in the following format:

Table 2.1: Possible Customers Types for _____	
S.No	Possible Customer Types
1	
2	
3	
4	
5	

- Having listed the types of customers, write down what each customer group will expect from the entrepreneur's business in the following format:

Table 2.2: Needs of Possible Customers Types for _____		
S.No	Possible Customer Types	Customer Needs

Table 2.2: Needs of Possible Customers Types for _____

S.No	Possible Customer Types	Customer Needs
1		• • • • •
2		• • • • •
3		• • • • •
4		• • • • •
5		• • • • •

➤ Having listed the customer types, you should find out which types of customers should the entrepreneur be focussing on. Begin by noting how much money each customer type is likely to spend in the shop, how frequently they will purchase, and are there any seasonal fluctuations. Visit the competitors in nearby areas and make use of your experience to fill the details in the following format:

☑ The answer under ‘Will the Entrepreneur be Able to Serve the Customer Type’ will have to be taken by the entrepreneur on the basis table 2.2 and on columns B to E in table 2.3

Table 2.3: Understanding Potential Customers Visiting _____						
Customer Type	How often do the customers purchase (Frequency)	How many customers purchase in the mentioned frequency	Amount spent by customer type in one visit (Rs.)	Seasonal Fluctuation	Analysis of Customer Type (put ✓ or × against each reason)	Will the entrepreneur be able to serve the customer type
A	B	C	D	E	F	G
					<input type="checkbox"/> This customer type will give us enough revenue <input type="checkbox"/> There will not be additional costs to serve the customer type <input type="checkbox"/> This customer type will not require any additional time to be served	
					<input type="checkbox"/> This customer type will give us enough revenue <input type="checkbox"/> There will not be additional costs to serve the customer type <input type="checkbox"/> This customer type will not require any additional time to be served	
					<input type="checkbox"/> This customer type will give us enough revenue <input type="checkbox"/> There will not be additional costs to serve the customer type <input type="checkbox"/> This customer type will not require any additional time to be served	

Table 2.3: Understanding Potential Customers Visiting _____						
Customer Type	How often do the customers purchase (Frequency)	How many customers purchase in the mentioned frequency	Amount spent by customer type in one visit (Rs.)	Seasonal Fluctuation	Analysis of Customer Type (put ✓ or × against each reason)	Will the entrepreneur be able to serve the customer type
A	B	C	D	E	F	G
					<input type="checkbox"/> This customer type will give us enough revenue <input type="checkbox"/> There will not be additional costs to serve the customer type <input type="checkbox"/> This customer type will not require any additional time to be served	
					<input type="checkbox"/> This customer type will give us enough revenue <input type="checkbox"/> There will not be additional costs to serve the customer type <input type="checkbox"/> This customer type will not require any additional time to be served	

Lists the all customer types the entrepreneur will cater to:

- 1.
- 2.
- 3.
- 4.
- 5.

- After selecting the types of customers the entrepreneur can service, list the products and services that the entrepreneur would have to produce and / or purchase. Use the information mentioned in tables 2.2 and 2.3

Table 2.4: Understanding Products / Services to Sell in _____		
Items to Produce	Trading Items	Services

- Having listed the products / services, it is important to consider the nearby competition:
 - Are there any competitors who are providing the same products / services as the entrepreneur?
 - If there is existing competition, will the entrepreneur be able to provide services better than them or at the least same as them?

If there is no competition, the entrepreneur should select the product / service. However, if there is competition, then you must consider if the entrepreneur will be able to provide products / services better than her competitors. If the entrepreneur is confident of her ability to provide them better than the competition or at least similar to the competition, then the product / service should be selected, otherwise it should be rejected.

- If the entrepreneur has no competition for the product / services, select the same at once. However, if there is existing competition, the entrepreneur must be able to say if she can provide the product / service better or at least comparable to her competitor:**
 - **If she will be able to provide the product / service better or at a comparable standard, then you must select the product / service**
 - **If she will NOT be able to provide the product / service better or at a comparable standard, then you must reject the product / service**

Table 2.6: Analysing Existing Competition			
Product / Service	Is there existing competition?	Can the entrepreneur provide products / services better than them or at least similar to them?	Is the product / service selected or rejected?

Having conducted these steps, list the products / services the entrepreneur must offer in her business:

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.

Tool 3: Estimate Revenue of the Business

- Now that you have short-listed products that can be sold in the entrepreneur’s business, it is time to understand how much money the business will be able to make by selling the selected products and services.
- As the first step list the products and services that the entrepreneur will sell in her business in the table as under:
- ☑ **The list of products / services can be sourced from Step 9 in Tool 2 – “Select the Right Product / Service for the Business”**

Table 3.1: List of Products / Services Sold in _____	
S.No	Products / Services
1	
2	
3	
4	
5	
6	
7	
8	

- Now, list down the customers that the entrepreneur’s business will cater to, the approximate numbers that will visit her business, and the amount spent by customer type in one visit in the following table. The purpose is to calculate the approximate amount each customer type will spend in the entrepreneur’s business
- ☑ **List of customer types who the business will cater to can be sourced from Table 2.e.3 in Tool 2 – ‘Select the Right Product / Service for the Business’**
- ☑ **How often do the customers purchase can be sourced from Table 2.e.3 (column B) in Tool 2 – ‘Select the Right Product / Service for the Business’**
- ☑ **How many customers purchase in the mentioned frequency can be sourced from Table 2.e.3 (column C) in Tool 2 – ‘Select the Right Product / Service for the Business’**
- ☑ **Amount spent by customer type in one visit can be sourced from Table 2.e.3 (column D) in Tool 2 – ‘Select the Right Product / Service for the Business**
- ☑ **In the following table, the time period mentioned in column E should match with the time period mentioned in column B**

Table 3.2: Analysing the Customers' Ability to Pay in a Year in _____							
S.No	Customer Types	How often do the customers purchase (Frequency)	How many customers purchase in the mentioned frequency	Amount spent by customer type in One visit (Rs.)	When will they come during the year	Calculation for Approximate amount spent by a customer type in a year	Approximate amount spent by a customer type in a year (Rs.)
A	B	B	C	D	E	$F = B \times C \times D \times E$	G
1							
2							
3							
4							
5							
	Total						

- As the next step, estimate the quantity of products the customer type will purchase from the entrepreneur's business. You can organise information for each customer type in the table below:

Table 3.3: Estimate of Number of Customers, and Frequency of Purchase in _____					
Product / Service	How often will the customers come to buy	No. of times the customer will come to buy in the time period given in column B	No. of Customers	Quantity purchased by customers in one instance	Number of Instances in a year (consider the information in column C)
A	B	C	D	E	F
Customer type 1: _____					
Customer type 2: _____					
Customer type 3: _____					
Customer type 4: _____					

Table 3.3: Estimate of Number of Customers, and Frequency of Purchase in _____

Product / Service	How often will the customers come to buy	No. of times the customer will come to buy in the time period given in column B	No. of Customers	Quantity purchased by customers in one instance	Number of Instances in a year (consider the information in column C)
A	B	C	D	E	F
Customer type 5: _____					

- Based on the table above, calculate the number of customers visiting the entrepreneur’s business per year, their purchase quantity and finally the sales volume for the business. You can use the following table to perform calculations

Table 3.4: Estimating Number of Customers, Purchase Quantity, and Sales Volume for a Year for _____			
	Number of Customers per Year (No. of Customers x Instances in a Year)	Purchase Quantity per Customer (Qty x Number of times the customer will buy)	Sales Volume
	Columns C and F from Table 3.3	Columns D, and E from Table 3.3	
	A	B	C = A x B
Customer type 1: _____			
Customer type 2: _____			
Customer type 3: _____			
Customer type 4: _____			

Table 3.4: Estimating Number of Customers, Purchase Quantity, and Sales Volume for a Year for _____			
	Number of Customers per Year (No. of Customers x Instances in a Year)	Purchase Quantity per Customer (Qty x Number of times the customer will buy)	Sales Volume
	Columns C and F from Table 3.3	Columns D, and E from Table 3.3	
	A	B	C = A x B
Customer type 5: _____			

➤ Based on table 3.4, consolidate the sales volume as under:

Table 3.5: Consolidating Sales Volume for _____						
Product / Service	Customer type 1	Customer type 2	Customer type 3	Customer type 4	Customer type 5	Total
A	B	C	D	E	F	G

Table 3.5: Consolidating Sales Volume for _____

Product / Service	Customer type 1	Customer type 2	Customer type 3	Customer type 4	Customer type 5	Total
A	B	C	D	E	F	G

- To consolidate information, extract columns A and F from table 3.5 and write them in table 3.6

Table 3.6: Products / Services Sold in _____ with their Sales Volume	
Products / Services	Estimated Sales Volume

- To estimate revenue, look at the competitor's price. Use the nearest and competitor's price to calculate revenue for the entrepreneur's corner in the following table:

Table 3.7: Revenue Estimation for _____			
Products / Services	Estimated Sales Volume	Nearest Competitor's Price	Revenue (Sales Volume x Price)
Total			

- Now, compare the customers' estimated ability to spend in table 3.2 and the estimated revenue from table 3.7. We do this to check if the customers can actually spend the amount of money we have estimated the entrepreneur's business to earn.

Table 3.8: Checking if Revenue Matches with Customers' Ability to Pay		
Particulars	Source	Amount
Customers' ability to pay	Table 3.2	
±5% of customer's ability to pay		
Estimated revenue for the business	Table 3.7	
Does the revenue fall within ±5% of customer's ability to pay	Yes / No	

- If the estimated revenue doesn't fall within $\pm 5\%$ of customer's ability to pay, then rework table 3.3 and subsequently all tables from table 3.3 to table 3.8**

- ☑ **Based on the above standards, take regular feedback from customers and take corrective actions when needed**

- Now, let us think from a production / purchase point of view. Having estimated the sales volume for each product / service to be sold in the business and prepared the quality standards to be adhered to, we need to assess the frequency of production / purchase and the subsequent batch size

- ☑ **Sales volume can be sourced from Table 3.6 of Tool 3 – ‘Estimate Revenue for the Business’**
- ☑ **You may consider the seasonal fluctuations mentioned in Table 3.3 in Tool 3 – ‘Estimating Revenue for the Business’ to determine the number of times the product / service will be produced / purchased during the year**

Table 4.3: Assessing Batch Size for Production / Purchase Cycle

S.No	Products / Services	Sales Volume per Year	Quantity that can be Produced / Purchased at once	Number of Batches to be Produced in a Year	Frequency of Production / Purchase [Daily / Weekly / Monthly / Yearly]	Batch produced in the Mentioned Frequency
	A	B	C	$D = B / C$	E	$F = D / E$
1						
2						
3						
4						
5						
6						
7						
8						

- Now, consolidate the raw material requirement for the entrepreneur's business in the following table:

Table 4.5: List of Raw Materials along with their Estimates Quantity in _____	
List of Raw Material	Estimated Quantity for 1 Batch
Product 1: _____	
Product 2: _____	
Product 3: _____	
Product 4: _____	
Product 5: _____	
Product 6: _____	
Product 7: _____	

Table 4.5: List of Raw Materials along with their Estimates Quantity in _____

List of Raw Material	Estimated Quantity for 1 Batch
Product 8: _____	

- We also need to consolidate a list of equipment required for the entrepreneur’s business in the following table:

Table 4.6: List of Equipment Required in _____		
S.No	Equipment	Quantity
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		

- Having understood the process and equipment required for each product in the business, we should now consider if the entrepreneur has the skill or if she can acquire the skill for preparing the product / rendering the service. Fills the table below in consultation with the entrepreneur:

Table 4.7: Analysis of Skills Required for Preparing / Procuring Products and / or Rendering Services in _____			
Product / Service	Does the entrepreneur have the skill to perform steps listed in the previous table?	Can the entrepreneur get trained?	Can the entrepreneur hire a helper?

