

# **Entrepreneurship for General Education**

**Student's Book  
Senior Five**

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## FOREWORD

The ambition to develop a knowledge-based society and the growth of regional and global competition in the jobs market has necessitated the shift to a competence-based syllabus. With the help of the teachers, whose role is central to the success of the syllabus, students will gain appropriate skills and be able to apply what they have learned in real-life situations. Hence, they will make a difference not only in their own lives but also in the success of the nation.

This student's book serves as a guide to teaching and learning of Entrepreneurship in senior five. Entrepreneurship is one of the subjects of Competence Based Curriculum that equips the students with the required knowledge, skills, attitudes, and values to produce well-trained citizens the country wants. The competences acquired from this subject will enable students to address challenges faced in their communities.

In this subject, students will acquire various entrepreneurial competences through project activities which will enable them to identify community challenges/problems and come up with creative solutions. This will necessitate them to develop and pitch their business plans to relevant stakeholders as they prepare themselves for startup businesses.

I wish to sincerely extend my appreciation to the people who contributed towards the development of this Students' guide, particularly the REB staff who organised the whole process from its inception. Special appreciation goes to the development partners who supported the exercise throughout. Any comments or contributions towards the improvement of this student's book in future is welcome.

**Dr. MBARUSHIMANA Nelson**

Director General, REB

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Furthermore, I owe gratitude to EDUCATE! for their technical and financial support.

**Ms. Joan MURUNGI,**

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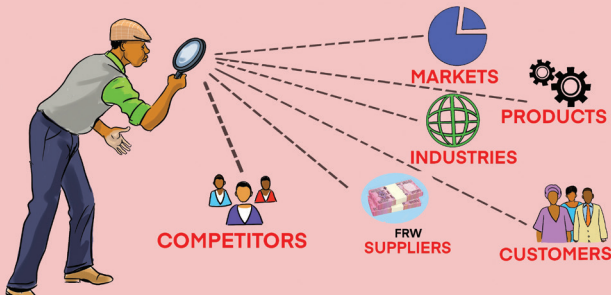
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# Unit 1: Market Research

## Key unit competence

To be able to apply market research in business.

## Introduction

Before starting any project or business, one of the most important things to do is research. Every business has its own set of target users. It's impossible to understand your users, their habits, expectations and behaviours without detailed market research.

This unit will equip you with the basic competences to enable you to create a survey tool for customer, product, competitor and supplier surveys for your business idea. By the end of the unit you will present a market research report for your business idea. This will require you to design and use specific tools to gather and interpret information about customers, product, competitors and suppliers; and to make appropriate business decisions.

### Introductory Activity



**Read the Case Study below and answer the questions that follow:**

Ineza after studying about generating business ideas wanted to start a business in his home area. After identifying a few business ideas, he decided to start a small phone accessory and repair shop. He thought since people have phones, they will obviously buy his products and services. In the home area there were already two other phone accessory and repair shops that had been operating for more than four years. So, using all his savings, he went into the business two days after taking the decision. He rented a place, went to Kigali and bought products from the first shops he came across in the city and opened up the business.

After one month he had not sold any product. Those who came to his shop would complain of high prices for products; that he did not have what they wanted and that the other 2 shops were better than his shop. He finally closed his shop because he could not even afford to pay the rent.

### Questions

- a) What happened to Ineza's business?
- b) What do you think caused or led to his business failure?
- c) What do you think Ineza should have done before starting the business? Why?
- d) What strategies, techniques or tools would you advise Guhubuka to use to collect or get information from the activities identified above?
- e) Why is it important to carry out the activities identified above in (c) before starting a business?

## 1.1. Meaning and purpose of market research



### Learning Activity 1.1

**Analyse the scenario study below and answer the following questions:**

Miss Gushishoza is a successful entrepreneur dealing in groceries in her local area. During school she had appreciated the importance of doing market research before one starts a business. After school she generated a number of business ideas which she evaluated and decided on a business providing fruits and vegetables as the best ideas. Although this idea looked very promising, she decided to do some research to find out useful information regarding some aspects of her business idea such as customers for the fruits and vegetables, suppliers of good, affordable fruits and vegetables, other people selling fruits and vegetables, the kind and quality fruits and vegetables to provide among others.

Backed with this useful information, she started providing fruits and vegetables to her customers. She has been operating for three months now; her customers are very happy about the quality of the products which are also affordable. On the other hand, near Gushishoza's shop in the same centre there are other dealers in groceries who have started envying her for taking away their customers. Due to the many customers buying from her, she is planning to expand her business.

#### Required:

- a) Would you describe Miss Gushishoza's business as successful? If yes, why?
- b) What did Miss Gushishoza do that has led to the success of her business?
- c) With examples from the scenario, how would you define the following terms:

- i) Market,
- ii) Research
- iii) Market research
- d) What were the benefits of carrying out a market research to Miss Gushishoza's business?
- e) Compare Gushishoza's business approach with that of Ineza in the introductory activity.

### 1.1.1. Meaning of concepts

**Market:** this is defined as an arrangement through which buyers/customers/clients and sellers come into contact to negotiate an exchange of goods or services for money.

**Research:** this is the systematic investigation into and study of materials and sources in order to establish facts and reach new conclusions.

**Market research:** This is the process of determining the viability of a new service or product through research conducted directly with potential customers. It is the process of gathering and analysing information about a market, product, or service in order to gain insight into customers, suppliers, competitors, and the market itself.

### 1.1.2. Purpose of market research

Market research helps prospect entrepreneurs to identify potential opportunities and threats, better understand their customers and the competitive landscape, and make informed decisions.

The main purpose of market research is:

- Market research helps entrepreneurs better identify and understand their target market.
- Market research provides insights into customer demographics, preferences, needs and motivations.
- Market research helps entrepreneurs identify and develop new products/services that meet the needs of their target market.
- Market research also helps entrepreneurs understand how new products/services can be positioned in the marketplace.
- Market research helps entrepreneurs plan and execute successful market entry and expansion.
- Market research also helps entrepreneurs identify target markets, assess market potential and evaluate the competitive landscape.

- Market research helps businesses maintain and improve their brand and reputation.
- Market research provides insights into customer perception and helps businesses differentiate their brand from competitors.



### Application Activity 1.1

As student planning to start your own business after school,

- Briefly explain why you would carry out market research for your business.
- Imagine that your friend is planning to start a business, but he/she does not want to conduct market research. Write a letter advising her about the purpose of market research.

## 1.2. Elements of market research



### Learning Activity 1.2

1. Read the meaning of the element of a market survey and complete the table by filling in the appropriate element of the market research from the list provided

**Customer survey; Product survey; Competitor survey; Supplier survey)**

Element of Market research	Meaning of the element
	a tool used to identify potential competitors and researching their different marketing strategies
	a tool used to analyse and find out and establish the best potential suppliers of a given product/ service
	a tool used by businesses to gather product feedback from customers and potential customers.
	a tool used by businesses to gather product feedback from customers and potential customers.

2. Referring to the case study of Miss Gushishoza in Learning Activity 1.1, what type of survey should she carry out in order to find the following information about her business idea?
  - a) The actual and potential customers for her fruits and vegetables.

- b) The best suppliers of affordable fruits and vegetables.
  - c) The main competitors, their strengths and weaknesses.
  - d) The kind and quality fruits and vegetables to provide to her customers.
  - e) The nature and type of demand for fruits and vegetables.
3. Suppose you want to assist Miss Gushishoza to carry out a market research, help her to design some questions to include in the:
- i) Customer survey
  - ii) Product survey
  - iii) Supplier survey
  - iv) Competitor

### 1.2.1. Customer survey

A customer survey is a tool used to help businesses understand what their customers think about their products or services, their brand, and their customer support.

Customer satisfaction surveys allow companies to improve products strategically, optimise user experience, and deliver exactly what the market demands.

#### Sample questions that can be used to design a customer survey

- How old are you?
- Where do you live?
- What is your employment status?
- What is your marital status?
- Do you have children?
- What is your level of education?
- What is your approximate annual household income?
- What industry are you in?

### 1.2.2. Product survey

A product survey is a tool that a business uses to learn what their potential customers think about their products.

Running a survey before launching a product helps an entrepreneur to get to know what people really want and need.

### Sample questions that can be used to design a product survey

- How long have you been using the product?
- Which alternatives did you consider before purchasing the product?
- How often do you use the product or service?
- Does the product help you achieve your goals?
- What is your favourite tool or portion of the product or service?
- What would you improve if you could?
- Which product features do you consider the most valuable?
- Which product feature do you use most often in your day-to-day life?
- What points of friction have you encountered while using the product?
- If there was one new feature you could suggest, what would it be and why?

#### 1.2.3. Competitor survey

---

Competitor survey is a tool used to review the competitive situation in the desired target market as well as the usage and customer and market shares of competitors' products/services.

Competitor survey enables an entrepreneur to determine the factors that influence the potential customer's purchase decisions, therefore being able to recognize its strengths, weaknesses – and those of its competitors.

### Sample questions that can be used to design a competitor survey

- What channels did they interact through? eg. in person, via phone, online
- Do they use franchises or partner reselling programs?
- Do they offer regular discounts or promotions?
- Why have customers chosen not to buy from them?
- Who are the competitors?
- What are their strengths and weaknesses?
- What are the strategic objectives of competitors?
- What are their strengths?
- What are their response patterns?

#### 1.2.4. Supplier survey

---

A supplier survey is a tool used by entrepreneurs to collect information from current or potential suppliers.

This data helps the entrepreneur to whether these suppliers meet the production capabilities of an entrepreneur and the customers.

### Sample questions that can be used to design a supplier survey

- How long does the supplier take to process our orders?
- How accurately do the suppliers process our orders?
- Do they provide information about the status of our orders?
- How courteous and friendly are their representatives?
- How fast do they respond to our requirements?
- How is the quality of their services and products?
- How is the price of their services and products?
- Do they offer any after sale services?

### Application Activity 1.2

Using the example of Miss Gushishoza in Learning Activity 1.1, design a market research tool that will help her to carry out a market research for her business.

Customer Survey
Product Survey
Competitor survey
Supplier survey

## 1.3. Market research tools

### Learning Activity 1.3

Your students' business club (SBC) is planning to introduce a new product to sell in the school and the neighbouring community. Backed with the knowledge of market research, they would want to first find out important information regarding the customers, products, competitors and suppliers for the product.

1. Describe how the SBC should collect the information about the customers, products, competitors and suppliers.
2. What tools or techniques should the SBC use to collect the information about the customers, products, competitors and suppliers?
3. Design sample tools the SBC will use to collect the information about the customers, products, competitors and suppliers.

Data collection is at the heart of market research. If you do data collection wrongly, the result could be an essentially useless market research report, wasted money, and poorly informed business decisions. The methods you use to gather your data in the early days of the market research will majorly impact the quality of the data and the effectiveness of your research report.

To conduct an effective survey, follow the following steps:

- Step 1:** Define the population and sample
- Step 2:** Decide on the type of survey
- Step 3:** Design the survey questions
- Step 4:** Distribute the survey and collect responses
- Step 5:** Analyse the survey results
- Step 6:** Write up the survey results

The most commonly used data collection tools for Market Research are:

### 1.3.1. Interviews

---

Interviews are another way of gaining a deep and personal insight into an individual's experiences and opinions on a topic. Interviews are the only reliable way of getting an individual's uninterrupted views on a topic in real-time.

Interviews can be highly structured with a clear set of questions and the interviewer firmly guiding the conversation. They can also be more informal, with the interviewee free to talk about their experience at length without much input.

Interviews can be conducted face-face, via phone call or video chat, making it much more manageable.

#### How to conduct a customer interview study

An effective customer interview starts with careful planning and ends with data-backed decision-making. Conducting an interview involves the following process:

- 1) Set a goal and success metrics for your interviews.
- 2) Assemble the team. Who needs to be involved in customer interviews?
- 3) The people who need to conduct the interviews themselves (moderators)
- 4) The people who will be affected by the results of the interviews (stakeholders)



- 5) Consider the specific needs and goals you mapped out for your customer interviews, and decide on your sample size from there
- 6) Write a customer interview guide and questions.
- 7) Find your customers
- 8) Set yourself up for success. Get comfortable
- 9) Start the interview to achieve the goal you set for your customer interview
- 10) When you are satisfied with the answers you have gathered, give the customer a chance to ask you questions
- 11) Thank your customer for their time from the bottom of your heart. Let them know you appreciate their feedback and time

### 1.3.2. Questionnaire

Questionnaires are one of the most versatile and established ways of collecting data and they include a series of questions aimed at gathering opinions and experiences around a specific thing like a product, marketing campaign, or brand.

One of the best things about questionnaires is the number of channels they can be shared through: in-person paper questionnaires, E-mail, Social media, Website, Postal, Mobile message, In-app questionnaires.

Questionnaires can be designed in several ways such as open-ended questions, structured questions, and a Likert scale.

#### Sample questionnaire for market research

This questionnaire will help us to evaluate and continually improve the products we plan to offer. We are interested in your honest opinions about the products, whether they are positive or negative. Please answer all the questions.

Please circle the response that best describes how you honestly feel.

a) Which class are you?

S.1

S.2

S.3

S.4

S.5

S.6

b) Sex: Male

Female

c) What is your age bracket?

1

2

3

4

5

6

7

12 - 13

14 - 15

16 - 17

18 - 19

19 - 20

21 - 22

Above 22

d) How satisfied were you with the product?

1	2	3	4
Quite dissatisfied	Dissatisfied	Satisfied	Very satisfied

e) How can you rate the price of our product?

1	2	3	4
Very expensive	Expensive	Quite affordable	Very affordable

f) How do you rate the quality of our product?

1	2	3	4
Very poor	Poor	Good	Very good

g) How can we improve the product if you are to suggest?

.....  
 .....

**Thank you very much for your time and feedback**

### 1.3.3. Observation checklist

Observation is a time-tested method of data collection that, when done right, allows the entrepreneurs to gather large amounts of unbiased and unfiltered feedback.

The checklist is a list structure of points that needs to be observed or evaluated without the observer interfering.

Using this tool, you can mark the presence or absence of criteria or can note down short comments about the market elements.

#### Sample observation checklist

Customer Experience Observation Checklist

To be completed on all restaurant and cafe visits (Should take no more than 15 minutes)

<b>Date completed:</b> .....	/	.....	/	20.....
<b>Completed by:</b> .....				
<b>Location:</b> .....				
Is the Restaurant Manager present:		YES	NO	
N/A				

Announced visit: N/A	YES	NO
<b>Observations</b>		
Is the time of day message in place and relevant? N/A	YES	NO
Are customers receiving a friendly greeting/parting comment?	YES	NO
	YES	NO
Is there evidence of teamwork to reduce queues and speed up service?	YES	NO
	YES	NO
Are tables being cleared promptly and check backs/rescues completed?	YES	NO
	YES	NO
<b>Product</b>		
Are production levels in line with demand and in particular the bestselling lines?	YES	NO
	YES	NO
Is the product visually appealing and well presented?	YES	NO
	YES	NO
Is the team talking confidently and knowledgeably about the products?	YES	NO
	YES	NO

### 1.3.4. Focus group discussions

Focus Group Discussion (FGD) involves bringing multiple people together to discuss a particular topic (for example, a new product) and share their experiences and thoughts.

Focus groups can help you gather multiple opinions at once, promote healthy discussion, and allow you to be more economical with your time and space.

#### Steps of conducting Focus Group Discussions

FGDs are normally based around a short list of guiding questions, designed to probe for in-depth information from customers.

**Step 1:** Select a topic of survey

**Step 2:** Select the team to facilitate the discussions

**Step 3:** Identify the groups and participants that will take part

**Step 4:** Decide on the timing and location of the meetings

**Step 5:** Develop a set of questions or a discussion guide

**Step 6:** Conduct and record the focus group discussions

**Step 7:** Analyse the data and report the results



### Application Activity 1.3

Referring to the Ineza's case study in the introductory activity, help him to design a tool that he can use to conduct a market research for his Phones Accessory and Repair shop.

## 1.4. Data interpretation process and decision making on market research

A good data interpretation process is key to making your data usable. It will help you draw correct conclusions depending on your information.



### Learning Activity 1.4

Market research helps an entrepreneur to make informed decisions about his/her business. Therefore, for the decision to be made, data has to be interpreted first. What steps should an entrepreneur follow to be able to make the right decision based on the research results?

#### 1.4.1. Meaning of data interpretation

Data interpretation refers to the process of making sense of data by analysing and drawing conclusions from it. It involves examining data in order to identify patterns, relationships, and trends that can help explain the underlying phenomena being studied.

Data interpretation can be used to make informed decisions and solve problems in business.

### 1.4.2. Steps in interpreting data

Data Interpretation Process involves the following steps:

- a) Grouping data of the same characteristics.
- b) Analysing the grouped data.
- c) Comparison of data based on the survey objectives.
- d) Interpretation of data.
- e) Recommendations and conclusion.
- f) Decision making.



#### Application Activity 1.4

Study the observation checklist below and help Ineza to interpret the data and make a decision.

<b>Observation Checklist for Guhubuka's Phones Accessory and Repair Shop</b>			
<b>(Competitor Survey)</b>			
To be completed on the two existing Phones Accessory and Repair shops in the home town (Should take no more than 15 minutes)			
<b>Date completed:</b> 02/04/2023			
<b>Completed by:</b> Ineza John			
<b>Location:</b> XZVC Phone Accessories and Repair Shop, Kanzenze Center			
Is the shop owner around: N/A	YES	NO	
Announced visit: N/A	YES	NO	
<b>Observations</b>			
How are prices and labels for the products displayed for customers to see?	GOOD	FAIR	POOR
			N/A
How are customers received (friendly greeting/parting comment)?	GOOD	FAIR	POOR
			N/A
How are Products displayed to reduce queues and speed up service?	GOOD	FAIR	POOR
			N/A
How are customers getting the choice of products they want?	GOOD	FAIR	POOR
			N/A

<b>Product</b>				
How are products meeting the demand and in particular the interest of customers?	GOOD	FAIR	POOR	N/A
How appealing is the presentation of goods?	GOOD	FAIR	POOR	N/A
How vast is the customer's choice for the products ?	GOOD	FAIR	POOR	N/A
How affordable are the products or services?	GOOD	FAIR	POOR	N/A

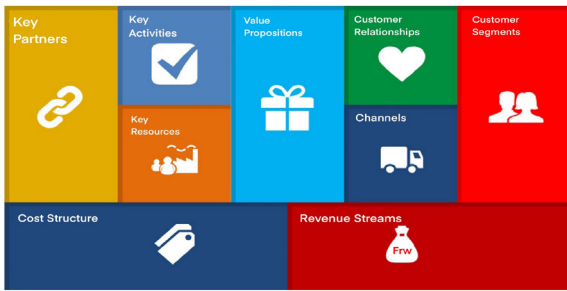
## End of Unit Assessment

### I. Project Activity

From the beginning of this unit, you have been working on the various elements of the market research by designing various tools and using them to collect information. For the business opportunity you chose, prepare and present a report of your market research for your business idea.

### II. Other Assessment Questions

1. Explain the meaning of market, research and market research
2. Explain the importance of market research in business
3. Describe the elements of market research
4. Describe the different market research tools.
5. Explain the process of data interpretation and decision making in market research.
6. Design a survey tool to gather information about:
  - a) Customers,
  - b) Product,
  - c) Competitors and
  - d) Suppliers



# Unit 2: Business Plan Using Business Model Canvas

## Key unit competence

To be able to create a business plan using the Business Model Canvas (BMC).

### Introduction

Many start-up entrepreneurs and small businesses are so busy trying to get started and survive that they spend little time planning. When they do try to plan, they are often confused and do not know where to start. The Business Model Canvas gives entrepreneurs a wide snapshot of every aspect of their business – everything from the value proposition and customer segments to operations and the financials. 3

This unit will equip you with the basic competences to enable you to properly prepare a Business plan for a given business project according to the elements of the Business Model Canvas. By the end of the unit you will present a BMC for your business idea. This will require you to use the information from the market research carried out and Business plan knowledge in the Ordinary level to identify and design the various components of the Business Model Canvas.



### Introductory Activity

**Read the scenario below and answer the questions that follow.**

Terimbere Organisation wants to support the already existing Students Business Clubs (SBC) in the Secondary Schools of Rwanda to grow their activities. Each SBC will have to present a Business Plan to Terimbere Organisation panellists who will choose the best SBC to support. To win the support, the SBC should present their business plan in not more than 5 minutes, should cover all the components of the business activities and should NOT be more than one page long. Your SBC would like to win this support.

#### Required:

- Make a list of all the components that will be included in the business plan to present to Terimbere Organisation panellist.
- Design any graphical illustration that you will use to present the components of your business plan to the panellists.

- c) What do you understand by the term “Business Model Canvas”?
- d) Why do you think nowadays entrepreneurs are moving away from the traditional way of preparing a business plan towards the Business Model Canvas?

## 2.1. Meaning and purpose of Business Model Canvas



### Learning Activity 2.1

**Analyse the case study below and answer the questions that follow:**

Bigwi is planning to start a business to take advantage of an identified business opportunity in his hometown. He was advised by a team from the Business Development Fund that he needs to have a business plan if he is to get funding and for the success of his business.

Bigwi is confused because he does not have the necessary knowledge and money to prepare a business plan. He approaches the Social Economic Development Officer (SEDO) of his cell for advice. The SEDO advises him to use a simple, visual template of the Business Model Canvas to prepare his business plan. Bigwi asks to know why he should use this visual template. The SEDO explains to him that the Business Model Canvas is becoming a favourite among entrepreneurs and business strategists; it is written on one-page, and allows stakeholders to quickly understand the key needs and goals of any business. In addition, helps the entrepreneur to easily identify the products or services the business plans to sell, the identified target market, and any anticipated expenses. It helps an entrepreneur attract investment, recruit talent, and motivate management and staff.

Equipped with this basic knowledge, Bigwi decides that he will prepare his business plan using the business model canvas.

#### Required:

From the case study,

- What is the meaning of a Business Model Canvas (BMC)?
- Why is it important (purpose) to prepare a business plan using a Business Model Canvas?

### 2.1.1. Meaning of a Business Model Canvas

**Business Model:** a plan for the successful operation of a business, identifying sources of revenue, the target customer base, products, and details of financing.



**Business Model Canvas (BMC):** this is a very simplified tool that enables entrepreneurs to prepare and portray their business plans on a single page.

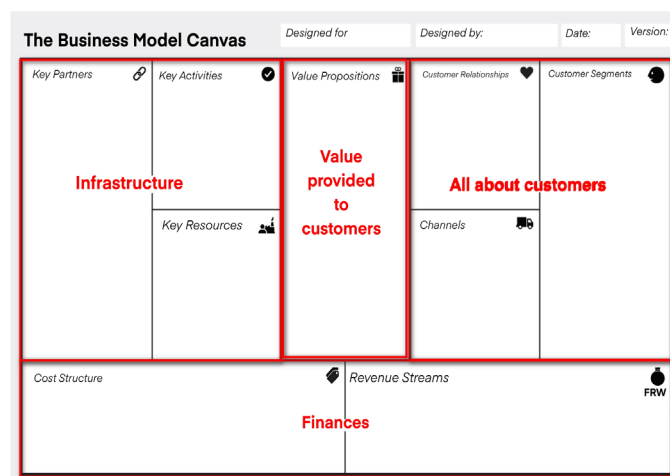
The BMC is a strategic management tool for developing new or charting existing business models. There are nine areas that make up the BMC.

The left-hand section of the Business Model Canvas is the **Infrastructure** section and is made up of three key areas - **Key activities**, **Key resources** and **Key Partners**.

The middle section of the canvas describes the **business offering** and is the **value proposition** delivered to different customer segments.

The right-hand side of the Business Model Canvas is all about **customers** - **description of the customers**, the **channels** through which **products** or **services** are delivered and the **relationships** the business has with customers.

The bottom section of the canvas describes the **finances**.



### 2.1.2. Purpose of Business Model Canvas

Of all of the start-up tools out there, the Business Model Canvas is one of the most well-known and relied-upon to help entrepreneurs transform an idea into an organised strategy and an actionable business plan.

The Business Model Canvas gives entrepreneurs a wide snapshot of every aspect of their business. This includes everything from the value proposition and customer segments to operations and the financials.

The Business Model Canvas is important to an entrepreneur because:

- It helps entrepreneurs address specific risks and acquire more information about competitors, costs, customer segments or a market niche.

- It sets an overarching framework for developing a business strategy, a detailed business plan, and/or a prioritised action plan.
- When planning your start-up, go through your own Business Model Canvas exercise and integrate your completed canvas into your business plan.
- It provides an opportunity to assess your business plan using actual data and refine your strategy to get closer to your goals.
- It helps visualise what is important and forces users to address key areas
- It can also be used by a team (employees and/or advisors) to understand relationships and reach agreements.
- It helps an entrepreneur to transform an idea into an actionable business plan
- It gives an entrepreneur a wide view of every step of their business



### Application Activity 2.1

You have been invited by a group of aspiring entrepreneurs to give a talk about Business planning. They want you to help them differentiate between a business plan and a business model canvas. Your talk will also cover the importance of using a business model canvas in preparing a business plan.

As a student with the basic knowledge on Business Model Canvas (BMC), explain to the aspiring entrepreneurs;

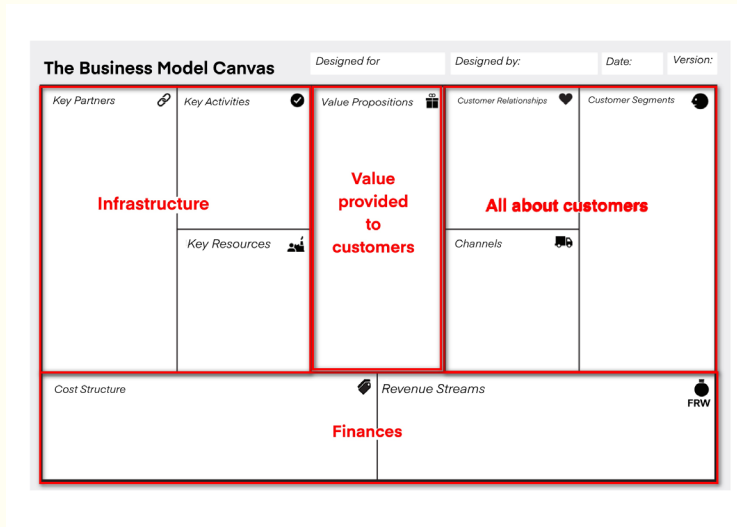
- a) Explain the meaning of a Business Model, Business Model Canvas and Sustainable Business Model Canvas
- b) With examples, explain some of the items included in the Business Model Canvas
- c) The items that may be included in the business plan but not in the business model canvas.

## 2.2. The components of Business Model Canvas



### Learning Activity 2.2

Below is a template of a Business Model Canvas. Study it and answer the questions that follow:



- a) Name and briefly define the components of the Business Model Canvas

Name of component of BMC	Definition of the component

- b) For your business idea, mention at least 2 items that may be included in each component identified above

Component of the BMC	Items to be included in the component of the BMC

- c) What are the questions that will help you to complete your Business Model Canvas

### 2.2.1. Components of the Business Model Canvas

The **Sustainable Business Model Canvas (hereafter BMC)** is a tool that you can use to visualise, assess, and adapt your project's blueprint (business model) in a clear and structured way while considering the project's social and environmental impact.

