

Entrepreneurship for General Education

**Student's Book
Senior Six**

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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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Ms. Joan MURUNGI,

Head of Curriculum, Teaching and Learning Resources Department/REB

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Unit 1: Ledgers and Trial Balance

Key unit competence

To be able to prepare ledger accounts and trial balance.

Introduction

It's likely that you have heard the saying, "It costs money to make money." A businessperson contributes money and, ideally, makes good use of it to create even more value.

You were introduced to Accounting prime books in Senior Five unit 10, for you to acquire the necessary skills from this unit; whenever you attempt a question in arithmetic, you try to verify whether your answer is correct. Similarly, an accountant also wants to be sure that the ledger accounts she or he has prepared are correct regarding the amount, side, balance, etc. To determine whether the debit or credit amounts recorded in the ledger are correct, you must prepare the trial balance. This unit will teach you how to prepare ledgers and a trial balance.

Introductory Activity



In Senior 5 unit 10, you studied accounting prime books, in which you recorded a variety of transactions carried out by various businesses as well as those for your club activities in different prime books (Purchases journal, Sales journal, Sales returns journal, Purchases returns journal, Cash book and General journal). As a result, it is important to continue posting transactions to the respective accounts for the business's financial status to make more sense and assist the entrepreneur in making an appropriate decision.

Use your previous experience and accounting skills to answer the following questions.

- Where do you think the information from journals is posted?
- Why is posting accounting information important in business?
- On 1st. June.2023, John started a business with 200,000FRW, of which 100,000FRW was at the bank account.

2nd June.2023 he purchased a machine to use in his business and paid cash 80,000FRW.

Required:

- i) Journalize the transactions above.
- ii) Post the information to the appropriate ledger.
- iii) Prepare a trial balance for John's business.

1.1. Ledger



Learning Activity 1.1

The average businessperson has so many matters to attend to, and his/her transactions are so numerous that it is impossible to remember everything that happens chronologically in journals. Using your prior knowledge related to transactions.

- a) What is meant by a term ledger and posting?
- b) Show the different classifications of ledgers.

1.1.1. The meaning and types of ledgers

A ledger is a collection or a set of accounts of a business. While the journal records all transactions chronologically, ledger accounts classify the transactions and record those of similar nature in one account. The process of transferring information from the books of original entry to the ledger accounts is called posting.

For instance, all transactions related to cash movement must be recorded together under one statement called "Cash account",

There are several types of ledgers in accounting. In this unit, focus is put on three types of ledgers which include:

- a) General ledger:** is a ledger that contains all accounts of the business except sales and purchases. E.g., assets, liabilities, incomes, expenses, and capital.
- b) A sales ledger/ Debtors ledger** is a collection of all accounts of people or businesses to whom the business has sold goods on credit (debtors).
- c) Purchases ledger/Creditors ledger** is collection of accounts of people or businesses from whom the business has bought goods on credit (creditors).



Skills Lab Activity

Case study:

Mupenzi, a businessman that deals in fruits, visits an organisation that offers rural business owners small grants to expand their businesses. The review panel conducted a short interview to gather some information about Mupenzi's business to determine if he qualifies.

Panel: How much have you spent on equipment and materials for your business so far?

Mupenzi: It's quite some amount. More than 100,000.

Panel: How much have you sold this last quarter?

Mupenzi: Business hasn't been good because of the heavy rains. A bit lower than last year.

After the interview, Mupenzi learnt that he did not qualify for the grant.

1. Why do you think Mupenzi failed to get the grant?
2. What should Mupenzi have done differently to qualify him for the grant?

1.1.3. Preparation of ledgers

After recording accounting transactions in appropriate accounting prime books i.e.: general journal, purchases journal, sales journal, return inwards and return outwards journals, as well as different forms of cash books in chronological order, the next important step is to post accounting information from different prime books listed earlier to respective ledgers. It is in the ledger, that all transactions of similar nature are recorded together under one account.

The table below summarises how and what to post from prime books to ledgers

Accounting prime book		Type of ledger
General journal		General ledger
Purchases journal	Each credit purchase from creditor	Purchases ledger/ creditors ledger
	Total purchases on credit from purchases journal	General ledger
Purchases return journal	Each return to a creditor	Purchases ledger/ creditors ledger
	Total purchases returns	General ledger

Accounting prime book		Type of ledger
Sales journal	Each credit sale to a debtor	Sales ledger/debtors ledger
	Total sales on credit for sales journal	General ledger
Sales return journal	Each return from a debtor	Sales ledger/debtors ledger
	Total sales returns	General ledger
Cash book (all forms)		General ledger, sales ledger, purchases ledger

A. Purchases ledger/ Creditors' ledger

The creditors' ledger accumulates information from the purchases journal. The purpose of the creditors' ledger is to provide knowledge about which suppliers the business owes money to, and how much. This is achieved by posting information from the purchases journal to creditors' ledger.

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 total 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) using the last date of the month.

Step 4: Now both sides are equal.

Step 5: Put balance c/d on the opposite side (bigger side) of the account and call it balance brought down (bal b/d) or balance brought forward (bal b/f), using first date of the next month or period

Example 1:

Given the following Akeza's purchases journal, post the information to the creditors' ledger.

AKEZA'S PURCHASES JOURNAL FOR THE MONTH OF MARCH 2023

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

Solution:

CREDITORS' LEDGER

Dr	Mukasa a/c	Cr
31/3/2023: Balance c/d:	<u>48,000</u>	1/3/2023: Purchases: <u>48,000</u>
	<u>48,000</u>	<u>48,000</u>
		1/4/2023: Bal b/d 48,000

Dr	Bikorimana a/c	Cr
31/3/2023: Balance c/d:	<u>36,000</u>	5/3/2023: Purchases: <u>36,000</u>
	<u>36,000</u>	<u>36,000</u>
		1/4/2023: Bal b/d 36,000

Dr	Mutabazi a/c	Cr
31/3/2023: Balance c/d:	<u>50,000</u>	10/3/2023: Purchases: <u>50,000</u>
	50,000	<u>50,000</u>
		1/4/2023: Bal b/d 50,000

Dr	Munezero a/c	Cr
31/3/2023: Balance c/d:	<u>26,000</u>	15/3/2023: Purchases: <u>26,000</u>
	<u>26,000</u>	<u>26,000</u>
		1/4/2023: Bal b/d 26,000

Dr	Kwizera a/c	Cr
31/3/2023: Balance c/d:	<u>34,000</u>	25/3/2023: Purchases: <u>34,000</u>
	<u>34,000</u>	<u>34,000</u>
		1/4/2023: Bal b/d 34,000

Note: The total of credit purchases is debited in the purchases account which is opened up in the general ledger.

Example 2:

Given the following Kimironko wholesalers' purchases returns journal, post the information to the creditors' ledger.

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

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

CREDITORS' LEDGER

Dr	Hot Loaf Ltd a/c	Cr
2/11/2022: Return outwards:	<u>80,000</u>	30/11/2022: Balance c/d:
	<u>80,000</u>	<u>80,000</u>
1/12/2022: Bal b/d	80,000	

Dr	Scoul Limited a/c	Cr
6/11/2022: Return outwards:	<u>200,000</u>	30/11/2022: Balance c/d:
	<u>200,000</u>	<u>200,000</u>
1/12/2022: Bal b/d	200,000	

Dr	Mukwano company a/c	Cr
22/11/2022: Return outwards:	<u>400,000</u>	30/11/2022: Balance c/d:
	<u>400,000</u>	<u>400,000</u>
1/12/2022: Bal b/d	400,000	

Dr	Sam Juice a/c	Cr
28/11/2022: Return outwards:	<u>30,000</u>	30/11/2022: Balance c/d:
	<u>30,000</u>	<u>30,000</u>
1/12/2022: Bal b/d	30,000	

Note: The total of purchases returns is credited in the return outwards account which opened in the general ledger.

B. Sales ledger/Debtors' ledger

The debtors' ledger accumulates information from the sales journal. The purpose of the debtors' ledger is to provide knowledge about which customer owes money to the business, and how much. This is achieved by posting information from the sales journal to debtors' ledger.

Example 3:

Given the following Alain's sales journal, post the information to the debtors' ledger.

ALAIN'S SALES JOURNAL FOR THE MONTH OF JANUARY 2016

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

DEBTORS' LEDGER

Dr	Peter a/c	Cr
5/1/2016: Sales:	10,000	

Dr	Tom a/c	Cr
6/1/2016: Sales:	20,000	

Dr	Richard a/c	Cr
9/1/2016: Sales:	16,000	

Dr Kelia a/c Cr

17/1/2016: Sales:	10,000	
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Note: The total of credit sales is credited in the sales account which opened in the general ledger.

Example 4:

Given the following Gakuba's sales returns journal, post the information to the debtors' ledger.

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

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

DEBTORS' LEDGER

Dr Mugisha Company a/c Cr

	1/1/2013: Return inwards: 200,000
--	-----------------------------------

Dr	St Michael Primary a/c	Cr
		8/1/2013: Return inwards: <u>36,000</u>

Note: The total of sales returns is debited in the return inwards account which opened in the general ledger.

C. General ledger

The general ledger contains all other accounts that are not kept in any other ledger e.g., buildings, furniture, and stock account.

Note: personal accounts of debtors or creditors who do not arise out of sale or purchase of goods on credit are kept in the general ledger e.g. debtors as a result of sale of fixed assets on credit and expenses creditors.