Table 4.7: Analysis of Skills Required for Preparing / Procuring Products and / or Rendering Services in _____

Product / Service	Does the entrepreneur have the skill to perform steps listed in the previous table?	Can the entrepreneur get trained?	Can the entrepreneur hire a helper?

- Now, check if the entrepreneur will be able to spare the required time from her schedule. Please analyse the information in the following format:

Table 4.9: Analysing if the Entrepreneur has Sufficient Time for Running the Business									
Daily		Weekly		Bi-Monthly		Monthly		Yearly	
Is any part of the production / purchase daily?		Is any part of the production / purchase weekly?		Is any part of the production / purchase bi-monthly?		Is any part of the production / purchase monthly?		Is any part of the production / purchase yearly?	
How much time will the entrepreneur require per day?		How much time will the entrepreneur require per week?		How much time will the entrepreneur require per 2 weeks?		How much time will the entrepreneur require per month?		How much time will the entrepreneur require per year?	
Will the entrepreneur be able to take out as much time?		Will the entrepreneur be able to take out as much time?		Will the entrepreneur be able to take out as much time?		Will the entrepreneur be able to take out as much time?		Will the entrepreneur be able to take out as much time?	
Will the entrepreneur need to hire workers?		Will the entrepreneur need to hire workers?		Will the entrepreneur need to hire workers?		Will the entrepreneur need to hire workers?		Will the entrepreneur need to hire workers?	
For how many days / months the worker needs to be hired?		For how many days / months the worker needs to be hired?		For how many days / months the worker needs to be hired?		For how many days / months the worker needs to be hired?		For how many days / months the worker needs to be hired?	
What is the approximate wage rate?		What is the approximate wage rate?		What is the approximate wage rate?		What is the approximate wage rate?		What is the approximate wage rate?	

➤ We have now analysed the raw material, equipment, skill, and time to produce / purchase the products / services. Now, we need to assess whether raw material, equipment, skill, and time are available with the entrepreneur to run her business. We need to do a simple analysis in the following table:

- ☑ Availability of raw material can be estimated based on the list of raw material in Table 4.5
- ☑ Availability of equipment can be estimated based on the list of equipment in Table 4.6
- ☑ Availability of skills can be estimated based on analysis done in Table 4.7
- ☑ Availability of time can be estimated based on analysis done in Table 4.9

Table 4.10: Analysis of the Entrepreneur’s Skills, Time, and Equipment

Product / Service	Is the raw material available?	Is there equipment available or can equipment be purchased easily?	Is the skill available or can it be acquired or can workers be hired?	Is there time available for this activity or can workers be hired to make up for insufficient time?

- ☑ If the answer to all of the above four questions – is ‘yes’, the entrepreneur may proceed with further analysis. However, if the answer to any of the four questions is ‘no’, then the entrepreneur will have to discontinue the product / service
- ☑ If any product / service is discontinued, please rework all tools from Tool 3 onwards again

Tool 5: Estimate Costs of the Business

- In the earlier tool, we mentioned the standards and processes for the entrepreneur's business, which helped her in listing the raw material required in the business. We now need to make use of our findings from Tool 4, to arrive at costs for the entrepreneur's business.
- We have already estimated the revenue in Tool 3. Now, we want to check if the revenue is enough to cover the costs of the business. The first step is to identify costs in the business. But before we proceed, it is necessary to assess the income the entrepreneur wants to take home every month.

Table 5.1: Take-home Income Desired by the Entrepreneur	
Amount that the entrepreneur wishes to withdraw every month from the business	Rs. _____

- Now, based on our analysis earlier, we need to assess the applicability of various cost items for the entrepreneur's business
- Refer to the processes detailed out in Table 4.4 and list of equipment in Table 4.6 to cross-check the applicability of costs in the business**
- The amount mentioned in Table 5.1 may be taken as money withdrawn by owner for personal use**
- Wages mentioned in Table 4.9 must also be considered**

Table 5.2: Cost Incurred by _____	
Costs	Applicability for the Business (Y / N)
Raw Material	
Money paid to the workers (wages / salaries)	
Electricity	
Transportation	
Money withdrawn by owner for personal purposes / wages withdrawn by owner	
Repair and maintenance	
Rent	
Interest	
Fuel	
Other cost 1: Washing powder and scrub	

Table 5.2: Cost Incurred by _____	
Costs	Applicability for the Business (Y / N)
Other cost 2: _____	
Other cost 3: _____	
Other cost 4: _____	
Other cost 5: _____	

- List all costs applicable in the business and classify them as fixed and variable costs
- Under exceptional cases, money paid to workers may be considered as a variable cost

Table 5.3: Classification of Costs in _____		
Costs	Fixed Every Month (Fixed Cost)	Can Vary Depending on Number of Units Produced / Sold

- Let us first estimate the fixed costs per month. Lists all fixed costs in the business and then makes an estimate in the following table:
- Money withdrawn for personal purposes can be sourced from Table 5.1
- To convert monthly estimate into annual estimate, multiply the monthly estimate by the number of months the business is operational. If the business is operational for 12 months, hence, the monthly estimate has been multiplied by 12

Table 5.4: Estimation of Fixed Costs in _____		
Costs	Monthly Estimate	Annual Estimate

Table 5.4: Estimation of Fixed Costs in _____		
Costs	Monthly Estimate	Annual Estimate
Total		

- We now need to estimate costs that vary depending upon the units produced or variable costs for the entrepreneur’s business. For this, we first calculate the number of batches of products / services the business will have to produce / purchase
- ☑ **Total Number of Batches in a Year can be sourced from Table 4.3 (column D) of Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’**

Table 5.5: Number of Batches per Year in _____	
Product / Service	Total Number of Batches in a Year
	Table 4.3 (column D)

- After calculating the number of batches, refer to the earlier analysis and list the quantity of raw-material that estimated batch-wise for products in the business. Use the table below to arrive at the total raw material required per year for each product / service
- ☑ **Estimated Quantity for 1 Batch can be sourced from Table 4.5 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’**

Table 5.6: Estimating Quantity of Raw Material Required for _____

List of Raw Material	Estimated Quantity for 1 Batch	Number of Batches per Year	Total Quantity Required per Year
A	B	C	D = B x C
Product 1: _____			
Product 2: _____			
Product 3: _____			
Product 4: _____			
Product 5: _____			

Table 5.6: Estimating Quantity of Raw Material Required for _____			
List of Raw Material	Estimated Quantity for 1 Batch	Number of Batches per Year	Total Quantity Required per Year
A	B	C	D = B x C
Product 6: _____			

- Now, consolidate the list of raw material and their quantities in the following table to calculate total raw material required as two products might use the same raw material.

Table 5.7: Consolidated Quantities of Raw Material required per year for each Product / Service in _____							
List of Raw Material	Product 1	Product 2	Product 3	Product 4	Product 5	Product 6	Total Raw Material
RM 1							
RM 2							
RM 3							
RM 4							
RM 5							
RM 6							
RM 7							
RM 8							
RM 9							
RM 10							
...							

- Now, mention the cost per unit of each raw material. You can survey the market and find out the average prices for each raw material.

Table 5.8: Estimation of Raw Material for _____			
List of Raw Material	Estimated Quantity per Year	Average Cost per Unit	Cost per Year
A	B	C	D = B x C
RM 1			
RM 2			
RM 3			
RM 4			
RM 5			
RM 6			
RM 7			
RM 8			
RM 9			
RM 10			
...			
Total			

- As the final step, compile the entrepreneur's fixed and variable costs for the year to arrive at the total cost for her business:

Table 5.9: Estimation of Total Cost for _____		
Cost	Source	Amount
Fixed Cost	Table 5.4	
Variable Cost	Table 5.8	
Total Cost		

Tool 6: Estimate Profit of the Business

- We have now estimated the revenue and costs of the entrepreneur's in previous tools. We now need to calculate the profit of the business. If our business is making a profit, we can move on to next tools. However, if our business is incurring a loss, then we need to find a way to make the business profitable or reject the business idea. This tool will help us in the same
- ☑ **Revenue can be sourced from Table 3.7 from Tool 3 – 'Estimating Revenue for the Business'**
- ☑ **Total Cost can be sourced from Table 5.9 from Tool 5 – 'Estimating Cost of the Business'**

Table 6.1: Calculating Profit for _____	
Cost	Amount (Annual)
Revenue	
Total Cost	
Revenue – Total Cost	

- ☑ **If business is earning a profit, i.e revenue is more than the total cost, then the idea can be considered for further analysis**
- ☑ **If the business is incurring a loss, i.e revenue is less than the total cost then, the following steps must be considered:**
 - **Increase Revenue**
 - **Increase Price**
 - **If the entrepreneur and MEC think that the business offerings can demand a higher price than the competitors, then work out Tool 9 – 'Set Price for Products / Services' and calculate revenue in Tool 3 – 'Estimate Revenue for the Business' using the prices. Subsequently rework Tool 6 – 'Estimate Profit of the Business'**
 - **Increase Sales Volume**
 - **Consider adding new customer types and additional products in Tool 2 – 'Select Right Products / Service for the Business' and subsequently rework Tool 3 – 'Estimate Revenue of the Business', Tool 4 – 'Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur', Tool 5 – 'Estimate Cost of the Business', and Tool 6 – 'Estimate Profit of the Business'**

- **Decrease Cost**
 - **Identify a supplier for purchasing raw material and negotiating lower prices with the supplier. Tool 8 – ‘Create Inventory Plan for the Business’ may help in selecting a supplier**
 - **Look for cheaper alternatives / substitutes for raw material**
 - **They can also think about reducing wastage, and costs such as rent, electricity, fuel, and salaries, if possible**
- **Consider doing both – increasing revenue and decreasing cost**
- **If after repeated changes, the business is not profitable, reject the business idea**

➤ The next step is to distribute the estimated sales volume in the different sales method. Uses the format below for the same.

☑ **The estimated sales volume in table 7.3 (last column) must match with the estimated sales volume in table 7.2**

Products / Services	Directly to consumers –door to door sales	Directly to consumers – own outlet	Selling to retailers or shops	Selling to wholesalers	Selling directly to institutions or other businesses	Selling through exhibitions / fairs	Estimated Sales Volume (Total for all Sales Methods)
Percentage of Sale							100%

➤ The next step is to break the sales volume into monthly targets. Consider seasonal fluctuations mentioned earlier to arrive at the month-wise sales targets

☑ **Please take seasonal fluctuations into consideration while preparing the sales plan for the entrepreneur.**

☑ **A few factors that contribute to seasonal fluctuations are: availability of raw material, harvest season in villages, festivals, etc.**

☑ **You may consider the seasonal fluctuations mentioned in Table 3.3 in Tool 3 – ‘Estimating Revenue for the Business’ and determine the month-wise sales plan**

➤ The next statement is to calculate the entrepreneur’s average sales on a monthly basis. Present the information in the following table:

	Directly to consumers – home visits	Directly to consumers – own outlet	Selling to retailers or shops	Selling to wholesalers	Selling directly to institutions or other businesses	Selling through exhibitions / fairs	Total
Product 1: _____							
Total							
Jan							

Table 7.4: Sales Plan for _____

	Directly to consumers – home visits	Directly to consumers – own outlet	Selling to retailers or shops	Selling to wholesa lers	Selling directly to institutions or other businesses	Selling through exhibitions / fairs	Total
Feb							
Mar							
Apr							
May							
Jun							
Jul							
Aug							
Sep							
Oct							
Nov							
Dec							

Product 2: _____

Total							
Jan							
Feb							
Mar							
Apr							
May							
Jun							
Jul							
Aug							
Sep							
Oct							
Nov							
Dec							

Table 7.4: Sales Plan for _____							
	Directly to consumers – home visits	Directly to consumers – own outlet	Selling to retailers or shops	Selling to wholesalers	Selling directly to institutions or other businesses	Selling through exhibitions / fairs	Total
...and so on							

- Having finalised the sales plan, the next step is to decide on the credit policy that the entrepreneur will adopt

Table 7.5: Decision to Sell on Credit for _____	
The business will have no sales transactions on credit	
The business will have at least one sales transaction on credit	

- If the business will have credit sales, then proceed to next steps. If the business plans to sell all products / services on cash, then the tool to develop sales plan ends here**
- Since the entrepreneur decides to sell on credit, we need to frame a credit policy. Use the following framework to organise the policy decisions.