The Sustainable BMC focuses mainly on two main directions, positioning (right side of the canvas) and Operation (left side of the canvas).

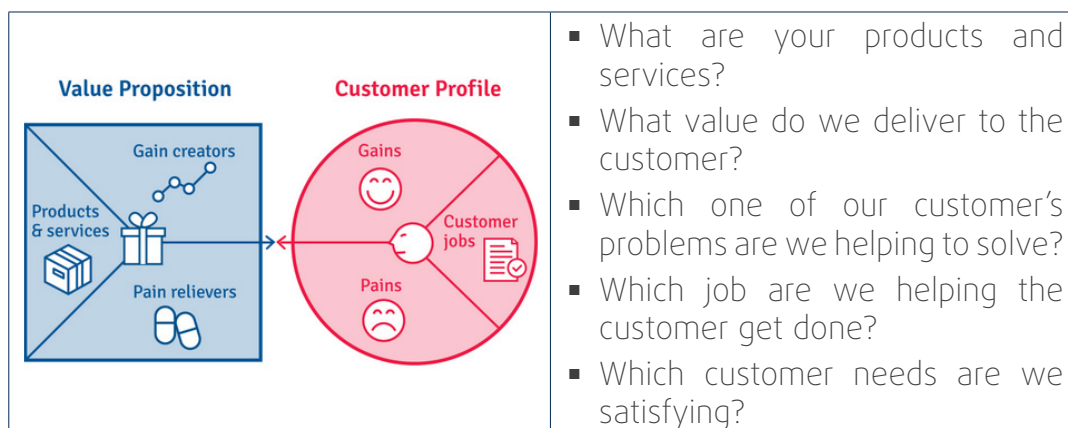
**a) The positioning section:** illustrates the position of your project within your target market, the added value it brings to the target groups, to society as a whole and to the environment. The fields included in the positioning section include: Customer Segments, Customers Relationships, Channels, Value Proposition, Revenue Streams, and Social and Environmental Benefits.

**b) The operational section:** illustrates the operational plan of your project including all the involved stakeholders and the financial aspects of your project. The fields included in the operational section include: Key Activities, Key Resources, Key Partners, Cost Structure, and Social and Environmental costs.

The components of the Sustainable Business Model Canvas are explained below.


#### A. Value Proposition

Bundle of products and services that create value for a specific Customer Segment.



#### B. Customer Segments

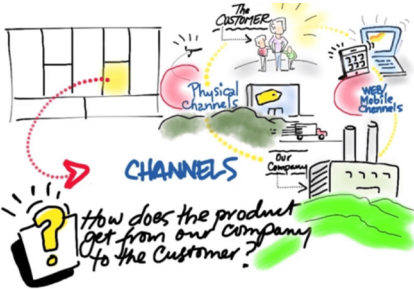
Your target audience.



- Who are the key customers or users of your business? Who are you solving a problem for?
- What do they do?
- What draws them to you?
- What are your top three segments?
- Which segments produce the most business and revenue?

### C. Channels Structure


How your business communicates with and reaches your Customer Segments to deliver your Value Proposition.



- Through which Channels do our Customer Segments want to be reached?
- How are we reaching them now?
- How are our Channels integrated? Which ones work best?
- Which ones are most cost-efficient?
- How are we integrating them with customer routines?

### D. Customer Relationships

Types of relationships a company establishes with specific Customer Segments.



- What are the key relationships and how do you maintain them?
- Having attracted clients and customers, how do you plan to retain them?
- How do you nurture your customer/client relationships? Are you going the automated route or something more personal?

## E. Revenue Streams

The way a company makes revenue from each customer segment through either the sale of a product or through providing a service.

- For what value are our customers really willing to pay?
- How would they prefer to pay?
- How much does each Revenue Stream contribute to overall revenues?

### Ways to generate Revenue Streams

Asset sale, Usage fee, Subscription fees, Lending/Renting/Leasing, Licensing, Brokerage fees and Advertising.

## F. Key Resources

The most important assets required to make your business model work.


- What Key Resources do our Value Propositions require?
- What key resources do our Distribution Channels require?
- What key resources do our Customer Relationships require?
- What key resources do our Revenue Streams require?

### Types of Key Resources

Physical, Intellectual Property, Human, Financial

## G. Key Partners

The network of suppliers and partners that make the business model work.



Handshake illustration with Business Model Canvas and key questions about key resources and activities.

- Who are our Key Partners?
- Who are our key suppliers?
- Which Key Resources are we acquiring from partners?
- Which Key Activities do partners perform for us?

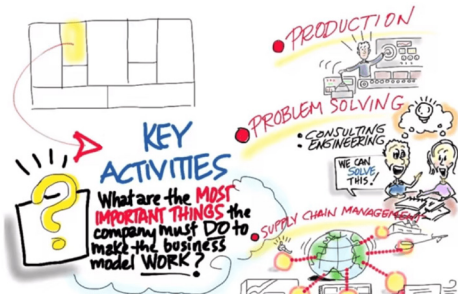
**Motivations for creating partnerships**

Optimization and economy of scale  
Reduction of risk and uncertainty  
Acquisition of particular resources and activities

**Examples of partners include:**  
employees, vendors, clients, government, customers, your suppliers, logistics providers, bankers, IT vendors

## H. Key Activities

The most important things a company must do to make its business model work



Handshake illustration with Business Model Canvas and key activities like production, problem solving, and supply chain management.

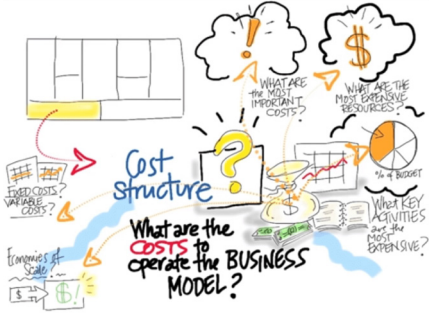
- What Key activities do our Value Propositions require?
- What key activities do our Distribution Channels require?
- What key activities do our Customer Relationships require?
- What key activities do our Revenue Streams require?

**Types of Key Activities**

Production, Problem solving, Platform/network, Marketing, Sales and Customer Service, Research and Development

## I. Cost structure

How a business spends its resources to create value. It details the expenses incurred by all business model components.



- What are the fundamental costs derived from my business model?
- Which Key Resources represent a significant expense to the business?
- Which Key Activities represent a significant expense to the business?
- How do your Key activities drive costs?
- Are the above-mentioned activities matched to the Value Propositions for your business?
- By exploring different permutations of your business model, do the costs remain fixed or become variable?
- Is your business more values driven or cost driven?

## J. Social and Environmental Costs



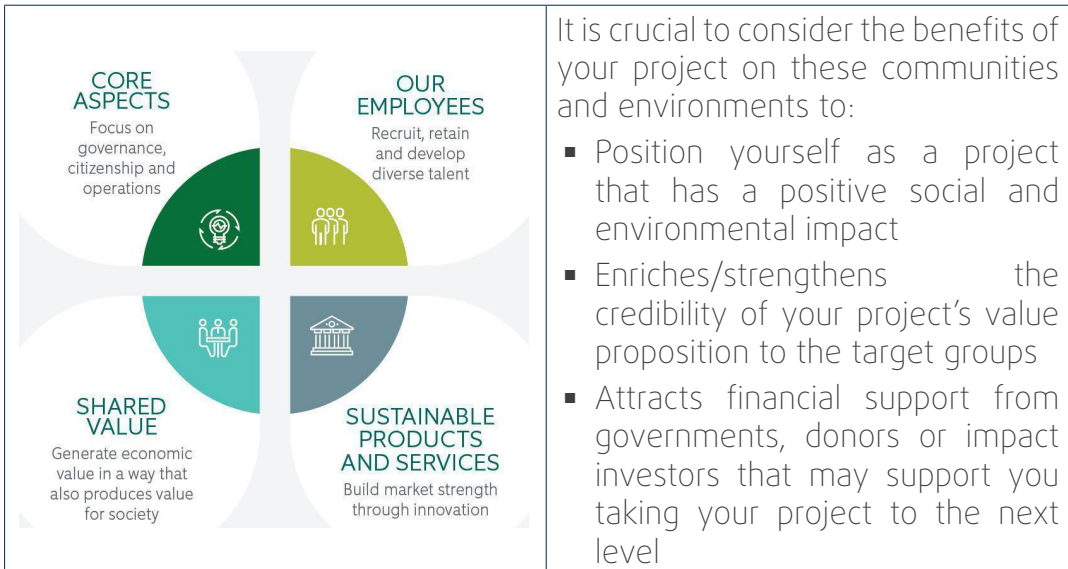
The social and environmental costs are additional external costs that result from the impact that your project activities could have on the surrounding environment and communities. Identifying and accounting for these costs is crucial when designing and implementing your project to create a balance between the financial aspirations, social and environmental consequences. This way, you can achieve comprehensive sustainability of your project.



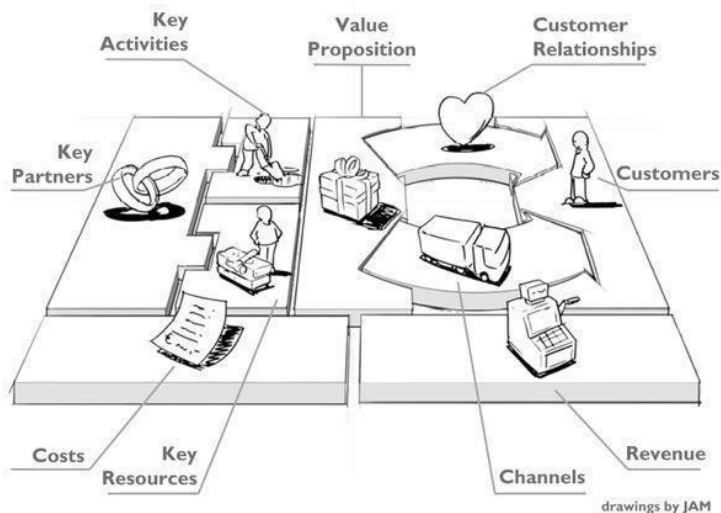
## K. Social and Environmental Benefits

Social and environmental benefits are the external benefits that your project produces for the communities and the environment in which it operates.

What social or environmental benefits will result and who are the beneficiaries?



### 2.2.2. Steps followed to make a Business Model Canvas



**Tip:** The Business Model Canvas creation works best when printed out on a large surface or drawn on a white board so groups of people can jointly start sketching and discussing business model elements with Post-it notes or markers.

## Step 1: Customer Segments

### 1) Who are you creating value for?

The first step is to find out what type of customers your organisation is targeting. Reflect on the 5 types of customer segments below:

- a) **Mass Market.** One large group of customers with broadly similar needs and problems. An example would be customers who need shoes.
- b) **Niche Market.** One group of customers with specific needs and problems. An example would be customers who need children's shoes.
- c) **Segmented.** Multiple groups of customers with slightly different needs and problems. An example would be college students attending a university.
- d) **Diversified.** Multiple unrelated groups of customer segments with very different needs and problems. An example of this use would be Amazon utilising online shoppers with Amazon.com and web developers selling cloud computing services.
- e) **Multi-Sided Platform.** Multiple independent groups of customer segments that may have different needs and problems, but the business model requires both. An example would be a credit card company that needs credit card holders and merchants who accept those credit cards.

### 2) Fill in your Canvas

- a) Write down a customer segment for your business on the 'Customer Segments' section of the canvas.
- b) Repeat process for however many customer segments your business appeals to.

## Step 2: Value Propositions

### 1) What value do we deliver to the customer?

Once you know who you are providing to, then you can appeal to them with a value proposition. State your product/service, and why your product/service is valuable. Consider the 11 elements that contribute to customer value creation below and select which one(s) pertain to your value proposition and reflect how:

- a) **Newness.** Fulfils an entirely new set of needs that customers previously didn't perceive because there was no similar value proposition.
- b) **Performance.** Improves product or service performance.
- c) **Customization.** Tailored to the specific needs of individual customers.
- d) **Getting the job done.** Helps customers get a certain job done.
- e) **Design.** Stands out because of superior design.

- f) Brand/Status.** Stands out because of the popularity or respect of a brand/status.
  - g) Price.** Offers a similar value but at a lower price.
  - h) Cost Reduction.** Helps customers reduce their own personal costs they would take on without the product/service.
  - i) Risk Reduction.** Offer customers a chance to reduce their own risks.
  - j) Accessibility.** Provides to customers that previously lacked access to product/service.
  - k) Convenience/Usability.** Provides customers an easier way to use a vital product/service.
- 2) Fill in your Canvas
- a) Write down a value proposition for your business on the 'Value Proposition' section of the canvas.
  - b) Repeat the process for however many value propositions your business provides.

### Step 3: Channels

- 1) How do your Customer Segments want to be reached?

These channels include communication, distribution and sales. Consider the 5 channel types, select which one(s) best reflect your organisation's structure and how.

- a) Sales Force.** In-person sales.
  - b) Web Sales.** Online sales.
  - c) Own Stores.** In-store sales.
  - d) Partner Stores.** In-partner-store sales.
  - e) Wholesaler.** Distributed sales.
- 2) Fill in your Canvas
- a) Write down a channel for your business on the 'Channels' section of the canvas.
  - b) Repeat process for however many channels your business utilises.

### Step 4: Customer Relationships

- 1) What type of relationship does each of our Customer Segments expect us to establish and maintain with them?

Connecting with your customer base is important in keeping your reputation as a caring organisation. Consider the 6 types of relationships to have with customers and select which one(s) pertain to your organisation and reflect how:

- a) **Personal Assistance.** Customers can talk with human assistance.
  - b) **Dedicated Personal Assistance.** Customer representatives are directly and solely connected to an individual customer.
  - c) **Self-Service.** Customers are given resources to help themselves.
  - d) **Automated Services.** Customers are given customised help usually through software and automation.
  - e) **Communities.** Customers are able to connect with other customers for help.
  - f) **Co-Creation.** Customers are able to create value for the company. (Ex. YouTube video uploads)
- 2) Fill in your Canvas
- a) Write down a type of customer relationship your business utilises on the 'Customer Relationships' section of the canvas.
  - b) Repeat process for however many customer relationships your business appeals to.

### Step 5: Revenue Streams

1) How do your Customer Segments purchase your Value Proposition?

Find out how exactly your customers buy your product/service. Consider the 6 common types of Revenue Streams. Select which one(s) pertain to your organisation and reflect how:

- a) **Asset Sale.** One-time sale of ownership rights of a physical product.
  - b) **Usage Fee.** On-going costs to continue use of product/service. (Ex. Pay-Per-View)
  - c) **Subscription Fees.** Cost allowing customers to use product/service for a specific time period.
  - d) **Lending/Renting/Leasing.** Temporarily granting someone the exclusive right to use a product/service for a specific time period.
  - e) **Licensing.** Granting customers permission to use protected intellectual property.
  - f) **Advertising.** Income through fees for advertising a particular product/service/brand.
- 2) Fill in your Canvas
- a) Write down a revenue stream your business uses on the Revenue Streams section of the canvas.
  - b) Repeat the process for however many revenue streams your business utilises.

## Step 6: Key Resources

### 1) What Key Resources does our business require?

Describe the most important assets required to make a business model work. Consider the 4 types of resources. For each of the 4, think of an example of what your organisation uses:

- a) Physical resources.** Facilities, buildings, vehicles, machines, distribution networks,
- b) Intellectual resources.** Brands, proprietary knowledge, patents, copyrights, partnerships, customer databases,
- c) Human resources.** Key people involved in business activities.
- d) Financial resources.** Capital, financial guarantees, lines of credit,

### 2) Fill in your Canvas

- a) Write down a key resource your business uses on the Key Resource section of the canvas.
- b) Repeat the process for however many key resources your business requires.

## Step 7: Key Activities

### 1) What does your business do with your resources?

Discover the most important actions a company must take to operate successfully. Consider the 3 ways activities can be categorised, think of an example of how each of them connects to your business:

- a) Production.** Relate to designing, making, and delivering a product.
- b) Problem Solving.** Relate to creating solutions to on-going customer problems.
- c) Platform/Network.** Relate to continually maintaining Key Resources.

### 2) Fill in your Canvas

- a) Write down a key activity your business performs on the 'Key Activities' section of the canvas.
- b) Repeat the process for however many key activities your business performs.

## Step 8: Key Partnerships

### 1) Who are your suppliers and service providers?

Discover what partnerships your business has forged. Consider the 4 types of partnerships, select which one(s) pertain to your company and how:

- a) Strategic Alliances.** Partnership between non-competitors.

- b) Competition.** Partnership between competitors.
- c) Joint Ventures.** Partnership between ventures to develop new a business
- d) Buyer-Supplier.** Partnership between buyers and suppliers to assure reliable supplies

## 2) Fill in your Canvas

- a) Write down a key partnership your business has on the 'Key Partnership' section of the canvas.
- b) Repeat process for however many key partnerships your business appeals to.

## Step 9: Cost Structure

### 1) What are your most important costs?

Develop how your company views costs and what costs it requires to operate. Consider the two types of cost structures; reflect how your company chooses to utilise them:

- a) Value-Driven.** Focus on improving high value propositions.
- b) Cost-Driven.** Focus on reducing costs whenever possible.

Consider these 4 characteristics of cost structures; reflect on how each of them may pertain to your company's costs:

- a) Fixed Costs.** Costs that remain the same no matter the volume of goods or services produced.
- b) Variable Costs.** Costs that change proportionally to the volume of goods and services produced.
- c) Economies of Scale.** Costs are reduced with the increase of the volume of goods and services produced.
- d) Economies of Scope.** Costs are reduced with the increase of business operations.

## 2) Fill in your Canvas

- a) Write down a cost for your business on the 'Cost Structure' section of the canvas.
- b) Repeat the process for all the costs your business has.

### Skills Lab Activity

For your business/project idea, prepare a business plan using a Business Model Canvas.



## End of Unit Assessment

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### I. Project Activity

Present a Business Model Canvas for your respective business ideas and projects.

### II. Other Assessment Questions

1. What are some questions an entrepreneur should ask him/herself while completing the following components of the BMC?
  - a) Customer segments.
  - b) Value proposition
  - c) The channels
  - d) Customer relations
  - e) Revenue
  - f) Key resources
  - g) Key activities
  - h) Cost structure
  - i) Impact of business (positive/negative)



# Unit 3: Business Growth and Development

## Key unit competence

To be able to apply the strategies for business growth.

## Introduction

Growth is crucial to the long-term survival of a business. It helps to acquire assets, attract new talent and fund investments. It also drives business performance and profit.

This unit will equip you with the basic competences to enable you to appropriately propose business growth strategies for their business ideas. By the end of the unit you will present a report of the proposed business growth strategies for your business idea. This will require you to apply the skills acquired in the previous units such as creativity, innovation and invention; laws in business operations; standards in business; market research and Business Model Canvas to identify factors that contribute to and or hinder business growth; and propose appropriate business growth strategies.

### Introductory Activity



**Read the text below and answer the questions that follow:**

The business environment is not static; rather it keeps on changing. Take an example of a small shop selling foodstuffs. After three years, you will notice some changes that have taken place since it was started. Once those changes are positive, it will be an indication that the business is growing. Some indicators of business growth may include; increased profit, increase of assets, opening more branches, and increased employees, among others. Many entrepreneurs normally begin with small businesses with the hope that they will grow up to bigger enterprises resulting in high profits. However, this is not automatic; entrepreneurs have to strive in order to achieve it. Most successful businesses have been a result of good customer care, offering promotions and discounts, developing new products, effective communication with shareholders, employees, opening up of new distribution channels, among others.



Ideally, if you intend to start or you are running a business, you need to think about factors that may promote or hinder business growth; and some strategies of business growth to apply/use.

**Required:**

- a) Why do some businesses start and grow while others fail?
- b) What is meant by business growth?
- c) What are some indicators of a growing business?

### 3.1. Meaning and indicator of business growth



#### Learning Activity 3.1

Analyse the case study below and answer the questions that follow



*Figure 1: Volcano Express*

Volcano Express is a registered public transport company based in Kigali that also has operations across other East African cities. The company was launched in 1999 at Huye. The company started with only 2 Toyota coaster buses and 4 staff but has grown to own over 141 buses and more than 250 staff working in Rwanda and other neighbouring countries.

Volcano Express develops wide-ranging service plans to meet specific passenger requirements. This is achieved by first learning customers' objectives with regard to their existing and external requirements, therefore ensuring that the company's first-class, quality services are more consistent than any transport company in the region.

Volcano Express has built a brand reputation based on providing passengers with professional and prompt vehicle transportation at

affordable prices. Their dynamic approach makes for continuity of services, thereby enabling long-term relationships with their customers.

**Required:**

- a) Do you think Volcano Express business will grow further? Give reasons to support your response by identifying some of the indicators of its growth.
- b) What do you understand by the term 'business growth'?

### 3.1.1. Meaning of business growth

**Business growth** is a process where an organisation experiences unprecedented and sustained increases in market reach and profit avenues. This can happen when a company increases revenue, produces more products or services, or expands its customer base.

### 3.1.2. Indicators of business growth



Tracking performance can help an entrepreneur to understand where his/her business is on its journey, mitigate risks and secure the funding and expertise needed to reach the next stage of growth.

For smaller businesses and start-ups, being able to demonstrate growth

to investors and banks is essential. Most businesses relying on grants and investors will have an obligation to report on performance in order to validate the investment and justify further finance.

There are many indicators of business growth, including the following:

- a) Increased capital: If the capital of a business is increasing, then it is an indicator that the business is growing.
- b) Increase in assets: Another indicator of business growth is the increase in assets like buildings, vehicles, bank deposits, etc. The total value of business assets can be revealed by the balance sheet of the business for a particular period of time.
- c) Increase in business profit: When the business profits are growing, then it is an indicator of business growth.

- d) Opening more branches: Opening more branches is an indicator that the business is covering more areas and is serving more customers. This is an indicator of business growth.
- e) Increased market share: When the market share of the enterprise is growing, the enterprise is growing because it is serving more customers.
- f) Increased sales revenue: Increased sales revenue for a business is an indicator of the business growth as it reflects an increase in the number of customers and stock.
- g) Increased number of employees: When the business grows, it normally increases the number of departments and employees. For example, a restaurant that started with four workers and expands into a hotel, will need to recruit more employees than previously.
- h) Use of advanced/improved technology: Most businesses start with simple technology but as the business expands, they use more advanced technology.
- i) Increased stock of goods: When the enterprise grows, it produces and sells more products. For example, in a shop there is a wide variety of goods and services.
- j) Better salaries and wages paid to workers: When a business is growing, it is able to give better wages and salaries to its workers due to increased profits



### Application Activity 3.1

#### Analyse the case study: and answer the questions that follow:

Peter is a farmer of maize in eastern province. He started growing maize on a small piece of land using traditional techniques like hand hoes and did not use fertilisers to increase production. He employed two men on his small farm. One day Peter got the chance of being selected by the Ministry of Agriculture in the two days' training that had the following theme "Doing market oriented agriculture.

When Peter went back home, he tried to improve on the methods he used to grow maize production and decided to take a small loan from Umurenge Sacco with the purpose of buying another land to grow maize and acquiring enough capital to buy fertilisers that he mixed with manure.

Since that time, the production has increased considerably. In the season that followed, he increased the number of workers from 2 to 30 workers. After one year, he thought of using an irrigation system in order to cope with climate changes.

He also used tractors in farming instead of manpower. Now he harvests

more maize and sells it to maize processing industries in Kigali and in other provinces across Rwanda.

### Questions

From the above Case study,

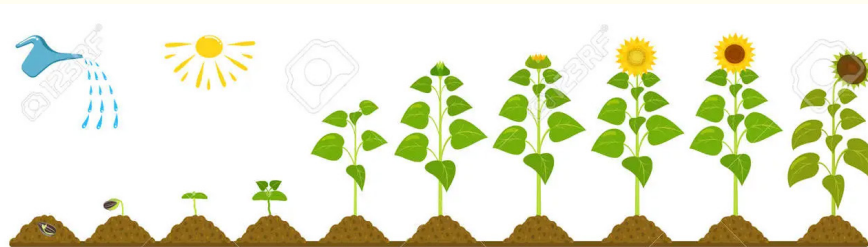
- Do you think Peter's business is growing?
- With examples, what are the indicators of growth for Peter's business?
- If you compare Peter's business with that of Volcano bus company that we saw in the learning activity, what do you notice as common for both businesses?

## 3.2. Factors that promote or hinder business growth



### Learning Activity 3.2

Analyse the growth process for plants and answer questions that follow:



- What factors promote the growth of a plant?
- In relation to a business, what factors are necessary for the growth of a business?
- What factors may hinder the growth of a business?

### 3.2.1. Factors that promote business growth

Growth is crucial to the long-term survival of a business. It helps to acquire assets, attract new talent and fund investments. It also drives business performance and profit.

Growth can be good for business for many different reasons. For example, it may allow you to: take advantage of new opportunities; expand your products or services; attract more customers; increase sales; and employ more staff.

There are many factors that determine business growth these include:

- Availability of market:** The market plays a big role in determining the success of a business. A big and reliable market helps a business to grow.

More buyers will mean more sales and more revenue for the business.

- b) Enough capital:** The amount of capital available to a business determines its growth.
- c) Competent business management:** The quality and ability of the business management team determines the growth of a business. If the management is competent and hardworking, then the business will grow faster.
- d) Proper location of the business:** A suitable location may determine the growth of a business. A business will grow if it is located near the customers. In addition, a business may succeed if it is located in a secured place without robbers.
- e) Level of competition:** Competition may force a business to be more efficient and as a result it grows.
- f) Technology used by the business:** Technology as a method of production determines the quantity and quality of output. It is a factor that determines the growth of a business.
- g) Favourable government policies:** Government policy may directly affect business growth. Favourable government policies like low taxes, tax holidays, subsidies, etc. determine the growth of a business.
- h) Political stability and security:** The political environment affects business growth; a peaceful political environment enables a business to grow.
- i) Quality of workers:** The quality of workers in terms of skills, training, experience and commitment is a factor of business growth.
- j) Proper business planning:** Business planning is also a factor which determines the growth of a business. Planning enables the business to set targets to be achieved and properly control its resources and time.
- k) Favourable economic environment:** These are all the external economic factors that influence buying habits of consumers and businesses and therefore affect the performance of a business.
- l) Presence of business support services** like banks, insurance companies, telecommunication companies, etc. This also determines the business growth.
- m) Good entrepreneurial characteristics (traits)** like self-confidence, risk taking, perseverance, creativity and innovation, etc. This also determines the growth of a business.

### 3.2.2. Factors that hinder business growth

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As an entrepreneur, having your business grow and expand is usually the main goal.