Let us first of all post the totals of purchases journal, purchases return journal, sales journal, and sales returns journal used above:

GENERAL LEDGER

Dr.	Purchases a/c	Cr
31/1/2023: Sundry creditors: <u>194,000</u>		31/1/2023: Balance c/d: <u>194,000</u>
	<u>194,000</u>	<u>194,000</u>
1/2/2013: Bal b/d	194,000	

Dr	Return outwards a/c	Cr
30/11/2022: Balance c/d: <u>710,000</u>		30/11/2022: Sundry purchases returns: <u>710,000</u>
	<u>710,000</u>	<u>710,000</u>
		1/12/2022: Bal b/d 710,000

Dr	Sales a/c	Cr
31/1/2016: Balance c/d: <u>56,000</u>		31/1/2016: Sundry debtors: <u>56,000</u>
	<u>56,000</u>	<u>56,000</u>
		1/2/2016; Bal b/d 56,000

Dr	Return inwards a/c	Cr
31/1/2013: Sundry sales returns: <u>236,000</u>		31/1/2016: Balance c/d: <u>236,000</u>
1/2/2013: Bal b/d	236,000	

It is good time to remember that the records in the cashbook are posted to the general ledger, creditors' ledger, and debtors' ledger depending on what transaction took place.

Notes:

- When transactions are recorded in the cashbook, cash and bank accounts are not opened up in the ledger. Because the recording of transactions in the cash book takes the shape of a ledger account. The cash book serves the purpose of a ledger account as well as a journal for cash and bank accounts.
- Contra entry transactions are not posted to the ledger because their double entry is completed within the cashbook.
- Discount allowed and discount received are posted to discount allowed account and discount received account respectively in the general ledger
- While posting information from any type of cash book,
 - i) Details from the debit side are names of accounts to be opened in the ledger and credited; and
 - ii) Details from the credit side are names of accounts to be opened in the ledger and debited.
- The balance brought down (bal b/d) or balance brought forward (bal b/f) is posted to the capital account in the general ledger.

Example 5:

Given the cash book below of Kigali Traders Ltd, post the information to the respective ledgers. Personal accounts appearing in the cash book below are for businesses that one-time transacted goods on credit with Kigali Traders Ltd.

**KIGALI TRADERS LTD'S THREE COLUMN CASH BOOK
FOR THE MONTH OF MARCH 2022**

Dr		Cr									
Date	Details	FL	Cash	Bank	D.A	Date	Details	FL	Cash	Bank	D.R
1 st	Bal b/d		220,000	14,000		4 th	Manzi		8,8750		1,250
3 rd	Juma			11,400	600	8 th	Purchases			20,000	
6 th	Karekezi		<u>14,000</u>	38,700	<u>1,300</u>	15 th	Mukasa			19,000	1,000
20 th	Sales	C				17 th	Mwiza	C		14,250	750
21 st	Cash		<u>234,000</u>	<u>120,000</u>		21 st	Bank		<u>105,250</u>		
Apr. 1 st	Bal b/d		105,250	<u>184,100</u>	<u>1,900</u>	31 st	Bal c/d		<u>234,000</u>	<u>130,850</u>	<u>3,000</u>
				130,850						<u>184,100</u>	

Solution:

i) GENERAL LEDGER

Dr	Capital a/c	Cr
	1/3/2022: Cash:	220,000
	Bank:	140,000

Dr	Sales a/c	Cr
	20/3/2022: Cash:	14,000

Dr	Purchases a/c	Cr
8/3/2022: Bank:	20,000	

Dr	Discount allowed a/c	Cr
31/3/2022: Total D.A:	1,900	

Dr	Discount received a/c	Cr
	31/3/2022: Total D.R:	3,000

ii) CREDITORS' LEDGER:

Dr	Manzi a/c	Cr
4/3/2022: Cash:	8,8750	
: D.R :	1,250	

Dr **Mukasa a/c** **Cr**

15/3/2022: Bank:	19,000	
: D.R :	1,000	

Dr **Mwiza a/c** **Cr**

17/3/2022: Bank:	14,250	
: D.R:	750	

iii) DEBTORS' LEDGER:

Dr **Juma a/c** **Cr**

	3/3/2022: Bank:	11,400
	: D.A :	600

Dr **Karekezi a/c** **Cr**

	6/3/2022: Bank:	38,700
	: D.A:	1,300

Exercise:

Following the clear steps of balancing accounts, balance off accounts in all the above ledgers.



Application Activity 1.1

KAMALIZA ESE'S THREE COLUMN CASH BOOK AS ON MARCH 2023

Dr		Cr									
Date	Details	FL	Cash	Bank	D.A	Date	Details	FL	Cash	Bank	D.R
1 st	Bal. b/d		1,000,000	3,000,000	10,000	6 th	Purchases		752,000	-	48,000
3 rd	Sales			190,000	21,000	11 th	Rent		100,000	-	
9 th	Sales			400,000		12 th	Bank	C	400,000		
12 th	Cash	C	<u>279,000</u>	<u>400,000</u>		13 th	Transport			100,000	
16 th	Sales				-	14 th	Purchases		120,000		
31 st			<u>2,279,000</u>	<u>3,590,000</u>	-	15 th	Stationery			390,000	
Apr. 1 st			907,000		<u>31,000</u>	31 st	Bal. c/d		<u>907,000</u>	<u>3,468,000</u>	<u>48,000</u>
	Bal. b/d			3,468,000					<u>2,279,000</u>	<u>3,590,000</u>	

Required:

Post the information to the appropriate ledgers, and balance them off as at 31st March 2023

1.2 Trial Balance



Learning Activity 1.2

1. At the end of every month, Mukamana draws a list of accounts to check whether her records are properly recorded with arithmetical accuracy or otherwise; she passes necessary accounting records to correct detected errors in her books of accounts in case they are not appropriately recorded.
 - i) Referring to what Mukamana does at the end of each month, what do we call that exercise in accounting?
 - ii) What do you understand by the term trial balance?
2. Do you think it is important to extract a trial balance? Justify your answer.

1.2.1. Meaning of a trial balance

A **trial balance** is a list of the debit and credit balances extracted from the ledgers at a particular date.

It is referred to as a tool to prove the arithmetical accuracy of the entries made in the ledger. If the records have been correctly maintained based on a double entry system, the totals of the credit and debit would be equal to each other.

1.2.2. Importance of a trial balance

- It is used as proof of the arithmetical accuracy of the entries made in the ledger.
- The trial balance helps to know the assets and liabilities of a business by just looking at it.
- Easy preparation of final accounts to determine the profit or losses of the business.
- One may rely on the results derived from the trial balance when the total of debits equals the total of credits.
- Arithmetical errors made during recording and posting of transactions are easily detected by preparing a trial balance.

1.2.3. Preparation of a trial balance

Trial Balance is not an account. It is only a list or schedule of balances of ledger accounts. It is prepared following the steps below:

Step 1: Post all the journal entries to the appropriate ledgers.

Step 2: Balance off all ledger accounts and determine the credit or debit balances for each ledger account.

Step 3: List all the accounts with their debit or credit balances. Ensure the debit balances are in one column and the credit balances are in another.

Step 4: Add up all the credit balances and add up all the debit balances.

Step 5: The total of the debit balances should be equal to the total of the credit balances. If the totals are unequal, recheck the process to identify and correct the errors.

Note: The accounts having a debit balance are entered in the debit amount column, and the accounts having a credit balance are entered in the credit amount column.

Format of a trial balance

Title

Particulars	Debit	Credit
Any assets	XXX	
Any expenses	XXX	
Any revenue/income		XXX
Capital		XXX
Any liabilities		XXX
Total	XXXXX	XXXXX

Note: All expense and asset accounts normally have debit balances and are listed in the debit column, and all liability and income accounts normally have credit balances and are listed in the credit column.

Let us use the example on page 4 to make a list of accounts of Akeza's business as at the end of March, 2023

Account	Balance
Creditors: - Mukasa	48,000
- Bikorimana	36,000
- Mutabazi	50,000
- Munezero	26,000
- Kwizera	34,000
Purchases	194,000

Example 6:

Using the account balances extracted from the books of Akeza's business as listed above, prepare a trial balance for her business.

Solution:

AKEZA'S TRIAL BALANCE AS AT 31ST MARCH, 2023

Particulars	Debit	Credit
Purchases	194,000	
Creditors: - Mukasa		48,000
- Bikorimana		36,000
- Mutabazi		50,000
- Munezero		26,000
- Kwizera		34,000
Total	194,000	194,000

Note: when details about opening and closing stock balances are given, the opening stock balance is used in the trial balance while the closing stock balance is used to prepare the income statement and balance sheet.

Example 7:

The following balances were extracted from Claudine Enterprises' books as of December 2020. Extract the trial balance.

Capital	8,880,000
Purchases	7,000,000
Stock 01-Jan 2008	1,550,000
Furniture	3,000,000

Debtors	1,050,000
Bank overdraft	750,000
Motor vehicles	5,200,000
Cash at hand	250,000
Return outward	150,000
Distribution expenses	400,000
Sales	9,500,000
Creditors	850,000
Salaries	1,400,000
Commission received	240,000
General expenses	520,000

CLAUDINE'S TRIAL BALANCE AS ON 31ST DECEMBER 2020

Particulars	Debit	Credit
Purchases	7,000,000	
Opening stock	1,550,000	
Furniture	3,000,000	
Debtors	1,050,000	
Motor vehicle	5,200,000	
Cash at hand	250,000	
Distribution expenses	400,000	
Salaries	1,400,000	
General expenses	520,000	
Capital		8,880,000
Bank over draft		750,000
Return out wards		150,000
Sales		9,500,000
Creditors		850,000
Commission received		240,000
Total	20,370,000	20,370,000



Application Activity 1.2

The following balances were extracted from the books of Umucyo Business Club as at the end of December 2020. Prepare the trial balance.