Table 7.6: Credit Policy for _____						
	Directly to consumers – home visits	Directly to consumers – own outlet	Selling to retailers or shops	Selling to wholesalers	Selling directly to institutions or other businesses	Selling through exhibitions / fairs
Who will the business give credit to?						
For how long the business will give credit?						
What percentage of monthly revenue will be on credit?						
Will there be periods in a year when no credit is given or extra credit is given?						

Tool 8: Create Inventory Plan for the Business

- We will now make use of the sales plan to prepare an inventory plan for the entrepreneur’s business
- Re-write the raw material required for the entrepreneur’s business already prepared in Tool 3
- The list of raw material and the estimated quantity for 1 batch can be sourced from Table 4.5 from Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’**

Table 8.1: List of Raw Materials along with their Estimates Quantity in _____	
List of Raw Material	Estimated Quantity for 1 Batch
Product 1: _____	
Product 2: _____	
Product 3: _____	
Product 4: _____	

Table 8.2: Sales Volume for Products Sold in _____													
Items	Unit	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Product 3													
Product 4													
Product 5													
Product 6													

➤ Re-write the batch size for each product to be produced in the table below:

- The batch size can be sourced from Table 4.3 (column F) in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’**

Table 8.3: Batch Size for Producing / Purchasing Products Sold by _____		
S.No	Products / Services	Estimated batch size to be produced / purchased for the given sales volume
	A	F
1	Product 1	
2	Product 2	
3	Product 3	
4	Product 4	
5	Product 5	
6	Product 6	

➤ The next step is to calculate the number of batches to be produced per month.

	Required	Available	Required	Available	Required	Available	Required	Available	Required	Available	Required	Available	Required	Available	Required	Available	Required	Available	Required	Available	Required	Available	Required	Available
RM 1																								
RM 2																								
...																								

➤ Calculate the quantity of raw material that the entrepreneur will have to arrange for in advance

The net requirement is the difference between the required raw material and available raw material

Table 8.9: Net Requirement in Months with Limited Availability / Scarcity in _____ (Difference = Required – Availability)														
Items	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	
RM 1														
RM 2														
...														

➤ Looking at Table 8.7, 8.8, and 8.9, you must answer the following questions:

○ Can the entrepreneur produce the product every month as per the production plan?

The entrepreneur will be able to produce as per the production plan if all cells in Table 8.8 are 0 or positive

○ In case the entrepreneur is able to produce as per her production plan, will she have:

- Enough money to purchase raw material on a regular basis?
- Enough space to store the raw material?
- Enough time to purchase raw material as required?

Table 8.11: Choosing Suppliers

	Supplier 1	Supplier 2	Supplier 3	Supplier 4	Supplier 5	Supplier 6	Supplier 7	Supplier 8
Credit Period								
...and so on								

Tool 9: Set Price for Products / Services: Instructions for Using the Tool

- The next step is to decide the price of the products / services sold in the business. To start with, list down the products and services that the entrepreneur plans to sell in her enterprise
- ☑ **The list of products / services can be sourced from Table 4.9 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’**

Table 9.1: List of Products / Services Sold in _____	
S.No	Products / Services
1	
2	
3	
4	
5	
6	
7	
8	

- To price products and services produced and sold in the business, the entrepreneur must understand the quality of her offerings in comparison to her competitors. The entrepreneur can demand a higher price if her products and services are better than her competitors. However, in case her offerings are not at par with those of her competitors, she must charge a lower price.

To compare the quality of her offerings to those of her competitors, re-write the quality standards set for the business previously

- ☑ **Quality standards of the business can be sourced from Table 4.2 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’**

Table 9.2: Quality Standards for _____		
Functionality	Safety	Attractiveness
•	•	•
•	•	•
•	•	•
•	•	•

- Discuss with the entrepreneur and decide the two closest competitors for the business. Next, compare the business's quality against those of the competitors and assesses the overall quality standard / competitiveness of the business with respect to each competitor based on conventions stated below:

Case No.	Functionality	Safety	Attractiveness / Experience	Combined Competitiveness
1	Better	Better	Better	Better
2	Better	Better	Same	Better
3	Better	Better	Worse	Better
4	Better	Same	Better	Better
5	Better	Same	Same	Better
6	Better	Same	Worse	Same
7	Better	Worse	Better	Better
8	Better	Worse	Same	Same
9	Better	Worse	Worse	Worse
10	Same	Better	Better	Better
11	Same	Better	Same	Better
12	Same	Better	Worse	Same
13	Same	Same	Better	Better
14	Same	Same	Same	Same
15	Same	Same	Worse	Worse
16	Same	Worse	Better	Same
17	Same	Worse	Same	Same
18	Same	Worse	Worse	Worse
19	Worse	Better	Better	Better
20	Worse	Better	Same	Same
21	Worse	Better	Worse	Worse
22	Worse	Same	Better	Same
23	Worse	Same	Same	Worse
24	Worse	Same	Worse	Worse
25	Worse	Worse	Better	Worse
26	Worse	Worse	Same	Worse
27	Better	Better	Better	Better

Table 9.3: Analysis of Existing Competition on Quality Parameters		
	Competitor 1	Competitor 2
Quality Parameters	Entrepreneur's Business vs Competitor 1	Entrepreneur's Business vs Competitor 2
Functionality		

Safety		
Attractiveness		
Overall		

- If the entrepreneur is **better** than both competitors, then the entrepreneur can set the price of the product higher than both competitors
- If the entrepreneur is **better than one competitor and worse than the other**, the entrepreneur can set the price of the product between the available price ranges
- If the entrepreneur is **worse** than both competitors, then the entrepreneur should set a lower price for her product
- If the entrepreneur is **better / worse than a competitor and at par with the other**, the entrepreneur can set the price of the product between the available price ranges
- If the entrepreneur is at par with the competitors, the entrepreneur should set the price of the product equal to that of the competitors or lower than them to compete

➤ Conclusion from the above analysis is: _____

Now, list the prices of both competitors and help the entrepreneur set prices for her offerings based on their analysis above:

Table 9.4: Setting Price for _____			
Products / Services	Competitor 1 Price	Competitor 2 Price	Entrepreneur's Price
	_____ as / than Competitor 1	_____ as / than Competitor 2	
Product 1			
Product 2			
Product 3			
Product 4			
Product 5			
Product 6			

➤ Feeds in the actual prices of products / services in Table 3.7 in Tool 3 – ‘Estimate Revenue of the Business’ to find out the actual revenue of the business as under:

Table 9.5: Actual Revenue for _____			
Products / Services	Estimated Sales Volume	Price	Revenue (Sales Volume x Price)
Product 1			
Product 2			
Product 3			
Product 4			
Product 5			
Product 6			
Total			

- It is now time to check the profit the entrepreneur’s business is making after revising the revenue. She feeds the actual revenue earned by the business in Table 6.1 in Tool 6 – ‘Estimate Profit of the Business’ to calculate the profit

Table 9.6: Calculating Profit for _____		
Cost	Source	Amount (Annual)
Revenue	Table 9.5	
Total Cost	Table 6.1	
Revenue – Total Cost		

- If the profits are within admissible limits, the CRP-EP should proceed to the next tool**
- However, if the profits are not within admissible limits, then the CRP-EP must consider the following:**
 - **Is there scope of increasing prices without improving the quality**
 - **If this is the case, re-work Tool 9**
 - **Is there a possibility of reducing cost with given quality**
 - **If this is the case, re-work Tool 4, Tool 5, Tool 6, and Table 9.6 in Tool 9**
 - **Is there a scope to improve quality and increase prices**
 - **If this is the case, re-work Tool 4, Tool 5, Tool 6, and Tool 9**
- If the answer to all three questions is no, then the business idea must be dropped**

Tool 10: Estimate Fixed Capital Needs of a Business: Instructions for Using the Tool

- Having selected products and services for the business, estimated revenue, costs, and profits, and prepared sales and inventory plan, you must now consider estimating fixed capital requirements for the business.
- As the first step, re-write the equipment needed for the business
- The equipment required in the business can be sourced from Table 4.6 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’**

Table 10.1: List of Equipment Required in _____		
S.No	Equipment	Quantity
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

- The next step is to find the price of new and second-hand equipment as well as think about the possibility of taking the equipment on rent. You will have to visit the market and consult a few shopkeepers. You can fill the information in the following format:
- Mention the best price after comparing it across different brands, locations, agencies**

Table 10.2: Prices of New and Second-Hand Equipment Required in _____				
S.No	Equipment	Price of New Equipment per Unit	Price of Second Hand Equipment per Unit	Rent per Month per Unit
1				

S.No	Equipment	Price of New Equipment per Unit	Price of Second Hand Equipment per Unit	Rent per Month per Unit
2				
3				
4				
5				
6				
7				
8				
9				
10				

- Since the entrepreneur is starting a new business, she may take the equipment with more investment on rent. If her business picks up in subsequent months, she can purchase new or second-hand equipment. The next step is to find out which equipment can be rented and which equipment will have to be purchased.
- The calculation of rented equipment will be taken up in Tool 11 – ‘Estimate Working Capital Needs of a Business’**

S.No	Equipment	Purchase (✓)	Rent (✓)
1			
2			
3			
4			
5			
6			
7			
8			

Table 10.3: Understanding Equipment to be Rented or Purchased in _____			
S.No	Equipment	Purchase (✓)	Rent (✓)
9			
10			

The calculations of renting the equipment will be considered in the working capital tool.

➤ Write down the final list of equipment to be purchased along with their amounts

Rate can be sourced from Table 10.2 above

Units can be sourced from Table 10.1 above

Table 10.4: Final List of Equipment to be Purchased in _____				
Equipment	Type (New / Second Hand)	Rate	Units	Amount
Total				

➤ Next, consider the deposits that need to be made for the rented equipment / premises

Table 10.5: Deposits to be made for _____	
Type of Deposit	Amount
Total	

- Next, consider the licenses that need to be obtained by the entrepreneur to run her business and the amount she needs to spend on acquiring the same.

Table 10.6: Licenses to be Obtained for _____	
Type of License	Amount
Total	

- Next, consider the amount the entrepreneur would be spending on electrification of the rented premises and making water supply arrangements, renovations, and other modifications.

Table 10.7: Cost for Setting up Amenities in _____		
Amenities	Cost Incurred	Total
Electrification Charges		
Charges for Water Facility		
Amount spent on Renovation / Modification / Maintenance		
Others		
Total		

- Also consider the trainings that the entrepreneur would have to go through to be able to provide the goods and services to her customers. She revisits the earlier tools to find out the trainings that she requires.
- The trainings required by the entrepreneur can be sourced from Table 4.7 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’**

Table 10.8: Trainings to be Undertaken by the Entrepreneur	
Type of Training Required	Amount
Total	

- After estimating the amount to be spent on equipment, security deposits, licenses and training, the next step is to calculate the amount of fixed capital required in the business.