Growth generally means your company is succeeding. Unfortunately, for diverse reasons, not every business succeeds and is able to grow. This is because there is a lot more to building and nourishing a business in order for it to develop, rather than simply coming up with an idea and waiting for a positive outcome. Below are some factors that may hinder business growth:

- **Financial factors:** Shortage of working capital, high interest rate charged by lending institutions, high collateral requirement from banks and other lending institutions, and complicated loan application procedures hinder business growth.
- **Improper financial recording system:** lack of proper recording keeping and a standard system of recording financial transactions hinder the growth of a business.
- **Working place challenges:** absence of own working places, very high rent and working place narrowness are some of the factors that adversely affect the growth of businesses.
- **Marketing factors** which include insufficient market, lack of market chain, lack of research, unknown demand predicting and lack of product and service advertising has high influence on the growth businesses.
- **Support services challenges** such as power interruptions, and lack of sufficient and quick transportation service that hinder the business growth.
- **Entrepreneur's inability:** such as the lack of experience in the business, inadequate education and training, business skill, tolerance to change, entrepreneurship training and awareness of risk hinders the business growth.
- **Policy factors:** such as very high tax rate and other tariffs, bureaucracy in the enterprises during registration and licensing and insufficient government support hinders business growth.



### Application Activity 3.2

Read the case study below about a business that failed and answer questions that follow:



*Kodak (1889-2012)*

At one time the world's biggest film company, Kodak could not keep up with the digital revolution, for fear of cannibalising its strongest product lines. The leader of design, production and marketing of photographic equipment had a number of opportunities to steer the company in the right direction but hesitated to fully embrace the transition to digital led to its demise.

For example, Kodak invested billions of dollars into developing technology for taking pictures using mobile phones and other digital devices.

However, it held back from developing digital cameras for the mass market for fear of eradicating its all-important film business. Competitors, such as the Japanese firm Canon, grasped this opportunity and have consequently outlived the giant. Another example is Kodak's acquisition of a photo sharing site called Ofoto in 2001. However, instead of pioneering what might have been a predecessor of Instagram, Kodak used Ofoto to try to get more people to print digital images. Kodak filed for bankruptcy in 2012 and after exiting most of its product streams, re-emerged in 2013 as a much smaller, consolidated company focused on serving commercial customers.

#### Required:

From the case study, what factors contributed to the failure of KODAK?

### 3.3. Business growth strategies



#### Learning Activity 3.3

##### Analyse the case study below about an entrepreneur in Rwanda.

Sina Gérard started Urwibutso Enterprises at the age of 20, in 1983. He used a starting capital of 33,000RWF (2013 value) and produce from his parents' farm to start a small bakery. With his bakery, he launched his signature Urwibutso donuts, which later became the name of his multiple ventures. When his bakery started producing a return on investment, Sina expanded and ventured into fruit-juice making.

In 1999, seeing that his newly added product was successful, he invested in juice-making equipment. Sina partnered with more local farmers, and invested in the research of juice preservation techniques. The Agashya juices, especially the passion fruit nectar, also became popular on the

market. Sina then diversified his enterprises further: he added a piggery project; cattle, goat, rabbit rearing units; and wine production and chilli production. The chili Akabanga became one of his most consumed products, not just in Rwanda, but across the African continent and other parts of the world. Sina says of Akabanga, "It means something like 'the secret'. If you put it on your food, you will understand the secret."

From then on, Sina expanded the enterprise Urwibutso further and the company added new products ranging from biscuits to wines. Currently, Urwibutso produces an array of products which include Akanoze Maize flour, Akandi Mineral water, Agashya Pineapple juice, strawberry and passion fruit juice, Akabanga chilli oil, Akaryoshye strawberry yoghurt, Akarusho white, red and banana wine as well as the 'Akarabo' biscuit.

The Akarabo biscuit was launched in collaboration with the Sweet Potato Action for Security and Health in Africa (SASHA) as well as its partners International Potato Center (CIP), Rwanda Agricultural Board (RAB), Catholic Relief Services (CRS), IMBARAGA, and Young Women Christian Association (YWCA). This biscuit was created to increase both nutritional and economic aspects of rural households with women being the focus group. With his success in business Sina Gérard decided to invest back in his community. He gives farmers free seeds, fertiliser, training and buys their crops when ready for harvest. He aims to make Rwandan farmers feel proud to be farmers, as they account for 90% of the population.

**Required:**

From the case study,

- a) What are the indicators of growth for Urwibutso Enterprises?
- b) What strategies did Sina Gérard use to grow Urwibutso Enterprises?
- c) What do you understand about "business growth strategies"?
- d) Mention any other business growth strategies that Sina Gérard could have applied to grow Urwibutso Enterprises but are not mentioned in the case study?

### 3.3.1. Business Growth Strategy

A business growth strategy is a plan that companies make to expand their business in a specific aspect, such as yearly revenue, number of customers, or number of products. Specific growth strategies can include adding new locations, investing in customer acquisition, or expanding a product line.



### 3.3.2. Internal business growth strategies



Internal business growth strategy refers to the expansion of a business enterprise using internal resources and capabilities. This means that all business growth is established without using external resources or external parties. It refers also to the growth within the organisation by using its own internal resources to increase their size, scale of operations, resources (financial and non-financial) and market penetration.

The internal growth strategies which can be used by companies include the following:

- a) Improving customer care:** This involves offering good customer care to the customers as a way of attracting others and retains old ones.
- b) Delivering quality products and services:** This strategy involves providing quality products and services. This helps the company to grow.
- c) Offering discounts to customers:** A discount is a deduction on the price. As a growth strategy, discounts attract customers and increase sales revenue.
- d) Carry out sales promotion:** This growth strategy involves all activities done to inform and attract customers to buy more of the business products. For example, giving discounts, advertising on Radio, Television, Newspapers, etc.
- e) Human resources development:** A business may seek to grow by improving the quality and efficiency of its workers through training and workshops. Better quality workers increase the productivity and efficiency of a business leading to higher profits.
- f) Creating new distribution channels and locations:** This involves opening new branches and making products available in new outlets. This increases sales and generates extra profits for the business.
- g) Bundling products:** This involves selling a bundle of products as one kit. For example, Mobile phone and SIM Card, Toothpaste and Toothbrush

bread and butter, etc. Even services can be bundled where two separate services are packaged into one product and sold together.

**h) Market penetration and development:** This involves selling more of the company's products or services to the existing as well as to the new markets. This strategy is about reaching new customer segments by targeting both internal and external markets.

### 3.3.3. External business growth strategies



External growth (inorganic growth) refers to growth of a company that results from using external resources and capabilities rather than from internal business activities. A company can use external growth strategies to achieve a number of different objectives, such as the following:

- Obtain access to new markets
- Increase market power
- Access new technology/brand
- Diversify a product or service
- Increase the efficiency of business operations

The external business growth strategies include the following:

- a) Merging with other firms or Mergers.** A merger is a financial transaction in which two companies unite into one new company with the approval of the boards of directors of both companies. In a merger, the involved companies may create a completely new entity (under a new brand name) or the acquired company may become a part of the acquiring company.
- b) An acquisition:** this is a financial transaction in which the acquiring company (bidder) purchases a controlling stake in a target company. It can be done with the consent of the management and shareholders of a target company (friendly takeover) or without it (hostile takeover).

**c) Strategic alliances:** this does not involve a complete exchange of ownership between the participating companies. Instead, companies combine their assets and resources for a certain period of time to achieve predetermined goals while remaining independent. A strategic alliance can take the form of:

- **Franchising:** A franchise is an arrangement where one party gives another the right to use its trademark or trade name to produce and market a good or service. For example, telecommunication companies, soft drinks companies
- **Joint venture:** this is created when independent companies become partners and establish a new entity jointly owned by the participating partners.
- **A licensing agreement:** this is a contract between two parties (the licensor and licensee) in which the licensor grants the licensee the right to use the brand name, trademark, patented technology, or ability to produce and sell goods owned by the licensor. In other words, a licensing agreement grants the licensee the ability to use intellectual property owned by the licensor. Licensing agreements are commonly used by the licensor to commercialise their intellectual property.



### Application Activity 3.3

**Read the examples below of business growth strategies and complete the table below by putting an (X) in the appropriate box**

1. In 2015, Dow Chemical merged with DuPont and then split the merged entity into three independent firms.
2. Mutoni's Bakery sells homemade breads and pastries. It decides to grow its business by introducing an associated restaurant that uses the baked goods from its bakery on the restaurant's menu.
3. In 2006, Google acquired YouTube for USD\$1.65 billion to enlarge revenues from global advertising services.
4. Mugisha's Furniture has a niche following amongst active adults. It has a dedicated following, but it wants to reach more customers in its current demographic. Mugisha's furniture creates a new marketing plan designed to reach active adults who don't yet know about the company.
5. In 1999, Vodafone acquired Mannesmann AG for around USD\$202 after Mannesmann's largest investor pleaded with the Board of Directors to finally accept Vodafone's offer.

6. Bobby's Books is a local bookstore that historically makes most of its sales in person. However, it recently overhauled its online platform to engage with customers outside of the local area and grow its business.
7. Tona's business is famous for making winter hats for adults and children. It decides to develop a summer sun hat for adults to see if it can increase sales and potentially its customer base.
8. Shorty's Shoes decides to increase the production of its toddler shoe line to meet growing demand and maximise the growth opportunity.
9. Cutting wasteful spending and running a leaner operation by automating some of its functions instead of hiring more employees.
10. The Swedish telecommunications company Ericsson created a Joint Venture (JV) with the Japanese consumer electronics company Sony Corporation.
11. In 2000, four different airlines with half-empty aircrafts decided to collaborate by using a single full aeroplane to cut staff and fuel costs, and split the profits for mutual benefit

Growth strategy	Internal	External

## End of Unit Assessment

### I. Project Activity

Present a report of the effectiveness of the growth strategies that you implemented in your business club project.

### II. Other Assessment Questions

1. Regarding your School Business Club activities, what factors have contributed to business growth and development?
2. Explain the factors that may hinder business growth and development in your School Business Club.
3. Describe strategies that you may put in place for business growth and development of your School Business Club.



# Unit 4: Role of Entrepreneurship in Socio-Economic Development

## Key unit competence

To be able to evaluate the contribution of entrepreneurship towards socio-economic development.

## Introduction

The role of entrepreneurship in economic development is substantial. Entrepreneurs don't just build businesses and grow their personal wealth; they also impact the economy by creating new jobs and opportunities, driving innovation, and developing new markets, products, and services.

This unit will equip you with the basic competences to enable you to clearly evaluate the contribution of entrepreneurship towards socio-economic development. By the end of the unit you will present a plan of how your business will contribute to the socio-economic development and responsibility of the community. This will require you to apply the skills acquired in the previous units such as describing the role of an entrepreneur in socio-economic development; analysing the contribution of the various types of work to socioeconomic development and analysing the different forms of enterprises to clearly evaluate the contribution of entrepreneurship towards socio-economic development.

### Introductory Activity



Read the extract below from the Economic Development And Poverty Reduction Strategy II, 2013-2018) and answer the questions that follow:

### SHAPING Rwanda's Future



Rwanda has made good progress over the last two decades since the enormous challenges faced in the aftermath of the 1994 genocide against the Tutsi, which destroyed the entire social and economic fabric of the country. Rwandans have benefited from rapid economic growth, reduced poverty, more equality and increased access to services including health and education. This has only been possible through the hard work and dedication of millions of Rwandans supported by friends of Rwanda. Our progress strengthens the belief that our development ambitions towards the Vision 2020 can be achieved with our concerted efforts.

The EDPRS 2 period is the time when our private sector is expected to take the driving seat in economic growth and poverty reduction. We will strengthen the platform for communities to engage decisively and to continue to develop home grown solutions that have been the bedrock of our success.

As we take this important step ahead in our future, let us increase our determination to become makers of history, to shape our development and elevate Rwanda into a new era of prosperity that will be celebrated for generations through our joint efforts.

H.E. Paul KAGAME

### **President of the republic of Rwanda**

Required:

- a) Mention some of the successes Rwanda has registered in the past two years.
- b) What factors have led to the success registered in Rwanda?
- c) Mention some of the indicators of socio-economic development in Rwanda in the past two decades
- d) What role has entrepreneurship played towards socio-economic development in Rwanda?
- e) What role has entrepreneurship played towards social responsibility in Rwanda?

## **4.1. Meaning and indicators of socio-economic development**



### **Learning Activity 4.1**

Analyse the passage below and answer the questions that follow:

#### **SOCIO-ECONOMIC DEVELOPMENT**

What does socio-economic development mean? In order to understand this concept, let us begin by defining development. Generally, development is defined as a state in which things are improving. But it is defined in

different ways in various contexts, social, political, biological, science and technology, language and literature. In the socio-economic context, development means the improvement of people's lifestyles through improved education, incomes, skills development and employment. It is the process of economic and social transformation based on cultural and environmental factors.

Social and economic factors affect how well and how long we live. Social and economic factors include factors such as income, education, employment, community safety and social support. The choices that are available in a community are impacted by social and economic factors. These choices include our abilities to afford medical care and housing and to manage stress.

Social and economic opportunities help communities live longer and healthier lives.

Unemployment and low income are one of the best examples to understand socio-economic development. If the unemployment rate is high, people have to work for industries that are lower than their ability for a way lesser pay scale. This suppresses the overall socio-economic development. However, if an economy is flourishing, there will be more job opportunities and the income will also be high, thereby improving the society and economy as a whole.

### Required:

From the passage,

- a) What is development?
- b) How is development defined in socio-economic context?
- c) How would you define Socio-economic development?
- d) What factors are used to measure socio-economic development?
- e) What are the indicators of socio-economic development in a country?

#### 4.1.1. Meaning of socio-economic development concepts

**Development** is a gradual process through which there is a persistent increase both in quality and quantity of goods and services that are enjoyed by the people in a community or a country

**Social development** is a process which results in the transformation of social institutions in a manner which improves the capacity of the society to fulfil its aspirations.

**Economic development** is the development of economic wealth of countries or regions for the well-being of their inhabitants.

**Socio-economic development** means the improvement of people's lifestyles through improved education, incomes, skills development and employment. It is the process of economic and social transformation based on cultural and environmental factors

### 4.1.2. Indicators of socio-economic development



*Figure 4.1: Using affordable and energy efficient stoves is an indicator of socio-economic development*

According to Socio-economic transformation for Rwanda' growth and sustainable development report (May 2021), the following key areas have been identified as indicators that Rwanda is achieving socio-economic development:

- Poverty and Extreme Poverty has reduced considerably from 2000.
- A national-wide rollout of healthcare, including health insurance coverage for over 80% of the population contributed to the increase in life expectancy.
- Health has improved for all- Mothers.
- Health has improved for U5-Children.
- Primary pupils have increased more than 2.7 times and secondary students 32 times.
- Tertiary institutions have increased more than 5.7 the number in 1995.
- Jobs created & better access to financial services.
- Increasing Access to Basic Infrastructure.

Social- economic development involves improved goods and services, better health, education, security, shelter, better distribution of resources and generally better standard of living. Some indicators of socio-economic development are the following:

- a) High Gross Domestic Product (GDP) per capita: It is the total value in money terms of all goods and services produced within a country in a



- given year. If the GDP is increasing, it implies that there are more goods and services being produced and available to the people which in return signify a better standard of living.
- b) High real Gross National Product (GNP) per capita is one of the indicators of social economic development in terms of an increase in the economic real national income over a long period of time. Real national income refers to the country's total output of final goods and services in real rather than monetary terms thus a country with high GNP per capita signifies a better standard of living.
  - c) High level of literacy: Literacy is the ability to read and write. Literacy rate is a crucial measure of a country's human capital. It shows the country's ability to use human beings in the production of goods and services, understand government programs and communicate.
  - d) Life expectancy: Life expectancy refers to the expected number of years someone expects to live at birth. Socio-economic development enables people to enjoy good health, nutrition, work and generally wellbeing. The higher life expectancy is therefore an indicator of socio-economic development.
  - e) High level of employment: Employment level is another indicator of socio-economic development. The higher level of employment shows more income for people and more income means a better standard of living.
  - f) Availability of goods and services: when more goods and services are available, people are able to enjoy a variety of items at a reasonable price; this improves the standard of living.
  - g) Developed infrastructure: Better and accessible infrastructure such as roads, networks, schools, communication, hospitals, electricity and water etc. all indicate the socio-economic development
  - h) Improved security (Political stability): Security is important for people since they can move freely carrying out different business activities. This in turn leads to an improved standard of living among people.
  - i) Improved health facility: Health facilities in the form of clinics, hospitals and other medical services are indicators of socio-economic development. A society with better health facilities enjoys a higher level of socio-economic development in the country.
  - j) Improved shelter: Good and decent shelter indicate socio-economic development of a given area. When more people have access to shelter, then there is socio-economic development in the country.
  - k) Access to clean water: Clean water is important for life since people get free from diseases. Healthy people tend to get involved in different productive activities which contribute much to socio economic

development of a given community.

- l) Consumption per capita: This is the average amount of money consumed in a country. If the population consumption per capita is high, it means they are able to consume a variety of goods and services thus an indication of socio-economic development.



### Application Activity 4.1

With examples in your community and the country, briefly discuss the indicators of social economic development that you have observed.

## 4.2. Factors influencing Socio-economic development



*Kigali before 1994*



*Kigali after 1994*



### Learning Activity 4.2

Analyse the extract below from “Report for the African Centre for Economic Transformation (ACET)” and answer questions that follow.

#### **RWANDA CASE STUDY ON ECONOMIC TRANSFORMATION (Dickson Malunda (PhD) March 2012)**

Rwanda is one of the best performing countries in Africa and an example of success in post-conflict reconstruction (Bigsten and Isaksson 2008). Following the devastating effects of the genocide against the Tutsis on Rwandan economy in 1994, the government embarked on an extensive reconstruction program based on sound economic policies, peace and stability. Rwanda has been widely acknowledged for the progress it has made in fighting corruption and promoting gender equality. It has made dramatic progress in creating a soft business environment in recent years becoming one of the most improved countries in the world in the annual Doing Business Index. The combination of these factors restored confidence in Rwanda as a nation, thus attracting private sector investment and overseas development assistance both of which have been crucial in both the post-war reconstruction and setting a path for sustained economic transformation.

**Required:**

Referring to the extract and experience from your community and the country at large, briefly describe the factors that have influenced socio-economic development in Rwanda.

### 4.2.1. Factors that have influenced Socio-economic development in Rwanda

- The provision of health insurance that covers every citizen (Universal Health Insurance) where every citizen contributes a small amount and the government tops it up, has helped to improve the health condition of many people in the country.
- The improvement of maternal health of many women by establishing health centres in every village-cell and which has led to the decline of maternal and child mortality rate
- Citizens have got good family planning and improved health schemes
- Rwanda has given priority to Education as the backbone for the development of various sectors.
- The Provision of free of charge Education to children of Primary and Secondary schools for many years, emphasising that no child has failed to be registered at school in the country for lacking school fees.
- The Ministry of Education makes regular follow up to ensure all children who have reached the appropriate age of school enrollment are registered accordingly.
- Rwanda has a one laptop per child program which has helped children to study in a modern technology that motivates their desire to learn.
- Rwanda has made effective utilisation of the Internet technology whose use is reported to have increased in all modernised societies in Africa and worldwide as it facilitates development activities to the communities.
- The Government of Rwanda distributed fibre optic internet connection nationwide; which has improved the use of the internet at offices, schools and to the society in general.
- In terms of Roads infrastructure, all districts in Rwanda are connected by good quality tarmac roads.
- The installation of lights at the streets to increase security; but also, to decorate our country.
- Rwanda adds value to her grown commercial crops such as Coffee and Tea to meet international quality standards for export which has

expanded the market base and the number of local Coffee and Tea farmers has increased drastically.

- The introduction of modern methods of farming and improved skills has helped increase crop yields for export to the global market as well as improves farmers' livelihoods.
- Rwanda has a good investment code and is currently ranked the second country in Africa and the first in East Africa for setting a conducive environment for investment.
- The country accomplished the good and friendly environment for investment by ensuring there is availability of electricity energy, favourable conditions for starting business and construction and giving tax incentives to startup companies within the first two years of their startup operation,
- Rwanda has been successful in the fight against corruption through its policy of zero tolerance to corruption, which has assured many investors to have faith and invest in the country.

#### **4.2.2. Factors that have influenced Socio-economic development**

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- a) Level of technology. It is a determinant because better technology means better goods and services at lower prices. Technology also enables people to get better shelter, medical facilities, education, transportation and a generally better standard of living. Communities with better levels of technology experience fast socio-economic development.
- b) Level of entrepreneurship. Communities with a high level of entrepreneurship tend to experience faster socio-economic development than those without entrepreneurship. This is because entrepreneurs create employment opportunities which increase people's income.
- c) Investment climate. It refers to the conditions under which investors in a particular country operate. A good investment climate means that the conditions in the country favor investors. These conditions include favourable taxes, proper laws, economic and political stability.
- d) Education system. Education is a key determinant of socio-economic development. Education eliminates unproductive beliefs, and myths, gives people skills to produce goods and services and others earn money/income, live hygienic, disease free life, etc.
- e) Availability and use of resources. The resources that lead to socioeconomic development may be human, natural or financial. The human resources in the form of skilled people provide labour to produce goods, start businesses, provide services like education, medical care etc. Natural resources like fertile soil, timbers, fish and minerals generate income, promote industries and earn government foreign exchange.

- f) Financial resources. This is in terms of access to finance which helps to start and expand existing enterprises, develop infrastructures, and buy goods and services. Availability of these resources determines the socio-economic development of a community or a country.
- g) Level of savings. Savings refer to the financial resources set aside in the present time to use them in the future. When money is saved and accumulated it can then be invested which leads to socio economic development.
- h) Population growth rate. Population growth refers to the increase in the number of people in a given area at a time. When the population is growing rapidly, it means there are more people per unit area. A rapidly growing population increases demand for goods, services and shelter and makes it an opportunity for enterprises to produce goods and services to satisfy this growing population and other infrastructures. The combination of these factors may lead to socio-economic development.
- i) Customs and traditions. Some customs and traditions promote socio-economic development. This is because some of them encourage education and more effective medical care and generally keep people more modern. Such positive customs and traditions promote people's socio-economic development.
- j) Social and physical infrastructure Good roads, schools, hospitals, telephone systems and other infrastructures significantly determine the rate of socio-economic development in an economy. Such social and physical infrastructure makes business easy; improve health services, education, distribution of goods and services and general wellbeing.
- k) Political climate. Political climate is a key determinant of socio-economic development. A society that is characterised by political stability and social harmony can achieve socio-economic development. Political stability makes people secure to organise their business enterprises; produce more commodities and hence socio-economic development.



### Application Activity 4.2

As a student with knowledge of the factors that have influenced socio-economic development in Rwanda, discuss the factors that may hinder or retard socio-economic development in your country.

### 4.3. Role of entrepreneurship in Socio-economic development and towards social responsibility



Figure 4.2: Community members join Umuganda activities in Kimihurura Sector, while celebrating achievements in family planning.



#### Learning Activity 4.3

Analyse the extract below from Entrepreneurship Development Policy (April 2020) and answer questions that follow.

#### **DEVELOPING AN EFFECTIVE ENTREPRENEURSHIP AND MSME ECOSYSTEM IN RWANDA:**

In the last decade, entrepreneurship has become one of key components of economic and business development policies. Its relevance has increased because entrepreneurs are associated with the ability to create new products, new services and to innovate. There is a large growing body of research that shows the interrelation and interdependence between entrepreneurship, innovation and economic development. Today, women and men entrepreneurs have a prominent role in driving innovation, economic growth, welfare, as well as a notable impact on job creation.

Entrepreneurs are frequently thought of as national assets to be cultivated, motivated, and remunerated to the greatest possible extent. Great entrepreneurs have the ability to change the way we live and work. If successful, their innovations improve standards of living, create wealth and

and contribute largely to a growing economy. In line with Rwanda's vision to become an upper middle-income country by the year 2035 and to reach high-income status by 2050, there is no doubt that entrepreneurship will be one of the key drivers in reducing poverty, promoting social change, fostering innovation and economic transformation.

Hon. Soraya M. HAKUZIYAREMYE

Minister of Trade and Industry (2020)

**Required:**

From the extract,

- a) From the above extract, what motivated Rwanda embraced entrepreneurship?
- b) What is the relevance of entrepreneurship to Rwanda's vision to become an upper middle-income country by the year 2035 and to reach high-income status by 2050?
- c) What role of entrepreneurship was envisaged by the government of Rwanda (GoR) towards socio-economic development?
- d) What role does entrepreneurship play in your community towards socio-economic development and social responsibility?

### 4.3.1. Role of entrepreneurship in Socio-economic development

The role of entrepreneurship in economic development is substantial. After all, entrepreneurs don't just build businesses and grow their personal wealth; they also impact the economy by creating new jobs and opportunities, driving innovation, and developing new markets, products, and services. Entrepreneurship drives the growth and diversification of the economy and contributes to the creation of wealth.

- a) Entrepreneurship greatly enhances the standard of living for individuals and communities by setting up industries and creating wealth and new positions.
- b) Entrepreneurship not only provides large-scale employment and ways to generate income, it also has the potential to improve the quality of individual life by developing products and services that are affordable, safe to use, and add value to their lives.
- c) Entrepreneurship also introduces new products and services that remove the scarcity of essential commodities.
- d) Entrepreneurship can be a path to economic independence for both the country and the entrepreneur.
- e) It reduces the nation's dependence on imported goods and services and promotes self-reliance.

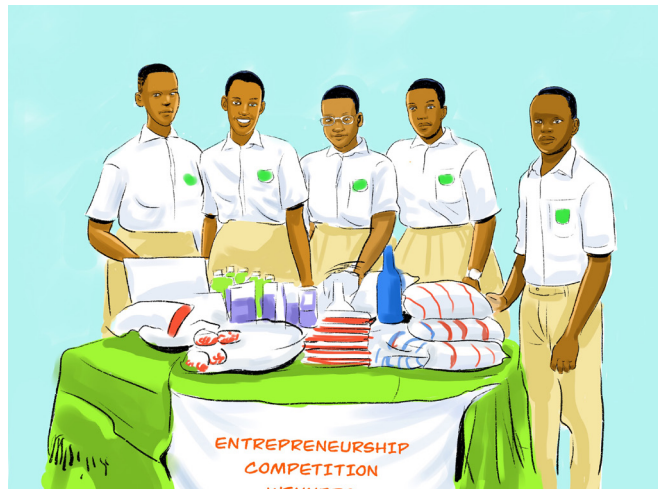
- f) The manufactured goods and services can also be exported to foreign markets, leading to expansion, self-reliance, currency inflow, and economic independence.
- g) Similarly, entrepreneurs get complete control over their financial future. Through their hard work and innovation, they generate income and create wealth, allowing them to achieve economic independence and financial security.
- h) Entrepreneurs identify market needs and develop solutions through their products and services to begin their business venture which plays a key role in shaping the economy and creating a more dynamic and diverse business landscape.
- i) Entrepreneurship also promotes innovation and competition, leading to new and improved products and services that contribute to economic growth and development.
- j) Entrepreneurship is a pivotal driver of job creation. Running the operations of new businesses and meeting the requirements of the customer results in new work opportunities.
- k) Entrepreneurship also drives innovation and competition that encourages other entrepreneurs and investments, creating new jobs in a wide range of industries, from manufacturing and construction to service and technology sectors.
- l) Entrepreneurship can encourage capital formation by attracting investment. This may contribute to the development of a more diverse and dynamic economy that encourages capital formation and opens the door to a wide range of investment opportunities
- m) Entrepreneurship has the potential to lift people out of poverty by generating employment and stimulating economic activity.
- n) Entrepreneurship also contributes to the development of local economies and helps improve the overall standard of living.
- o) Entrepreneurship promotes economic growth, provides access to goods and services, and improves the overall standard of living.
- p) Many entrepreneurs also make a positive impact on their communities and improve their well-being by catering to underserved areas and developing environment-friendly products.
- q) Their work can help build stronger, more vibrant communities and promote social and economic development.
- r) Entrepreneurship can help identify market opportunities and allocate resources in the most effective way possible.
- s) Entrepreneurs also play a key role in developing innovative products and services that meet the needs of customers while optimising the use of



available resources.