Cash	300000
Bank	1225000
Purchases	230000
Sales	1125000
Furniture	200000
Return inward	15000
Capital	845000
Discount allowed	100,000
Discount received	50,000
Return outwards	150,000

Additional information:

The closing stock as at 31st December 2023 was 28, 000FRW.

End of Unit Assessment

I. Project Activity

Given the following prime books extracted from XL business club's accounting books as at 30th November 2023, post the information to respective ledgers and there after extract a trial balance

XL BUSINESS CLUB**General journal****FOR THE MONTH OF NOVEMBER 2023**

Date	Details	L.F	Debit (FRW)	Credit (FRW)
1 st	Cash a/c Capital a/c (Being capital for the business club)	G.L1 G.L2	500	500
8 th	Raw materials a/c Karekezi a/c (Being raw materials bought on credit)	G.L3 G.L4	10,000	10,000
12 th	Raw materials a/c Karekezi a/c (Being raw materials bought on credit)	G.L3 G.L4	15,000	15,000
13 th	bank a/c loan a/c (Being loan from the BK)	G.L5 G.L6	100,000	100,000
18 th	Raw materials a/c Karemera a/c (Being raw materials bought on credit)	G.L3 G.L5	10,000	10,000
19 th	Raw materials a/c Karemera a/c (Being raw materials bought on credit)	G.L3 G.L5	4,000	4,000
	Total		139,500	139,500

XL BUSINESS CLUB**Sales journal****FOR THE MONTH OF NOVEMBER 2023**

Date	Details	L.F	Invoice no	Amount (FRW)
6 th	Kamali	S.L1		20,000
10 th	Savana school	S.L2		50,000
21 st	Kwizera	S.L3		55,000
30 th	Total			125,000

XL BUSINESS CLUB**Return inwards journal****FOR THE MONTH OF NOVEMBER 2023**

Date	Details	L.F	Credit note no	Amount (FRW)
22 nd	Kwizera	S.L3		15,000
23 rd	Savanna school	S.L2		5,000
30 th	Total			20,000

2. Explain the following terms:
 - i) Ledger
 - ii) Trial balance
3. Why is important to prepare trial balance.
4. Explain the steps that are taken to prepare a Trial Balance
5. Explain the term 'Posting'?
6. The following information was extracted from the books of Keza limited on 31st December 2020.

Sales	1280000
Purchases	900000
Return in wards	60000
Return outwards	50000
Carriage inward	100000
Stock Jan 1 st , 2020	280000
Rent	40000
Advertising	80000
Premium	1220000
Machinery	750000
Debtors	180000
Bank loan	600000
Cash at hand	140000
Cash at bank	270000
Drawing	100000
Discount allowed	50000
Discount received	20000
Capital	1900000
Carriage outwards	80000
Wages and salaries	150000
Creditors	370000

Required: Prepare the Keza limited' trial balance as on 31st December 2020



Unit 2: Financial Statements

Key Unit Competence

To be able to prepare a balance sheet, income statement, and cash flow statement.

Introduction

Business enterprises in today's world take it as a requirement to ascertain their performances at the end of every year (trading period). This can only be attained by preparing different financial statements (final accounts).

The knowledge and skills acquired from the previous unit will enable you to better understand the source of information used in financial statements.

This unit will enable you to prepare a balance sheet, income statement and cash flow statement.



Introductory Activity

Read the scenario below and use it to answer the questions that follow.

James is a local entrepreneur in Huye town. He is so passionate and committed to solving community problems in his hometown and the nation at large. This made him start a crafts business. He travels to villages and collects crafts from women groups to sell in his shop. His shop is strategically located to attract tourists visiting Nyungwe Forest. James has a book to record all daily sales, supplies, and operating expenses. He thought it was the best way to keep track of all business transactions.

He desired to expand the business and believes that 5 million Francs would be enough. His sister Uwera, a student of entrepreneurship, advised him to approach investors and banks and pitch his business to convince them to provide funding to enable him meet the business's growth needs.

The investors only gave him 10 minutes to explain the profitability of his business, the net financial position, and the financial projections he needed for the next two years, but this presented a challenge because the book he kept could not easily provide this information in the given time, so he failed to convince the investors and missed out on the funding.



James realised he needed to organise the financial information he was keeping in a specific order so that he could make quick decisions and make it more presentable and easier to explain to investors.

Questions.

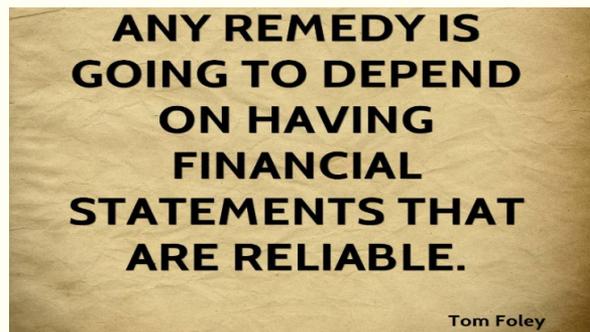
1. What types of documents would James have used to organise his business's financial data before presenting it to investors?
2. Do you think it was necessary for James to prepare those documents? Justify your answer
3. What key information should be included in those documents?

2.1. Meaning and importance of Financial Statements



Learning Activity 2.1

Study the quote below and respond to the questions that follow.



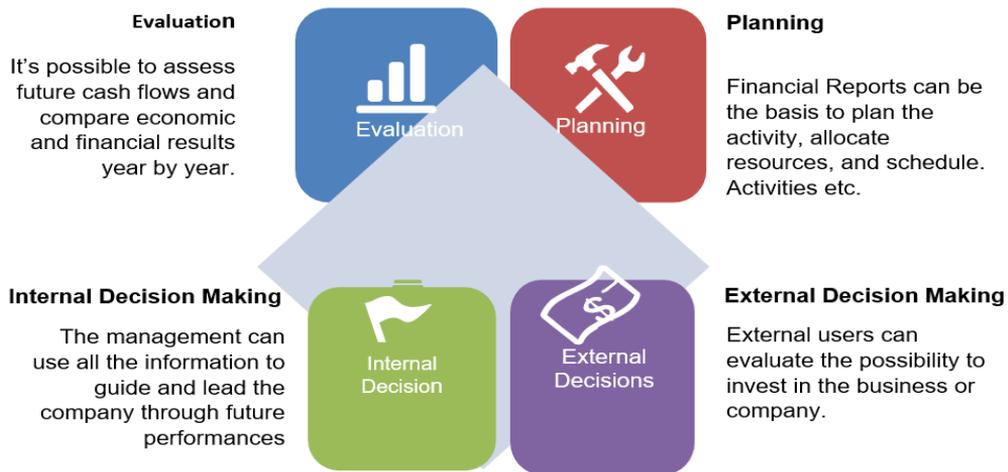
Questions.

- a) What does the quote above mean to you as a student of entrepreneurship?
- b) Why does the author of the quote emphasise the reliability of the financial statements?
- c) What do you mean by financial statements?
- d) Why should entrepreneurs prepare financial statements for their businesses?

2.1.1. Meaning of Financial Statements

Financial statements are the reports prepared by a company's management to present the financial performance and position at a point in time. External users of accounting information like investors and creditors are more interested in financial statements than books of accounts.

2.1.2. Importance of Financial Statement



Other importance of financial statements may include.

- To determine whether a business can pay back its debts.
- To track financial results on a trend line to spot any looming profitability issues.
- To derive financial ratios from the statements that can indicate the condition of the business.
- To investigate the details of certain business transactions, as outlined in the statements' disclosures.



Application Activity 2.1

JYAMBERE cooperative is a cooperative of 3,000 rice farmers that was established in 2016. The cooperative collects and sells the members' produce at a competitive price, allowing them to generate a lot of revenues of over 50,000,000FRW every month. The money generated is used to meet all the necessary costs. Their annual incomes and expenses reports portray a lot of profits made by the cooperative. Using the scenario of the JYAMBERE cooperative,

- a) What do we call those reports in business?
- b) Why is it important to make those financial reports?

2.2. Types of financial statements



Learning Activity 2.2

- a) Refer to your school business club and identify some items that may be considered as expenses, revenues, assets, and liabilities.
- b) Which financial reports does your business club prepare when preparing for a general business club assembly? What do they include?

There are four main types of financial statements: Income Statement, Balance Sheet, Cash Flow Statements and Statement of Owners Equity.

a) Income statement: this is a financial statement that reports a company's financial performance over a specific accounting period. Financial performance is assessed by giving a summary of how the business incurs its revenues and expenses through both operating and non-operating activities. This statement is composed of two sections namely trading account, and profit & loss account.

- **Trading account**

A trading account is an account which is prepared to determine the gross profit or the gross loss of a trading business. It involves the treatment of:

- Sales
- Stock (opening and closing stock balances)
- Purchases
- Direct expenses i.e. purchase wages, carriage inwards

- **Profit and loss account**

The profit and loss account is prepared to determine the net profit or loss after all expenses have been charged. It is prepared after the trading account is completed. It is prepared in the following flow:

- It starts with the gross profit figure from the Trading Account.
- It then lists any items of additional revenue raised by the as well as any expenses incurred by the business not directly linked to trading. Business. The sum of a gross profit or loss and additional revenues is called "Gross income",
- It shows the net profit (or loss) for the reporting period (the net profit equals the gross income minus all expenses.

b) Balance sheet/statement of financial position: this is a statement which reflects the financial position of the firm at the end of the financial year.