Table 10.9: Estimating Fixed Capital for _____

Particulars	Source	Amount
Amount to be spent on equipment	Table 10.4	
Amount to be spent on security deposits	Table 10.5	
Amount to be spent on licenses	Table 10.6	
Amount to be spent on amenities	Table 10.7	
Amount to be spent on trainings	Table 10.8	
Fixed Capital Required in the Business		

Tool 11: Estimate Working Capital Needs of a Business: Instructions for Using the Tool

- Having estimated fixed capital in previous tool, it is now time to estimate the working capital required in the business.

Recollect that the working capital formula she had studied in the TEAM module:

Working capital needed for this period = (a) Expected cash outflow for this period – (b) Expected cash inflow for this period – (c) Opening cash balance for this period – (d) Last period's accounts receivable to be collected in this period + (e) Last period's accounts payable to be paid in this period

For making the calculations easier, reorder the formula in the following way:

Working capital needed for this period = (a) Expected cash outflow for this period + (e) Last period's accounts payable to be paid in this period – (b) Expected cash inflow for this period – (d) Last period's accounts receivable to be collected in this period – (c) Opening cash balance for this period

Based on the formula mentioned above, we will break the calculation into three parts:

- Part A = Total Cash Outflow = (a) Expected cash outflow for this period + (e) Last period's accounts payable to be paid in this period
- Part B = Total Cash Inflow = (b) Expected cash inflow for this period + (d) Last period's accounts receivable to be collected in this period
- Part C = (c) Opening cash balance for this period

Thus, in the end, you can derive the working capital by using the following formula:

Working capital needed for this period = Part A – Part B – Part C

Part A: Calculation of Total Cash Outflow

The cash outflow for the entrepreneur's business will comprise the following:

- Payments towards fixed cost
 - Payment for purchase of raw materials
 - Last period's accounts payable to be paid in this period
- We will now calculate the fixed cost for the entrepreneur's business for a period of 12 months

- The annual fixed cost incurred by the business can be sourced from Table 5.4 in Tool 5 – ‘Estimate Costs of the Business’

Table 11.1: Estimation of Fixed Costs in _____	
Costs	Monthly Estimate
Total	

- Recollect any equipment that was decided to be taken on rent.
- The list of rented equipment can be sourced from Table 10.3 from Tool 10 – ‘Estimate Fixed Capital of a Business’
- The per month rent of hired equipment can be sourced from Table 10.2 from Tool 10 – ‘Estimate Fixed Capital of a Business’

Table 11.2: Estimating Rent for Equipment for _____	
Rented Equipment	Rent per Month
Table 10.3	Table 10.2
Total rent for equipment	

Hence, the total payment of fixed costs incurred by the business per month can be calculated as under:

Table 11.3: Estimating Total Fixed Cost payments for _____		
Particulars		Amount per Month
Fixed cost calculated earlier	Total from Table 11.1	
Rent for equipment	Total from Table 11.2	
Total payments of fixed costs per Month		

➤ Now, re-write the cost of raw material as stated earlier:

- The rates of raw-material required by the business can be sourced from Table 5.8 in Tool 5 – ‘Estimate Costs of the Business’

Table 11.5: Re-writing Raw Material Cost for _____	
List of Raw Material	Average Cost per Unit
RM 1	
RM 2	
RM 3	
RM 4	
RM 5	
RM 6	
RM 7	
RM 8	
RM 9	
RM 10	
...	
Total	

- We now need to calculate the last period's accounts payable to be paid in the current month. For this, we need to first look at the credit policy of the suppliers.

The terms of credit of the suppliers can be sourced from Table 8.11 from Tool 8 – ‘Create Inventory Plan for the Business’

Table 11.7: Credit Terms by Suppliers to _____		
Raw Material	For how long will the business give credit?	What percentage of raw material will be on credit?
RM 1		
RM 2		
RM 3		
RM 4		
RM 5		
RM 6		
RM 7		
RM 8		
RM 9		
RM 10		
...		

- To calculate working capital, we must take worst-case scenario for the entrepreneur's business. The worst case for any business will be when the entrepreneur has to pay for her raw material upfront, with no credit period at all. This means, the entrepreneur will always need to have the cash required to pay for her raw material purchases.

Even though some of our suppliers do provide credit, we consider no credit purchases from suppliers for calculation of working capital. Since there will be no credit purchases, the entrepreneur will now make all purchases in cash and will not have any accounts payable. Hence, the last period's accounts payable to be paid in the current month will be 0

- Hence, we have now calculated all three components required to calculate total cash outflow for the entrepreneur's business.

Table 11.8: Month-wise Total Cash Outflow for _____

Month	Fixed Costs Paid During the Month	Raw Material Cost paid in Cash	Last period's accounts payable to be paid in the current month	Total Cash Outflow
	11.3	11.6		
	A	B	C	D = A + B + C
Jan				
Feb				
Mar				
Apr				
May				
Jun				
Jul				
Aug				
Sep				
Oct				
Nov				
Dec				

Part B: Calculation of Total Cash Inflow

The cash inflow for the entrepreneur’s business will comprise the following:

- Cash Sales
- Last period’s accounts receivable to be collected in this period
- Other Income for the business

➤ As the first step under Part B, we need to calculate monthly revenue for the entrepreneur’s business. Look at the sales plan prepared earlier and decides to re-write information in the following table:

The sales quantity per month for each sales method can be sourced from Table 8.2 in Tool 8 – ‘Create Inventory Plan for the Business’

Table 11.9: Sales Volume for Products Sold in _____													
Items	Unit	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Product 1													
Product 2													
Product 3													
Product 4													
Product 5													
Product 6													

➤ Re-write the price of each product / service as estimate in Tool 9

The prices of product / service can be sourced from Table 9.5 in Tool 9 – ‘Set Price for Products / Services’

Table 11.10: Final Price of Products / Services to be Sold in _____	
Products / Services	Prices in Entrepreneur’s Business

- After calculating total sales from the business, calculate the amount of cash sales generated by the business. Check if the entrepreneur has a policy for giving credit to her customers. In case she does, we need to look at the terms set in the credit policy
- ☑ **Refer to Table 5.6 in Tool 5 – ‘Create Sales Plan for the Business’ to check if the business has a policy of giving credit. If the business doesn’t have a policy to give credit to customers, move to calculation of other income for the business**
- If the entrepreneur has decided to give credit, we need to estimate the cash sales and last period’s accounts receivable to be collected in the current month. Refer to the policy in Tool 5 and re-write the information as under:
- ☑ **Refer to Table 7.6 in Tool 7 – ‘Create Sales Plan for the Business’ to check the amount of revenue the entrepreneur plans to give out on credit**

		Directly to consumers –door to door sales	Directly to consumers – own outlet	Selling to retailers or shops	Selling to wholesalers	Selling directly to institutions or other businesses	Selling through exhibitions / fairs
For how long the business will give credit?	A						
What percentage of monthly revenue will be on credit?	B						
What percentage of monthly revenue will be in cash?	100-B						

Like how we did while calculating total cash outflow for the business, consider the most unfavourable terms for calculation of working capital. Look at the credit policy mentioned above and write the most unfavourable terms in the following table:

- ☑ **To identify the most unfavourable terms, look at the longest credit period, the maximum percentage of monthly sales which will be given on credit, and the minimum percentage of monthly sales which will be in cash**

For how long will the business give credit?	A	
What percentage of monthly revenue will be on credit?	B	

Table 11.13: Most Unfavourable Credit Terms for _____		
What percentage of monthly revenue will be in cash?	C	

- Having calculated total sales and identified most unfavourable terms of lending to the customers, calculate the month-wise cash sales and the last period's accounts receivable to be collected in the current month. Use the following format to do so:
- If the number of days of credit, as mentioned in Table 11.13, i.e between 1 and 15, then the credit recovery will start from the current month
 - If the number of days of credit, as mentioned in Table 11.13, i.e between 16 and 45, then the credit recovery will start from the second
 - If the number of days of credit, as mentioned in Table 11.13, i.e more than 46, then the credit recovery will start from the third month

Table 11.14: Estimation of Cash Sales and Period and Amount of Collection of Credit Sales for _____						
Month	Total Sales Table 11.11	Cash Sales Table 11.13 (Row C)	Credit Sales C = A - B	Collection of Credit Sales (Consider credit period mentioned in Table 11.13 in Row A)		
				Current Month: Less than or equal to 15 days D (consider column C)	Second Month: More than 16 but less than or equal to 45 days E (consider column C)	Third Month: More than 46 days F (consider column C)
Jan						
Feb						
Mar						
Apr						
May						
Jun						
Jul						
Aug						
Sep						
Oct						

Table 11.14: Estimation of Cash Sales and Period and Amount of Collection of Credit Sales for _____						
Month	Total Sales	Cash Sales	Credit Sales	Collection of Credit Sales (Consider credit period mentioned in Table 11.13 in Row A)		
				Current Month: Less than or equal to 15 days	Second Month: More than 16 but less than or equal to 45 days	Third Month: More than 46 days
	Table 11.11	Table 11.13 (Row C)		D (consider column C)	E (consider column C)	F (consider column C)
	A	B	C = A - B			
Nov						
Dec						

- We now have to calculate other income for the entrepreneur's business to be able to arrive at the total cash inflow per month. Recollect that the other income is the amount that the business earns from sources which are not a part of its routine operations. Prepare the following table and think about the income the entrepreneur might earn from these sources

Table 11.15: Estimating Other Income earned by _____	
Type of Income	Earnings per Month
Interest received	
Commission received	
Any other income _____	
Total	

- We have now calculated all three components required to calculate total cash inflow per month for the business:

Table 11.16: Month-wise Cash Inflow for _____

Month	Cash Sales	Last period's accounts receivable to be collected in this period	Other Income	Total Cash Inflow
	Table 11.14 (Column B)	Table 11.14 (Columns D to F)	Table 11.15	
	A	B	C	D = A + B + C
Jan				
Feb				
Mar				
Apr				
May				
Jun				
Jul				
Aug				
Sep				
Oct				
Nov				
Dec				

Part C: Calculation of Opening Balance and additional Working Capital needed

- To estimate the opening cash balance in the business, calculate the cash surplus / deficit per month from business operations. For this, consider total cash inflows and outflows calculated earlier in the tool

Table 11.17: Calculating Cash Surplus / Deficit Per Month for _____			
Month	Cash Inflow	Cash Outflow	Cash Surplus / Deficit
	Table 11.16 (Column D)	Table 11.8 (Column D)	
	A	B	C = A - B
Jan			
Feb			
Mar			
Apr			
May			
Jun			
Jul			
Aug			
Sep			
Oct			
Nov			
Dec			

- We now have to think about calculation of opening balance. Since the entrepreneur’s business is new, she has no existing cash-in-hand. However, an existing business may have some cash-in-hand in the beginning of the period. We must write the existing cash amount in the existing business and then add the cash surplus / deficit calculated in the previous table for the first month. This will give us the closing cash balance for that period. This closing balance will then become the opening balance for the next period.