- t) Entrepreneurship can play a significant role in increasing economic growth and prosperity by increasing Gross National Product (GNP) and Per Capita Income (PCI). Entrepreneurship can contribute to GNP by creating new businesses and industries, which can lead to job creation, increased consumer spending, and higher tax revenue.

### 4.3.2. Role of entrepreneurship towards social responsibility



- a) Provision of goods and services. Business provides goods and services that satisfy the needs of people in society. Such needs include both basic and secondary needs like food, shelter, medical care, and clothing. Such needs are satisfied by different services which include: education, medical, manufacturing, trading, agribusiness etc.
- b) Provision of employment opportunities: Business provides employment opportunities to the society, both self and paid employment for example, people who work in factories, hotels, restaurants, etc. This increases people's standards of living.
- c) Supporting community development programs/Corporate social responsibility: Business usually contributes towards community development programs by making donations and also directly getting involved in these programs. Example: construction of schools, hospitals; providing of clean and safe water etc.
- d) Payment of taxes: Businesses support the society through paying taxes which are used to provide essential services such as health, education, security, roads etc. Such services benefit the business community and the society in general.
- e) Cleaning and protecting the environment: Businesses protect the

environment through recycling used products and by-products back into the production process and making useful products out of them. Businesses also participate in environmental and cleaning programs, schools, cleaning public parks and streets as well as planting trees and protection of wetlands.

- f) Market produce: Businesses buy raw materials from the members of the community enabling them to obtain a market for their products and get income.
- g) Some businesses provide a means of saving the human environment from harmful products. For example, companies that process garbage into manure help to make society enjoy a healthy environment.
- h) Some businesses provide social services such as Schools (provide education), hospitals (health services).



### Application Activity 4.3

Referring to one of the entrepreneurs in your community, examine the impact of their business activities in the socio-economic development of the community.

## End of Unit Assessment

### I. Project Activity

For a given business that you plan to implement in your community, create a plan of how you will contribute to the socio-economic development and responsibility of your community..

### II. Other Assessment Questions

1. Explain the meaning of socio-economic development  
Explain the factors affecting socio-economic development in your country.
2. Referring to one of the prominent businesses in your district, describe indicators of socio-economic development that have been achieved due to that business.



# Unit 5: ICT in Business

## Key unit competence

To be able to appropriately use ICT in business.

## Introduction

Previously businesses were growing reluctantly because of the use of archaic methods of communication and business transactions. But today, Information Communication Technology (ICT) facilitates business transactions and communication anywhere, anytime and by anyone. It has become easier to communicate and transact worldwide with use of ICTs through social media sites and apps, blogs, business webs, etc.

The use of ICT is time saving and cost effective in various ways. ICT and e-business applications provide many benefits across a wide range of intra- and inter-firm business processes and transactions. ICT applications improve information and knowledge management inside the firm and can reduce transaction costs and increase the speed and reliability of transactions for both business-to-business and business-to-consumer transactions.

This unit aims to help students acquire necessary basic ICT skills to enable them to propose / use appropriate ICT tools in business. In this unit, students will ascertain various ICT tools used in business, assess their roles and come up with different business ideas related to ICT.

### Introductory Activity



Ineza is a local entrepreneur operating a coffee shop at Kabeza Village. Recently, some customers revealed that they find it difficult to always travel for his business services. On hearing that, Ineza considered customer's feedback and introduced new platforms like website, SMS, phone calls, WhatsApp and Facebook, that would ease his transactions with them and put in place home delivery service.

After his initiative, his monthly income gradually started to increase and some few months later he opened another shop at Giporoso trading centre. Most of his customers now order more goods via his business platforms etc. Payments are mostly made through Mobile Money and bank transfers. His customers' relationships got better and the business operations became more effective and efficient.

At Kabeza, Ineza had a neighbour Mr. Rugaba who also ran a coffee shop, however unless you go physically to his shop, he can't pick up customers' phone calls, respond to SMS or emails. He considers smartphones and use of computers in his business as expensive appliances because they require the internet to run some appropriately.

**Required:**

From the above case;

- a) What do you think is the meaning of ICT?
- b) What tools does Ineza use to help him speed up his business and respond to customers' needs?
- c) Reflecting on your home locality, what kind of business do you think you can start based on ICT?
- d) What advice would you give to Mr. Rugaba for his business to grow?

## 5.1. Meaning and tools of ICT



### Learning Activity 5.1

Read the following passage and answer the questions that follow:

#### THE RISE OF THE ICT SECTOR IN RWANDA

ICT is changing the way cities evolve, helping to respond to the challenges of rapid urbanisation and the pressure that is exercised on infrastructure while citizens' expectations for better quality services keep rising. Beyond the promotion of the ICT sector, Rwanda made an initiative called Smart Kigali aimed at modernising the lifestyle of Kigali City residents and visitors through the use of ICT for better service delivery. The initiative enabled the provision of free broadband (Wireless Fidelity) Wi-Fi Internet access in public places that include commercial buildings, bus stations, airports, public transport buses, cabs, and improved internet access.

In socio-economic transformation, the ICT sector has facilitated the development of other sectors as well as the provision of services by other agencies. These include, among others the cashless economy, which encourages the public to utilise the multiple payment systems available, including electronic payments, internet banking, bank transfer, mobile pay, tap and go, credit cards, debit cards, etc. Many services were eased because of the availability of phones, laptops, cameras, photocopying machines, recorders and others are used in almost everyday transactions.

In line with improving accountability, efficiency and openness through ICT, Rwanda Online Platform Ltd, a private company was contracted by the government to build and manage an Irembo platform for about 100

government services online. The platform named “Irembo” offering online registration for provisional and definitive driving tests, paying for the Community-Based Health Insurance (CBHI) commonly known as “Mutuelle de Sante”, application for a birth certificate, and application for a criminal record, etc. (editorial@newtimes.co.rw October 14, 2015)

### Required:

From the above story;too

- From the above passage, mention any four ICT tools which make Smart Kigali real?
- What other ICT tools do you find in your home areas that are different from those mentioned in the above passage?
- Describe any 3 ICT business opportunities that can make Smart Kigali more successful?
- Describe the role of ICT tools in a business for the modern world today.

### 5.1.1. Meaning of ICT

ICT is often used as an extended synonym for Information Technology (IT) but is usually a more general term that stresses the role of unified telecommunications and the integration of telecommunications (telephone lines and wireless signals), intelligent building management systems and audio-visual systems in modern information technology.

It consists of all technical means used to handle information and aid communication, including computer and network hardware, communication middle waves as well as necessary software, telephony, broadcast media, Electronic Billing Machines (EBM), all types of audio and video processing and transmission and network based control and monitoring functions.



Figure 5.1: ICT connectivity

### 5.1.2. ICT Tools used in Business

In the many business world today, many services are generated as a result of various ICT tools/ technology used. The following table depicts various technological tools used in different business departments to generate intended products.

BUSINESS DEPARTMENTS	TECHNOLOGY USED / ICT tools
Communication	Telephone, email, internet, fax, SMS, websites, blogs, social media (Twitter, Instagram, Facebook, LinkedIn, Whatsapp etc.)
Management	Computers, time recorders, software, access control gadgets.
Accounting	Computers, calculators, money counting machines, Automated Teller Machine (ATM), computerised accounting software, electronic safes,
Transport	Cashless public transport system, cars, planes, motor bicycles, and airline booking and reservations software.
Security	Closed Circuit Television (CCTV) cameras, webcams, fingerprints, metal detectors, locks, electronic safes.
Human resource	Email, internet, SMS, time recorders, drop box
Marketing, Sales and Distribution	Email, SMS, electronic displays, point of sale terminals, websites, electronic money transfer, mobile money
Energy and Power	Generators, solar panels, inverters, UPS, etc.

#### Application Activity 5.1

Identify 2 ICT tools used in your school or in your home area and how you can make them be income generating tools.



### 5.2. Role of ICT in business

#### Learning Activity 5.2

- Identify one business that you are familiar with and discuss how it applies ICT in its everyday operations.
- Explain the advantages and disadvantages of using ICT in this kind of business identified in (a) above.



ICT plays a great role in business. Many entrepreneurs, private and public companies rely on its use for efficiency and effective production. The following are some of the roles of technology in business.

- 1) It simplifies work in all aspects. With ICT work becomes so interesting, less stressful, enjoyable and fast.
- 2) It leads to quality products. Advanced technology is very accurate and tends to produce better quality products that fetch a lot of money for the enterprise.
- 3) It helps to perform complicated tasks faster and with ease. For example, use of computerised accounting software like quick books, sage and pastel helps in accounting with ease.
- 4) ICT helps companies to sell around the world. People are able to buy and sell products online and receive payments electronically. This is possible through the use of E-commerce sites like EBay, Amazon, Jumia, Alibaba, etc. and payments are made electronically using credit and visa cards.
- 5) It helps to monitor buying habits of the customers. Business firms are able to control the movement of stocks and therefore can easily know what customers most like to buy and dislike at the right time.
- 6) Speed governors help to track drivers and help them to limit a maximum speed to a safe speed with no effect on the normal operation of a vehicle.
- 7) Ability to process high volumes of information and at a high speed. Computers can perform a lot of work in the shortest time possible which would require a lot of time if done manually. Examples include preparation of control accounts, financial statements and preparing payrolls etc.
- 8) Increases customer satisfaction: The use of ICT helps producers to produce good quality varieties of goods and services, hence increasing customers demand and satisfaction.
- 9) Improved communication: ICT enables businesses to improve and communicate nationally and internationally with clients and business partners.
- 10) Technology has made it easy for companies to handle large numbers of employee profiles as well as client profiles.
- 11) Technology helps companies to cut costs: e.g. costs incurred while transporting and delivering of goods and services can all be done using computers and the internet.

## 12) ICT helps in Advertising etc



### Skills Lab Activity

Visit a nearby business or various departments in the school and discuss how ICT tools are used to promote business activities in their community.



### Application Activity 5.2

Propose ICT tools that can be used in your club or back home business and justify how your business club can use them to yield more profits.

## 5.3. ICT as a source of business opportunities



### Learning Activity 5.3

1. With examples discuss how ICT boosted Ineza's business in the Introductory activity.
2. How has the Rwandan community benefited from the use of ICT in business?

The use of ICT and technology has affected every aspect of business, transforming not only the way that business is conducted but also creating new business opportunities and jobs. The creation of companies like Google, Yahoo, MTN Rwanda- Airtel Rwanda, internet cafes, repairing or charging mobile telephones, selling airtime, money transfer and selling of ICT spare parts, has provided a variety of opportunities. ICT itself offers numerous business opportunities. The following are some of the businesses that can be started based on ICT.

- Develop and design websites for individuals, organisations, and companies.
- Selling ICT equipment like computers, phones, network cables, tablets, laptops etc.
- Repair ICT equipment like laptops, computers, and mobile phones.
- Starting and managing online shops.
- Developing software for different organisations



- Starting training programs for people who want to use computers and such technology in their business enterprises.
- SMS service providers. Sending SMS on behalf of clients.
- Manage databases for different companies
- Providing delivery services to other online retailers.
- Develop online games
- Create companies that train people about information technology
- Develop mobile applications
- Computer forensic investigator. These detect computer crimes
- Multimedia publishing Computer networking
- Graphics and product designs



### Application Activity 5.3

Although ICT has led to technological unemployment in some parts, there could be many benefits to entrepreneurs.

- a) Analyse the pros and cons of ICT use in business operations in Rwanda.
- b) With examples, explain how has ICT based businesses boosted economic development in Rwanda?

## End of Unit Assessment

### I. Project Activity

Using a computer as an ICT tool, design any business document for your business club activities. You also produce a plan on how you will use social media to promote your business club.

### II. Other Assessment Questions

1. Describe, with examples, how ICT based business can foster Small and Medium Enterprises (SM Es) operations in Rwanda.
2. Refer to your school operations and describe how ICT has helped in the administrative and financial management.
3. Discuss what would be the impact of ICT use in Students' Business Club.



# Unit 6: Business Public Relations

## Key unit competence

To be able to practise good relations with business stakeholders.

## Introduction

In real business practice, every business should aim at both maximising its profits and satisfying its customers. However, it is absurd/unreasonable when some business people prioritise their profit maximisation goal and ignore that the core foundation of profit maximisation results from appropriate business stakeholders' relations. Keen entrepreneurs find consistent ways to strengthen relations with their stakeholders in order to grow business profits tremendously.

As you intend to start businesses in your respective communities, this unit in addition to the content covered from O' Level about customer care, will enable you to be more familiar with the importance of public relations, the various public relations tools and you will therefore be able to practise good business relations with customers, employees, suppliers, government and the public in general.



### Introductory Activity

#### SCENARIO:

Mugisha shop started off with many customers because it was strategically located. Mahoro was one of the loyal customers to the Mugisha shop. One day Mahoro went to the shop to buy different items. Mugisha was busy on the phone, so Mahoro moved to the next shop and bought the items she wanted. Mugisha had bad habits like disrespecting his customers, segregating them, and not packaging for them. He used to threaten his employees, and never paid his suppliers on time.

At the new shop where Mahoro bought her items, they kept her contact and appreciated her for buying from them. They even sent her a birthday message, just like they always do for their customers.

They always update their customers via WhatsApp on new products that are available in their shop, they communicate clearly and consistently with their stakeholders via emails, whatsapp and their weekly TV shows that

advertise their products. In a few days all clients switched to that new shop and never went back to Mugisha's.

Mugisha's shop started incurring losses. Suppliers lost trust in him, employee turnover became very high and the public lost interest in them leading to the failure of the business.

### Questions

1. Why did Mahoro and other customers decide to leave Mugisha's shop and move to the new one? Support your reasons with examples from the text.
2. Suppose you were Mugisha, how would you have handled people differently? Give reasons to justify your answer.
3. Considering the above case, what tools do you think you can use in your business club to maintain good relations with your suppliers and the public?

## 6.1. Meaning and Functions of Public Relations



### Learning Activity 6.1

Considering the scenario above, and reflecting on how most businesses use media in their routine operations:

- a) Explain why relating and collaborating with different people in business is so crucial to the smooth running of the business.
- b) Discuss the main functions of public relations?

### 6.1.1. Meaning of Public Relations

Public relations refer to the strategic communication process that companies or individual entrepreneurs use to build mutually beneficial relationships, and maintain a good image of the organisation or business. It may also refer to the management function that establishes and maintains mutual relationships between an organisation and the public on whose success or failure depends. or simply the communication process of maintaining a positive brand image and strong relationship with various stakeholders such as shareholders, customers, employees, and suppliers, among others.

### 6.1.2. Functions of public relations in a business organisation

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While the public in business means customers, employees, suppliers, shareholders, government, service providers, contractors and all the community neighbours to the business, the public relations department performs various functions which include:

- **Corporate Communications:** This function concerns all of the communications sent to internal and external stakeholders by a company.
- **Media relations:** In case there is any comment that is issued about the company and its products. The Public relations department has the function to monitor the media so that the public possesses the appropriate image of the company. There is therefore a need to identify any negative publicity against the business and products and make efforts to correct such negativity.
- **Crisis Communications:** When an organisation faces a public challenge to its reputation, this communication is designed to protect and defend that organisation or an individual or a company.
- **Executive Communications:** In normal business circumstances, Communication between the owner (entrepreneur) and the team lead is always important. Executive communication is therefore meant to ensure there is cohesion between CEOs and their direct reports.
- **Internal Communications:** These communications involve counselling the employees of the organisation with regard to policies, courses of action, and cooperating with them during special product launches and events. Additionally, employees need to have a good image of a business so as to maximise productivity and increase their job security.
- **Investor Relations Communications:** These communications are meant to handle investors events, releasing financial reports and regulatory filings among others.
- **Marketing Communications:** Many people confuse this communication with normal marketing however, this communication works to tell the story of a brand while marketing does the work of advertising it. They share the responsibility of protecting and bringing awareness to a brand.

More functions of public relations include:

- **Educating the public:** The public relations department educates the public about how they can improve their welfare and make income

generating activities. For example, some TVs and newspapers may educate the public about how they can create and manage small businesses to earn money.

- Mitigating the negative publicity against the business: The public relations department has the responsibility to identify any negative publicity against the business and products and make efforts to correct such negativity.
- Provide accurate information: The public relations department provides accurate information about the performance of the business, product failure, etc.
- Enforce community relation: Public relations department creates community relations programs to build a business reputation.

### Application Activity 6.1



1. Reflecting on your back-home business, why is it important to practise good public relations in business?
2. Write down how you will apply the good practices of public relations within your student's business club.

## 6.2. Tools of Public Relations

### Learning Activity 6.2



- a) Reflect on how your school business club operates when relating to different stakeholders.
- b) Explain the tools that your School Business Club uses to ensure that customers, suppliers and the school at large maintain good relations with your Business Club.

In performing their duties, there are various tools which may be used by public relations practitioners. Some of the tools of public relations include:

#### A. Brochures

A brochure is a booklet that contains information about the organisation, its vision, mission, ethics, past and present achievements, etc. This printed paper document is largely used to inform the public about the company's products or services. Key important information in the brochure include but not limited to:

- **Compelling image:** Your brochure needs something to grab someone's attention, and an image is often what does the trick. Choose pictures that give a person a clear idea of what your business, school, clinic, or centre is offering. Pick a photo or image that's clear and good quality
- **Purpose of the brochure:** Decide what you want from the brochure before you start designing it. For example, are you letting people know about an upcoming event or are you trying to convince people to switch schools and pick your school instead? Highlight what makes your business or school stand out from the rest.
- **Contact information:** Include every possible way to contact your school, clinic, centre, or business on the brochure. For example, list your phone number, email address, and street address. Don't forget to include your social media profile information, such as your Twitter handle or Facebook page. You want to make it as easy as possible for people to reach out to you
- **Time and date:** Let people know when the specific event is or when your business is open. If you're strictly online, note that, so that people feel comfortable visiting your website at all hours. Include the year on the brochure or pamphlet, too, if you're creating one for an upcoming event. You don't want a person finding your brochure a year later and getting confused
- **Call to action:** Put a call to action somewhere in the brochure so that people feel encouraged to do something. Examples of a call to action include, "call us today"

## B. Press release

A press release is a document produced by a business enterprise and circulated to the press. The press then uses the information to communicate through stories and articles. These documents provide a brief but thorough description or explanation of an event or situation. To mean any information deliberately sent to a reporter or media source is considered a press release. This information should be brief (between 4 to 5 paragraphs) and is released by the act of being sent to the media.

### Key elements of a press release include:

- Logo
- Media Contact Information
- **Headline:** Used to grab the attention of journalists and briefly summarise the news in one to six words. example: "How to own your Business"
- **Dek:** This is a sub-headline that describes the headline in more detail.

Example: “Very simple to go through the stapes.

- **Dateline:** This contains the release date and usually the originating city of the press release.
- **Introduction:** First paragraph in a press release, that generally gives basic answers to the questions of who, what, when, where and why.
- **Body:** Further explanation, statistics, background, or other details relevant to the news.
- **Close:** A closing word indicating to the media that the release has ended.

### C. Photographs

These are used to communicate about an event or situation. Companies use a photograph of a person or a photograph of an activity that has been done by the company. For example, the photograph of a manager (possibly wearing a T-shirt) giving a cow to poor people under Girinka Munyarwanda Program may be used to create the image that the company cares for the community.

### D. Advertorial

These are a combination of advertisements and an editorial. An advert is accompanied by some write-up that explains text about a product or event. The company has control over the content and costs.

### E. Press conferences

The most common of this type are press conferences where representatives of various media houses (the press) are called upon and a knowledgeable member of the organisation explains the required information.

### F. Interview with journalists

This is a meeting with journalists who ask questions and you provide the answer. Your answers may be interpreted differently by different journalists. There is a limited control over the final message when the interview tool is used.

### G. Print media

The print media, particularly the newspapers are the most common tools of public relations. Companies can use print media because newspapers are widely circulated and readily available to a wide audience.

### H. Newsletters and publications

These are internal publications in which information about the company, its values, achievements, profits and other information is produced. Newsletters

can be used to advertise or communicate new ideas and events to the public. It is given to customers, new employees, stakeholders, journalists and members of the society through printed and digital newsletters.

### I. Letters to editors of newspapers

These are letters written to editors of newspapers, journals and magazines often in response to a news article or other published letters and opinions. Letters are free and are not heavily edited and so there is some degree of control over what message the public gets.

### J. Internet

The internet is a powerful tool of public relations. Notices may be placed on the company website, e-mail sent to the public and social networking websites like Facebook, WhatsApp, Instagram and Twitter are used to communicate. Blogs can also be used as a public relations tool.

*Source: Retrieved from Paper Direct inspiration for Business. <https://www.paperdirect.com/blog/2014/01>*

#### Application Activity 6.2

The following are some of the tools used by entrepreneurs to maintain good relations with the public. Choose one and design an end of year promotion message.

- Emails
- Photographs
- Press release
- Brochures

## 6.3. Business stakeholders' relations

#### Learning Activity 6.3

1. What would you expect from the business as a customer?
2. Explain the strategies that you would use to handle various stakeholders (Customers, suppliers and community in general)?



### 6.3.1. Customer relations

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Customer relation is the relationship between the entrepreneur and customers and how customers are treated. Without customers no business can exist. When the business has customers, it expands; That's why customers are taken as the backbone of the business.

Customers are like water. They flow to where it is easier. Customers go where they can get better service. Customer service is how we meet the needs of people who use our services.

#### **Key aspects to consider while dealing with customer relations:**

When you are able to respond to the following three main questions, you will be able to relate well with customers:

- A. What do customers want from my business? Obviously, customers need customer care and as seen above, customer care is when we treat our customers well, meet their needs and ensure satisfaction.**

The following are, therefore, the basics for customer service / customer care:

- Quality goods or services at a reasonable price.
- Customers need to be respected.
- Customers want to feel appreciated: This means their presence and concern need to be appreciated.
- Customer care: Customers are happy when they are better served and cared for. When this happens they recommend you to others and this also builds a positive image of the business.
- Business that keeps promises: Customers trust organisations that keep promises with them. When promises are broken, it may affect the relationship between a business and customers.
- Fairness: Customers do not like a trader who takes advantage of them. A trader who cheats customers by using wrong weights and measures, charging high prices because for example other shops in the neighbourhood are closed, etc.
- Friendliness: Customers need to be treated nicely.
- Knowledge: Customers need to be fully informed about prices, quality, etc. for example; they need to be informed about price changes in the business.
- Customers want to be satisfied: with your products and/or services.

## B. How should I deal with customer's complaints?

In business, complaints are inevitable. However, if mismanaged or ignored, complaints can become bad for business. If you don't adequately address and resolve customer's complaints, it can negatively impact customer retention, loyalty and brand awareness.

Most complaints/ conflicts can be resolved in their earliest stages. This helps the business to avoid and resolve complaints in their early stages before they interfere with the relationship between the business and customers.

Below there are ways you can use to resolve customer's complaints:

- Stay calm and listen: Think before you talk and control yourself.
- Allow customers to talk: Allow angry customers to talk and express their feelings until they release their frustration and calm down.
- Use the correct tone: Don't smile, laugh, mock, or upset customers. Convey empathy with a soft tone.
- Be neutral: Do not offer your opinion, agree or disagree with customers. Offer empathetic support and work to solve their problems effectively.
- Don't react: Never respond to angry comments. Allow the customer to voice their opinion and interject with helpful redirection when appropriate.
- Focus: When a customer is tangential, redirects the conversation back to the important issues and focuses his/her attention on constructive solutions.
- Use verbal softeners: Use words like "likely", "typically", "perhaps", "sometime", "possibly" or "occasionally" with customers who might not respond well to categorical words like "always" or "never".
- Make angry conversations private: Avoid talking with angry customers within earshot of employees or other customers.
- Agree: Find something to agree with the customer about. An agreement will result in collaboration and cooperation.
- Use silences: When customers talk, listen and wait for silence. When your customer has stopped talking, then summarise their main point and work together on a solution.
- Use timeouts: If customers are frustrated, annoyed, or are not capable of engaging in a productive conversation, allow them the opportunity to think by themselves for short periods of time. Then, address their concerns effectively.

- Set limits: When customers refuse to act constructively and alternative methods have been exhausted, set limits and end the interaction.

### C. What other ways can I use to treat customers well?

A customer is a person who buys business products or services. A customer is also defined as a person or organisation that purchases goods and services from a seller. As earlier seen, customers are very important in business because without them the business cannot survive, it will collapse. For this reason, customers must be treated well and highly respected.

Some ways of treating customers well are:

- Providing good customer care to them: This involves offering high quality service to the customers as a way of attracting them.
- Providing quality products or services: This involves offering quality products or services to customers in order to satisfy their needs.
- Giving discounts to customers: A discount refers to a reduction on the price of a commodity or service.
- Giving gifts to customers: This involves giving them some gifts like sweets, T-shirts, caps, etc. This pleases customers and makes them come back.
- Giving them credit facilities: Giving products on credit to customers is another way of treating them well. This helps the customers who do not have enough money. When giving products on credit you have to make sure you know the customers well.
- Accepting returned goods in case they have defects: Sometimes goods may be returned by customers due to some reasons like damaged goods, bad quality products, expired products, etc. In this case, when the customer returns goods due to those reasons you have to accept them.
- Deliver goods on time: Giving them goods which are not expired.
- Offer transport facilities to customers. This application is for some exceptional cases not all the time and it is done upon agreement with customers

### 6.3.2. Supplier Relations

In business, it is crucial to maintain good relations with suppliers because they are the ones who supply you with products that you sell to your customers. Without their supplies then your business won't manage to satisfy customers with the products they need. Therefore, your business needs to apply the practices of a successful salesperson in order to maximise your profits.

A salesperson is an individual who sells goods and services to customers on behalf of the company. The salesperson can be a company owner or an employee. The success of a salesperson is usually measured by the number of sales he or she is able to make during a given period and how good that person is at persuading individuals to make a purchase. If a salesperson is employed by a company, in some cases compensation can be decreased or increased based on the amount of goods or services sold.