The balance sheet helps to ascertain and understand the total assets, liabilities and capital of the business. One can understand the strength and weakness of the business with the help of the balance sheet.

The balance sheet is composed of the following three main parts:

- Assets
- Liabilities
- Capital

Assets

These are possessions owned by the business and have got money value. They are grouped into **fixed assets and current assets**.

While **fixed assets** are the possessions of the business which are of a durable nature bought for use in the business for a long period of time usually above one year. E.g. land, equipment, machinery, motor vehicle etc. **current assets** are possessions or properties of the business which last for a short time and can easily be changed into cash. Current assets keep on being converted from one form to another e.g. stock of goods, debtors, and cash at hand, cash at bank, prepaid expenses or expenses paid for in advance, outstanding income etc.

Liabilities

These are debts or amount of money that the business owes the outsiders. They are claims of outsiders on the business' assets. Properties/possessions that are used by the business and which must be paid back in future. They are grouped into **long term liabilities and short term liabilities**.

While **long term liabilities** refer to debts of the business that are expected to be paid after a long time usually after one-year e.g. bank loans, debentures, **short term liabilities/current liabilities** are debts of the business to be paid within a short time usually within a year.

Owner's equity

This is defined as the proportion of the total value of a company's assets that can be claimed by its owners.

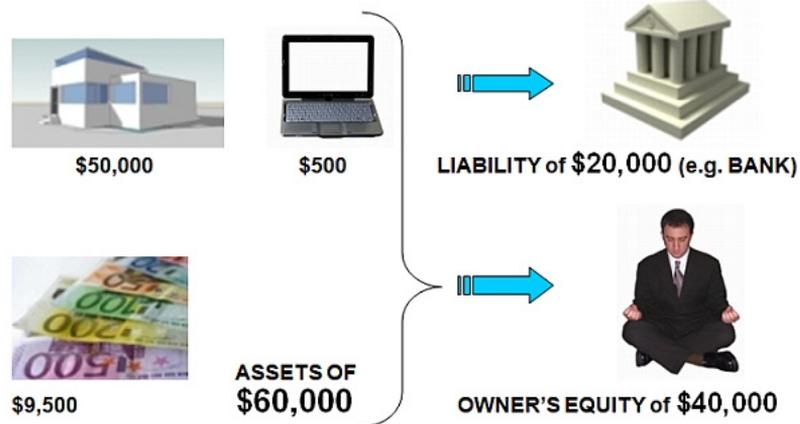


Figure 2.1: The owner's equity equals the total assets minus total liabilities

- a) **Statement of owner's equity:** this is the financial statement that shows the portion of a company's assets that an owner can claim; it shows what is left after subtracting a company's liabilities from its assets.
- b) **Cash flow statement:** this is a financial statement that provides the information about cash movement (cash inflows and outflows) over a given period of time.

The examples of cash inflows of the business include sales revenues, capital contribution, rental incomes, etc. on the other hand, cash outflows include salary expenses, purchases, and any other cash payments by the business.

Application Activity 2.2

1. Discuss the assets held by your school,
2. Identify possible liabilities of your school.



2.3. Preparation of the income statement (Trading, profit & loss account)



Learning Activity 2.3

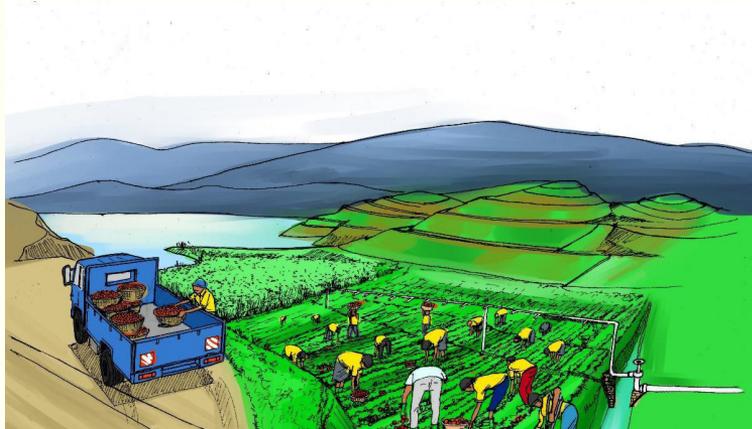
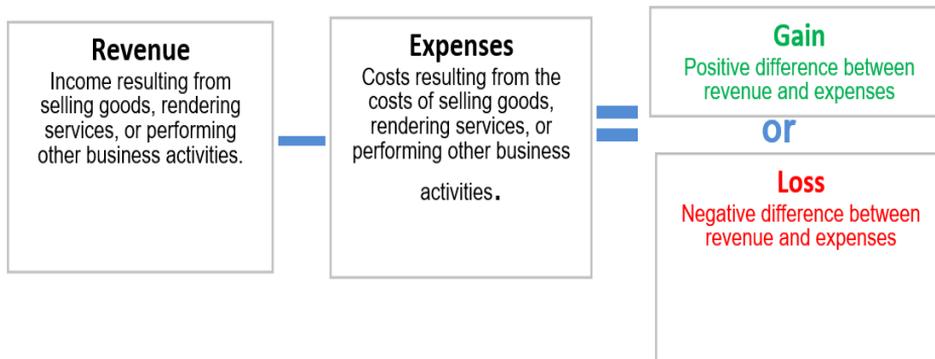


Figure: 2.2. Tomato growing

Mr. DUSABE and his wife KEZA are in agribusiness. They grow tomatoes on a small farm. They paid labourers 4,500,000 FRW, transported tomatoes to the market at 1,000,000 FRW, bought seeds at 200,000 FRW, and leased land for 1,000,000 FRW. This season, the harvest was good with 45 Tons of tomatoes harvested.

- How much did DUSABE and KEZA pay for their farming activities?
- How much did DUSABE and KEZA earn from sales of their Tomatoes, if 1 kg of tomatoes was sold at 200 FRW?
- What is the difference between their income received and expenses incurred from selling tomatoes in their farming activities?
- What do you understand by an income statement?
- Why is an income statement important for a business?



After extracting a trial balance, the next step is to determine the profit the business has made during the trading period. This is done by preparing two accounts, namely:

- **Trading account** where the value of the gross profit is determined by deducting the cost of goods sold from net sales, i.e., $\text{gross profit} = \text{net sales} - \text{the cost of goods sold}$.
- **Profit and loss account** where the value of net profit or net loss is calculated by deducting expenses from the gross income, i.e., $\text{Gross income} - \text{Total expenses}$.

Where Gross income = gross profit or loss + additional revenues

a) Trading account

It is an account prepared to determine the gross profit or loss of the business concern. It shows the revenues from sales, the cost of those sales or goods sold, and the gross profit

Items found in a trading account

- **Sales:** refer to the revenues collected from goods sold by the business. It is revenue earned from goods sold. They are entered into the trading account to calculate gross profit or loss.
- **Sales return** goods that were previously sold but have been returned to the business.
- $\text{Net sales} = \text{sales} - \text{return inwards} / \text{sales return}$
- **Opening stock:** unsold goods in the business available at the beginning of the new trading period
- **Purchases:** goods bought by the business for resale
- **Purchases return:** goods previously bought by the business for sale but have been sent back to the suppliers. This value is treated in the trading account and is subtracted from the purchases to get the net purchases i.e., $\text{net purchases} = \text{purchases} - \text{return outwards} / \text{purchase returns}$
- **Carriage inwards:** refers to the cost of transporting the goods or bringing the goods up to the premises. It forms part of the goods bought and hence added to purchases in the trading account.
- $\text{Net purchases} = \text{purchases} + \text{carriage inwards} - \text{purchases return}$
- **Closing stock:** goods not sold by the business at the end of a trading period. It's included in the trading account, and it is subtracted from the goods available for sale to get cost of sales
- **Drawings of goods:** sometimes an entrepreneur may take physical

items out of the business for private use; this must be subtracted from the goods available for sale in the trading account. It should be noted that only drawings in the form of goods must be treated in the trading account.

- **Gross profit:** excess of net sales over the cost of goods sold or cost of sales. It also refers to the total profit obtained by an enterprise before paying off the operating expenses. Thus
- **Gross profit** = net sales – the cost of sales
- **Gross loss:** this is the excess of the cost of sales over the net sales of the business.

Format of a trading account

There are two formats used to prepare a trading account. i.e.

- Horizontal
- Vertical format

However, this unit will use the vertical format only.

	Title		
Sales		XXX	
Less: Sales returns (Return inwards)		<u>(XXX)</u>	
Net sales			XXX
 <u>Cost of goods sold:</u>			
Opening stock		XXX	
Purchases	XXX		
Add: Wages on purchases	XXX		
Carriage inwards	XXX		
Less: Return outwards	<u>(XXX)</u>		
Net purchases		<u>XXX</u>	
Cost of goods available for sale (COGAS)		XXX	
Less: Closing stock		<u>(XXX)</u>	
Cost of goods sold (COGS)			XXX
Gross profit/loss			XXX (XXX)

Example

a) The following information was extracted from the books of Kalisa Limited.

Opening stock-----	154,000 FRW
Purchases-----	1,800,000 FRW
Sales-----	2,500,000 FRW
Return inwards-----	55,000 FRW.
Return outwards-----	48,000FRW
Closing stock-----	80,000 FRW
Wages on purchases-----	30,000FRW
Carriage on purchases-----	20,000FRW

Required; Prepare KALISA's trading account for the month ending 31st December 2020 using a vertical method.