Perform the calculations in the table below:

- In case of an existing business, the first month in column A in the following table will report the existing cash balance in the business**
- Closing balance of current month will become opening balance of next month, i., closing balance for Jan will become the opening balance for Feb, and so on**

Table 11.18: Calculating Opening Balance for _____			
Month	Opening Balance	Cash Surplus / Deficit	Closing Balance
		Table 11.17 (Column C)	
	A	B	C = A + B
Jan			
Feb			
Mar			
Apr			
May			
Jun			
Jul			
Aug			
Sep			
Oct			
Nov			
Dec			

➤ The next step is to write the negative closing balances in the table below:

Table 11.19: Working Capital Required for _____	
Month	Closing Balance
	Table 11.18 (Column C)
Jan	
Feb	
Mar	
Apr	
May	
Jun	
Jul	
Aug	
Sep	

Table 11.19: Working Capital Required for _____	
Month	Closing Balance
	Table 11.18 (Column C)
Oct	
Nov	
Dec	
Minimum Amount = Working Capital Required for the Year	

- If the closing balance is negative, the lowest of these negative balances will be taken as the working capital needed for the first year. If all closing balances are positive, the entrepreneur will still have to provide a cushion and provide for working capital needed for the first year. In this case, the working capital needed for the first year can be 15-days of outflow of the month with the highest cash outflow
- Hence, the total capital required for the entrepreneur's business can be calculated as under:

Table 11.20: Calculating Total Capital Requirement for _____			
Particulars	Source		Amount
Fixed Capital Required in the Business	Table 10.9	A	
Funds required for meeting Working Capital needs in the first year	Tool 11	B	
Total Capital Required in the Business		C = A + B	

- It is now time to assess the source of capital and the amount of loan the entrepreneur would need. Assess the capital that the entrepreneur can contribute. The remaining amount will have to be taken as a loan
- Total capital required in the business can be sourced from Table 11.20 (Row C)**
- Total contribution by owner(s), loan amount required and duration of loan need to be obtained by discussing with the entrepreneur**

Table 11.21: Estimating the Amount of Loan for _____		
Particulars		Amount
Total Capital Required in the Business	A (Table 11.20)	
Total Contribution by Owner(s)	B	

Table 11.21: Estimating the Amount of Loan for _____

Particulars		Amount
Loan Amount Required	$C = A - B$	
Duration of Loan	D	
Interest % (worst-case)	E	
Total amount to be repaid after completion of loan duration	$F = C \times [(1 + E)^D]$	
Total interest amount to be repaid	$G = F - C$	
Loan repayment for one year	$H = C / D$	
Interest repayment for one year	$I = G / D$	

Tool 12: Prepare Business Plan for a New Business: Instructions for Using the Tool

- The next tool is about preparing the business plan. Refer to the business plan format you learnt in the TEAM module and match them with the components that they have dealt with in the previous tools.

Part A: Summary of Business Operations

Table 12.1: Basic Details of the Business	
Name of the Owner (if multiple owners, write all the name)	To be obtained from the entrepreneur
Number of Workers / Employees	To be discussed with the entrepreneur
Interested Business	To be obtained from the entrepreneur
Contact Information	To be obtained from the entrepreneur
Owner's Relationship to the SHG	To be obtained from the entrepreneur
Name of the Self Help Group	To be obtained from the entrepreneur
Name of the Village Organisation	To be obtained from the entrepreneur
Name of the Cluster Level Federation	To be obtained from the entrepreneur
Name of the Business	To be obtained from the entrepreneur
Location and Address of the Business	To be obtained from the entrepreneur
Address of the Owner(s)	To be obtained from the entrepreneur
Gram Panchayat, Block	To be obtained from the entrepreneur
Aadhar Number (of any one member)	To be obtained from the entrepreneur
Nature of Business	<input type="checkbox"/> Seasonal <input type="checkbox"/> Perennial
Type of Business	<input type="checkbox"/> Production <input type="checkbox"/> Trading <input type="checkbox"/> Service <input type="checkbox"/> Mixed
Major Products / Service	Table 12.4

Table 12.2: Summary of Financial Statements		
	Year 1	Year 3
Revenue	Table 12.12	Table 12.12
Gross Profit	Table 12.12	Table 12.12
Net Profit	Table 12.12	Table 12.12
Net Profitability	Table 12.12	Table 12.12

Table 12.3: Summary of Business Parameters	
Ownership Structure	To be discussed with the entrepreneur
Number of Owners	To be obtained from the entrepreneur
Total Owners' Equity	To be discussed with the entrepreneur
Fixed Capital Required	Table 12.6
Working Capital Required	Table 12.7
Loan required	To be discussed with the entrepreneur

Table 12.3: Summary of Business Parameters	
Interest Rate	To be discussed with the entrepreneur
Loan Repayment Period	To be discussed with the entrepreneur

Part B: Understanding Objective of the Business

Table 12.4: Objective of the Business	
Entrepreneur's Expected Income (Profit + Wages) from the Business (monthly/yearly)	Table 5.1 from Tool 5 – 'Estimate Costs of the Business'
Main Products/ Services	
1. Table 4.9 from Tool 4 – 'Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur'	
2.	
3.	
4.	
5.	

Part C: Customer Segmentation

Table 12.5: Understanding Customers			
S. No	Customer Segment	Size Of Segment	Products For The Segment
	A	B	C
	Table 3.2 from Tool 3 – 'Estimate Revenue of the Business'	Table 3.2 from Tool 3 – 'Estimate Revenue of the Business'	Table 3.3 from Tool 3 – 'Estimate Revenue of the Business'

Part D: Capital Overview

Table 12.6: Fixed Capital Required by the Business			
Fixed Assets	No Of Units	Per Unit Cost	Total Cost Per Asset
A. Fixed Assets			
Table 10.4 from Tool 10 – ‘Estimate Fixed Capital Needs of the Business’			
B. Other Assets			
Table 10.5, Table 10.6, and Table 10.7 from Tool 10 – ‘Estimate Fixed Capital Needs of the Business’			
C. Working Capital Margin			
Table 11.19 from Tool 11 – ‘Estimate Working Capital Needs of the Business’			
Total			

Table 12.7: Working Capital Required by the Business per Year	
Working Capital Required for the Year	Table 11.19 from Tool 11 – ‘Estimate Working Capital Needs of the Business’

Table 12.8: Capital Required by the Business	
Fixed Capital Required by the Business	Table 12.6
Working Capital Required by the Business	Table 12.7
Total Capital Required by the Business	

Table 12.9: Source of Capital	
Particulars	Amount
Investment by Owners	To be discussed with the entrepreneur
Loan Required	Source: To be discussed with the entrepreneur Amount: Table 12.8 – Investment by Owners
Subsidy, Grants, if any	Source: Amount:

Part E: Sales Plan and Credit Policy of the Business

Table 12.10: Sales Volume for Products Sold in the Business													
Items	Unit	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Table 8.2 from Tool 8 – ‘Create Inventory Plan for the Business’													

Table 12.11: Credit Policy of the Business						
	Directly to consumers – door to door sales	Directly to consumers – own outlet	Selling to retailers or shops	Selling to wholesalers	Selling directly to institutions or other businesses	Selling through exhibitions / fairs
Table 7.6 from Tool 5 – ‘Create Sales Plan of the Business’						
Who will the business give credit to?						
For how long will the business give credit?						
What percentage of monthly revenue will be on credit?						
Will there be periods in a year when no credit is given or extra credit is given?						

Part F: Projected Financial Statements of the Business

The entire section needs to be calculated

Table 12.12: Projected Profit and Loss Statement for the Business					
Particulars		Year 1	Year 2	Year 3	
Revenue	Total Revenue	Table 9.5	Calculate	Calculate	
Direct Costs	Cost of raw material	Table 5.8	Calculate	Calculate	
	Cost of transportation	Table 5.4	Calculate	Calculate	
	Amount withdrawn by owner for personal use	Table 5.4	Calculate	Calculate	
	Wages paid to labour	Table 5.4	Calculate	Calculate	
	Maintenance of fixed asset	Table 5.4	Calculate	Calculate	
	Cost of Fuel	Table 5.4	Calculate	Calculate	
	Other Cost	Table 5.4	Calculate	Calculate	
	Total Direct Cost				
	Gross Profit (Total Revenue – Total Direct Cost)				
	Gross Profitability (Gross Profit / Revenue)				
Indirect Costs	Cost of transporting finished goods	Table 5.4	Calculate	Calculate	
	Salary	Table 5.4	Calculate	Calculate	
	Cost of rent	Table 5.4	Calculate	Calculate	
	Rent of equipment	Table 11.2			
	Cost of electricity	Table 5.4	Calculate	Calculate	
	Cost of water	Table 5.4	Calculate	Calculate	
	Cost of posters / pamphlets	Table 5.4	Calculate	Calculate	
	Interest paid on loan	Table 12.9	Table 12.9	Table 12.9	
	Depreciation	Calculate	Calculate	Calculate	
	Total Indirect Cost				
	Net Profit (Gross Profit – Total Indirect Cost)				
Net Profitability (Net Profit / Revenue)					

Table 12.13: Projected Cash Flow Statement for the Business				
Particulars		Year 1	Year 2	Year 3
	Opening Balance		Closing Balance	Closing Balance
Cash Inflows	Cash invested in the business by owners	Table 12.9	Calculate	Calculate
	Cash from loans taken	Table 12.9	Calculate	Calculate
	Cash sales	Table 11.16	Calculate	Calculate
	Amount paid by debtors	Table 11.16	Calculate	Calculate
	Interest amount received	Table 11.15	Calculate	Calculate
	Rent received	Table 11.15	Calculate	Calculate
	Total Inflow			
Cash Outflows	Cash paid for raw material	Table 11.8	Calculate	Calculate
	Cash paid towards rent	Table 5.4 and 11.2	Calculate	Calculate
	Cash paid towards electricity	Table 5.4	Calculate	Calculate
	Cash paid towards water bill	Table 5.4	Calculate	Calculate
	Cash paid for transportation	Table 5.4	Calculate	Calculate
	Cash paid for fuel	Table 5.4	Calculate	Calculate
	Amount withdrawn by owner for personal use	Table 5.4	Calculate	Calculate
	Cash paid towards wages	Table 5.4	Calculate	Calculate
	Cash paid towards salary	Table 5.4	Calculate	Calculate
	Other costs	Table 5.4		
	Cash paid for posters / pamphlets	Table 5.4	Calculate	Calculate
	Interest paid on loan	Table 12.9	Calculate	Calculate
	Security deposit paid	Table 9.9	Calculate	Calculate
	Cash paid for purchase fixed assets	Table 9.9	Calculate	Calculate
	Loan amount repaid	Table 12.9	Calculate	Calculate
	Amount paid to creditors	Table 11.8	Calculate	Calculate
Total Outflow				
	Closing Cash Balance (Opening Balance + Total Cash Inflow – Total Cash Outflow)			

Table 12.14: Projected Balance Sheet for the Business

Particulars		Year 1	Year 2	Year 3
Assets	Opening Balance of Fixed Assets	0	Closing Balance	Closing Balance
	(+) Fixed assets purchased during the period	Table 10.4		
	(-) Fixed assets sold during the period	0		
	(-) Depreciation during the year	Table 12.15		
	Closing Balance of Fixed Assets			
	Opening Accounts Receivables	0	Closing Balance	Closing Balance
	(+) Credit sales during the period	Table 11.16		
	(-) Amount paid by debtors	Table 11.16		
	Closing Accounts Receivables			
	Opening Balance of Security Deposits	0	Closing Balance	Closing Balance
	(+) Security deposit paid during the period	Table 9.9		
	(-) Security deposit returned	0		
	Closing Balance of Security Deposits			
	Closing Cash Balance	Table 12.13	Closing Balance	Closing Balance
	Total Assets (Sum of closing balances of all assets)			
Liabilities	Opening Accounts Payables	0	Closing Balance	Closing Balance
	(+) Credit Purchases	Table 11.8		
	(-) Amount repaid to suppliers	Table 11.8		
	Closing Accounts Payables			
	Opening Loan Balance	0	Closing Balance	Closing Balance
	(+) New loans taken	Table 12.9		
	(-) Loans repaid	0		
Closing Loan Balance				
Owner's	Opening Balance of Owner's Equity	0	Closing Balance	Closing Balance