Ways of becoming an effective salesperson:

- Be a critical thinker: In order to be the best salesperson you need to adapt or alter your sales pitches in accordance with the prospective customer, time and place. This also means having the ability to think outside the box in challenging your existing sales pitches and processes to reach higher levels.
- Be resourceful: In order to reach the target potential customers, you must use every resource or asset at your fingertips to close the deal. You need to work harder and go beyond the traditional ways of selling.
- Be honest: Your business/ employees have to be honest about the product or service you're trying to sell. Feeding potential customers lies or undeliverable promises is not the pathway to success
- Be competitive: Your business should always be extremely competitive by nature and constantly strive to be the top salespeople within the company and the industry.
- Be communicative: Please ensure effective communication with all the stakeholders. Be clear and concise in what you are communicating.
- Be confident: Avoid fear and be a risk taker without worrying about those who will say no
- Be knowledgeable: Conduct extensive research into a prospective customer to find triggers before you make your pitch.
- Preparing ahead of time: Do research on your customer and gather all the information before a big customer meeting. This way, you anticipate challenges or questions and prepare an effective response to avoid losing sales.
- Listen more than you speak: In listening more than talking, you can better accommodate what they are looking for.
- See problems as opportunities: When a problem comes along, a successful salesperson should see it as an opportunity.
- Don't think in terms of sales but rather in terms of building a business: When you think beyond a sale, you're going to get other people's attention much more easily.

### 6.3.3. Community relations

Community relations is a public relation focused on brand and reputation within a specific community. Community relations also involves managing a company's reputation in the eyes of its customers. The community could be physical (i.e. a specific city) or non-physical (i.e. the dog-owner community).

"Community relations" is an extensive term, but in business it's about creating mutually beneficial partnerships within the greater demographic area your business serves. It is an excellent means of attracting new customers and growing your business.

#### Importance of community relations:

- Community relations allows giving back: Businesses that participate in community relations benefit by being able to give back to their communities. The beneficiaries in that community prosper from donations and other services.
- Community relations build credibility.
- Community relations is great for advertisement.
- Community relations help with networking.

#### Strategies for doing community relations:

- Investing in your Community: Donate to a local cause to show goodwill.
- Giving through community events – Sponsor a local event such as a summer splash or community concert. Not only will this help with gaining trust from your new customers, but it will also provide great visibility to a new audience via on-site activations or visual marketing opportunities.
- Volunteerism – Organise a volunteer day for your team at a local charity. While you won't make a profit, it will offer networking opportunities and show the community you care.

#### Application Activity 6.3



Suppose you have a shop that is full of items like rice, cooking oil, sugar, etc. in your local community:

- a) Give an example of a poor service you can avoid in your business so that your business:
  - Doesn't lose customers.
  - Maintains and attracts potential suppliers.
  - Keeps healthy relations with employees.

- b) Imagine that your friend is struggling with public relations and she approaches you for advice. Give elaborated advice to help her to appropriately relate well with the public.



### Skills Lab Activity

Visit businesses around the school and ask business owners how they relate with their stakeholders. Use the lessons learnt to improve and maintain good relations with your club's stakeholders.

## End of Unit Assessment

### I. Project Activity

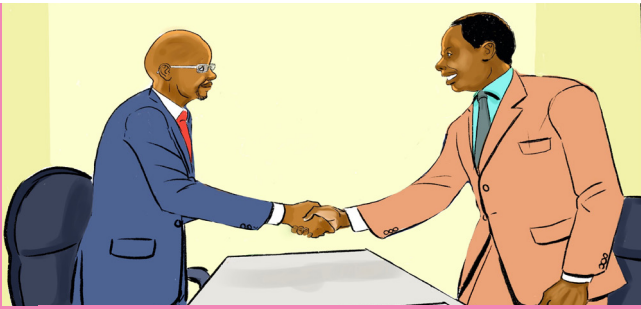
For one of the following business stakeholders:

- i) Business shareholder, ii) Consumers, iii) Suppliers, or iv) Community,

Make a report on how you will relate with the selected business stakeholder chosen above.

### II. Other Assessment Questions

1. Kamanzi is a salesperson in a life insurance company, a relationship builder. He connects with people everywhere he goes not only in the working environment but also in other places using different ways such as exchanging business cards, but in a genuine and human way that makes people want to talk to him again. He always looks for potential customers in different ceremonies, parties, different working places where he connects to many people and discusses business related issues. After reading the above passage, answer the following question:
  - a) What characterises Kamanzi as a successful salesperson in his company?
  - b) As an entrepreneur, explain strategies you will use for making good relationships with your customers for your back-home business.



## Unit 7: Business Contracts

### Key unit competence

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To be able to write a valid business contract.

### Introduction

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In any business environment, it is critical to have legal documentation in place to establish a system of rules and policies governing the legal enforcement of promises. Whether it is to simply memorialise a common understanding of an organisational relationship or govern future venture needs, the protections afforded by strong contracts are invaluable to operating a successful business.

This unit will equip you with the basic competences to enable you to properly write a business contract according to elements of a valid contract. By the end of the unit you will present a valid business contract for any of your business operations. This will require you to apply the skills acquired in the previous units such as the customs procedures and ethics in business and laws in business operations and the role of standards in the business to properly write a business contract. This unit will be limited to describing the elements of a valid contract; identifying common types of business contract and giving situations when a contract can be terminated.

### Introductory Activity



Analyse the scenario below and answer the questions that follow:

#### **KANEZA THE ENTREPRENEUR**

Kaneza is a prominent business entrepreneur in her hometown. She deals in buying agricultural produce such as beans, maize and groundnuts from local farmers and selling to businesses in need of them. One day a private school in her home area requested Kaneza to supply them with 1000 Kg of beans. Backed with her background knowledge of business contracts, she requested that a document - a legally binding agreement regarding the buying and selling of the beans be signed with the school. The school agreed in the contract to pay her one week after delivery of the beans. One week later, Kaneza did not receive payment for the beans. When she requested for the money, the school explained that it was not possible to

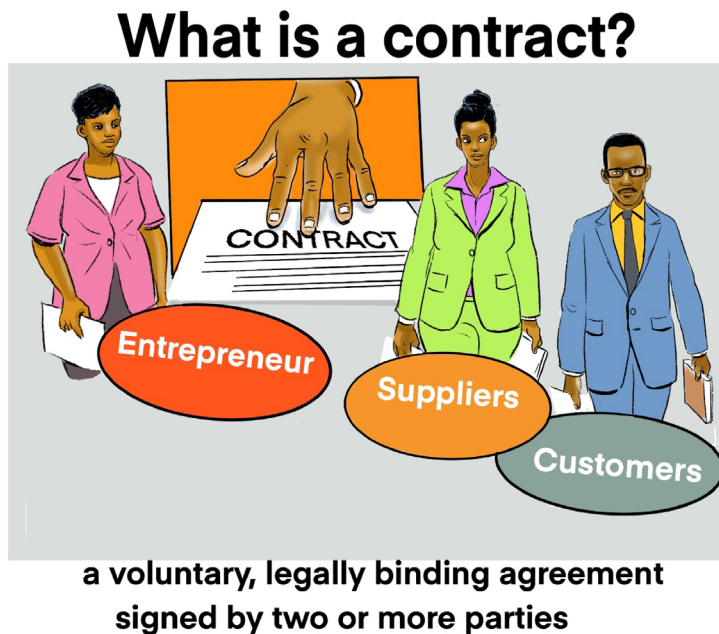
be paid as most of the students had not yet paid school fees. Kaneza still has a copy of the contract and is very frustrated.

**Required:**

From the scenario

- What do you understand by a contract?
- Why do you think it was important for Kaneza to sign a contract with the school?
- What type of contract do you think was signed between Kaneza and the school?
- For the contract signed between Kaneza and the school, what essential elements should it possess to be termed "valid"?
- Do you think Kaneza can cancel the contract? Give reasons to support your answer
- Which other situation can lead to the termination of the contract between Kaneza and the school?

## 7.1. Meaning and forms of business contracts



*Figure 7.1: Meaning of a contract*





### Learning Activity 7.1

Analyse the passage below and answer the questions that follow:

#### WHAT IS A CONTRACT?

A contract can be anything from a formal written document to a simple handshake deal to do a job (where the only thing in writing is a quote on the back of an envelope). Whatever its form, if you agree to provide a service to a hirer for money, you have entered into a contract. You are promising to do a job for the hirer and the hirer is promising to pay you for it. The agreement may be enforced in court.

#### Required:

1. What is a contract?
2. What is a business contract?
3. In what forms can a contract be made?
4. Mention some situations that may require you to enter into a contract in your business operations.

#### 7.1.1. Meaning of a contract and business contracts

- a) A contract is a legal agreement that sets out the terms of a transaction, deal, or exchange between two or more parties which may be individuals or companies.

A contract is an agreement, either written or spoken, between two or more parties that create a legal obligation.

- b) A business contract is a legally binding agreement between two or more persons/businesses to perform an agreed business transaction. It is a legally binding agreement between two or more persons or entities.

Dealing with contracts is part of running a successful business. You will have a number of business relationships involving some type of contractual commitment or obligation, such as:

- When entering a formal business agreement with an employee or employer
- When providing a product or service to a client
- When buying products or services from another entity
- When protecting your business' confidential information
- When partnering with other parties in business – partnerships, joint ventures, and consortium.

### 7.1.2. Forms of business contracts

A contract can be anything from a formal written document to a simple handshake deal to do a job. Whatever its form, if you agree to provide a service to a customer for money, you have entered into a contract. You are promising to do a job for the customer and the customer is promising to pay you for it. The agreement may be enforced in court.

In doing business, contracts may take the following forms:

- a) Written contracts: This refers to the agreement between two or more parties in form of written words

Written contracts are printed, typed or legal written agreements that are enforceable by law.

- b) Oral/Verbal agreements (gentleman's contract): These are agreements made between two or more parties by word of mouth or orally.

An oral contract is a type of business contract that is outlined and agreed to via spoken communication, but not written down. Although it can be difficult to prove the terms of an oral contract in the event of a breach, this type of contract is legally binding.

Distinction between written and oral contracts

Form of contract	Advantages	Disadvantages
Written contract	<ul style="list-style-type: none"> <li>▪ Prevents misunderstanding at a later date by making agreement clear from the outset</li> <li>▪ Provides security and peace of mind by setting out duties and obligations of each party under the contract</li> <li>▪ Provides clarity by detailing payment schedule, time frame and work to be performed under the contract</li> <li>▪ Serves as proof of what was agreed between parties in the event of a dispute</li> <li>▪ Protects intellectual property, real property and asset values</li> <li>▪ Sets out how disputes will be handled and resolved</li> <li>▪ Sets out ways in which contract can be varied</li> <li>▪ Specifies how either party can end the contract before work is completed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Time wasting</li> <li>▪ Involves some Cost</li> <li>▪ Involves some preparation and meeting with lawyers</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Avoids potential contractual disputes and litigation</li> </ul>	
Oral contract	<ul style="list-style-type: none"> <li>▪ Time saving</li> <li>▪ Cost saving</li> <li>▪ Less hassle</li> </ul>	<ul style="list-style-type: none"> <li>▪ Expectations not clearly defined leading to misunderstandings</li> <li>▪ Parties having different recollection of contractual terms leading to disputes</li> <li>▪ No means to protect confidential information and intellectual property rights</li> <li>▪ Difficult to prove due to the lack of evidence</li> <li>▪ Unilateral termination of contract that could possibly leave you with no legal protection</li> <li>▪ Risk of getting entangled in high cost litigation which may drag on for years</li> </ul>



### Application Activity 7.1

Analyse the following statements and answer questions that follow

- Niragire agrees with a handshake to borrow the car from Nkusi and pay the money later. Rukundo is the witness.
- Ntezimana promises to take his girlfriend Bagirishya for an outing to Lake Kivu.
- Niyokwizerwa promises to pay 10,000Frw to whoever finds her lost phone.
- Kato writes on paper his commitment to provide printing services to Umutoni on agreed terms.
- Mutesi promises to pay for her brother's school fees and puts it in writing.
- You agree with a motorist to take you to your workplace for 1000FRW

#### Questions:

Which of the above statements are:

- Contracts?
- Not contracts?
- Business contracts?
- Verbal contracts?

v) Written contracts?

Contracts	Not contracts	Business contracts	Oral contracts	Written contracts

## 7.2. Importance of business contracts



### Learning Activity 7.2

Analyse the scenario below and answer questions that follow:

#### MUSABE THE CYCLIST

Musabe is a cyclist in his hometown. He provides transport services to people and their goods around town. He is well known in the town because he has good work ethics. One day a prominent entrepreneur approached Musabe with a proposal of taking her child to school every day and then she pays later. Musabe was very excited by the proposal and straight away agreed to start work the following day.

When Musabe told the good news to his sister, she asked him if he made a contract with the entrepreneur regarding the job to which Musabe replied that there was no need since everybody in town knows the entrepreneur, therefore she cannot go against her words. Musabe also added that he does not see the importance of a contract. It is time wasting and costly. What he needs is money. He trusts the entrepreneur

#### Required:

From the scenario

- Do you think there was a contract between Musabe and the entrepreneur? Give reasons to support your answer
- Assist Musabe's sister to convince her brother to make a contract with the entrepreneur by explain the benefits of importance of business contracts

Anyone running a business will be making agreements with employees, transporters, government, customers, and vendors/suppliers on a daily basis. The primary purpose of a business contract is to document and formulate these agreements, which means turning a series of promises into a detailed (and legally binding) list of rights, rules, and obligations that both parties must follow.

Contracts outline the rights and responsibilities of each party, as well as the costs, benefits, and details of how the contract may be terminated.

A business contract is important in the following ways:

- 1) They serve as a visual representation of the relationship between parties, and the obligations they owe each other.
- 2) They enable businesses to apportion and mitigate risk, as well as preventing future conflict.
- 3) They define how each party will deliver products, services, or payment.
- 4) They act as an opportunity to increase revenue since contracts are often used to close and finalise deals.
- 5) They serve as an effective tool for collaboration and communication across business departments.
- 6) They ensure that the business itself remains legally compliant.
- 7) Contracts are also a perfect opportunity for businesses to demonstrate their professionalism, and that they care about the commitments they make.
- 8) Contracts are a key touch point for business relationships, and they are an effective way to communicate with potential clients, partners, and employees.
- 9) Contracts also act as an extension of your company's brand.
- 10) A contract also acts as a safeguard to guarantee your business' right to payment on a certain date.



### Application Activity 7.2

1. When a transport company agrees to deliver bricks to your friend's construction site, for example, there is almost always a cost attached. Outline to your friend what cost details will the contract explain, along with other details:
2. Read the paragraph below and answer the questions that follow  
In India, any contract agreement signed between parties is just a document or bunch of papers; we seldom go back to read contents; unlike in many western countries, where even a marriage/matrimony is a contract agreement!
  - a) Does this paragraph relate to entrepreneurs doing business in Rwanda? Give reasons to support your answer.
  - b) What advice would you give to entrepreneurs relating to signing contracts in order to benefit from business contracts?

## 7.3. Essential elements of a valid contract



Figure 7.2: Elements of a valid contract



### Learning Activity 7.3

Analyse some extracts below from LAW N° 45/2011 OF 25/11/2011 GOVERNING CONTRACTS and answer questions that follow:

Article 4: General requirements for the formation of a contract

The general requirements for the formation of a contract are the following:

1. Mutual consent,
2. Capacity to contract,
3. Object matter of the contract,
4. Licit cause.

Section One: Parties to the contract and their capacity to contract

Article 5: Parties required

For the contract formation, there must be at least two parties: a promisor and a promisee.

Article 7: Capacity to contract

Capacity to contract may be full or partial and may vary with the nature of the contract or other circumstances.

A natural person who manifests assent to a contract shall have legal capacity to contract unless he/she is:

1. under guardianship;
2. a minor;
3. mentally ill or insane.

A party shall not be bound by a contract if that party does not have legal capacity to contract.

Section 2: Mutual assent of parties

Article 8: Offer and acceptance

Mutual assent of parties shall consist of an offer by one party followed by an acceptance by the other party.

Article 13: Certainty of terms

The terms of the contract are reasonably certain if they provide a sufficient basis for determining the existence of the breach of the contract and if there is compensation to be provided.

An offer cannot be accepted if the terms of the purported contract are not reasonably certain or cannot be made reasonably certain from the manifestations of the parties.

Section 3: Consideration in the formation of the contract

Article 33: Requirement of consideration A performance or a promise by the promisee is a consideration if it is established as such by the promisor and is given by the promisee in exchange for that promise.

Article 34: Performance of legal obligation

Performance of a legal obligation owed to a promisee which is neither doubtful nor the subject of dispute is not consideration

### Required:

1. Briefly explain the requirements for the formation of a contract according to Rwandan law
2. Who shall not be bound by a contract according to Rwanda law?
3. What are the main elements of a valid contract?

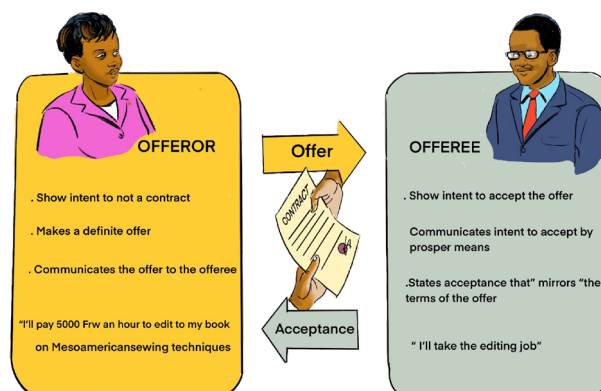


Figure 7.3: The essential elements of a valid contract

A contract is an agreement between parties, creating mutual obligations that are enforceable by law. Contracts can be oral, written or a combination of both. Regardless of whether the contract is oral or written, the basic elements required for the agreement to be a legally enforceable contract are:

- a) Intention to be bound by the contract: The two parties should have intended that their agreement be legal. Domestic agreements between husband and wife are not taken as valid.
- b) Offer and acceptance: There must be an offer and the two parties must lawfully come to acceptance leading to a valid contract. Until an offer is accepted, it's not a valid contract.
- c) Consideration/price: This is the price agreed upon by the parties to the contract and paid by one party for the benefit received or promise of the other parties.
- d) Capacity of the parties: The parties to the contract must have contractual capacity for the contract to be valid, i.e. should be sober, above 18 years old, not bankrupt, not insane, properly registered.
- e) Free Consent: Parties to the contract must agree freely without any of the parties being forced to accept or enter the contract.
- f) Legality/lawful object: The consideration/object of the contract must be legal and not contrary to the law and public policy.
- g) Possibility of performance: If the contract is impossible in itself either physically or legally, then such contract is not valid and cannot be enforced by law.
- h) Certainty: The terms of the contract must be clear and understandable for a contract to be valid. If the terms are vague or ambiguous, where even the court may be able to tell what the parties agreed, then it will be declared invalid.



### Application Activity 7.3

**Analyse the following statements and answer the questions that follow.**

1. You go to a restaurant and a waiter delivers food to you and you eat it. This means you have acted upon the offer without a response which makes the contract valid. Now you must comply and pay for the food as per the terms.
2. You voluntarily helped your elderly neighbour to mow her compound and she paid you 500FRW for it. Only when an act is done voluntarily that it may not include consideration.



3. If you get into a contract with someone and ask them to steal a car in exchange for a considerable amount of money. This will not constitute a valid contract due to the illegality of the intent. This makes the proposed contract null and void. (legality)
4. You get into contract with a boy of 10 years to clean your compound for 5000FRW (legal capacity). the person is legally incapable and belongs to this particular group, which consists of a minor, mentally disabled, or intoxicated person
5. You forced/threatened your neighbour into selling you his/her plot of land for a good sum of money (Mutuality)

### Required:

Complete the table below by identifying which is a valid contract, reason and the element of a valid contract considered.

Statement	Valid contract?	Reason	Element of valid contract considered
1			Acceptance
2			
3			
4			
5			

## 7.4. Common types of business contract



Figure 7.4: Common types of business contracts

### Learning Activity 7.4

Complete the following statements as used in business contracts with the correct type of contract from the list below:

Warranty, Sales Representative Agreement, Confidentiality Agreement, Reciprocal, Advertising Agency Agreement, Covenant Not to Sue,

### Settlement Agreement, Release, Assignment of Contract

- a) \_\_\_\_\_ transfers ownership of a good from one party to another
- b) \_\_\_\_\_ a contract for the sale may be confirmed by a bill of sale after the transaction goes through.
- c) \_\_\_\_\_ First official offer made by a buyer to a seller.
- d) \_\_\_\_\_ Warranty limited to just one or a few parts.
- e) \_\_\_\_\_ A contract for employment, including details about payment, job responsibilities, etc.
- f) \_\_\_\_\_ Similar to an employment agreement, but outlines the terms to which the limited work contract applies.
- g) \_\_\_\_\_ Defines the relationship with a distributor.
- h) \_\_\_\_\_ Non-disclosure agreement in which both parties agree not to disclose certain trade secrets.
- i) \_\_\_\_\_ A contract to lease office, manufacturing, or commercial real estate between the landlord and the business.
- j) \_\_\_\_\_ Agreement to lease equipment for a specified period of time.
- k) \_\_\_\_\_ Outlines the relationship between the franchisor and the franchisee, such as support, advertising, use of brand, etc.
- l) \_\_\_\_\_ Establishes the scope of duties to be performed by the agency, duration, payment, etc.
- m) \_\_\_\_\_ An agreement to transfer risk from one party to another.
- n) \_\_\_\_\_ Official agreement among two or partners, including responsibilities of each.
- o) \_\_\_\_\_ Lays out the obligations, goals, and financial contributions of all parties involved in a joint venture.
- p) \_\_\_\_\_ Documents the terms of a business sale.

Contracts are legally binding agreements made between two parties. For a business, contracts help make sure you get what you pay for and can protect you from certain liabilities. As a business owner, you will come across a wide variety of contracts. Some of the more common types of business contracts that you may enter into include the following:

## 7.4.1. General Business Contracts



### Partnership

Details how much of the business a partner owns & their share of profit and loss



### Franchise

Outlines terms & conditions for the franchisee



### Indemnity

Protects you from customer lawsuits if they injure themselves



### Non-disclosure

When you want to keep things private, use for employees, partners & customers



### Settlement

Helps resolve disputes between parties through mutual agreement



### Security & privacy

Regulates how customer data is or isn't used

- a) Non-disclosure Agreement (NDA): is a confidential disclosure agreement, or confidentiality agreement is a contract that prohibits individuals from sharing specific information with others unless they receive prior authorization. NDA prevents employees from sharing sensitive information with competitors.

- b) An indemnity agreement: is a contract that protects one party of a transaction from the risks or liabilities created by the other party of the transaction. For instance, car rental companies usually require a renter to sign an indemnity agreement to hold the company harmless for any loss, damage, or legal action against it because of the renter's use of the car. Meaning that, if an accident happens while the renter is using the car, the car rental company will not be liable for any damage.
- c) A Partnership Agreement: is a written agreement between business partners. It should set out clearly each party's contractual obligations and provide the framework for the day-to-day running of the business. A well-drafted partnership agreement will cover many of the potential areas of dispute between partners and will establish mechanisms for dealing with them should they arise.
- d) An equipment lease: is a contractual agreement between the owner of the equipment and a lessee who wants to use the equipment for a specific period in exchange for set payments. Leasing gives business owners access to vehicles, machinery and equipment that they may not be able to afford otherwise.
- e) A property lease: is a contract where one party grants a right to use a property or land to another party in return for consideration and for a specific period of time. Both the parties enter into a lease agreement specifying the terms and conditions of the agreement. The party who owns the leased premises or property is the lessor. The party accepting the leased property is the lessee.

#### **7.4.2. Sale – Purchase Business Contracts**

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- a) An employment agreement: is a contract between an employer and employee that outlines the terms and conditions of the working relationship. It is also referred to as an employment contract, contract of employment, job contract, or employee contract.
- b) The agreement is typically acknowledged and signed by the employer and employee after a new hire accepts their job offer. An employment agreement can be applied to part-time or full-time employees in both small businesses and enterprises.
- c) A promissory note: is a written agreement under which one party agrees to pay another party a certain amount of cash on a future date. The date may be a fixed date sometime in the future, or on demand. The note typically contains the name of the payee, the name of the maker (payer), and the sum to be paid. It also includes the interest rate that applies to the debt, the maturity date, the signature of the maker, and the date signed.

- d) A licensing agreement: is a written contract that gives you permission to use another party's property under a certain set of conditions. The two parties involved in this agreement are the licensor (the one allowing permission) and a licensee (the one gaining permission). Licensing agreements ensure that you have legal permission to use another person's or business's property. For instance, if you were to use an artist's song in a commercial, you would need to sign a licensing agreement to legally do so. If you were to go ahead and use the song without permission, you may infringe on copyright laws and risk being sued or fined.
- e) A purchase and sale agreement: also called a sales and purchase agreement or a purchase and sales contract, is a legally binding document that parties in a transaction use to stipulate the terms and conditions that will guide the sale and transfer of goods or property.
- f) Bill of sale: a bill of sale legally transfers property from one party to another. You can use this contract to prove ownership of land or property.
- g) Purchase order: a purchase order is a contract between a business owner and a supplier or seller of goods or services. A purchase order defines: how much the business will pay for the goods; the due dates for payments and the date of delivery
- h) Order form: An order form is similar to a purchase order, only it binds a customer to a business. Customers use an order form when they purchase services or products from businesses.
- i) Warranty: A warranty guarantees that you will repair, replace, or refund a product if it doesn't meet the customer's expectations within a specific time frame. Warranties can be full or limited. Full warranties cover the entire product as well as parts and labour. Limited warranties often only cover specific parts.
- j) Purchase and sale of business agreement: A purchase and sale of business contract is a bill of sale when you want to purchase or sell a business.
- k) Independent contractor agreement: an independent contractor agreement defines the work and subsequent payments for projects or services provided by contract workers.
- l) Franchise agreement: a franchise agreement defines the franchisor's terms and conditions for a franchisee. This agreement covers everything about how the franchise will be run and what the franchisee can expect from the franchisor.



### Application Activity 7.4

Analyse the following scenario and answer the questions that follow.

#### MY BACK-HOME PROJECT

After school, Nuru plans to expand his back-home business. He wants to go into poultry but unfortunately, he does not have land and other property to operate the project. He approaches a former poultry farmer in the area who agrees to lease Nuru the property and the equipment for 2 years at 100.000 FRW per month with a promise that Nuru may buy the property in future. Because the costs involved in the project are somehow big, he decides to partner with two of his former school mates. Nuru contracts a prominent builder in the area to help him prepare and install the necessary equipment for one week, after which he decides to approach a chicken breeding company to put in an order for 10.000 chicks. Nuru also decides to employ people to help with the daily operations of the project.

From the scenario, identify the types of business contracts that Nuru is likely to make or enter into by completing the table below.