Solution:**KALISA'S TRADING ACCOUNT AS AT 31ST DECEMBER 2020**

Sales	2,500,000	
Less: Sales returns (Return inwards)	<u>(55,000)</u>	
Net sales		2,445,000

Cost of goods sold:

Opening stock	154,000	
Purchases	800,000	
Wages on		
Add: purchases	30,000	
Carriage inwards	20,000	
Less: Return outwards	<u>(48,000)</u>	
Net purchases	<u>802,000</u>	
Cost of goods available for sale (COGAS)	956,000	
Less: Closing stock	(80,000)	
<u>Cost of goods sold (COGS)</u>		<u>876,000</u>
Gross profit		1,569,000

b) Profit and loss account

This is the final account or statement prepared by the business at the end of the trading period to determine the business's net profits or net losses. It begins with the gross profit or loss transferred or brought down from the trading account.

Elements of a profit and loss account

- **Gross profits/loss:** this is transferred from the trading account as balance b/d
- **Supplementary income** refers to all income or revenue that the business earns from sources other than sales. A company may earn income from other sources apart from sales, which are treated in the profit and loss account by adding them to gross profit. Examples include; the discount received, the commission received, rent received, and bad debts recovered. Etc.
- **Operating expenses** are the costs incurred by the business on services that help in the regular operation and running of the company. Such expenses include; transport, electricity, rent, insurance/premium, carriage outwards salaries, water bills, postage discount allowed, advertising, and communication. In the profit and loss account the total operating expenses are subtracted from the total income or gross income to get net profit or a net loss.
- **Net profits/loss:** excess of gross profits over the business's expenses at a given period. Therefore, **Net profit**= gross profit + supplementary income – total expenses.

There are two formats used to prepare a profit and loss account i.e.

- Horizontal
- Vertical format

However, in this unit will use the vertical format only.

	Title	
	Gross profit or loss	XXX
Add:	Other incomes: e.g.:	
	Rent income	XXX
	Interest received	XXX
	Commission received	XXX
	Discount received	<u>XXX</u>
	Total other incomes	<u>XXX</u>
	Gross income	<u>XXX</u>
Less:	Operating expenses: e.g.:	
	Salaries and wages	XXX
	Rent	XXX
	Motor expenses	XXX
	Electricity	XXX

	Telephone expenses	<u>XXX</u>	
	Total operating expenses		(XXX)
	Profit before Tax (PBT)		XXX
Less:	Profit tax		<u>(XXX)</u>
	Profit after Tax		XXX

Example

Let us continue with KALISA's business. The following information relates to his business' expenses for the year ended 31st December 2020.

Salaries	14,000
Insurance	74,000
Rent & Rates	27,000
Gen. Off. Expenses	19,000
Carriage on sales	45,000
Print. & stationery	37,000
Electricity	12,000
Postage & Telephone	8,000
Discount allowed	15,000
Bank charges	120
Advertisement	42,000
Interest on bank loan	2,500
Salesman's commission	32,000
Discount received	5,000
Rent received	2,700

Required: Prepare the profit and loss account for the year ended 31st December 2020 using vertical format.

Solution:

KALISA'S PROFIT & PROFIT AS AT 31ST DECEMBER 2020

	Gross profit	1,569,000	
Add:	Other incomes:		
	Discount received	5,000	
	Rent received	2,700	
	Total	7,700	
	Gross income		1,576,700
Less:	Operating Expenses:		

Salaries	14,000	
Insurance	74,000	
Rent & Rates	27,000	
Gen. Off. Expenses	19,000	
Carriage on sales	45,000	
Print. & stationery	37,000	
Electricity	12,000	
Postage & Telephone	8,000	
Discount allowed	15,000	
Bank charges	120	
Advertisement	42,000	
Interest on bank loan	2,500	
Salesman's commission	32,000	
Total O.E		327,620
Profit before tax		1,249,080

Note: when both the trading account and profit and loss account are prepared within one statement, the statement is referred to as "Income statement" or "Trading, profit & loss account".



Application Activity 2.3

The following is the Trial Balance of the company M&N Ltd for the year ended 31 December, 2017:

M&N Ltd Company Trial Balance as on 31.12.2017

Particulars	Debit (FRW)	Credit (FRW)
Capital		25,000
Loans		5,000
Sales		35,000
Accounts Payable		4,000
Bills Payable		5,000
Purchase Returns		2,000
Dividends Received		3,000
Plant and Machinery	13,000	
Buildings	17,000	
Receivables	9,650	
Purchases	18,000	
Discount allowed	1,200	
Wages on purchases	7,000	
Salaries	3,000	
Travelling Expenses	750	
Freight	200	
Insurance	300	
Commission paid	100	
Cash on hand	100	
Bank	1,600	
Repairs	500	
Interest on loans	600	
Opening Inventory	6,000	
Total	79,000	79,000

Additional information:

Closing Inventory 8,000 FRW

Required: Prepare the company's income statement using a vertical format.

2.4. Preparation of a balance sheet

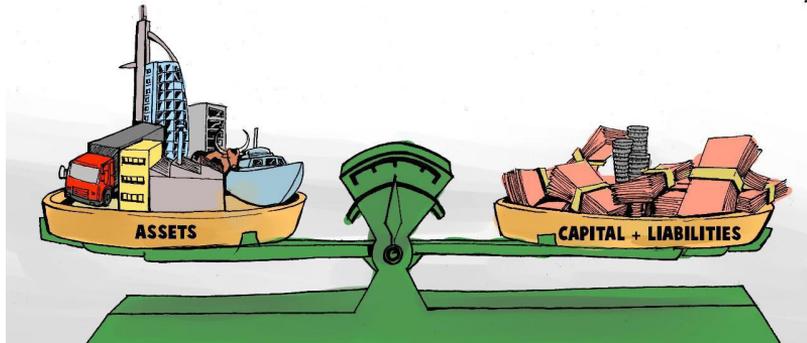


Figure: 2.3 Assets, Liabilities and Capital



Learning Activity 2.4

Nyirawimana's business had the following transactions during the last month:

- Started business with cash 2,000,000 FRW.
- Purchase goods for cash 500,000 FRW and for credit from Uwineza 600,000 FRW.
- Purchased office equipment for cash 80,000 FRW.
- Paid office rent 10,000 FRW.
- Sold goods for cash 1,000,000 FRW
- Sold goods on credit to Kalisa for 160,000 FRW
- Bought insurance on cash for 50,000 FRW
- Salary due to her employee was 15,000 FRW
- The stock at the end of the month was 300,000 FRW

Questions

Using Prior knowledge on prime books you acquired from Unit 10 in Senior 5,

- a) Identify what the business owns as at the end of the month.
- b) Identify what a business owes to outsiders at the end of the month.
- c) What do we call what a business owns?
- d) What do we call what a business owes to outsiders?
- e) How is a balance sheet different from an income statement?
- f) What do you understand by the term balance sheet?
- g) Why do you think it is important for a business to prepare a balance sheet?

The balance sheet is prepared following the preparation of the income statement. A balance sheet is not an account, therefore, not part of the double entry, but it is prepared based on the **ACCOUNTING EQUATION**, which states that: **Assets = capital + liabilities**

Parts of a balance sheet

There are three major parts of a balance sheet. i.e., Assets, Liabilities, Capital

<p>Total Assets</p> <p>Fixed Assets</p> <p>+</p> <p>Current Assets</p>	<p>Net capital</p> <p>Capital</p> <p>+</p> <p>Retained earnings.</p> <p>-</p> <p>Drawings</p>
	<p>Total liabilities</p> <p>Long term liabilities</p> <p>+</p> <p>Current liabilities</p>

Assets

These are possessions of the business and have got money value.

They are grouped into two.

- Fixed assets
- Current assets

Fixed assets: These are the business's durable possessions, usually above one year. E.g., land, equipment, machinery, fixtures and fittings, motor vehicles, etc.

Current assets: Possessions or properties of the business which last for a short time and are usually changed into cash. Current assets keep being converted from one form to another, e.g., stock of goods, debtors, cash at hand, prepaid expenses or expenses paid in advance, outstanding income, etc.

Liabilities

These are debts or money that the business owes the outsiders. They are claims of outsiders on the business' assets. There are two types of liabilities:

- Long term liabilities
- Short term liabilities

Long-term liabilities: These are debts of the business that are expected to be paid after a long time, usually after one-year, e.g., bank loans or debentures.

Short-term liabilities/current liabilities: These are business debts to be paid within a short time, usually within a year. e.g., trade creditors, bank overdrafts, outstanding expenses, prepaid income, etc.

Capital

These are the resources invested by the owner or the entrepreneur in the business. Capital is also known as owner's equity. To start any business, a person requires capital in the form of money or other physical resources. The capital increases or decreases over time.

There are two formats used to prepare a balance sheet i.e.

- Horizontal
- Vertical format

However, this unit will use the horizontal format only.

ASSETS		LIABILITIES + OWNER'S EQUITY	
FIXED ASSETS			
Land	xxxx	Capital	xxxx
Buildings	xxxx	Add/Less: Profit/Loss	xxxx
Plant & machinery	xxxx	Less Drawings	xxxx
Furniture & fixture	xxxx	Owner's Equity	xxxx
Equipment	xxxx	<u>LONG-TERM LIABILITIES:</u>	
Etc.	<u>xxxx</u>	Bank loan (4years)	xxxx
Total Fixed Assets	xxxx	Mortgage	xxxx
		Bank loan (11 years)	xxxx
CURRENT ASSETS		Total LTL	xxxx
Cash in hand	xxxx	<u>SHORT-TERM LIABILITIES:</u>	
Cash at bank	xxxx	Bank overdraft	xxxx
Debtors	xxxx	Creditors	xxxx
Stock	<u>xxxx</u>	Accrued salaries	xxxx
Total Current Assets	xxxx	Prepaid income	<u>xxxx</u>
Total Assets	xxxx	Total Short-term liabilities	<u>xxxx</u>
		O.E + Liabilities	xxxx

There are two ways of arranging items in the balance sheet: Order of **permanency**, which involves recording items that the business will keep for a long time first. E.g., fixed assets, current assets on the debit side and

capital, long-term liabilities, and current liabilities on the credit side.