Table 12.14: Projected Balance Sheet for the Business				
Particulars		Year 1	Year 2	Year 3
Equity	(+) Cash added in the business during the period	Table 12.9		
	(-) Capital withdrawn	0		
	Closing Balance of Owner's Equity			
	Opening Balance of Retained Earnings	0	Closing Balance	Closing Balance
	(+) Net profit for the period	Table 12.12		
	Closing Balance of Retained Earnings			
	Total Liabilities (Sum of closing balances of liabilities and owner's equity head)			

- The components not calculated in the previous tools are the projected financial statements for three years. Get the available information from the previous tools and calculate the financial statements for the first year.
- Depreciation can be calculated as under:

Table 12.15: Calculation of Annual Depreciation							
		Asset 1	Asset 2	Asset 3	Asset 4	Asset 5	Asset 6
	Table 10.4						
Purchase of fixed asset	A						
Useful life of the asset	B						
Depreciation per year	$C = A / B$						
Number of years depreciation charged so far	D						

- Calculates Profit and Loss Statement, Cash Flow Statement, and Balance Sheet for the first year from the information available from the previous tools

Table 12.16: Projected Profit and Loss Statement for the Business for		
Particulars		Year 1
Revenue	Total Revenue	
Direct Costs	Cost of raw material	
	Cost of transportation	
	Amount withdrawn by owner for personal use	
	Wages paid to labour	
	Maintenance of fixed asset	
	Cost of Fuel	
	Other Cost	
	Total Direct Cost	
	Gross Profit (Total Revenue – Total Direct Cost)	
	Gross Profitability (Gross Profit / Revenue)	
Indirect Costs	Cost of transporting finished goods	
	Salary	
	Cost of rent	
	Rent of equipment	
	Cost of electricity	
	Cost of water	
	Cost of posters / pamphlets	
	Interest paid on loan	
	Depreciation	
	Total Indirect Cost	
	Net Profit (Gross Profit – Total Indirect Cost)	
Net Profitability (Net Profit / Revenue)		

Table 12.17: Projected Cash Flow Statement for the Business

Particulars		Year 1
	Opening Balance	
Cash Inflows	Cash invested in the business by owners	
	Cash from loans taken	
	Cash sales	
	Amount paid by debtors	
	Interest amount received	
	Rent received	
	Total Inflow	
Cash Outflows	Cash paid for raw material	
	Cash paid towards rent	
	Cash paid towards electricity	
	Cash paid towards water bill	
	Cash paid for transportation	
	Cash paid for fuel	
	Amount withdrawn by owner for personal use	
	Cash paid towards wages	
	Cash paid towards salary	
	Other costs	
	Cash paid for posters / pamphlets	
	Interest paid on loan	
	Security deposit paid	
	Cash paid for purchase fixed assets	
	Loan amount repaid	
Amount paid to creditors		
Total Outflow		
	Closing Cash Balance (Opening Balance + Total Cash Inflow – Total Cash Outflow)	

Table 12.18: Projected Balance Sheet for the Business

Particulars		Year 1
Assets	Opening Balance of Fixed Assets	
	(+) Fixed assets purchased during the period	
	(-) Fixed assets sold during the period	
	(-) Depreciation during the year	
	Closing Balance of Fixed Assets	
	Opening Accounts Receivables	
	(+) Credit sales during the period	
	(-) Amount paid by debtors	
	Closing Accounts Receivables	
	Opening Balance of Security Deposits	
	(+) Security deposit paid during the period	
	(-) Security deposit returned	
	Closing Balance of Security Deposits	
	Closing Cash Balance	
	Total Assets (Sum of closing balances of all assets)	
Liabilities	Opening Accounts Payables	
	(+) Credit Purchases	
	(-) Amount repaid to suppliers	
	Closing Accounts Payables	
	Opening Loan Balance	
	(+) New loans taken	

Table 12.18: Projected Balance Sheet for the Business		
Particulars		Year 1
	(-) Loans repaid	
	Closing Loan Balance	
Owner's Equity	Opening Balance of Owner's Equity	
	(+) Cash added in the business during the period	
	(-) Capital withdrawn	
	Closing Balance of Owner's Equity	
	Opening Balance of Retained Earnings	
	(+) Net profit for the period	
	Closing Balance of Retained Earnings	
	Total Liabilities (Sum of closing balances of liabilities and owner's equity head)	

- To calculate projections for second and third year, you can increase revenue and costs by 10-15% and as a conservative measure add a 2.5% increment to costs

Table 12.19: Projected Profit and Loss Statement for _____					
Particulars		Year 1	Year 2	Year 3	
Revenue	Total Revenue				
Direct Costs	Cost of raw material				
	Cost of transportation				
	Amount withdrawn by owner for personal use				
	Wages paid to labour				
	Maintenance of fixed asset				
	Cost of Fuel				
	Other Cost				
	Total Direct Cost				
	Gross Profit (Total Revenue – Total Direct Cost)				
	Gross Profitability (Gross Profit / Revenue)				
Indirect Costs	Cost of transporting finished goods				
	Salary				
	Cost of rent				
	Rent of equipment				
	Cost of electricity				
	Cost of water				

Table 12.19: Projected Profit and Loss Statement for _____

Particulars		Year 1	Year 2	Year 3
	Cost of posters / pamphlets			
	Interest paid on loan			
	Depreciation			
	Total Indirect Cost			
	Net Profit (Gross Profit – Total Indirect Cost)			
	Net Profitability (Net Profit / Revenue)			

Table 12.20: Projected Cash Flow Statement for _____

Particulars		Year 1	Year 2	Year 3
	Opening Balance			
Cash Inflows	Cash invested in the business by owners			
	Cash from loans taken			
	Cash sales			
	Amount paid by debtors			
	Interest amount received			
	Rent received			
	Total Inflow			
Cash Outflows	Cash paid for raw material			
	Cash paid towards rent			
	Cash paid towards electricity			
	Cash paid towards water bill			
	Cash paid for transportation			
	Cash paid for fuel			
	Amount withdrawn by owner for personal use			
	Cash paid towards wages			
	Cash paid towards salary			

Table 12.20: Projected Cash Flow Statement for _____				
Particulars		Year 1	Year 2	Year 3
	Other costs			
	Cash paid for posters / pamphlets			
	Interest paid on loan			
	Security deposit paid			
	Cash paid for purchase fixed assets			
	Loan amount repaid			
	Amount paid to creditors	-	-	-
	Total Outflow			
	Closing Cash Balance (Opening Balance + Total Cash Inflow – Total Cash Outflow)			

Table 12.14: Projected Balance Sheet for _____				
Particulars		Year 1	Year 2	Year 3
Assets	Opening Balance of Fixed Assets			
	(+) Fixed assets purchased during the period			
	(-) Fixed assets sold during the period			
	(-) Depreciation during the year			

Table 12.14: Projected Balance Sheet for _____

Particulars		Year 1	Year 2	Year 3
	Closing Balance of Fixed Assets			
	Opening Accounts Receivables			
	(+) Credit sales during the period			
	(-) Amount paid by debtors			
	Closing Accounts Receivables			
	Opening Balance of Security Deposits			
	(+) Security deposit paid during the period			
	(-) Security deposit returned			
	Closing Balance of Security Deposits			
	Closing Cash Balance			
	Total Assets (Sum of closing balances of all assets)			
Liabilities	Opening Accounts Payables			
	(+) Credit Purchases			
	(-) Amount repaid to suppliers			

Table 12.14: Projected Balance Sheet for _____

Particulars		Year 1	Year 2	Year 3
	Closing Accounts Payables			
	Opening Loan Balance			
	(+) New loans taken			
	(-) Loans repaid			
	Closing Loan Balance			
Owner's Equity	Opening Balance of Owner's Equity			
	(+) Cash added in the business during the period			
	(-) Capital withdrawn			
	Closing Balance of Owner's Equity			
	Opening Balance of Retained Earnings			
	(+) Net profit for the period			
	Closing Balance of Retained Earnings			
	Total Liabilities (Sum of closing balances of liabilities and owner's equity head)			

Tool 13: Create Posters / Leaflets for the Business

- Here you will learn to develop marketing communication for the business.
 - As a first step, decide the customer groups to target. Ask the entrepreneur to refer the list prepared earlier on the customer groups to analyse which consumer group to target. Then, consult with the entrepreneur to assess and identify the groups to be targeted for communication.
- The target customer groups can be sourced from Table 2.e.3 in Tool 2 – ‘Select the Right Product / Service for the Business’**

Table 13.1: Understanding Need for Communication		
Target Customers	Why Should the customer group be targeted?	Should the communication be targeted at this customer group right now?

- After deciding on the target group / groups for communication, it is important to write the objective of the marketing communication. This will help you focus on the main message of the communication

Table 13.2: Deciding Objective of Marketing Communication

- It is now appropriate to list all customer groups that the communication seeks to target and write their needs
- The customer groups to be targeted for communication can be sourced from table 13.e.1**
- The needs of target customer groups can be sourced Table 2.e.2 in Tool 2 – ‘Select the Right Product / Service for the Business’**

Table 13.3: Listing Needs of Target Customers	
Target Customers	Customer Needs

- Now combine needs of all target customer groups at one place and also write other products / services that the business provides
- Look at the final list of products / services from Table 4.e.9 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the**

Entrepreneur’ and compare it with the customer needs in Table 13.e.3. The products sold by the business that are not essential needs of the customer category (from table 13.e.3), will be mentioned in ‘Other Products / Services Provided by the Business’

Table 13.4: Consolidating Needs of Target Customers and Mentioning Other Needs Satisfied by _____ (name of the business)	
All Needs of Target Customer Groups	Other Products / Services Provided by the Business

- Check at this stage if the competitors satisfy the needs of the customers and if they satisfy the need better than your business
- ☑ **‘Analysis of Existing Competition on Quality Parameters’ can be sourced from Tool 9 – ‘Set Price for Products / Services’**

Table 13.5: Analysis of Existing Competition on Quality Parameters	
Quality Standards	How does the Entrepreneur Fair with respect to her Competitors (Better / Same / Worse)

- Now determine the message which is most likely to meet the objective of the communication, as stated in Table 13.e.2. Note down the points to be put in the message in the following table in consultation with the entrepreneur.
- Consider communicating those messages in which the competitors fare worse or same compared to the entrepreneur’s business.
- ☑ **Look at quality standards mentioned in table 4.e.2 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’ and identify the key points to be included in the message for communication**

Table 13.6: Deciding Points to be put in the Communication
Objective:
What message(s) will meet the objective:

- After deciding on the points to be included in the message, you have to decide the medium of communication. Recall the various media available to communicate the message, such as demos, leaflets, posters, getting satisfied customers to recommend entrepreneur's business, getting locally influential person(s) to recommend entrepreneur's products and services, and getting articles published in local newspapers.
- Prepare the following table to understand the relevance, cost, and reach for each medium for the target group. Based on the parameters, the enterprise consultant and the entrepreneur can make an assessment of the communication medium to be used.

Table 13.e.7: Analysing Appropriateness of Communication Medium for the Target Segment

	Relevance (Yes / No)	Reach (High / Medium / Low)	Cost (High / Medium / Low)	Should this medium be chosen?
Signboard				
Demo				
Leaflet				
Poster				
Getting satisfied customers to refer us to others				
Getting locally influential person to recommend product				
Advertisement in newspapers				

Discuss with the entrepreneur and based on costs, reach, and relevance of each communication media, decide on communication media for the message.