Type of contract	Reason/purpose

## 7.5. Ending of business contracts



### Learning Activity 7.5

Analyse the paragraph below and answer the questions that follow:

#### ENDING OF A BUSINESS CONTRACT

A contract is a legally binding document that ties two or more parties to an agreed set of terms and conditions. They are the groundwork for a business relationship, establishing each party's obligations. However, the involved parties must have an exit clause if their circumstances change and they cannot meet their agreed terms and conditions. A contract can end when the parties have done all that the contract requires of them. This is the most common way for a contract to end. If the parties have performed all of their obligations under the contract in accordance with its terms, the contract will therefore come to an end. A contract may come to an end by mutual agreement between the parties.

From the paragraph,

1. What is the meaning of “Ending of a business contract”?
2. What situations may lead to “Ending of a business contract”?
3. What do you think the following terms in relation to “ending of a business contract mean?”
  - a) Termination of a contract
  - b) Cancellation of a contract
  - c) Rescission of a contract

### 7.5.1. Ending of business contracts

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Ending a contract occurs when the parties perform all their necessary obligations in accordance with the terms set out in the contract. In other cases, a contract may end before both parties have fulfilled their obligations.

An end of contract occurs when one of the parties who has willingly entered into a contract or business deal with the other party ends the written agreement for various reasons.

Various terms are used that indicate that a contract is ending which include:

- a) Termination: This term means that a contract between parties is being ended before the actual agreed-upon date stated in the contract. Termination is generally used when a contract is being ended by either party, without breaching it.
- b) Cancellation: Cancellation alludes to an ending contract due to voiding its effectiveness, force, or validity. Cancellation occurs when one party is ending the contract because the other party has breached it.
- c) Rescission: If a contract is made undone, this is called rescission.

### 7.5.2. Ways of ending a business contract

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There are various ways that a contract may come to an end such as:

- a) By performance: if the parties have performed all of their obligations under the contract in accordance with its terms, the contract will therefore come to an end.
- b) Impossibility of Performance: if, for some reason, the parties are unable to commit to their tasks as per contract, this is called the impossibility of performance, and so the contract can be ended.
- c) By agreement: a contract may come to an end by mutual agreement between the parties.

- d) By destruction of the subject matter: The contract may be put to an end when the subject matter of the contract ceases to exist such as being destroyed, stolen or died.
- e) By operation of the law: The contract may be ended by law if it is illegal, if one party becomes bankrupt, insane or dies.
- f) By frustration: a contract is frustrated if it is incapable of being performed due to an unforeseen event or circumstances (e.g. natural disaster, war) resulting in the obligations under the contract being different from those contemplated by the parties.
- g) For convenience: Where the contract allows a party to end the contract at any time by providing notice to the other party, for example, employment contract.
- h) Due to a breach: a breach of contract occurs when a party to a contract fails to fulfil its promises in accordance with the provisions of the agreement.



### Application Activity 7.5

Analyse the following contracts and complete the table by identifying the reason for ending the contract.

1. As an example, if you purchase a house but after having signed the contract, you find out that the landlord has clearly withheld important information about the condition of the pool
2. The speaker that was hired for the EDUCATE! Business club competition has fulfilled the duties outlined in the contract.
3. The speaker that was hired for the EDUCATE! Business clubs competition was unable to commit to his or her tasks as per contract due to a change in the date of the function
4. If you contracted a supplier to deliver fireworks in anticipation of New Year's celebrations, but they end up making the delivery a month later
5. You contracted a farmer to sell to you her 2 goats in two days but a day before, they were stolen.

Contract ended	Reason for ending	Description of the cause/reason
1		
2		
3		
4		
5		



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## End of Unit Assessment

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### I. Project Activity

For your back-home project, you want to buy a bicycle to assist in transporting the project's products to the customers. Design a suitable contract that will be signed between you and the seller.

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# Unit 8: Office Procedures

## Key unit competence

To be able to handle general office operations.

## Introduction

The proper conduct of office work in general as well as the detailed procedure of working in the administration is key in every business organisation. Use the general knowledge of offices you might have ever visited to better understand this unit. This unit aims to equip you with the ability to handle general office operations, information and record handling, as well as the main office support equipment.



### Introductory Activity

1. Observe the illustration carefully and answer the questions that follow:



- a) What is the name of the room illustrated above?
2. In your business club, there is different information that requires a proper filing system. Those records include financial records such as debtors' ledger, financial statements, etc.

### Required:

- a) What classification system(s) do you use to keep your club records?

- b) Which factors or criteria did you base on to select an efficient and effective filing system?
- c) Describe office equipment you use to deal with documents or correspondence with your business club.

## 8.1. Meaning of conceptual terms and the role of keeping office equipment



### Learning Activity 8.1

1. Explain the meaning of an office, and office procedures.
2. Identify the role of keeping office equipment.

### 8.1.1. Meaning of conceptual terms

An office is a crucial and an essential part of every organisation, large or small. Whether it is a government institution, trading or manufacturing organisation, a hospital or an educational institution, the existence of an office is important for the appropriate functioning of any kind of organisation.

In common parlance, an office is understood to be a place where clerical work is performed and where all kinds of paperwork (letters, correspondence, files, records, etc.), is maintained and dealt with. In brief, an office is a room, set of rooms, or building used as a place for commercial, professional, or bureaucratic work.

Procedure is a set of sequential and logical steps followed to do a job in an efficient and effective manner. This is in short said to be a set of precise instructions to accomplish a task.

The office procedures document the administrative functions necessary for the business or any other organisation to operate properly. These include daily, monthly and yearly procedures.

### 8.1.2. The role of keeping office equipment

Office equipment plays a great role in every daily office work. Such a role is further explained below:

- Increase the output of workers: Office machines are labour saving devices. They save human labour and the same volume of work can be done by less number of employees. Performance of existing

employees increases. Therefore, office machines are important in every office.

- Increase the speed and performance of work done: Office equipment saves time because they can perform office work faster.

For example, a printing machine can produce office work much faster than a type-writer machine.



*Figure 8.1: A photocopier makes the work of reproducing office documents very easy*

- Improves the quality of work: Office machines increase quality of office work. They bring uniformity in work. This promotes standardisation in work quality. The work performed is accurate and neat.
- Makes work and keeping documents easy: Office equipment or office machines are the machines or equipment used to carry out work in an organisation or establishment to make work easier and faster. The purchase of new equipment for the office makes a vast difference in the amount of work an employee is able to complete in a given day.

### Application Activity 8.1



Every organisation needs to think about the types of equipment it needs in order for their employees to do their job properly. Office equipment helps in managing office-related work and makes your day-to-day tasks run smoothly.

Assess the role of keeping office equipment at your school.

## 8.2. Information and record handling



Figure 8.2. Box files used in offices to keep documents



### Learning Activity 8.2

1. Visit the school bursar, director of studies, library or any other office in school and ask them how office documents and confidential information are filed. Ask them how these records are safely kept.
2. Kaneza is a newly recruited administrative assistant to the Chief Executive Officer (CEO) of Ubumwe Co Ltd. She sometimes fails to trace documents for a client or a customer due to failure to properly maintain the business filing system. Sometimes confidential information such as business finances, payrolls or contracts are read by third parties or sometimes are lost.

#### Required:

Identify and explain to Kaneza different ways of keeping information secure.

### 8.2.1. Maintenance of established filing system

In any business/organisation, there are different documents/records. These documents can be classified as business records and official incoming and outgoing correspondences. These documents should be organised and filed properly as they can be used later for different reasons.

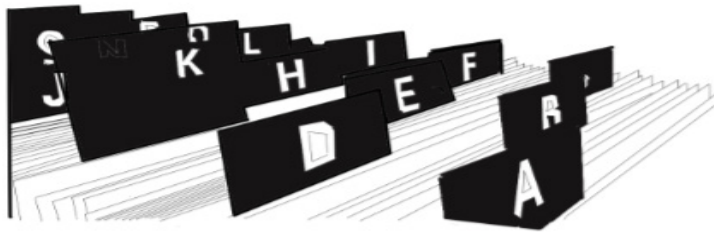
Filing refers to a process of classifying and arranging records for easy retrieving without delay.

It is the systematic arrangement and keeping of business documents so that they may be found and delivered when needed for future reference. This work is nowadays simplified by technology.

## 8.2.2. Classification systems

There are different systems of classifications. The classification system refers to the basis of arrangement of documents in a folder. The documents can be classified by five main methods: alphabetical, numerical subject, geographical, chronological or some combination of them.

**A. Alphabetical** is where documents are filed according to the first letters of either the name of sender or subject. It is similar to the names in the telephone.



*Figure 8.3. Alphabetical filing*

### Advantages of alphabetical filing

- It is convenient in grouping papers by name of company
- It facilitates direct filing, with no need of indexing since the files are arranged alphabetically.
- It is simple and easy to use for all employees and new employees.
- One folder can be opened for many files without opening separate files.

### Disadvantages of alphabetical filing

- In large systems, it may take a long time to find papers.
- It may lead to congestion under common names.
- It is difficult to forecast space requirements for different letters of the alphabet.
- Documents can be filed differently due to wrong spellings of names.

**B. Numerical filing:** This is where documents are arranged according to numbers rather than letters. This system is useful for filing orders or other items kept in numerical sequence index which is necessary for locating the correct file.



*Figure 8.4. Numerical filing*

### **Advantages of numerical filing**

- There is unlimited room for expansion. New documents are added to the file as they come into the office.
- It is a highly efficient system.
- It helps in cross-reference with other systems.
- The file number can be used as a reference for correspondence.
- The file number can be used for other purposes, for example, a mailing list as well.

### **Disadvantages of numerical filing**

- It takes longer to file materials as it involves two operations. i.e. recording of the document number on the card index and filing of the document.
- Filing and location of documents is not simple.
- A separate index must be provided for each file.
- It takes time for new employees to fully understand the system and the code numbers.

**C. Geographical filing:** This is where files are divided according to their place of origin for example, countries, provinces or districts, regions. The files within each group are arranged alphabetically.

### **Advantages of geographical filing**

- It is suitable for companies that have several branches spread all over the country, e.g. commercial banks, telecommunication companies.
- It is convenient when the locations are known
- It facilitates easy access for filing purposes.

### Disadvantages of geographical filing

- Possibility of errors in case the geographical location is not known.
- Some geographical names can be misspelt/wrongly leading to confusion in the system.

**D. Chronological / dates filing:** This is a filing system where all documents are filed in order of their dates of receipt. This system is rarely used but it is a useful method of filing papers inside each folder.

### Advantages of chronological filing

- Useful if the dates are known.
- It provides for unlimited scope of expansion.

### Disadvantages of chronological filing

- It is not always suitable for different types of records.
- Incoming letters might be mixed up with outgoing ones.

**E. Subject/ category filing:** Subject filing is where files are classified according to subject headings topics. Main headings and subsidiary items are in alphabetical order.



*Figure 8.5. Subject filing system*

### Advantages of subject filing

- All documents referring to a particular subject or matter are kept together in one place.
- The files can easily be expanded or contracted by simply adding new ones or removing old ones.

### Disadvantages of subject filing

- It is difficult to determine the list of divisions and it requires one to have knowledge of the business and its files.
- It is difficult to determine the headings for filing purposes. It requires a trained and careful employee.



### 8.2.3. Methods for sorting, handling and storing documents

This refers to how covers of files are kept in the filing cabinets. The four main methods include:

**A. Horizontal filing:** is when files are kept in the shelves or drawers when they are standing upright. They are facing north to south.



Figure 8.6. In horizontal filing, files are standing upright

**B. Vertical filing:** is when files are kept in the shelves or drawers when one is on top of the other. They are facing east to west.



Figure 8.6. Example of a vertical filing cabinet

**C. Lateral filing:** this is where files are arranged side by side in the drawers or shelves. This method saves space because of the great heights.



Figure 8.7. Lateral filing

**D. Suspension filing:** is where two metal bars are fixed on the sides of a filing cabinet drawer. The files stand in a vertical position. This method has an advantage because they are tidy since they are upright and it is easy to locate them.



*Figure 8.8. suspension filing*

### 8.2.4. Efficient and effective filing system

An effective and efficient filing system should be characterised by the following:

- **Compactness:** It should not take up much space; especially the floor for the filing cabinets.
- **Accessibility:** Record cabinets should be easily accessed. It should be easy to file records or extract them. Without having to disturb others.
- **Simplicity:** The system should be simple to understand and operate.
- **Safety:** A high level of safety should be ensured for documents according to their importance. They should, therefore, be protected against hazards like fire.
- **Elasticity:** The system should be capable of expansion when required.
- **Cross-reference:** Reference should be provided where necessary information should be provided on file movements such that it is easy for users to trace them.

### 8.2.5. Safety, security and confidentiality of records

To ensure safety, security and confidentiality of information, the following should be done:

- **Verification:** Records can be verified whenever needed.
- **Justification:** Records must be maintained with some justifiable purpose otherwise, it will be a waste of money, space and time.
- **Classification:** Records must be classified according to their use. They may be classified according to time or chronology or subjects.

- **Information:** The information required must be available whenever it is needed.
- **Elasticity:** The record system must be elastic in capacity so that it allows room for expansion or contraction of records if possible.
- **Reasonable cost:** The cost of record management must be a reasonable one. For more important records a large amount may be spent and for less important records only a small amount should be spent.
- **Records management:** Should be simple, accurate, economical and useful for the organisation.

When business information is properly maintained, it reduces the risk of theft, security breaches and physical damage, while aiding business operations. Past records of business are maintained for different purposes depending on the unit or office.

- Accounts of progress are kept in an orderly way: In business it is necessary to measure the progress of the business organisation or to find out history and other facts about the firm.
- Proper study of the position of the firm: Records of past transactions are the basis on which further study can be made. The preserved records are contributory factors, without which a good and proper study of the position of the firm cannot be made and therefore a statement cannot be prepared.
- Comparison of business: Past records make it easy and possible to compare performance of one period with that of another period, one place with another, one result with another.
- In case of disputes: The need for referring to records or documents often arises for the settlement of disputes in transactions. All information cannot be remembered.
- Policy making: Past records, events are very necessary to decide future policies and plans. In the absence of records, the policies and plans may not be successful.
- Legal requirements: Certain records are to be kept for a number of years from the legal point of view.
- Evidence: Records are good evidence in courts of law, in case of disputes.
- General use: For example, customers may need to refer to the previous correspondence by quoting the number.

To ensure that documents are kept well in an organisation, the following must be put in place:

- The organisation should ensure that it has qualified staff in keeping records.
- All confidential documents should be kept in a centralised filing system.
- Documents should be checked regularly to ensure that they are kept safely and intact
- Offices should be locked when leaving the workplace.
- Use a single filing system, either alphabetical, numerical, geographical filing in order not to confuse files.
- Modern filing cabinets should be used for the documents.
- The filing room should be kept clean and safe from any things which may destroy the files.



*Figure 8.9. A modern filing cabinet*

### 8.2.6. File retention policy

Business organisations that have existed for many years have a challenge in keeping large numbers of files and business correspondence. For example, the Rwanda Education Board, must keep all students' answer booklets for a period of time, as well as certificates, and other internal documents. Others include schools, which keep students' records, report cards, certificates, minutes of meetings, employee contracts, and many other valuable information. At a certain point, the files have to be destroyed in order to create more space for new records and files.

A file retention policy is an organisation's established protocol for retaining information for operational or regulatory compliance needs. It helps to identify the duration of time for records to be maintained or retained. When writing a data retention policy, you need to determine how to:

- Organise information so it can be searched and accessed in future.
- Information that is no longer needed should be disposed off.

Some organisations use a data retention policy template that provides a framework to follow when making the policy.

Destruction of specific records shall be carried out in accordance with policy, laws and regulations. The policy specifies persons responsible for administration, storage and retention of organisation's records.

### Skills Lab Activity



Visit any office (headteacher, bursar, DoS, etc.) in your school and identify how various information is handled, the classification system used, methods of handling and sorting documents. Write a small report on how you will handle information related to the business club activities.

### Application Activity 8.2



Observe the image below and answer the questions that follow.



#### Questions:

- Identify and interpret the classification system in the illustration above.
- Discuss the advantages of the classification system identified in (a)

## 8.3. Main office support equipment



Figure 8.10. Some of the modern equipment in an office













### Learning Activity 8.3



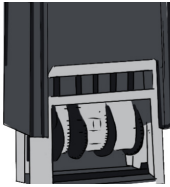



Think of any offices you have ever visited (that can be either an office at school or elsewhere). There are different types of office equipment you might have found there. Outline the common office equipment types you are familiar with and their uses.

Modern equipment and gadgets should be installed in an office to complete the office work in an effective and efficient way. In the market these days, high quality machines are available which can be used to perform a given task in just a short time. All the equipment that you purchase should be according to the needs and requirements of your office.

The most common office accessories and modern equipment include the following:

Name of the equipment	Description	Illustration
Electronic Billing Machine (EBM)	This machine enables revenue authorities to monitor formal business transactions and thus offer the potential to improve VAT compliance.	
Typewriters	These machines are used to type information on paper. These may be manual or electronic and they work just as modern printers. These machines are phasing out.	
Calculators	There are manual and electric calculators. The simplest ones will add and subtract. The more complicated electric calculators will add, subtract, divide and multiply and give sub totals.	
Photocopiers	These are used to duplicate information on papers into various copies of the original document. Most modern photocopiers are very fast and can produce various copies at a time accurately.	

Name of the equipment	Description	Illustration
Laminating machines	These machines are used for inserting documents into a plastic pocket and sealed with heat making the document dust and waterproof. They are used for laminating single documents like identity cards and certificates. There are different sizes of laminating machines depending on the size of the document.	
Binding machines	These are machines used for putting together office documents in a transparent plastic sheet as a cover to take the form of a book. Binding machines put holes in papers and they are attached together for proper and easy storage.	
Computers	A computer is an electronic device used in the daily operations of the business. It stores files, processes and retrieves information needed in a business.	
Cash register	These are machines used when a printed receipt is required when a sale is made in a business.	
Cheque writing machine	This machine is used for writing cheques and is used mainly in banks. Instead of writing a Cheque manually, a Cheque leaf is inserted into the machine and it's written on electronically. This helps to write many cheques in a short time possible.	
Note counting machine	This machine is used in counting money in the form of notes. It is used mainly in banks and other busy companies which count large sums of money.	

Name of the equipment	Description	Illustration
Stapling machines	These are used for fixing related documents together.	
Letter opener	This is a hand-held device shaped like a knife that cuts off the edges of envelopes. It can be used to open a single envelope or numerous envelopes at a time.	
A date-stamp	This records the date on which the letter was received.	
Shredding machine	This is a machine used to destroy secret and confidential material if no longer required. It cuts paper material into smaller pieces, making it impossible to read again.	
Punch	This is used to put holes in a document ready for filling. The size of punch machines varies, depending on the size of the office and the documents filled at a time	
Addressing machine	This is used to print names and addresses of regular customers or correspondents. Small plates bearing the name and addresses are prepared as stencil. Envelopes are passed through the machine and names and addresses are written on automatically.	



Name of the equipment	Description	Illustration
Guillotine machine	This is used for cutting and trimming papers to the required size and shape.	
Mobile phone	This is a device used to call and send or receive messages to and from the office.	
Projector	This is used in large meetings, seminars and presentations	

### Application Activity 8.3



Mugisha and Sons Ltd is a medium-sized enterprise located in the northern province of the country. In one management meeting, they decided to expand the services that their enterprise offers. Mobile banking, Mobile Money, printing, scanning, photography, Irembo, etc. are examples of services that they opted to offer. They also decided to buy modern office support equipment in order to ensure proper service delivery.

#### Required:

- a) List the office equipment Mugisha Sons Ltd will need to buy.
- b) Briefly, describe how each of the equipment you have listed will be used.

## End of Unit Assessment

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### I. Project Activity

As a student, you have different information and documents related to your daily academic activities such as student's identity, health insurance, past examination papers, exam and test answer scripts, report cards, etc.

#### Required:

Create a file that will accommodate all your records.

### II. Other Assessment Questions

1. With reference to a business project owned by your school business club, identify how the documents are being filed.
2. Discuss different classifications you would advise your librarian to file the school past papers
3. Gikundiro wants to start a fruit processing business and she needs help from you to identify office equipment she needs in her office.



# Unit 9: Quality Assurance and Quality Compliance in Business

## Key unit competence

To be able to comply with quality standards in business.

## Introduction

In the present environment of increased globalisation, empirical evidence suggests that standardisation and its conformity assessment companions have a very important role to play in technological progress, health, safety, environmental protection, quality promotion, productivity and trade promotion. The knowledge acquired from Ordinary level will help you to understand this unit better. This unit aims to equip you with competences to design an effective quality assurance and compliance document based on the quality requirements of a given business venture.



### Introductory Activity

Read the scenario below and answer the questions thereafter.

#### SCENARIO

The government of Rwanda through Rwanda Standards Board (RSB) is mandated to provide National standards and conformity assessment guidelines that entrepreneurs/traders ought to follow during production and selling of their goods and services. These guidelines help entrepreneurs to be cautious and careful with the quality and measurements of raw materials used, goods produced and the technology used. If your business conforms to the required quality management, assurance and compliance standards, it reduces mistakes and inconsistencies that could make these goods unsafe. If you manufacture a food product, your quality control processes should monitor temperature and foreign bodies to decrease the likelihood that it will make someone sick.

Ensuring customer safety saves your business money and prevents damage to your reputation. One of the ways that the business can strengthen its quality is by listening to its customers and incorporating their feedback in the business processes and production systems. Product quality issues that customers normally report should be tracked and managed through a

rigorous process of investigation and resolution. These and more processes help the business to continually enhance customer satisfaction. It is also important that businesses are genuine in their measurements of goods produced and sold.

### Questions

Referring to the above scenario, answer the following questions below;

- What do the national standards and conformity assessment guidelines expect entrepreneurs to do?
- What are likely negative effects the business may face if customers are not satisfied as a result of wrong measurements of the goods bought?
- What strategies would you propose to the entrepreneurs to implement and ensure the safety of their customers?
- Do you think that it is important for a business to have accreditation for cross border businesses? Justify your answer.

## 9.1. Meaning of concepts



### Learning Activity 9.1



Figure 9.1 Measuring tape



Figure 9.2 Weighing scale

While entrepreneurs are producing products and services, they take into account different measurements of raw materials, or products. These measurements can be according to depth, length and weight. These measurements play an important role in providing a basis for fair and accurate trade, optimization of production, fostering consumer and business confidence in products and in the development of new technologies and innovation.

Using the background knowledge for example from what you studied in Ordinary Level about metrology, quality testing and measurements, and by analysing the pictures and the passage above:

- a) What do you think metrology means in business?
- b) Do you think metrology is important in business practices? justify your answer.

**Metrology** is defined as the science of measurement. It is a science of precision and measurement that includes measurement of quantities like width, length, depth, angles of the related products.

**Quality assurance (QA)** is any systematic process of determining whether a product or service meets specified requirements. It is also referred to as the maintenance of a desired level of quality in a product or service, especially by means of attention to every stage of the production process or delivery.

A quality assurance system is meant to increase customer confidence and a company's credibility, while also improving work processes and efficiency, and it enables a company to better compete with others.

Quality assurance is very important because it helps a company create products and services that meet the needs, expectations and requirements of customers. It yields high-quality product offerings that build trust and loyalty with customers. The standards and procedures defined by a quality assurance program help prevent product defects before they arise. Quality assurance includes two principles:

- "Fit for purpose" (the product should be suitable for the intended purpose); and
- "Right first time" (mistakes should be eliminated).

It includes management of the quality of raw materials, assemblies, products and components, services related to production, and management, production and inspection processes.

**Quality compliance** means acting in accordance with systematic processes of determining whether a product or service meets specified requirements at every stage of the production process or delivery. Complying with the quality requirements helps the business in different ways such as satisfying customers' needs, increasing the level of sales due to a large number of customers attached to the product or service, complying with the state's quality requirements among others.

**Quality management** can be defined as the managing structure, responsibilities, procedures, processes, and management resources to implement the principles and action lines needed to achieve the quality objectives of an organisation.

Quality Management is an essential part in the business process that business owners or managers ought to pay attention to while running their businesses.

In managing quality, entrepreneurs or business leaders don't only focus on quality, price and profits but also focus on their core customer base in order to build and maintain market share through continuous improvement of products and services.

In a Total Quality Management (TQM) approach, businesses must understand who their current customers are (and are not), noting their key needs and requirements and keep these expectations at the forefront of their strategy and processes. This principle should extend to internal clients, as well, treating co-workers as customers and satisfying their demands.

Quality management aims at achieving the following;

- Satisfying customers by ensuring customer feedback is incorporated in management processes and procedures while producing products.
- Continual improvement of products, services, working environment, staff development, and management and production processes.
- Reduces wasted products, repeated or corrective work and unnecessary processes.



### Application Activity 9.1

Imagine that you are invited to address the youth during a business hub conference about the meaning of quality assurance, quality compliance and total quality management for a business they intend to start, write the short speech that you would give.

## 9.2. Relationship between quality management, assurance and quality compliance



### Learning Activity 9.2

1. Do you think that quality assurance and quality compliance are important in business operations? justify your answer.
2. Discuss the relationship between quality management, quality assurance and quality compliance.

It is important for businesses to pay close attention to Quality Assurance (QA), Quality Compliance (QC) and Quality Management (QM) since they form an integral part of the business' success. Customer satisfaction and maintenance (customer retention) rely heavily on the applicability of the quality assurance, compliance and management in production and management processes.



*Figure 9.3 Relationships between QA, QM and QC.*

Looking at the above illustration, quality assurance and compliance must be managed and controlled by the given quality control department of the business. The illustration shows that if businesses have clear processes of managing quality and abide by laws and guidelines set by the regulatory body, then there is quality management.

The relation between the three in terms of standards means that a quality management system consists of quality assurance and compliance activities that ensure the establishment of a set of quality policies and objectives which act as guidelines within an organisation or business.

### **Quality Management system**

A Quality Management System (QMS) is a formalised system that documents processes, procedures, and responsibilities for achieving quality policies and objectives.

For businesses to be able to promote quality standards, they need to develop quality management systems. This system becomes part and parcel of business culture and it is monitored by the business' quality control team. The quality management system contains the following elements:

- Define and document necessary components of a quality management system: This would include key guidelines and elements of what the business takes as quality. For example what kind of raw materials will have to be used?
- Define the quality policy: This includes the business' mission that is what customers want and value from the business. This should be given top priority in the business.
- Quality objectives must be communicated to the team and well understood: ISO requires that quality objectives are derived from quality policy and measures.
- Define the product defect: that is what contributes to poor quality, whenever such defects are seen they must be recorded and communicated accordingly.
- Develop the documents for the system: This could be a manual that includes the necessary policies, procedures and forms.
- Define the quality process: this includes corrective and preventive action process, management review and communication process.

In short this involves ways of solving given challenges to quality implementation.

- Determine the training needs: Entrepreneurs must identify the gaps within the team so that the workers are trained and supported accordingly to meet and comply with quality standards.
- Use the system: This is the stage when the system is implemented accordingly.
- Measure and monitor performance: Measuring performance happens after implementation and would vary greatly from organisation to organisation depending on size, potential risk, and environmental impact.
- Take action that improves performance: This is the last step that is implemented and when solutions to the risks are identified as per the quality process, they communicate them to the employees.