Order of liquidity; items that the business will keep items for a short time are written first. E.g., Current assets, then fixed assets on the debit side and current liabilities, long-term liabilities, and capital on the credit side.

Example

The following balances were extracted from the books of UWERA's business on 31st Dec 2021

<u>Details</u>	<u>FRW</u>
Sales	40,000
Purchases	8,500
Wages and salaries	5,100
Repair and maintenance	1,300
Heating and lighting	900
General expenses	1,200
Insurance	800
Cash at bank	2,200
Cash at hand	1,300
Trade receivables	4,100
Trade payable	3,400
Premises	30,000
Fixtures and fittings	10,000
Motor vehicle	8,000
Capital	52,000
Drawings	12,000

The following additional information was available:

Inventory as of 31st December 2021 was valued at 4,500 FRW

Required.

Prepare Uwera's balance sheet as of 31st Dec 2021 using the order permanency and horizontal method.

Solution

Uwera'S BALANCE SHEET AS AT 31st OCTOBER 2021

FIXED ASSETS		Capital	52,000
Premises	30,000	Net Profit	<u>16,700</u>
Fixtures and fittings	10,000		68,700
Motor vehicle	8,000	Less: Drawings	(12,000)
Total Fixed Assets	48,000	Net Capital	56.700
CURRENT ASSETS			
Cash at bank	2,200	Trade Payables	<u>3,400</u>
Cash at hand	1,300		
Trade receivables	4,100		
Closing Inventory	4,500		
Total Current Assets	<u>12,100</u>		
TOTAL	<u>60,100</u>	TOTAL	<u>60,100</u>



Application Activity 2.4

The following information was obtained from the books of savanna business club as of 31 March 2022.

Net profit	117500
Capital	750,000
Creditors	115,000
Equipment	75,000
Land	50,0000
Furniture	25,0000
Debtors	60,000
Cash at Bank	45,000
Stock as at 31/03/2022	35,000
Drawings	17,500

Required.

Prepare savanna's balance sheet using a horizontal format.

2.5. Cash Flow Statements



Learning Activity 2.5

Analyze the case study and answer the questions that follow.



Figure: 2.4 Mutware's business

Mr. MUTWARE has been in business for the last year. At the end of the year, he received financial statements from his accountant, a graduate from one of the reputable business colleges in Rwanda. The following was his income statement as at December 31, 2022.

Mr. MUTWARE		
Trading and profit and Loss account for the year ended 31 Dec. 2017		
Particulars	Amount (Frw)	Amount (Frw)
Net sales		2,180,000
Less: Cost of sales		1,400,000
Gross Profit		780,000
<u>Less: expenses</u>		
Wages and salaries	60,000	
Discount allowed	15,000	
Electricity	25,000	
Depreciation of Motor Vehicle	400,000	
Loss on sale of Motor bike	115,000	
Telephone charges	5,000	
Total Expenses		620,000
Net profit		160,000



Mutware is confused by this report because he was told that he made a profit of only 160,000FRW and needs more explanations.

- a) Identify what money was spent on and how much?
- b) Identify where the business got money from and how much it got?
- c) Calculate the difference between money received and expenses incurred. Is there any difference in the business' profit?
- d) What is a cash flow statement?
- e) Why do you think it is important for a business to prepare a cash flow statement?

2.5.1. Meaning of cash flow statement

This statement shows the cash inflows and outflows of the business. The cash flow statement is composed of four components.

Cash inflows show activities that result in cash coming into the business enterprise, i.e., sources of cash. For example, balance b/d, cash sales, debtors, share capital, interest earned, and loans. At the same time,

Cash outflows show activities that result in cash going out of the business enterprise, i.e., uses of cash. For example, cash purchases, salaries, drawings, licences, rent, taxes, etc.

Balance brought forward (b/f)

Net cash position

2.5.2. Importance of Cash flow statement

- It helps to identify the source of cash inflows in the business and how cash was used.
- It helps management properly plan cash to avoid excess cash or deficits.
- It reports the total amount of cash used in long-term investment activities such as purchasing fixed assets.
- It shows the amount of cash received from various financing sources, such as long-term loans and the sale of shares.
- It helps management to avoid liquidity problems by anticipating when cash is expected to flow in and plan payments accordingly.
- It helps investors understand how a company's operations are running, where its money is coming from, and how it is spent.

2.5.3. Preparation of Statement of Cash Flows

While preparing the cash flow, we will look at each section of the statement of cash flows and put them all together. There are two methods of cash flow statements.

Direct method

The direct method for creating a cash flow statement reports major classes of gross cash receipts and payments (Cash inflow and cash outflow).

FORMAT OF CASH FLOW STATEMENT

Cash flow statement for the year ended as at.....//

Details	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Cash inflows												
Cash balance b/d	X											
Bank loan	X											
Sales	X											
rent income	X											
Commission Received	X											
Grants/subsidies	X											
Total cash inflows A)	X											
Cash outflows												
Cash purchases	X											
Loan repayment	X											
salaries/ wages	X											
Taxes	X											
Total cash out flows(B)	X											
Cash balance c/d (A-B)	X											
Net position												X

At the end of that given period, the business will have a **surplus** if cash inflows are more than the cash outflows or **deficit** if cash inflows are less than the cash outflows.

Example

Prepare Dudu's cash flow for the month of January, February, March, and April 2006, given the following information below:

- Cash balance b/d or b/f in January was 15000, 000FRW.
- Monthly rent income was 5000, 000FRW.
- Monthly credit sales to be paid in the next month were 4000,000 FRW.
- Sold a business van in February 14,500,000 FRW
- Monthly commission received was 3000,000 FRW.
- Monthly cash sales of 10,000,000 FRW
- Monthly cash purchases of 12,000,00 FRW
- Bought a truck in January for 800,000 FRW
- Monthly salaries and wages 5000,000 FRW
- Bought machinery worth 15,000,000rwf, payment of 8,000,000 FRW was made in January and the balance was paid in two equal instalments during the months of February and March.

Solution

DUDU'S CASH FLOW STATEMENT FOR JANUARY, FEBRUARY, MARCH AND APRIL

Details	January	February	March	April
cash inflows				
cash balance b/d	15,000,000	7,200,000	23,200,000	24,700,000
Rent income	5,000,000	5,000,000	5,000,000	5,000,000
Credit sales		4,000,000	4,000,000	4,000,000
Sales of van		14,500,000		
Commission rec	3,000,000	3,000,000	3,000,000	3,000,000
Cash sales	10,000,000	10,000,000	10,000,000	10,000,000
Total cash inflows (A)	33,000,000	43,700,000	45,200,000	46,700,000
Cash outflows				
Cash purchases	12,000,000	12,000,000	12,000,000	12,000,000
Truck	800,000			
Salaries/ wages	5,000,000	5,000,000	5,000,000	5,000,000
Machinery	8,000,000	3,500,000	3,500,000	
Total cash out flows(B)	25,800,000	20,500,000	20,500,000	17,000,000
Cash balance c/d(A-B)	7,200,000	23,200,000	24,700,000	29,700,000
Net position				29,700,000

Exercise

Given the information below on central trading company ltd (for the month of April, May & June)

- On 1st April 2005 Central Traders Company Ltd had a cash balance of 10,000,000FRW.
- It expected monthly cash sales of 5000,000 FRW.
- Credit sales were 3,500,000FRW per month, and the payments would be made in the following months.
- Monthly rent income from some of its properties was expected to be 1,000,000 FRW
- Monthly purchases were 6,000,000 FRW.
- Monthly salaries and wages bills were projected at 800,000 FRW.
- A loan from Umwalimu Sacco was 10,000,000 FRW.
- Interest Monthly payment of 100,000 FRW on loan.
- Monthly raw material for 5000,000 RFW.

Required: Prepare the central trading company's cash flow statement for April, May, and June.



Application Activity 2.5

Melissa soft drinks dealers started business on 1st/august/2019 with 50,000,000FRW and a loan of 40,000,000FRW from BPR bank. All the money was kept in the bank. Interest on the loan per year is 16% on a reducing balance basis over five years. The following are the projected estimates (in FRW) for the first two years.

ITEMS	YEAR ONE	YEAR TWO
Income from sales	327,600,000	600,327,000
Fixed costs	36,832,400	36,782,400
Variable costs	256,301,100	900,607,200

You are required to prepare a cash flow statement for the first two years of operation.



Skills Lab Activity

From your business club activities, collect data from the transactions carried out in the last year, then use it to calculate.

- a) The Net profit/loss linking to the trading, profit, and loss account.
- b) Balance sheet and make a report on how you will improve the financial status of the school business club.

End of Unit Assessment

I. Project Activity

Search for financial statements of a given business, interpret them, and provide advice on what the business can do to improve financially.