- Once you and the entrepreneur decide to use poster/leaflet for communication, it is essential to note important details that are necessary to include in the media, which will eventually lead to meeting your communication objective.

In consultation with the entrepreneur, note down the information in the table below:

Table 13.8: Important Details to be Included in the Poster / Leaflet	
Important Message	
Call to Action (What we want the customer to do)	
Mention items / details required by law	
Address of the Business / Contact details of the Entrepreneur	

- Please keep in mind the literacy levels of audience while deciding on pictures and words to be used in the communication**

Based on the above information, design a poster to be put up in the nearby institutions. Also design leaflets that can be distributed to the students.

Tool 14: Keep Records of the Business

- Discuss with the entrepreneur and help the entrepreneur use the data of the business in creating financial statements that will help track and analyse the entrepreneur's business performance
- Lists down all records that a business can maintain and choose from amongst them, those that are applicable for the entrepreneur's business.

Records	Applicability for the Entrepreneur's Business
Business Profile Sheet	Yes
Capital and Assets Register	Yes
Day Book	Yes
Performance Tracking Sheet	Yes

- Educate the entrepreneur on the different books of records to be maintained for the business and explain the importance of maintaining them regularly. The following points will help provide a background

Records	Usefulness	Frequency	Person Responsible
Business Profile Sheet	The purpose is to record the basic details of the business, such as name, location, type, capital invested, etc.	One-time	Name of CRP-EP
Capital and Assets Register	The purpose is to record changes in what business owns (assets) and what it owes others (liabilities)	As and when capital transactions take place	Name of CRP-EP OR Name of the Entrepreneur
Day Book	The purpose is to record daily transactions of business including income and expenditure	Daily	Name of the Entrepreneur
Performance Tracking Sheet	The purpose is to consolidate information from all registers mentioned above at one place for a particular period	After a fixed period	Name of CRP-EP

- Help the Entrepreneur fill out the Business Profile Sheet with the required information in the sheet. A sample of Business Profile Sheet is attached at the end of the tool.
- Introduce the Entrepreneur on the format of the Capital and Assets Register. Fill in the details of the first few capital transactions undertaken by the business.

- The transactions would typically include:
 - Purchase of fixed assets,
 - Security deposit for rented premises and cylinder

Table 14.3: Format of Capital Register	
Particulars	Time period (dd/mm/yyyy – dd/mm/yyyy)
Purchase of fixed assets	
Sale of fixed asset	
Security deposit paid	
Security deposit returned	
Capital withdrawal (in case an owner resigns)	

- Now, help the entrepreneur with those entries that should be maintained in the Day-Book, as appropriate to the nature of the business

Table 14.4: Choosing Fields for Day-Book	
Fields	Applicability
Date	
Cash Sales	
Credit Sales	
Raw Material Purchased in Cash	
Raw Material Purchased in Credit	
Amount Received from Debtors	
Cash Added to the Business	
Amount Paid to Creditors	
Advance Paid to Suppliers	
Transportation Expense	
Wages	
Other Expenses	
Cash Withdrawal by the Owner for Personal Use	
Loan Taken	
Loan Amount Repaid	
Interest Amount Paid	
Electricity / Fuel Expense	
Repair and Maintenance	
Rent	

- Help the entrepreneur with the Day-Book format by filling in the first few transactions
- ☑ **CRP-EP must visit the entrepreneur's business for the next 3-4 days to check if she was updating the day-book regularly**
- Lastly, explain the PTS sheet to the entrepreneur. Even though it is the CRP-EPs responsibility to fill the sheet, it would be good to orient the entrepreneur on the same. Based on the records in the Day Book, fill the PTS sheet as under

Table 14.6: Format of PTS Sheet	
PT Sheet for period (dd/mm/yyyy – dd/mm/yyyy)	
Particulars	Amount
Cash Sales	Rs.
Credit Sales	Rs.
Raw Material Purchased in Cash	Rs.
Raw Material Purchased in Credit	Rs.
Amount Received from Debtors	Rs.
Cash Added to the Business	Rs.
Amount Paid to Creditors	Rs.
Advance Paid to Suppliers	Rs.
Transportation Expense	Rs.
Wages	Rs.
Other Expenses	Rs.
Cash Withdrawal by the Owner for Personal Use	Rs.
Loan Taken	Rs.
Loan Amount Repaid	Rs.
Interest Amount Paid	Rs.
Electricity / Fuel Expense	Rs.
Repair and Maintenance	Rs.
Rent	Rs.
Purchase of fixed assets	Rs.
Sale of fixed asset	Rs.
Security deposit paid	Rs.
Security deposit returned	Rs.
Capital withdrawal (in case an owner resigns)	Rs.

Template of the Business Profile Sheet

1	Name of the business		_____							
2	When did you start the business (date / month / year)		_____/_____/_____							
3	Who owns the business? (tick any one option)									
	a	Single owner	<input type="checkbox"/>				Male / Female			
	b	Group business, how many people are there in the group	<input type="checkbox"/>				Male _____ / Female _____			
4	Mention details of the entrepreneur(s) involved in the business									
	Name of the entrepreneur	Date of Birth	Annual Family Income	Education	Aadhar Card	NREGA card	Religion	Caste	SECC TIN	

5 Mention the CBO details of the entrepreneur(s) involved in the business

Name of the entrepreneur	Name of SHG	Name of VO	Name of CLF	Name of GP	Name of village

6 Mention details of trainings attended by entrepreneur(s)

Name of Entrepreneur	GOT	EDP	Skill Training

7	Date of Viability Check			
8	Date of Business Plan Preparation			
9	Mention details of the place of the business			
	a	Name of the village OR town		
	b	Name of the block		
	c	Name of the district		
12	Mention bank details of the business			

	Name of the Bank	Branch	Account No.

13	How do you sell your product OR service OR goods (trading)? (you can select more than one option, if applicable)				
	a	From a fixed shop OR building	<input type="checkbox"/>		
			In the main market	In the smaller market (other than the main market)	Is the only business in the area
		National Highway	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		State Highway OR Major Road	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		Village Road	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		Lane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	b	From a movable shop	<input type="checkbox"/>		
			In the main market	In the smaller market (other than the main market)	Is the only business in the area
		National Highway	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		State Highway OR Major Road	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Total					
16	How much capital did the owner(s) invest in the business? (if the owner's contribution is in kind, please write its money value)					
	Owner's Name				Amount	
17	Grant received by the business, if any					
18	Write the details of the loans taken					
	Source	When did you take the loan (month / year)	Loan amount taken (Rs.)	For how many months is the loan taken	Balance amount to be repaid	Subsidy Received (Rs.)
	Community Enterprise Fund (CEF) <input type="checkbox"/>					

<p>Bank <input type="checkbox"/></p> <p>Bank and Branch Name</p> <p>_____</p> <p>_____</p> <p>SHG <input type="checkbox"/></p> <p>Informal Sources <input type="checkbox"/></p>					
<p>Bank <input type="checkbox"/></p> <p>Bank and Branch Name</p> <p>_____</p> <p>_____</p> <p>SHG <input type="checkbox"/></p> <p>Informal Sources <input type="checkbox"/></p>					

Tool 15: Checklist for Starting a Business

1. Decide business type
 - a. Sole proprietorship
 - b. Partnership
 - c. Producer organisation
 - d. Producer company
2. Define roles and responsibilities of owner(s) and worker(s)
3. Revisit sales plan and make it realistic for 6-months and estimate cash-flow
4. Get possession of premises
 - a. Rent agreement
 - b. NOC from competent authorities, if required
5. Open separate bank account of your business
6. Get necessary licenses
 - a. Profession Tax Registration, if applicable
 - b. Shop Act License
 - i. Proprietorship licence (udyog aadhar)
 - ii. Partnership (udyog aadhar – partnership and attach partnership deed)
 - c. Permission from local authority
 - d. Licenses specific to state and business
7. Buy equipment
 - a. Contact vendors
 - b. Get quotes
 - c. Rent or buy decision
8. Furnish the shop
9. Ensure supply of water, power, etc. in the shop
10. Publicity – Get the board outside the shop ready, print and distribute leaflets and posters, print business cards (if required)
11. Decide if the business needs insurance and take an insurance policy if required
12. Purchase stationery for maintaining regular day-book records

Tool 16: Financial Statements for an On-going Business

- Consider the PTS sheet prepared at the end of a time period. Let us map the impact of each item in the PTS sheet on the three financial statements – cash flow, profit and loss account, and balance sheet.

Particulars	Cash Flow		Profit and Loss		Balance Sheet	
	Inflow	Outflow	Revenue	Cost	Assets	Liabilities
Cash Sales	X		X			
Credit Sales			X		X	
Raw Material Purchased in Cash		X		X		
Raw Material Purchased in Credit				X		X
Amount Received from Debtors	X					X
Cash Added to the Business	X					X (Owner's Equity)
Amount Paid to Creditors		X			X	
Advance Paid to Suppliers		X		X		
Transportation Expense		X		X		
Wages		X		X		
Other Expenses		X		X		
Cash Withdrawal by the Owner for Personal Use		X		X		
Loan Taken	X					X
Loan Amount Repaid		X			X	
Interest Amount Paid		X		X		
Electricity / Fuel Expense		X		X		
Repair and Maintenance		X		X		
Rent		X		X		
Purchase of fixed assets		X			X	
Sale of fixed asset	X					X
Security deposit paid		X			X	
Security deposit returned	X					X
Capital withdrawal (in case an owner resigns)		X			X	

- Use the following format to prepare the profit and loss account for the entrepreneur's business. Let us look at the format and the information requirement to prepare the financial statement

Particulars		Amount
Revenue	Revenue from Cash Sales	Available from PTS Sheet
	Revenue from Credit Sales	Available from PTS Sheet
	Total Revenue	
Direct Costs	Cost of raw material (cash)	Available from PTS Sheet
	Cost of raw material (credit)	Available from PTS Sheet
	Cost of transportation	Available from PTS Sheet
	Amount withdrawn by owner for personal use	Available from PTS Sheet

Table 12.2: Format of Profit and Loss Statement (with data sources)		
Particulars		Amount
	Wages paid to labour	Available from PTS Sheet
	Maintenance of fixed asset	Available from PTS Sheet
	Total Direct Cost	
	Gross Profit (Total Revenue – Total Direct Cost)	
	Gross Profitability (Gross Profit / Total Revenue)	
Indirect Costs	Cost of transporting finished goods	Available from PTS Sheet
	Salary	Available from PTS Sheet
	Cost of rent	Available from PTS Sheet
	Cost of electricity	Available from PTS Sheet
	Cost of water	Available from PTS Sheet
	Cost of posters / pamphlets	Available from PTS Sheet
	Interest paid on loan	Available from PTS Sheet
	Depreciation	Calculate
	Total Indirect Cost	
	Net Profit (Gross Profit – Total Indirect Cost)	
	Net Profitability (Net Profit / Total Revenue)	

- As evident from the above table, all items, except depreciation can be sourced from the PTS sheet. Let us now look at the format that can be used for calculating depreciation.