### Skills Lab Activity

Analyse how quality assurance and compliance is done in your business club production processes, then identify loopholes in the process of implementation. Give your views on how to improve the quality assurance and compliance system in place.



### Application Activity 9.2

1. Using examples, interrelate quality management, quality assurance and quality compliance
2. Select the correct answers:
  - i) The main objective of quality assurance is:
    - a) Proof of fitness of product
    - b) Inspection of quality of product
    - c) Quality conformance
    - d) Customer satisfaction
  - ii) Which of the following statement(s) is/are true about quality assurance?
    - A. Quality assurance is a set of activities for ensuring quality in the processes by which products are developed
    - B. Quality assurance is a corrective tool and product oriented
      - a) B is correct



- b) A is correct  
 c) Both A and B are correct  
 d) None of these is correct
- iii) \_\_\_\_\_ is part of quality management focused on providing confidence that quality requirements will be fulfilled.
- a) Quality management  
 b) Quality  
 c) Quality assurance  
 d) Updating

### 9.3. Role of verification and calibration in quality assurance



#### Learning Activity 9.3



*Source: Rwanda Standards Journal\_Issue 18, page 40*

- a) What do you think the person in the illustration is doing?  
 b) Is what the person doing in the illustration above important? Justify your answer.

#### 9.3.1. Role of verification

Verification is a process of testing and inspecting products during and after production to collect objective evidence that each one meets all regulatory requirements, fulfils all predetermined specifications, and is ready for use. It plays the following roles:

- Verification evaluates plans, documents, requirements, and specifications
- Checks that a product, service, or system meets requirements and specifications and that it fulfils its intended purpose

- Evaluates whether or not a product, service, or system complies with a regulation, requirement, specification, or imposed condition.
- Checks that a product, service, or system meets a set of design specifications
- Verification procedures involve regularly repeating tests devised specifically to ensure that the product, service, or system continues to meet the initial design requirements, specifications, and regulations as time progresses

### 9.3.2. Role of calibration

Calibration of measuring instruments has two objectives. It checks the accuracy of the instrument and it determines the traceability of the measurement. In practice, calibration also includes repair of the device if it is out of calibration. A report is provided by the calibration expert, which shows the error in measurements with the measuring device before and after the calibration.

Some examples of calibration of common parameters include measuring instruments for common parameters such as micrometre, the voltmeter, the pressure gauge, the temperature indicator, the weighing balance, the volumetric flask, etc.



*Figure 9.4 Calibration of a weighing balance plays a great role in daily business life.*

Generally, calibration and verification play a key role of ensuring correctness or accuracy of the measuring equipment and reducing problems that come from mis-measurement results. This more detailed as below:

Calibration defines measurement parameters such as range, accuracy and precision of an instrument,

It helps in tracing the shifts in measurement due to damage of machines,

Calibration guarantees the quality is not affected by constant errors. Especially when quality of measurement is directly related to the quality of the product,

Calibration addresses the shift in measurement that may be caused by the weather conditions such as temperature, pressure and humidity, therefore being able to keep the shift within acceptable limits,

Periodic calibration ensures the measurements and outputs achieved are accurate all times without affecting the quality of the final product,

Calibration helps to make sure that the readings of the equipment or instruments are consistent with other measurements and display the correct readings every single time.



### Application Activity 9.3

Read the following passage and answer the questions thereafter.

Passage adapted from Rwanda Standards Journal, Issue 18, page 40.

In everyday life, everybody commonly measures something. People measure lengths, weights, speeds, time and they expect the indications of their measuring instruments to be reliable. In industry, for the manufacturing of products as well as for the provision of services, careful measuring is an element of the quality of the manufactured product or of the service provided. To carry out measurements, instruments are used, which no matter how sophisticated and modern they may be, have a common drawback: their readings are not constant in time. The causes of this drifting are many and the major one is definitely obsolescence. But there are other reasons: mechanical wear, oxidation, wrong handling, etc. After given intervals, the operator has to be able to rely on the reading of the measuring instrument, he has to have evidence that the instrument has not drifted beyond some limits. They must, in other words, be in a position to show that the traceability of the measurement to national standards is complied with.

#### Question:

What should someone (e.g. a business person) do to ensure that the traceability of the measurement to national standards is complied with? why?

## 9.4. Accreditation and its role in cross-border businesses



### Learning Activity 9.4

1. Given your background knowledge on quality management and certification studied in Ordinary Level, what do you understand by accreditation in business?
2. Why does the government of Rwanda put strict and clear regulations governing the flow of goods and services within and across its borders?

Accreditation is one of the critical quality infrastructure elements that facilitate trade.

Accreditation is the process used by countries' regulatory bodies (RSB for Rwanda) to ensure that businesses/organisations maintain minimum standards of quality and integrity regarding measurement and certification requirements governing trade.

Accreditation of conformity assessment bodies provides the acceptance of tests results, inspection reports and certificates that accompany products and services traded across borders.

### 9.4.1. Accreditation in Rwanda

According to international best practices, a responsible authority could employ its own inspectors or an independent recognized inspection body could be subcontracted to carry out the work in the implementation of standards and technical regulations, concentrating on issuing guidelines and monitoring activities. In Rwanda, Rwanda Standards Board (RSB) is the one in charge of accreditation.

Rwanda Standards Board (RSB) is responsible for certifying products for quality compliance to standards and ensures their control at all points of their production, marketing and consumption within the country. Responsible ministries like the Ministry of health and infrastructure and REMA ensure that activities and projects conform to the required certification requirements.



Figure 9.5 Certification bodies under RSB as the accreditation body

### 9.4.2. East African Community Accreditation

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The East African Community (EAC) has issued regulations to enhance the operationalization of the EAC Standardization, Quality Assurance, Metrology and Testing Act (SQMT) of 2006. The SQMT regulations are geared towards facilitating regional trade.

The regulations were approved by the Council of Ministers in November 2013 and are issued in line with Article 6 of the Protocol on Establishment of the EAC Common Market, with reference to Free Movement of Goods.

### 9.4.3. International Accreditation

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Everyday commercial transactions and international trade rely on the support of standards, metrology and accreditation quality systems. Through international efforts to establish mutual recognition and harmonisation across national borders in each area of standards and conformance, goods and services calibrated, tested, inspected or certified in one economy can be accepted by trading partners.

It is the primary purpose of regulatory bodies like international laboratory accreditation cooperation (ILAC) and international accreditation forum (IAF) to establish multilateral arrangements between their member accreditation bodies based on mutual evaluation and acceptance of each other's accreditation systems. In this way the acceptance of products and services across national borders is made easier by removing the need for them to undergo additional tests, inspections or certification in each country into which they are sold.

### 9.4.4. Role of Accreditation across Borders

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As international trade has grown, there is a need for technical regulations, standards, testing, inspection, and certification and accreditation procedures across all borders. This is meant to meet the legitimate requirements of quality and safety that consumers, businesses, regulators and other organisations demand of goods and services, whatever their country of origin.

Accreditation across borders plays a key role towards consumers and businesses in facilitating, regulating and promoting trade as seen below;

- Multilateral arrangements between national accreditation bodies have also helped make accreditation an internationally recognised 'stamp of approval' to demonstrate compliance against agreed standards and requirements and this means businesses spend less time tied up with bureaucracy.

- International accreditation agreements help increase the choice of goods and services available on the market and help to ensure that these meet relevant standards of quality and safety, whatever their country of origin.
- Holding accredited conformity assessment results shows credible evidence of conformance with national and international standards and regulations which can differentiate a business from its competitors.
- As accreditation is recognised internationally, it can open doors overseas equally as well as those in the domestic market. Indeed, an increasing number of organisations in both the public and private sectors in domestic markets and overseas are specifying accredited testing, inspection or certification as a precondition to tendering for contracts.
- Accredited conformity assessment can also contribute to the operational efficiency of businesses in other ways, saving time and money by reducing bureaucracy and by helping with risk management and key aspects of decision -making. For instance, it can be used as a basis on which to make efficient and informed choices about domestic suppliers and promotes confidence in imports from other countries.



### Application Activity 9.4

M and J Enterprises Ltd. is a medium sized business that is just starting. It is located in the Muko sector in Musanze district and deals in Juice and water related products. The business requires obtaining certification marks for the products.

#### Questions:

- a) As a student of entrepreneurship, advise M and J Enterprises Ltd. on which accreditation bodies they need to go through to obtain certification mark for their products at;
  - i) National level
  - ii) East African level
  - iii) International level
- b) Why does the business need to obtain certification marks for their products by the above accreditation bodies?

## End of Unit Assessment

### I. Project Activity

Write a report on how you manage quality in your School Business Club projects.

The report should include the legal business standards to observe in the business.

### II. Other Assessment Questions

1. Ingabire, Sandra and Jean Claude are planning to start up a business in your sector; they approached you for more information on metrology in business activities.  
Justify to them why having accurate measurements in business activities is very important for their business and show why they should feel confident to apply metrology in their business activities.
2. Explain the following concepts as used in metrology:
  - a) Quality assurance
  - b) Quality compliance
  - c) Quality management
  - d) Accreditation
3. As a member of a partnership business that you and the colleagues started in your community, you have been tasked to design for them a Quality Management System (QMS). Using your background knowledge and skills about quality management, design your business' QMS.
4. Explain how accreditation aids and promotes trade across borders.



# Unit 10: Accounting Prime Books

## Key unit competence

To be able to record appropriately business transactions in prime books.

## Introduction

In the business world, businesses need to keep accounting records for them to be able to ascertain profitability, manage creditors and debtors properly, and ensure proper cash transactions recording among others. In order to effectively understand this Unit, make use of the knowledge and skills you have acquired from senior 1 unit 6 (initiation to accounting), and senior 2, unit 10 (Initial accounting entries for a business). Therefore, this unit aims to equip you with competences to record appropriately business transactions in accounting prime books. It also provides bookkeeping systems and different books in which accounting transactions are recorded for the first time before posting them to the ledger.



### Introductory Activity

**Read the scenario below and answer the questions thereafter.**

UMULISA is a Motel operator in Inganzo village. As any other business person, she sometimes purchases goods either on credit or on a cash basis. Likewise, she sometimes sells some products on both credit and cash basis. In her interview at DUCURUZE TV, she revealed that the biggest challenge that is faced by her Motel is inability to record different transactions in a proper manner. This has caused her to either forget some of the clients she sold goods on credit to or forget creditors to her motel (which deteriorates relationship with suppliers). "For my motel, I record cash receipts and cash payments only," Umulisa reported. Her motel also experiences poor cash management due to the fact that there is no proper cash recording system put in place.

#### Questions:

- Identify the accounting system that is appropriate to record cash receipts and payments only.
- Which appropriate accounting prime books should UMULISA use to overcome challenges faced by her business?



## 10.1. Accounting Systems



### Learning Activity 10.1

1. **Read the scenario below and answer questions that follow.**

#### SCENARIO

KAMALI, owner of a small juice retail business, is concerned with knowing how much money he receives or pays every day by simply writing in his small book. On the other hand, GAKIRE operates a big supermarket with many busy transactions. GAKIRE's supermarket has many transactions with huge amounts of money. When the supermarket for example sells Red wine on credit, they do records on two sides, that is they recognize a decrease of the store and an increase of the money that customers owe the supermarket.

#### Questions:

- a) Between KAMALI and GAKIRE, whose business transactions are suitable for:
    - Single entry accounting system
    - Double entry accounting system
  - b) Using the scenario above, identify the advantages and disadvantages of single and double entry systems
2. **Record the following transactions in the books of GAKIRE supermarket using double entry system in T-accounts for the month of March, 2023**

March 2<sup>nd</sup>: Purchased goods amounting to 100,000FRW cash

March 5<sup>th</sup>: Sold goods to Kalisa at 150,000FRW. Kalisa paid 130,000FRW immediately, and the balance will be settled after a month

March 25<sup>th</sup>: Purchased goods amounting to 200,000FRW. The payment of 155,000FRW was effected immediately.

### 10.1.1. Single Entry System

An entry refers to the business' process of entering some financial information in an account.

Single Entry System: The term 'Single Entry' refers to a method of maintaining the accounts in a manner convenient to a business house, which does not exactly follow the principles of the double entry system. Under this system

only the minimum accounts, which in the opinion of business houses are absolutely essential, are being maintained (i.e. normally cash books and personal accounts of debtors & creditors are maintained). The other impersonal accounts i.e. real and nominal accounts may not be maintained. In other words, the single entry system is an incomplete form of account keeping.

Cash in (revenues) and cash out (expenses) are the main focus under this system. This accounting system keeps one side of each transaction and records each transaction as a single entry.

When all transactions have been fully recorded in the cash book, both the debit and credit columns are totalled, then, the totals are shown after underlining the last amounts on the same row. The total is then underlined with double lines. The difference between the two sides is then added to the smaller side as balance carried down (bal. c/d) or balance carried forward (bal. c/f) so that both columns balance. The balance c/d or c/f is then placed below the totals but on the opposite side (if it was on the debit, then placed on the credit side and vice-versa). This balance is then known as the balance brought down or forward (bal b/d or b/f) to start the following period.

- If there is use of bal.c/d, there should be use of bal. b/d consistently.
- If there is use of bal c/f, there should be use of bal. b/f as well. Make sure that this is followed through the accounting practice.

### Features of single-entry system

- Single entry system has no fixed set of rules and principles for recording the transactions, therefore, there is a variation on its application from one another.
- It maintains a personal account of all debtors and creditors.
- It maintains a cash book for recording cash receipts and payments.
- It is incomplete because it does not consider the dual effect of all the transactions.

### Example:

The following transactions took place in KAMALI juice retail business for the month of March, 2023:

March 1<sup>st</sup>: Kamali brought 300,000FRW in the business to expand business transactions

March 4<sup>th</sup>: Purchased goods from Gakire at 50,000FRW cash

March 17<sup>th</sup>: Paid a furniture for 40,000FRW

March 19<sup>th</sup>: Sold goods at 150,000FRW cash

March 21<sup>st</sup>: Paid rent for shop to landlord amounting to 80,000FRW

March 30<sup>th</sup>: Drew cash from business for personal use 45,000FRW

March 30<sup>th</sup>: Paid airtime of 12,000FRW

### Required:

Record the transactions in the books of KAMALI juice business using a single-entry system.

### Solution:

#### KAMALI JUICE BUSINESS

Dr \_\_\_\_\_ SINGLE CASH BOOK MARCH, 2023 \_\_\_\_\_ Cr

Date	Particulars	Amount (FRW)	Date	Particulars	Amount (FRW)
1 <sup>st</sup>	Capital	300,000	14 <sup>th</sup>	Purchases	50,000
19 <sup>th</sup>	Sales	150,000	17 <sup>th</sup>	Furniture	40,000
			21 <sup>st</sup>	Rent	80,000
			30 <sup>th</sup>	Drawings	45,000
				Airtime	12,000
			31 <sup>st</sup>	Bal c/d	223,000
		450,000			450,000
April 1st	Bal.	223,000			

### Advantages of single-entry system

- It is very simple and straightforward. It is at times referred to as self-employment accounting because it does not require trained accountants to handle.
- Single entry bookkeeping saves time because you need to record each transaction only once.
- The single-entry system is usually less expensive to maintain than the double entry system. It does not require the services of a trained person.
- Single entry system is suitable for small businesses because they cannot afford the cost of double entry.

### Disadvantages of single-entry system

- Comparing the current operations of the business with the previous records may not be possible because of unsystematic record keeping.
- A trial balance cannot be extracted to check on the arithmetic accuracy of the entries in the ledger. profits and losses cannot be determined because it is hard to prepare a profit and loss account in

the normal way.

- The financial position of a business is not determined because the information on assets and liabilities is not complete.
- Theft and other losses are less likely to be detected.

### 10.1.2. Double Entry System

Double entry is a system of keeping records, which involves making two entries for every transaction. It is one of the most important principles in accounting. This principle stresses that for every transaction; there should be both a debit entry and a corresponding credit entry. The double entry system is derived from the double entry principle, which is also known as the Golden rule that states “every debit entry must have a corresponding credit entry and vice-versa”.

#### A. An Account

Refers to the record or statement in the ledger where transactions of similar nature are expressed in financial or monetary terms as recorded in chronological order.

**Note:** The name or title of an account must always be indicated at the top of an account.

#### T-account format

Dr	Name of account	Cr

#### B. Crediting and debiting

Debiting and crediting of accounts is best seen in the T-accounts. T- Accounts divide each account into two sides; the left-hand side is called the debit side and the right hand side called the credit side. The effect of the transaction is recorded on the appropriate side of that account based on the double entry rules explained above.

- **Debiting an account:** is the process of recording a transaction on the debit side of an account.
- **Crediting an account:** is the process of recording a transaction on the credit side of an account.

Type of account	Increase (+)	Decrease (-)	Normal balance
Asset	Debit	Credit	Debit
Liability	Credit	Debit	Credit
Capital	Credit	Debit	Credit
Revenue/Income	Credit	Debit	Credit
Expenses	Debit	Credit	Debit

**Note:**

- Debit is shortened as (Dr)
- Credit is shortened as (Cr)

Thus, from every transaction, at least two accounts are involved. Then, these questions must be answered:

**1<sup>st</sup> question:** What are these two accounts to be affected or involved?

**2<sup>nd</sup> question:** What type of account are they?

**3<sup>rd</sup> question:** What account is to be debited and what account is to be credited?

**Rules of double entry**

- Every transaction affects at least two accounts
- There must be one debit entry and one credit entry
- The total credit must be equal to the total debit
- Particulars or details in the accounts will become names of other accounts where double entry is recorded.

**Example:**

Record the following transactions using double entry system:

March 1st: Purchased goods for 65,000FRW cash

March 15th: Sold goods for 50,000 FRW cash

**Solution:**

Dr	Cash account a/c		Cr
15/03/2023:	Sales : 50,000	01/3/2023: Purchases: 65,000	
Dr	Purchases account a		Cr
01/3/2023:	Cash: 65,000		

Dr	Sales account	Cr
		15/3/2023: Cash: 50,000

Normally, every account should be balanced off at the end each month. Balancing an account off is the adding of both the debit and credit sides in order to make the two sides equal. When balancing off an account the following steps are put into consideration:

**Step 1:** Add the two sides separately to find out the total of each

**Step 2:** Subtract the smaller side from the bigger side

**Step 3:** Record the differences on the smaller side and call it balance carried down (bal c/d) or balance carried forward (bal c/f)

**Step 4:** Now both sides are equal.

**Step 5:** Put balance c/d on the opposite side of the account and call it balance brought down (bal b/d) or balance brought forward (bal b/f).

**Note:** Refer to the cash account above to see the steps above, and use the remaining other accounts not balanced off to exercise on how to balance off an account.



### Skills Lab Activity

IGISUBIZO business club operates at GS Turashoboye secondary school located in Northern Province. It launched **Feel clean beauty soap**. During the month of April 2022, it carried out the following transactions:

2<sup>nd</sup>: Bought raw material to produce 150 bar soap at 50,000FRW

7<sup>th</sup>: Bought 2 registers and 5 pens for club use 3,000FRW

15<sup>th</sup>: Sold 25 bar soap to the school each at 700FRW

22<sup>nd</sup>: The school paid a half of its debt

26<sup>th</sup>: Bought more raw materials on credit from Kunda & Sons Ltd amounting to 70,000FRW

Record the transactions in IGISUBIZO business club's accounting books using the double entry system of bookkeeping.

## Advantages and Disadvantages of double entry system

### Advantages

- Maximum information can be obtained by the owner of the business and other interested parties.
- Each transaction of **revenue** and expenses is recorded, ensuring that the correct information regarding **income** and **losses** is provided.
- Indicates the financial position of the business on any day.
- Minimises the chance of errors and, if they are committed, they can be located easily.
- Serves as a comprehensive record of the business.
- Ensures the arithmetical accuracy of the books of account
- Shows all the amounts **receivable** or **payable**.

### Disadvantages

- Any events that cannot be expressed in terms of money are not recorded.
- It is sometimes difficult to find errors if the wrong amount is entered in the record.
- The system depends on an accountant's personal judgment, which may be inconsistent or biased.
- Time-consuming and complex to maintain, meaning that it is unsuitable for small businesses.



### Application Activity 10.1

The following transactions took place in BEST THINKERS Enterprise in October 2022:

October 1st started a business with cash at hand 100,000FRW

Oct 2nd Bought chemicals ingredients to produce liquid soap 45, 000FRW

Oct 3rd Sold 5 litres of liquid soap for 7,000FRW cash

#### **Required:**

Hired as a consultant, record the above accounting transactions by double entry.

## 10.2. Prime Books/Books of Original Entry



### Learning Activity 10.2

Match the following transactions that were carried out in XYZ Ltd with appropriate prime books to record them:

i) Bought a furniture on credit	a) Purchases returns journal
ii) Sold goods amounting to 100,000FRW cash	b) Sales journal
iii) Purchased goods on credit from Teta, 20,000FRW	c) General journal
iv) Sold goods on credit to Berwa, 40,000FRW	d) Purchases journal
v) Received goods returned by Berwa 20,000FRW	e) Cash book
vi) Returning some goods damaged in transit to Teta, 10,000FRW	f) Sales returns journal

In accounting, books of original entry are books in which transactions are first recorded on a daily basis before they are posted to the ledger. The information used to record in books of original entry is obtained from the accounting source documents such as invoices, receipts, pay slips, cheques among others. The summary of what each type of accounting book of prime entry records is shown in the table below:

Book of prime entry	Transaction type
Purchases journal	Credit purchases
Sales journal	Credit sales
Sales returns journal	Returns of goods bought on credit
Purchases returns journal	Returns of goods sold on credit
Cash book	All cash transactions
General journal	All transactions not recorded elsewhere

### 10.2.1. General Journal

A general journal is a subsidiary book, which is used to record transactions, which cannot be entered in other subsidiary books e.g. sales and purchase of fixed assets. In other words, a general journal is used to record transactions of unclassified nature. It explains the type of entries that will be made in the ledger accounts giving the reason for these entries in the narrative.



The importance of a general journal to any business include but is not limited to the following:

1. It is the diary of the business in which events are recorded as they occur;
2. It is a book of prime entry for correction of errors;
3. It is a book of summaries for the business;
4. It acts as a book of explanation for the business. After every transaction is entered, a brief explanation/ description is made;
5. It reduces risks of transactions being omitted as that of making only a single entry;
6. It shows the financial position of the business by comparing the debit side to the credit side;
7. It makes it easy to detect errors since all entries are listed in order of dates and supported by a simple explanation of the transaction.

### Format of a general journal

Date	Details/particulars	Folio	Debit	Credit

**The date:** This is a column for the year, month and date

**Details /particulars:** For names of two accounts affected

**Folio:** For page reference in the ledger

**Debit and credit:** These are two cash columns for debit and credit amounts respectively.

### Rules of journal entries

- Debit the receiver and credit the giver.
- Whenever an asset is bought, we are supposed to debit that particular asset account.
- Whenever an asset is sold we credit that account (asset).
- While making entries in the journal we start with accounts to be debited and those to be credited later.

### Example:

Make the necessary journal entries to record the following transactions in the books of Mugwiza & Sons Ltd 2010.

**April 1st:** Started a business with cash at hand 3,000,000FRW, and cash at bank 2,000,000FRW

**April 2<sup>nd</sup>:** Bought a car for 1,200,000FRW on credit to Eric

**April 5<sup>th</sup>:** Bought a new building on credit 1,500,000FRW from David

**April 15<sup>th</sup>:** Purchased a computer on credit at 400,000FRW from Johnson

**April 16<sup>th</sup>:** Sold the car that was bought on April 2<sup>nd</sup> at 2,000,000FRW cash

### MUGWIZA & SONS LTD

#### GENERAL JOURNAL

APRIL 2010

Date	Details	Folio	Debit	Credit
1 <sup>st</sup>	Cash a/c	L1	3,000,000	
	Bank a/c	L2	2,000,000	
	Capital a/c	L3		5,000,000
	<b>(Being capital contributed)</b>			
2 <sup>nd</sup>	Motor vehicle a/c	L4	1,200,000	
	Eric a/c	L5		1,200,000
	(Being a car bought on credit)			
5 <sup>th</sup>	Building a/c		1,500,000	
	David a/c	L6		1,500,000
	<b>(Being a house bought on credit)</b>	L7		
15 <sup>th</sup>	Computer a/c	L7	400,000	
	Johnson a/c	L8		400,000
	<b>(Being a computer on credit)</b>			
16 <sup>th</sup>	Cash a/c	L1	2,000,000	
	Motor vehicle a/c	L4		2,000,000
	<b>(Being a car sold)</b>			
30 <sup>th</sup>	<b>Total</b>		<b>10,100,000</b>	<b>10,100,000</b>

#### Exercise:

Record the following transactions in the general journal of TETA AUDREY for the month of October, 2023:

1<sup>st</sup>: Audrey started a business with cash at hand 100,000FRW and cash at bank 200,000 FRW

- 2<sup>nd</sup>: Paid for goods by a cheque 45, 000FRW
- 3<sup>rd</sup>: Sold goods for cash 7,000 FRW
- 7<sup>th</sup>: Paid a creditor, Mulisa by cheque 10,000 FRW
- 8<sup>th</sup>: Sold goods on credit to Muhire 15,000 FRW
- 13<sup>th</sup>: Bought goods by cheque 30,000 FRW
- 14<sup>th</sup>: Received cash 15,000 FRW from Muhire
- 15<sup>th</sup>: Bought shop fittings from Gakire on credit 19,000 FRW
- 16<sup>th</sup>: Paid wages in cash 6,000 FRW
- 16<sup>th</sup>: Paid carriage for goods in cash 4,000 FRW
- 18<sup>th</sup>: Received a loan from Equity bank 50,000 FRW

### 10.2.2. Specialised Journals

Special Journals are all accounting journals in an organisation except the general journal. All the transactions of similar transactions are recorded in an organised form that helps the company's accountants and bookkeepers keep track of all different business activities properly. They include the sales journal, purchase journal, return inward and the return outward journal.

#### C. Purchases Journal/Purchases Journal

**Purchases daybook/journal** is an accounting book that records all the credit purchases of the business chronologically before being posted to the ledger. It is a list of credit purchases from the purchase invoice in the order in which they happen.

When recording transactions in the purchases day book, it should be noted that fixed assets bought or sold on credit are not recorded in this book. They are recorded in the general journal. Each page of the purchases day book has a number that helps in posting the transactions to the ledger. The net amount to be paid to each creditor is posted to the credit side of each creditor's individual account in the purchase's ledger.