II. Other Assessment Questions

1.
 - a) Which financial statement displays the revenues and expenses of a company for a period?
 - i) Income statement
 - ii) Balance sheet
 - iii) Cash flow statement
 - iv) Statement of owners' equity
 - b) What is the primary purpose of financial accounting?
 - i) Organise financial information
 - ii) Provide useful financial information to outsiders.
 - iii) Keep track of company expenses,
 - iv) Minimise company taxes
 - c) Which of these is not included as a separate item in the accounting equation?
 - i) Assets
 - ii) Revenues
 - iii) Liabilities
 - iv) Stockholders' equity
 - d) Which financial statement uses the expanded accounting equation?
 - i) Income statement
 - ii) Balance sheet
 - iii) Cash flow statement
 - iv) Owners' equity

- e) The account format that displays debits, credits, balances, and headings.
- General journal
 - General ledger
 - T account
 - Ledger account
- f) Asset accounts have what type of balance?
- Credit
 - Debit
 - Contra
 - All of the above.
- g) Which account increases equity?
- Expenses
 - Withdrawals
 - Stock
 - Revenues
2. The following is the trial balance of KAMI Ltd as at 31 December 2012. Prepare the company's trading, profit and Loss account and a balance sheet for the year ended 31 December 2012.

Particulars	Dr	Cr
	FRW	FRW
Stock 1 Jan 2012	18,160	
Sales		92,340
Purchases	69,185	
Carriage inwards	420	
Carriage outwards	1,570	
Returns outwards		640
Wages and Salaries	10,240	
Rent	3,015	
Communication	624	
Commission payable	216	
Insurance	405	
Sundry expenses	318	
Buildings	20,000	
Debtors	14,320	
Creditors		8,160

Particulars	Dr	Cr
	FRW	FRW
Creditors		8,160
Fixtures	2,850	
Cash at bank	2,970	
Cash in Hand	115	
Drawings	7,620	
Capital		50,888
	152,028	152,028

Closing stock is FRW 12,000

3. The following information was obtained from the books of Kaneza and Kamali Ltd Company as at 31 March 2010.

Details	Amount
Net profit	117500
Capital	750,000
Creditors	115,000
Plant & machinery	75,000
Motor vehicle	50,000
Furniture & fittings	25,000
Debtors	60,000
Cash	45,000
Closing stock	35,000
Drawings	17500



Unit 3: Environment Impact Assessment

Key unit competence

To be able to use EIA to manage the environmental effects of business activities.

Introduction

You were able to evaluate the impact of economic activity on the environment in unit 4 of socioeconomic development in S.5 You pointed out that all economic operations, such as creating infrastructures (such as roads, pipelines, mines, and tourism facilities, etc.), can have an impact on the surrounding natural environment in one way or another. This is clear when we look at the effects of large-scale development, such as open-pit mines, hotels that can accommodate thousands of people, and large hydroelectric dams, frequently negatively impact the environment.

Because there is such a strong connection between the natural and human environments, it is crucial to consider how economic activities, initiatives, and planned developments might affect the environment's quality and people's well-being.

So, this unit is created to support you in being accountable and ensuring that all environmental matters are considered early in the project planning process. It will also help you acquire the knowledge, skills, attitudes, and values you need to produce relevant EIA reports for the projects you intend to start.



Introductory Activity

EIA Case Study

The government of Rwanda, through Rwanda Environment Management Authority (REMA) and EIA guidelines, expects entrepreneurs to be cautious and careful with goods produced, the technology used, the materials used for the production, and their probable impact on the human health and the environment. If the product/project does not meet the standard's requirements, it is not permitted for further production, and the owner will have to change the technology and the structure of the product.

With the ever-increasing urbanisation and population growth rates, the economic activities, if not well addressed, are bound to negatively impact on the environmental attributes of the project areas and its surroundings. Kigali, the country's capital city, continues to have the most economic activities and population. With the above economic situation, the economy and the environment are bound to be affected negatively and positively and thus entrepreneurs intending to start any project have to prepare appropriate Environmental Impact Assessment reports showing the most sustainable and cost-effective way of mitigating any negative impact that may arise as a result of the implementation of the proposed project.

Questions

Referring to the above case study, answer the following questions.

- a) What do the Environmental Impact Assessment guidelines expect entrepreneurs to be observant of?
- b) In what ways can the projects started in Kigali affect the economy positively?
- c) What are likely negative effects of the business activities or projects to the environment and Kigali community at large?
- d) What strategies would you propose to the entrepreneurs in Kigali to mitigate the likely challenges because of the projects started?
- e) Write a simple Environmental Impact Assessment report of the business idea you intend to start in your community.

3.1. Meaning of EIA and its importance



Learning Activity 3.1

Use the background knowledge from the introductory activity above to analyse the photo below and answer the questions that follow.



Source: www.sciencephoto.com

While entrepreneurs are undertaking economic activities or setting projects, they must be cautious to reduce adverse effects on the environment and human beings. This can be done by replacing and/or modifying planned activities to reduce negative impacts.

Questions

- What do you see in the photo?
- What do you understand by the term Environmental Impact Assessment?
- Explain the major purpose of Environmental Impact Assessment.

3.1.1. Meaning of EIA

Environmental Impact Assessment (EIA) is the systematic method for determining, forecasting, and assessing the environmental effects of suggested actions and projects.

Prior to making substantial decisions and commitments, this method is used, with a focus on preventing, minimising, and offsetting the significant negative effects of proposed activities.



Fig 3.1 Environmental sustainability

3.1.2. Importance of Environment Impact Assessment

- Enabling incorporation of environmental considerations in design and site selection for a project or development activities.
- Providing information beneficial to decision making.

- iii) Enhancing responsibilities of relevant parties in the development process.
- iv) Mitigating and minimising environmental damage.
- v) Avoiding costs and delays in implementation of projects that would arise from unanticipated environmental problems.
- vi) Making development projects more financially and economically efficient.
- vii) Making an active contribution to sustainable development.



Application Activity 3.1



Assume you intend to start one of the projects above.

1. How do you think soil pollution may affect people's health in cities?
2. Show how carrying out an EIA process before starting your project will benefit?

3.2. Roles and responsibilities of stakeholders



Learning Activity 3.2

Scenario



Fig 3.2 Industrialization activities lead to waste disposal which contaminates the environment. Source; www.ipsnews.net

Due to the different economic, political, social, and environmental changes in today's economy, there's a need for proper planning for any economic activity to be implemented. Entrepreneurs are expected to follow proper EIA guidelines to avoid environmental, human, and economic risks.

The government of Rwanda through REMA ensures the protection and sustainable management of the environment and encourages optimal use of natural resources. Different stakeholders have different functions to perform to execute proper EIA procedures.

- a) From the above scenario, identify at least two stakeholders in EIA?
- b) As a student of entrepreneurship, you have been approached by MUTESI Chantal who is planning to start a project of brick laying in her society. Advise her on the following.
 - i) What measures should she take to mitigate the likely environmental challenges caused by her project?
 - ii) Why does she need to do EIA for her project?

Rwanda is very reliant on its natural resources, particularly its Land, water and forests. For income and food security, over two thirds of the people work in agriculture, forestry, transport and tourism.

For any economic activity to be carried out in the current economy, good planning is required due to the various economic, political, social, and environmental changes. Businesses must adhere to proper EIA criteria to reduce hazards to the environment, people, and the economy. Priorities for adaptation and resilience in Rwanda are based on the 2011 green growth and climate strategy.

Thus, various stakeholders have a part to play in the EIA process. The roles of stakeholders are listed below.

a) REMA (Rwanda Environment Management Authority)



Mandated by law, REMA has a responsibility to organise the EIA procedure by undertaking screening, guiding developers on assessment procedures, conducting public hearings, reviewing EIA reports based on the terms of reference (TOR) and taking decisions on approval or disapproval of proposed projects. The Authority is also responsible for monitoring implementation of environmental protection measures.

Roles of REMA

- i) Receive and register EIA Applications (project briefs) submitted by developers,
- ii) Identify relevant Lead Agencies to review Project Briefs and provide necessary input during screening, iii. Review Project Briefs and determine project classification at screening stage,
- iii) iii. Transmit Project Briefs to relevant Lead Agencies and concerned Local Governments to provide input on Terms of Reference (TOR),
- iv) Publicise Project Briefs and collect public comments during development of TOR,
- v) Approve EIA Experts to conduct EIA studies.

b) Developers

The developer has direct responsibility for the project and should provide necessary information about the project at all stages of the EIA process. Developers hire experts to undertake EIA studies on their behalf and answer questions about potential impacts and proposed mitigation recommendations at public hearings. Developers have the responsibility to implement the environmental management plan including mitigation measures as proposed in the EIA report and carry out subsequent environmental monitoring and auditing.

Roles of Developers

- i) Prepare and submit EIA applications (in form of Project Briefs) to REMA,
- ii) Hire experts to undertake EIA studies on their behalf,
- iii) Prepare and append an addendum (Environmental Impact Report Addendum) to the EIA report (if necessary),
- iv) Submit the EIA report, Environmental Management Plan and the EIA Report
- v) Addendum (if applicable) to the Authority,
- vi) Participate in public hearings and implement terms and conditions (if any) REMA attached to approval of their projects.

c) Lead Agencies/Line Ministries

Lead agencies such as government ministries or departments +Lead agencies have the responsibility to take part in EIA of projects under their sectors. They provide valuable technical information to EIA experts during EIA studies and are involved in the review process.

Roles of Lead Agencies/ Line Ministries

- i) Participate in screening at the request of REMA,
- ii) At the request of REMA, review Project Briefs to advise on Terms of
- iii) Reference, iii. Ensure that their own projects adhere to EIA requirements,
- iv) Ensure that private-sector projects in fields over which they have jurisdiction comply with EIA requirements,
- v) At the request of REMA, they can serve on REMA's Technical & executive committee.



Application Activity 3.2

Concerns regarding how business owners involve the broader population in the planning and execution of their projects have emerged in your neighbourhood.