Table 12.3: Calculating Annual Depreciation					
		Asset 1	Asset 2	Asset 3	Asset 4
Purchase of fixed asset	A				
Useful life of the asset	B				
Depreciation per year	$C = A / B$				
Number of years depreciation charged so far	D				

- If the 'number of years depreciation charged so far' is equal to the 'useful life of the asset', it means that the entire amount of depreciation for that asset has been charged over the years, and no depreciation may be charged henceforth
- The next step after preparing profit and loss statement is to prepare cash flow statement. Let us look at the format and the information requirement to prepare the financial statement

Table 12.4: Format of Cash Flow Statement (with data sources)		
Particulars		Status
	Opening Balance	Available as closing balance from the last statement. Opening balance will be 0 for a new business
Cash Inflows	Cash invested in the business by owners	Available from PTS Sheet
	Cash from loans taken	Available from PTS Sheet
	Cash sales	Available from PTS Sheet
	Amount paid by debtors	Available from PTS Sheet
	Interest amount received	Available from PTS Sheet
	Rent received	Available from PTS Sheet
	Amount received from sale of fixed asset	Available from PTS Sheet
	Total Inflow	
Cash Outflows	Cash paid for raw material	Available from PTS Sheet
	Cash paid towards rent	Available from PTS Sheet
	Cash paid towards electricity	Available from PTS Sheet
	Cash paid towards water bill	Available from PTS Sheet
	Cash paid for transportation	Available from PTS Sheet
	Amount withdrawn by owner for personal use	Available from PTS Sheet
	Cash paid towards wages	Available from PTS Sheet
	Cash paid towards salary	Available from PTS Sheet
	Cash paid for posters / pamphlets	Available from PTS Sheet
	Interest paid on loan	Available from PTS Sheet
	Cash paid for purchase fixed assets	Available from PTS Sheet
	Loan amount repaid	Available from PTS Sheet
	Amount paid to creditors	Available from PTS Sheet
	Advance paid to suppliers	Available from PTS Sheet
	Security deposit paid	Available from PTS Sheet
Total Outflow		
	Closing Cash Balance (Opening Balance + Total Cash Inflow – Total Cash Outflow)	

- Unlike the profit and loss statement, all information required to prepare the cash flow statement is available from the PTS sheet.
- Let us now look at the third and the final financial statement – balance sheet. Below is the format and the source of data for each item in the balance sheet.

Table 12.5: Format of Balance Sheet (with data sources)

Particulars		Status
Assets	Opening Balance of Fixed Assets	Available as closing balance from the last statement. Opening balance will be 0 for a new business
	(+) Fixed assets purchased during the period	Available from PTS Sheet
	(-) Fixed assets sold during the period	Available from PTS Sheet
	(-) Depreciation during the year	Available from Table 12.3
	Closing Balance of Fixed Assets	
	Opening Balance of Advance paid to Suppliers	Available as closing balance from the last statement. Opening balance will be 0 for a new business
	(+) New advances paid	Available from PTS Sheet
	(-) Purchases made against advances	Available from PTS Sheet
	Closing Balance of Advance paid to Suppliers	
	Opening Accounts Receivables	Available as closing balance from the last statement. Opening balance will be 0 for a new business
	(+) Credit sales during the period	Available from PTS Sheet
	(-) Amount paid by debtors	Available from PTS Sheet
	Closing Accounts Receivables	
	Opening Balance of Security Deposits	Available as closing balance from the last statement. Opening balance will be 0 for a new business
	(+) Security deposit paid during the period	Available from PTS Sheet
	(-) Security deposit returned	Available from PTS Sheet
	Closing Balance of Security Deposits	
	Closing Cash Balance	Available as closing balance from Cash Flow Statement
	Total Assets (Sum of closing balances of all assets)	
	Liabilities	Opening Accounts Payables
(+) Credit Purchases		Available from PTS Sheet
(-) Amount repaid to suppliers		Available from PTS Sheet
Closing Accounts Payables		
Opening Loan Balance		Available as closing balance from the last statement. Opening balance will be 0 for a new business
(+) New loans taken		Available from PTS Sheet
(-) Loans repaid		Available from PTS Sheet
Closing Loan Balance		

Table 12.5: Format of Balance Sheet (with data sources)

Table 12.5: Format of Balance Sheet (with data sources)		
Particulars		Status
Owner's Equity	Opening Balance of Owner's Equity	Available as closing balance from the last statement. Opening balance will be 0 for a new business
	(+) Cash added in the business during the period	Available from PTS Sheet
	(-) Capital withdrawn	Available from PTS Sheet
	Closing Balance of Owner's Equity	
	Opening Balance of Retained Earnings	Available as closing balance from the last statement. Opening balance will be 0 for a new business
	(+) Net profit for the period	Available from Profit and Loss Statement
	Closing Balance of Retained Earnings	
	Total Liabilities (Sum of closing balances of liabilities and owner's equity head)	

Tool 17: Checklist for Improving a Business

#	Problem	Possible Causes	Proposed Action	Reference to TEAM Module
<i>If business is making profits that are lower than expected or incurring losses</i>				
1	Revenue is too low	Not enough sales	<ul style="list-style-type: none"> • Tool 2 - Review customer types • Tool 2 - Review products sold in the business • Tool 4 - Review quality of products / services sold • Tool 8 - Review available inventory • Tool 9 - Review prices in comparison to competitors 	<ul style="list-style-type: none"> • Customers and their Types - TEAM A2a • Selecting Products / Services for Business - TEAM A2a • Quality of Products and Services Offered - TEAM A2a • Planning inventory, capacity and supplier credit policy - TEAM A2b • Competitors - TEAM A2a; Verifying the Price - TEAM A2c
		Prices are low	<ul style="list-style-type: none"> • Tool 9 - Review prices 	<ul style="list-style-type: none"> • Verifying the Price - TEAM A2c • Steps for Setting the Price - TEAM A2c
2	Not enough customers	Mismatch between products and customer preferences	<ul style="list-style-type: none"> • Tool 2 - Select right target customers segments and product • Tool 4 - Review quality of products / services sold 	<ul style="list-style-type: none"> • Profiling Customers; Selecting Products / Services for Business - TEAM A2a • Quality of Products and Services Offered - TEAM A2a
		Location of shop is not correct	<ul style="list-style-type: none"> • Tool 7 - Review / explore new sales channels 	<ul style="list-style-type: none"> • Typical Sales Methods Used by Businesses - TEAM A2d
		Not enough publicity	<ul style="list-style-type: none"> • Tool 13 - Review communication strategy 	<ul style="list-style-type: none"> • Creating Communication for the Business - TEAM A2a
		Shop not open at the right time	<ul style="list-style-type: none"> • Tool 4 - Review entrepreneur's availability of time and possibility of hiring workers 	<ul style="list-style-type: none"> • Using capabilities (skills, equipment, and time) for making/buying products and for getting ready to provide services - TEAM A2b
3	Not making enough quantity of products	Sales forecasting is not right	<ul style="list-style-type: none"> • Tool 7 - Review sales / production plan 	<ul style="list-style-type: none"> • What is a Sales Plan - TEAM A2
		Not enough cash to purchase raw material	<ul style="list-style-type: none"> • Tool 11 - Review working capital required 	<ul style="list-style-type: none"> • Calculation of working capital - TEAM B2b; • Managing working capital - TEAM B2c
		Raw material is unavailable	<ul style="list-style-type: none"> • Tool 8 - Review inventory planning 	<ul style="list-style-type: none"> • Planning inventory, capacity and supplier credit

#	Problem	Possible Causes	Proposed Action	Reference to TEAM Module
				policy - TEAM A2b
		Not enough equipment to produce	<ul style="list-style-type: none"> • Tool 4 - Review availability of equipment 	<ul style="list-style-type: none"> • Using capabilities (skills, equipment, and time) for making/buying products and for getting ready to provide services - TEAM A2b
4	Raw material cost is high	Supplier charging high price	<ul style="list-style-type: none"> • Tool 8 - Review selection of suppliers 	<ul style="list-style-type: none"> • Planning inventory, capacity and supplier credit policy, TEAM A2b
		Not buying at the right time	<ul style="list-style-type: none"> • Tool 8 - Review when to purchase 	<ul style="list-style-type: none"> • Scheduling tasks in the business; Planning inventory, capacity and supplier credit policy - TEAM A2b
5	Transportation cost is high	Frequent trips to the market	<ul style="list-style-type: none"> • Tool 4 - Review purchase volume and frequency • Not explored enough options for transportation • Explore options to store 	<ul style="list-style-type: none"> • Impact of Inventory on Customer responsiveness, TEAM A2b
		High transportation charges	<ul style="list-style-type: none"> • Explore pooling of resources with other producers / entrepreneurs 	
6	Interest charges are high	Lack of funding alternatives	<ul style="list-style-type: none"> • Review alternate lines of credit 	
		Repayment schedule not corresponding to cash inflows	<ul style="list-style-type: none"> • Re-negotiate terms with the creditor (Tool 8) 	
		Inability to repay loan on time	<ul style="list-style-type: none"> • Tool 11 - Estimate working capital required • Inculcate repayment discipline 	<ul style="list-style-type: none"> • Calculation of working capital - TEAM B2b; • Managing working capital - TEAM B2c
7	Unable to close orders	Not offering good terms to customers	<ul style="list-style-type: none"> • Tool 7 - Review credit policy to customers • Offer discounts 	<ul style="list-style-type: none"> • Giving credit in the business - TEAM A2d • Discounts - TEAM A2c
		Not being able to provide right quantity at right time	<ul style="list-style-type: none"> • Sales plan and backward scheduling 	<ul style="list-style-type: none"> • What is a Sales Plan - TEAM A2d • Scheduling - TEAM A2b
		Product quality poor / rejections	<ul style="list-style-type: none"> • Tool 4 - Review quality standards 	<ul style="list-style-type: none"> • Quality of Products and Services Offered - TEAM A2a
		Poor communication skills	<ul style="list-style-type: none"> • Ask someone to help with communication (Tool 13 – creating 	

#	Problem	Possible Causes	Proposed Action	Reference to TEAM Module
			posters and leaflets)	
8	Not generating enough cash	Too much credit sales	<ul style="list-style-type: none"> • Tool 7 - Review credit policy 	<ul style="list-style-type: none"> • Giving credit in the business - TEAM A2d • Discounts - TEAM A2c
		No timely recovery	<ul style="list-style-type: none"> • Tool 7 - Review credit policy and adhere to it 	<ul style="list-style-type: none"> • Giving credit in the business - TEAM A2d
		No / low credit from suppliers	<ul style="list-style-type: none"> • Tool 8 - Review selection of suppliers 	<ul style="list-style-type: none"> • Planning inventory, capacity and supplier credit policy - Taking Credit from Supplier and Controlling Price - TEAM A2b
		Costs are high	<ul style="list-style-type: none"> • Tool 5 - Review costs • Tool 8 - Review selection of suppliers 	<ul style="list-style-type: none"> • A different way to look at the costs - Fixed and Variable Costs - TEAM B2d • Planning inventory, capacity and supplier credit policy - Taking Credit from Supplier and Controlling Price - TEAM A2b
<i>If business is making profits as planned but the entrepreneur wants to earn greater profit</i>				
8	Not generating enough cash	Too much credit sales	<ul style="list-style-type: none"> • Tool 7 - Review credit policy 	<ul style="list-style-type: none"> • Giving credit in the business - TEAM A2d Discounts - TEAM A2c
		No timely recovery	<ul style="list-style-type: none"> • Tool 7 - Review credit policy and adhere to it 	<ul style="list-style-type: none"> • Giving credit in the business - TEAM A2d
		No / low credit from suppliers	<ul style="list-style-type: none"> • Tool 8 - Review selection of suppliers 	<ul style="list-style-type: none"> • Planning inventory, capacity and supplier credit policy - Taking Credit from Supplier and Controlling Price - TEAM A2b
		Costs are high	<ul style="list-style-type: none"> • Tool 5 - Review costs • Tool 8 - Review selection of suppliers 	<ul style="list-style-type: none"> • A different way to look at the costs - Fixed and Variable Costs - TEAM B2d • Planning inventory, capacity and supplier credit policy - Taking Credit from Supplier and Controlling Price - TEAM A2b