#### Format of a purchase journal

Date	Details/particular	Folio	Invoice number	Amount

**Example**

The following information relates to the books of Akeza for year 2023

1<sup>st</sup> March bought goods on credit from Mukasa invoice number 06: 48,000 FRW

5<sup>th</sup> March bought goods on credit from Bikorimana 36,000 FRW

10<sup>th</sup> March received an invoice from Mutabazi 50,000 FRW

15<sup>th</sup> March bought on credit from Munezero number 110:26,000 FRW

25<sup>th</sup> March credit purchases from Kwizera 34,000 FRW

**Required:** Prepare Akeza's purchases journal

**Solution:**

**AKEZA'S PURCHASES JOURNAL FOR THE MONTH OF MARCH 2023**

Date	Details	Folio	Invoice number	Amount (FRW)
1st	Mukasa	PL1	06	48,000
5th	Bikorimana	PL2		36,000
10th	Mutabazi	PL3		50,000
15th	Munezero	PL4	110	26,000
25th	Kwizera	PL5		34,000
<b>31<sup>st</sup></b>	Total to be transferred to the purchases account in the general ledger			194,000

**Exercise:**

The following transactions were carried out in the business of ISHIMWE during the month of May 2023:

1<sup>st</sup>: Bought on credit from Sam 80,000FRW and was given a discount of 5%.

6<sup>th</sup>: Bought on credit from Kato 16,000FRW

7<sup>th</sup>: Bought from Sam on credit 160,000FRW and a 5% discount was given

20<sup>th</sup>: Bought from Male on credit 23,000FRW

**Required:** Record the transactions above in the purchases journal of ISHIMWE

### D. Purchases Returns Journal

When goods which have been bought by the business are sent back to the

suppliers, then this is referred to as a return outwards or purchases returns and this reduces the amount to be paid to the supplier. The returns outwards journal is written from the information got from the incoming credit notes or received credit notes.

### Reasons why goods may be returned

An entrepreneur or buyer may return goods previously bought due to a number of reasons some of which include the following:

- In case they are supplied in the excess of the amount ordered for. This distorts the business budget as it demands payment beyond planned expenditure;
- In case they are defective or expired;
- If they are not of the size and quality ordered for;
- When they do not match with the purchases order placed (when they are different from the quotation);
- In case the goods get damaged while being transported by the supplier or any transporter contracted by the supplier, they will be returned;
- When goods are supplied at a higher price than that agreed on before placing the order.

### Format of a return outward journal

Date	Details	Folio	Credit note number	Amount

### Example:

Kimironko wholesalers returned goods to the following suppliers during the month of November 2022 and received credit notes from suppliers.

2<sup>nd</sup> Returned 5 boxes of tiptop bread to hot loaf limited because it had grown mold, each box 16,000FRW, credit note number 96;

6<sup>th</sup> Returned two bags of sugar to Scoul limited each 100,000FRW it was wet credit note number 98;

22<sup>nd</sup> Returned 5 boxes of soap to Mukwano Company because it was damaged, each box at 80000FRW, credit note number 100.

28<sup>th</sup> Received a credit note number 47 from Sam for juice which was expired worth 30,000FRW

**Required:** Prepare Kimironko wholesaler's purchases returns daybook

**Solution:****KIMIRONKO WHOLESALERS' PURCHASES RETURNS JOURNAL FOR THE MONTH OF NOVEMBER 2022**

Date	Details	Folio	Credit note number	Amount
2 <sup>nd</sup>	<b>HOT LOAF LTD</b> 5 boxes tiptop bread @ 16,000	PL2	96	80,000
6 <sup>th</sup>	<b>SCOUL LIMITED</b> 2 bags of sugar @ 100,000	PL3	98	200,000
22 <sup>nd</sup>	MUKWANO COMPANY 5 boxes of soap @ 80,000	PL4	100	400,000
28 <sup>th</sup>	<b>SAM JUICE</b>	PL	47	30,000
30 <sup>th</sup>	Total to be transferred to the return outwards account in the general ledger			710,000

**E. Sales Journal/ Sales Day Book**

This is a book of original entry where credit sales are first recorded before being posted to the ledger accounts. It records credit sales made by the business in their chronological order. The information used to record transactions in sales daybooks is obtained from the copies of the sales invoices sent to the customer(s) who buy goods on credit from the business.

The individual entries in the sales journal are posted to the debit side of the customer/ debtor's accounts in the sales ledger and the total is posted on the credit side of the sales account in the general ledger.

**Format of a sales day book**

Date	Details/particular	Folio	Invoice number	Amount

**Example:**

Enter the following transactions into the sales daybook of Alain for January 2016:

- 5<sup>th</sup> Jan: Credit sales to Peter 10,000FRW  
 6<sup>th</sup> Jan: Issued an invoice to Tom 20,000FRW  
 9<sup>th</sup> Jan: Credit sales to Richard 16,000FRW  
 17<sup>th</sup> Jan: Gave out an invoice to Kelia 10,000FRW

**Solution:****ALAIN'S SALES JOURNAL FOR THE MONTH OF JANUARY 2016**

Date	Details	Folio	Invoice number	Amount
Jan 5 <sup>th</sup>	Peter	SL1	-	10,000
Jan 6 <sup>th</sup>	Tom	SL2	-	20,000
Jan 9 <sup>th</sup>	Richard	SL3	-	16,000
Jan 17 <sup>th</sup>	Kelia	SL4	-	10,000
<b>Jan 31<sup>st</sup></b>	Total to be transferred to the sales account in the general ledger			56,000

**Exercise**

The following details relate to the books of Karekezi and sons limited for the month of May 2017:

- 3<sup>rd</sup> Issued an invoice to Mugwiza numbered 01, amounting to 43,000FRW  
 9<sup>th</sup> Issued an invoice to Mbabazi 02, amounting to 23,000FRW  
 15<sup>th</sup> Issued an invoice to Nsengiyumva 03, amounting 36,000FRW  
 23<sup>rd</sup> Gave out a sales invoice to Karangwa 043, amounting to 32,000FRW  
 27<sup>th</sup> Bought land on credit from Kalisa

**Required:** Prepare Karekezi's sales journal for the month of May.

**F. Sales Returns Journal**

This is the journal in which goods returned by the customer are recorded before being posted to the ledger accounts. It records the name of each debtor/customer who has returned goods previously bought on credit and the value of the goods returned by each in a chronological order.

The information recorded in returns inwards book is obtained from the credit notes issued to the customers who return the goods. When goods bought by customer (s) on credit are returned, a credit note is issued to the customer (s) to reduce the amount charged in the original sales invoices. The business normally accepts these returned goods to maintain a good reputation and customers.

### Format of return inwards journal

Date	Details/particulars	Folio	Credit note (outgoing)	Amount

### Example:

The following goods were returned to Gakuba wholesalers and thereafter credit notes were issued to customers.

Jan 1<sup>st</sup> 2013 Mugisha and company limited returned two rolls of cotton material because they were not of the right colour. 100,000FRW, credit note number 97.

Jan 8<sup>th</sup> St. Michael primary school returned 2 dozens of books because they were of poor quality each 18,000FRW credit note 101

### Required:

Record the above transaction in the sales return book.

### Solution:

#### GAKUBA WHOLESALERS' RETURN JOURNAL FOR THE MONTH OF JANUARY 2013

Date	Particulars	Folio	Credit note (outgoing)	Amount
1 <sup>st</sup>	MUGISHA COMPANY 2 rolls of cotton@100,000 each		97	200,000
8 <sup>th</sup>	ST. MICHAEL PRIMARY 2 dozens of books@18,000 each		101	36,000
31 <sup>st</sup>	Totals to be transferred to the return inwards account in the general ledger			236,000

### Exercise:

The following details relate to the books of Karekezi and sons limited for the month of May 2022

7<sup>th</sup> John issued a credit note for expired goods 012, amounting to 23,000FRW

10<sup>th</sup> Issued a credit note to Phillip 030, amounting to 5,200FRW



18<sup>th</sup> Returned goods to John and received a credit note 066, amounting to 32,000FRW

20<sup>th</sup> Issued a credit note to Denis 025, amounting to 4,500FRW

30<sup>th</sup> Issued a credit note to Denis 033, amounting to 6,000FRW

**Required:** Record the above transactions in Karekezi's sales return journal.

### 10.2.3. Cash Book

**The cash book** is defined as a book which records all receipts (cash and cheques from customers and debtors or other sources), and all the payments (to creditors or suppliers and other expenses) for a particular financial period.

A cash book is one of the subsidiary books or books of original entry. It is a subsidiary book because entries are posted from it to ledgers. It has two sides i.e. the left side denoted Debit and the right-side denoted Credit. This means that if a debit entry is made within a cashbook a corresponding credit entry is to be made in the respective ledger account. Similarly, if a credit entry is made in the cashbook then a debit entry is made in the respective ledger account. Here, concentration is put on main three forms of cash book i.e. single column cash book, two column cash book, and three column cash book.

**Note:** Only cash transactions are recorded in cash books. Credit transactions are recorded in other various journals.

#### G. Single/Simple Column Cash Book

This is a form of cash book with only one amount column on either side. It is like a cash account; this type of cash book is mainly used by small businesses that do not have a bank account or which do not normally carry out transactions involving cheques. It records only cash receipts and cash payments.

#### Format of a single column

Dr				Title				Cr			
Date	Details	Folio	Amount	Date	Details	Folio	Amount	Date	Details	Folio	Amount

#### Example:

Mrs. Teta carried out the following transactions during the month of February 2022.

1<sup>st</sup> She started a business with 1,500,000 FRW

- 3<sup>rd</sup> Bought furniture worth 1,000,000 FRW cash  
 4<sup>th</sup> Bought raw materials for 50,000 FRW cash  
 5<sup>th</sup> Paid wages and salaries 30,000 FRW  
 9<sup>th</sup> Paid rent 50,000 FRW  
 12<sup>th</sup> Received a commission of 100,000 FRW cash  
 21<sup>st</sup> Received cash from Sandra for goods sold to her 200,000 FRW  
 28<sup>th</sup> Bought a computer 300,000 FRW in cash

### Required:

Using the above information, prepare a single column cash book and balance it off.

### Solution

#### TETA'S SINGLE COLUMN CASH BOOK FOR THE MONTH OF FEBRUARY 2022

Dr				Cr			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
1 <sup>st</sup>	Capital	L1	1,500,000	3 <sup>rd</sup>	Furniture	L2	1,000,000
12 <sup>th</sup>	Commission	L6	100,000	4 <sup>th</sup>	Raw materials	L3	50,000
21 <sup>st</sup>	Sales	L7	<u>200,000</u>	5 <sup>th</sup>	Wages & salaries	L4	30,000
					Rent	L5	50,000
				9 <sup>th</sup>	Computer	L8	300,000
				28 <sup>th</sup>	Balance c/d		<u>370,000</u>
							<b><u>1,800,000</u></b>
	Balance b/d		<b><u>1,800,000</u></b>				
March 1 <sup>st</sup>			370,0000				

### H. Double/Two Column Cash Book

The two column cash book is referred to as the double column cash book. This is a cash book, which has both cash and bank columns on each side.

**Cash column:** This is a column that records receipts and payment of cash. Receipts are debited while payments are credited.

**Bank column:** This is a column that records deposits into the bank and withdraws from the bank. Deposits are debited while withdrawals are credited to the bank account.

It is called a two column cash book because it has two columns on each side where the amount is recorded.

**Note:** Two column cash book has columns for date, detail/ particulars, folio, cash and bank for both credit and debit sides.

- The cash column represents cash account while the bank column represents bank account.
- The particulars column states the name of the account in which double entry will be recorded in the ledger.
- The debit side records all receipts and the credit side records all the payments.

### Format of a two column

Dr					Cr				
Title					Title				
Date	Details	Folio	Cash	Bank	Date	Details	Folio	Cash	Bank

### Example:

Desire had the following transactions in the month of January 2023

Jan 1<sup>st</sup> Cash at hand 200,000FRW

Cash at bank 1,700,000 FRW

Jan 5<sup>th</sup> Received a Cheque from peter 300,000 FRW

Jan 7<sup>th</sup> Cash purchases 300,000 FRW

Jan 10<sup>th</sup> Cash sales 400,000 FRW

Jan 11<sup>th</sup> Paid Musoni by cheques 190,000 FRW

Jan 15<sup>th</sup> Bought stationery for use in cash 40,000 FRW

Paid rent by Cheque 200,000 FRW

Jan 20<sup>th</sup> Received payment by Cheque from Aaron 600,000 FRW

Jan 30<sup>th</sup> Paid Gasirabo by Cheque 100,000 FRW

### Required:

Prepare Desire's two columns cash book with the above transactions and dully balance it.

**Solution:****DESIRE'S TWO COLUMN CASH BOOK FOR THE MONTH OF JANUARY 2023**

Dr					Cr				
Date	Details	Folio	Cash	Bank	Date	Details	Folio	Cash	Bank
1 <sup>st</sup>	Bal b/d	L1	200,000	1,700,000	7 <sup>th</sup>	Purchases	L3	300,000	
5 <sup>th</sup>	Peter	L2		300,000	11 <sup>th</sup>	Musoni	L5		190,000
10 <sup>th</sup>	Sales	L4	<u>400,000</u>		15 <sup>th</sup>	Stationery	L6	40,000	
20 <sup>th</sup>	Aaron	L8		<u>600,000</u>		Rent	L7		200,000
					30 <sup>th</sup>	Gasirabo	L9		100,000
					31 <sup>st</sup>	Bal c/d		260,000	<u>2,110,000</u>
			<b><u>600,000</u></b>	<b><u>2,600,000</u></b>				<b><u>600,000</u></b>	<b><u>2,600,000</u></b>
Feb 1 <sup>st</sup>	Bal b/d		<b>260,000</b>	<b>2,110,000</b>					

**Special Entries in the Two Columns Cash Book**

There are entries in the two columns cash book that require special consideration and these include:

**Contra Entries**

**Contra entries** are entries of transactions, which complete their double entry within the cashbook. This means that there are both credit and debit entries for every transaction in the cash book. Contra entries are clearly indicated by the letter "**C**" placed in the folio column.

There are two types of contra entries in the cashbook i.e. Cash paid into the bank or cash taken from the business and banked. These are recorded using contra entry form

- 1) Cash withdrawal from the bank for business use or office use. The double entry is recorded as follows:

**DEBIT** cash column

**CREDIT** bank column

- 2) Deposit of cash into the bank; this transaction is contra and its entries will be:

**DEBIT** the bank with cash in detail column

**CREDIT** the cash account with Bank in detail column

**Note:**

- Cash sales paid directly into the bank is not a contra entry so it is recorded on the debit side of the cash book in the bank column.
- Drawing for personal/private use. Drawing refers to the money

or cash removed out of the business by the owner for private or personal use. This action reduces the cash of the business. Drawings in the form of cash from the business for personal use are NOT contra entries. It affects the cash account or bank account

**Example involving contra entries:**

From the details given below, write up a two-column cash book of PETER as per January, 2016 and balance off at the end of the month.

- 1<sup>st</sup> started a business with 70,000FRW in the bank.
- 2<sup>nd</sup> Paid for furniture using a cheque 8,000FRW
- 5<sup>th</sup> Cash sales 12,500FRW
- 6<sup>th</sup> Paid for postage by cash 450FRW
- 7<sup>th</sup> Received a cheque from Binno 8,200FRW
- 9<sup>th</sup> Withdrew cash from the bank 6,300FRW for business use
- 12<sup>th</sup> Ssali paid us in cash 1,400FRW
- 16<sup>th</sup> Paid wages in cash 2,200FRW
- 18<sup>th</sup> Paid Mutema by cheque 2,900FRW
- 20<sup>th</sup> Drawings 2,700FRW
- 23<sup>rd</sup> Paid electricity account by cheque 1,700FRW
- 26<sup>th</sup> Lini paid us by cheque 7,700FRW
- 28<sup>th</sup> Paid sundry expenses by cash 1,000FRW
- 30<sup>th</sup> Sold goods for cash 4,800FRW

**Dr PETER'S TWO COLUMN CASH BOOK FOR THE MONTH OF JANUARY 2016 Cr**

Date	Details	Folio	Cash	Bank	Date	Details	Folio	Cash	Bank
1 <sup>st</sup>	Capital	L1		70,000	2 <sup>nd</sup>	Furniture	L2		8,000
5 <sup>th</sup>	Sales	L3	12,500		6 <sup>th</sup>	Postage	L4	450	
7 <sup>th</sup>	Binno	L5		8,200	9 <sup>th</sup>	Cash	C		6,300
9 <sup>th</sup>	Bank	C	6,300		16 <sup>th</sup>	Wages	L8	2,200	
12 <sup>th</sup>	Ssali	L7	1,400	<u>7,700</u>	18 <sup>th</sup>	Mutema	L9		2,900
26 <sup>th</sup>	Lini	L12	<u>4,800</u>		20 <sup>th</sup>	Drawings	L10	2,700	
30 <sup>th</sup>	Sales	L14		85,900	23 <sup>rd</sup>	Electricity	L11		1,700
					28 <sup>th</sup>	Sundry exp	L13	1,000	
			<b><u>18,650</u></b>	<b><u>67,000</u></b>	31 <sup>st</sup>	Bal c/d		<b><u>25,000</u></b>	<b><u>85,900</u></b>
Feb 1 <sup>st</sup>	Bal b/d		25,000	85,000				18,650	67,000

### I. Three/Triple Column Cash Book

The two-column cash book can be enlarged further and converted into a three-column cash book by including a separate column for recording discounts, (discount allowed and discount received) hence the expression of three column cash book. This statement means that a three-column cash book has three columns for amounts on both debit and credit sides.

**Discount allowed** is an allowance extended to a debtor when he/she pays promptly.

i.e. within a specified period of time and it is therefore debited in the cashbook as an expense while

**Discount received** is an allowance received from suppliers or creditors when the enterprise pays promptly and therefore it is credited in the cashbook as an income

**Discounts:** This is an allowance given to a trader/customer on goods purchased. It takes the following forms:

- Trade discount
- Cash discount

**Trade discount:** It refers to a reduction in the usual price of a product that is given to customers who buy goods and services for resale. It is important to note that the net price is entered as sale value by the seller in the accounts. Equally, the net price is entered as purchase amount by the buyer in the accounts. **In other words, no entry is made for trade discount separately in books of accounts of the seller and buyer.** It has to be mentioned in the narration about the trade discount given on the list price.

**Cash discount:** This is a form of allowance given to the buyer by the seller to encourage him/her to pay in time and to always pay cash promptly. Discounts can be received from the supplier/manufacturers or can be given away / allowed to the business customers.

**Example:**

MUGISHA bought goods worth 500,000FRW and was allowed a trade discount of 5% and cash discount of 10%. How much did he pay for the goods?

**Solution:**

**Trade discount** =  $5\% \times 500,000 = 25,000$  FRW (remember that this will not be recorded anywhere either in the books of the buyer or those of sellers)

**Cash discount** =  $10\% \times (500,000 - 25,000) = 10\% \times 475,000 = 47,500$  FRW

**Amount paid for the goods** =  $500,000 \text{FRW} - (25,000 \text{FRW} + 47,500 \text{FRW}) = 427,500 \text{FRW}$

**Format of a three-column cash book**

Dr					Title				Cr			
Date	Details	Folio	Cash	Bank	Discount allowed	Date	Details	Folio	Cash	Bank	Discount received	

**Example:**

Kigali traders limited had balances cash at hand 220,000FRW at bank 14,000FRW on:

1<sup>st</sup> March 2022.

3<sup>rd</sup> Received a cheque from Juma 12,000FRW less 5% discount.

4<sup>th</sup> Paid cash to Okello 10,000FRW less 12.5% discount.

6<sup>th</sup> Karekezi paid his account of 40,000FRW by cheque less 3 ¼ % discount

8<sup>th</sup> Bought goods by cheque 20,000FRW

15<sup>th</sup> paid Mukasa by cheque 19,000FRW having deducted discount 1,000FRW

17<sup>th</sup> paid Nakure by cheque 14,250FRW in full settlement of his account for 15,000FRW

20<sup>th</sup> Cash sales 14,000FRW

21<sup>st</sup> Deposited cash into bank 120,000FRW

**Required:** Open up Kigali traders Limited's three column cash book.

**Solution:****Dr KIGALI TRADERS LTD'S THREE COLUMN CASH BOOK Cr**

Date	Details	FL	Cash	Bank	D.A	Date	Details	FL	Cash	Bank	D.R
1 <sup>st</sup>	Bal c/d		220,000	14,000		4 <sup>th</sup>	Okello		8,8750		1,250
3 <sup>rd</sup>	Juma			11,400	600	8 <sup>th</sup>	Purchases			20,000	
6 <sup>th</sup>	Karekezi	C	14,000		<u>1,300</u>	15 <sup>th</sup>	Mukasa			19,000	1,000
20 <sup>th</sup>	Sales			38,700		17 <sup>th</sup>	Nakure	C		14,250	750
21 <sup>st</sup>	Cash			<u>120,000</u>		21 <sup>st</sup>	Bank		120,000		
			<b><u>234,000</u></b>	<b><u>184,100</u></b>	<b><u>1,900</u></b>	31 <sup>st</sup>	Bal c/d		<u>105,250</u>	<u>130,850</u>	3,000
Apr. 1st	Bal b/d		105,250	130,850					<b><u>234,000</u></b>	<b><u>184,100</u></b>	

**Notes:**

- The discount columns are totaled but not balanced.  
The total of the discount columns is taken to the discount account as they are found in the cashbook. This is done so because the discount columns in the cashbook are not part of the double entry. They are regarded as a memorandum from which we get periodic totals to enter in the discount account.
- While posting to ledgers, discount received remains on the credit side as income and discount allowed remains on the debit side as expenses.

**Application Activity 10.2**

- The following transactions were extracted from the books of BASASA enterprise limited for the month of July 2022. In "000,000" FRW
  - 1<sup>st</sup> Bought goods on credit from Muhirwa 300
  - 2<sup>nd</sup> Bought goods on credit from Kagabo 340
  - 3<sup>rd</sup> Sold goods on credit to Kalisa 430
  - 5<sup>th</sup> Some of the goods were returned to Muhirwa 30
  - 8<sup>th</sup> Credit sales to Akaliza were worth 52
  - 10<sup>th</sup> Kalisa returned some goods worth 230
  - 11<sup>th</sup> Bought some goods from Mugisha on credit 630
  - 14<sup>th</sup> Sold some goods on credit to Mukahirwa 360
  - 16<sup>th</sup> Credit purchases from Kabera were 230





- 19<sup>th</sup> Some goods were returned to Kagabo 90
- 21<sup>st</sup> Mukahirwa returned goods worth 450
- 23<sup>rd</sup> Credit sales to Batamuriza 320
- 25<sup>th</sup> Credit purchases from Rugwiro 210
- 27<sup>th</sup> Returned some goods to Kabera 250

**You are required to prepare BASASA enterprise Limited:**

- i) Purchases day book
  - ii) Sales day book
  - iii) Return outward book
  - iv) Return inward book
2. The following information shows transactions that were carried out by KAMALIZA Enterprise in the month of March 2023.
- 1<sup>st</sup> Balance brought down 3,000,000FRW, and at bank and cash respectively.
  - 3<sup>rd</sup> Sold goods by cheque allowing a discount of 5% worth 200,000FRW
  - 6<sup>th</sup> Purchased goods by cheque receiving 6% discount for cash 800,000FRW
  - 9<sup>th</sup> Sold goods for cash allowing a discount 7% of 300,000FRW
  - 11<sup>th</sup> Paid rent for premises in cash 100,000FRW
  - 12<sup>th</sup> Banked cash 400,000FRW
  - 13<sup>th</sup> Paid transport by cheque 100,000FRW
  - 14<sup>th</sup> Cash purchases 120,000FRW
  - 15<sup>th</sup> Bought stationery and paid by cheque 390,000FRW
  - 16<sup>th</sup> Sold goods by cheque allowing 8% discount for 400,000FRW

**Required:** Record the above transaction in Kamaliza's three column cash book and balance it off.

## End of Unit Assessment

### I. Project Activity

In your business club, the following transactions took place in the month of December 2021:

1st: 10 new members of to the club paid a contribution of 500 FRW each

6th: Sold products on credit to Kamali amounting to 20,000FRW

8th: Bought raw materials on credit from Karekezi amounting to 10,000FRW

10th: Sold products to the Savana School amounting to 50,000FRW

12th: Bought raw materials from Karekezi amounting to 15,000FRW on credit

13th: Received a loan from BK at 100,000FRW

18th: Bought raw materials on credit from Karemera amounting to 10,000FRW

19th: Bought some raw materials to Karemera amounting to 4,000FRW

21st: Sold products on credit to Kwizera amounting to 55,000FRW

22nd: Kwizera returned some products amounting to 15,000FRW

23rd: Savana School returned goods for 5,000FRW

**Required:** Use appropriate accounting prime books to record the above transactions carried out in your business club.

### II. Other Assessment Questions

1. The return of goods by a customer should be recorded in:
  - a) Return outward journal
  - b) Return inward journal
  - c) Accounts receivable
  - d) Return outward account
2. An alternative name for a sales journal is:
  - a) Sales invoice
  - b) Sales ledger
  - c) Daily sales
  - d) Sales day book
3. Which of the following are not books of prime or original entry?
  - a) Sales daybook

- b) Purchases day book
  - c) Debtor's account
  - d) Cash book
  - e) Trial balance
4. Muhirwa sends back faulty goods valued at 80,000FRW to Kanyange. In which book of prime entry would Kanyange record this transaction?
- a) General journal
  - b) Purchases return journal
  - c) Sales journal
  - d) Sales return journal
5. A bookkeeper discovers that an amount paid to a supplier has been wrongly entered in another supplier's account. Which accounting prime book will the bookkeeper use when correcting this error?
- a) Cash book
  - b) General journal
  - c) Purchases day book
  - d) Sales day book
6. If a business uses special journals, purchase of supplies on account should be recorded in which journal?
- a) Cash receipts journal
  - b) Purchases journal
  - c) Cash disbursements journal
  - d) General journal
7. Which of the following is the correct journal to record a credit note issued to a customer for goods returned?
- a) Purchases return journal
  - b) Sales return journal
  - c) General journal
  - d) Sales journal
8. Which of the following book(s) is (are) a part of accounting prime books?
- a) Cash book
  - b) Purchases return journal
  - c) Purchases day book
  - d) All the above

9. May 1<sup>st</sup>, 2022 Wilson commenced a business with capital of 2,800,000FRW out of which 1,500,000FRW were put in the bank account and 1,300,000FRW were kept in the office in cash form.
- 2<sup>nd</sup> Bought shop fittings for 160,000FRW cash
  - 3<sup>rd</sup> Bought goods amounting to 300,000FRW cash
  - 5<sup>th</sup> Sold goods and received a cheque of 400,000FRW
  - 6<sup>th</sup> Sold goods for cash 150,000FRW
  - 10<sup>th</sup> Bought goods for 200,000FRW by cheque
  - 15<sup>th</sup> Cash sales 500,000FRW
  - 17<sup>th</sup> Paid for carriage inwards 10,000FRW cash
  - 20<sup>th</sup> Received a bank loan of 500,000FRW
  - 22<sup>nd</sup> Paid wages 20,000FRW cash
  - 23<sup>rd</sup> Paid electricity bill by cheque 150,000FRW
  - 27<sup>th</sup> Paid rent 20,000FRW cash

**Required:** Prepare a two-column cash book and balance it off.

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