Explain how you would involve the community in the EIA process given the project you plan to launch in your neighbourhood.

3.3. Environment Impact Assessment procedure



Learning Activity 3.3

For an EIA report to be finally submitted to the authorities (REMA offices of a given district), there is a process that developers must go through. Given your knowledge and background about EIA so far and for the project you intend to start.

What activities should one focus on during the EIA procedure?



Fig 3.3. Use of terraces to conserve the environment

Environment Impact Assessment in Rwanda consists of the following procedures.

Project Brief Submission and Registration. As a first step in the EIA process, a developer proposing to start a project shall notify REMA in writing by submission of a Project Brief. The purpose of a Project Brief, which is to provide information on the proposed activity so as to enable REMA and Lead Agencies establish whether or not the activity is likely to have significant impact on the environment, and thus determine the level of EIA necessary.

Scoping and consideration of alternatives. The responsibility for scoping is done by developers (or their EIA experts) in consultation with Lead Agencies and all relevant stakeholders. Scoping is intended to establish important issues to be addressed in the environmental impact and eliminate the irrelevant ones. After scoping, REMA approves the terms of reference that would be used for carrying out the environmental impact study.

Baseline data collection and Analysis of Initial State. Baseline data describes the status of the existing environment at a location before intervention of the proposed project. Site-specific primary data on and around a proposed site should be collected by experts conducting the environmental impact study to form a basis for future environmental monitoring.

Impact prediction and analysis of alternatives. Impact prediction is a way of forecasting the environmental consequences of a project and its alternatives. This action is principally a responsibility of an EIA expert. For every project, possible alternatives should be identified, and environmental attributes compared. Alternatives should cover both project location and process technologies. Alternatives should then be ranked for selection of the most optimum environmental and socio-economic benefits to the community. Once alternatives have been analysed, a mitigation plan should be drawn up for the selected option and is supplemented with an Environmental Management Plan (EMP) to guide the developer in environmental conservation.

Public hearing. After completion of the EIA report, the public must be informed and consulted on a proposed development. REMA may, if it deems necessary, conduct a public hearing before EIA reports are appraised by its technical committee. Any stakeholders likely to be affected by the proposed project are entitled to have access to unclassified sections of the EIA report and make oral or written comments to REMA. REMA shall consider public views when deciding whether or not to approve a proposed project.

Decision-making. During the decision-making and authorization phase, EIA documents submitted to the Authority are reviewed by two decision making committees: a technical committee and an executive committee

constituted by REMA. If the project is approved, the developer will be issued with an EIA certificate of authorization, which permits implementation of the project in accordance with the mitigation measures in the EIA report and any additional approval conditions.

Environmental Monitoring. Monitoring should be done during both construction and operation phases of a project. It is done not just to ensure that approval conditions are complied with but also to observe whether the predictions made in the EIA reports are correct or not. During implementation and operation of a project, monitoring is a responsibility of the developer and REMA.



Application Activity 3.3

As an entrepreneurship student, the Sector Education Officer for your sector has requested you to screen one of the major projects in your community. What aspects of the screening would you prioritise, and why?

3.4. Components of EIA report



Learning Activity 3.4

Your sector is running a youth empowerment program aiming at making youths start sustainable projects in their communities. One of the conditions is that for every group of youth to qualify for the program is to develop an EIA report of the project that will be supported.

Using the information about the EIA report, write a simple EIA report for the project you would present to the sector to win the above support.

According to REMA, the EIA report should entail the following:

- i) Executive summary of the EIA report which should be brief and focus on following matters:
 - Name and location of the project.
 - Name of the developer
 - Name of the agency preparing EIA report.
 - Main impacts identified.
 - Mitigation recommendation
 - Environmental monitoring plan
- ii) Objectives of the project, including ideas, intentions, and particular objectives.
- iii) Description of the proposal and its alternatives. In this part, it is necessary to describe in detail the proposed project and its alternatives including those not subjected to pre-feasibility study or feasibility study.
- iv) Discussion on the proposal and its relation to relevant policies, laws, and programs (sectoral and regional). In this section, the proposal must be shown to be in line with policies, laws, institutional framework, and development strategy of Rwanda.
- v) Impact assessment that includes assessment of all impacts to the local population and measures to avoid and mitigate impacts.
- vi) Evaluation and comparison of alternatives and selection of one that is environmentally suitable that shows impacts with largest effects, measures for avoiding, mitigating and managing them and environmental improvement opportunities.
- vii) Impact management and environmental monitoring plan (EMP). This is a plan for monitoring and management of impacts during the implementation and operation of the project, where the responsibilities between the state and investor are differentiated.



Skills Lab Activity

Create an EIA report for your respective projects in the student business club or an identified business nearby.

End of Unit Assessment

I. Project Activity

REB in partnership with Educate! is running a youth empowerment program aiming at making youths start strong viable and sustainable projects in their districts. They will choose the best 5 projects to be supported.

Prepare an EIA report for the project you would present to win the above support.

II. Other Assessment Questions

Part A (Multiple choice questions)

Choose the most appropriate answers.

1. EIA is defined as (select one):
 - a) A process of identifying, predicting, and evaluating the likely impacts of a proposed project or development to define mitigation actions to reduce negative impacts and to provide positive contributions to the natural environment and well-being.
 - b) A report written by government representatives on the planned development impacts of environment, socio-economic issues, and culture.
 - c) Project life-cycle assessment.
2. What is essential in an EIA? (Select all that apply):
 - a) That it allows decision makers to assess a project's impacts in all its phases.
 - b) That it allows the public and other stakeholders to present their views and inputs on the planned development.
 - c) That it contributes to and improves the project design, so that environmental as well as socioeconomic measures are core parts of it.
3. What is the purpose of the "screening" step of EIA? (Select all that apply).
 - a) To assess the quality of the project design.
 - b) To facilitate informed decision making by providing clear, well-structured, factual analysis of the effects and consequences of proposed actions.
 - c) To determine whether a full EIA is needed.

4. Which type of project usually requires an EIA? (Select all that apply):
 - a) Small housing building.
 - b) Dams and reservoirs.
 - c) Industrial plants (large scale).
 - d) Community Garden development.
 - e) Irrigation, drainage, and flood control (large scale).
 - f) Mining and mineral development (including oil and gas).
 - g) Port and harbour development.
 - h) Development of wells in the community.
 - i) Reclamation, resettlement, and new land development
 - j) Thermal and hydropower development.
 - k) Outdoor recreation.
5. EIA is usually required for a development project when (select all that apply):
 - a) Large changes are expected in the environment.
 - b) Limited impacts are expected in the environment.
 - c) A small area is expected to be affected by the project
 - d) There are potentials for transboundary impact.
 - e) Many people are likely to be affected by the project.
 - f) No cumulative impacts are expected.
 - g) There are protected areas in the project area of influence.
6. What specific aspects does a good EIA report and review include? (Select all that apply);
 - a) Assessment, mitigation measures and related plans.
 - b) Terms of reference (TOR).
 - c) A generalised set of assumptions about the project benefits described in highly technical terms.
 - d) A satisfactory prediction of the adverse effects of proposed actions and their mitigation using conventional and customised techniques.
 - e) Information that is helpful and relevant to decision making.
7. What kind of monitoring is referred to when we speak of monitoring a development project (select all that apply?)
 - a) Monitoring indicators that measure the impacts on the environment and communities because of the development project.

- b) Ensuring the fulfilment of all the commitments made in the approved EIA.
- c) Keeping track of changes that may happen in the environment and communities because of the project and other local and/or global changes, such as changes in livelihoods due to economic crisis or migration, differences in water availability due to drought, etc.
- d) Keeping track of the political context, to ensure that the project retains its licence.

Part B (True/False questions)

- 8. Frequency of monitoring will be determined by the nature of the project.
- 9. A good quality EIA might still lead to the planned development not being permitted to go ahead based on the identified impacts. True or false?
- 10. The EIA Report is compiled by the designated government agency. True or false?



Unit 4: Business Plan Pitch

Key unit competence

To be able to pitch a business plan

Introduction

You were introduced to a business plan in O level and the business model canvas in S5. The knowledge and skills you attained from there will enable you to plan and prepare the projects of your own choice. This unit will enable you to confidently **pitch** the businesses you want to start in your communities.

This unit will as well equip you with confidence to present your projects to attract investors for funding your projects.



Introductory Activity

EAST AFRICAN YOUNG ENTREPRENEURS' PROJECT SHOW

Muhoza and Mazimpaka were delighted to attend the East African Young Entrepreneurs' Project Show (EAYEPS) held in Tanzania in 2020 representing young Rwandan entrepreneurs. Participants included youths from Kenya, Tanzania, Uganda and Burundi. The event was sponsored by many international companies including MTN, Airtel, Mango, East African Breweries, safari com, RDB etc.

Muhoza presented the Huza App project whose aim is to connect local and international farmers with customers without physical interface (online). She started this business while in senior 5 after realising that most remote farmers have less access to bigger markets in Rwanda, from time to time the business expanded to even support urban and international agriculturalists.

Muhoza's project was unique because it favoured both customers with or without the internet since it provided a USSD (customers can use mobile phones to access services of the business) as well as a web-based platform (can use computers or smartphones.)

Before the actual event, Muhoza prepared 2 pages of her business project and shared them with her mentors, families, and friends for feedback. From the feedback, she managed to write a good presentation about her business and started to practise. This practice involved pitching to her

mentors and friends and gradually growing her presentation and pitching skills.

This made Muhoza pitch her project excellently and became the lucky winner of the show and was awarded a cheque of \$20,000 to expand her project. The second, third, fourth, and fifth were given \$5000, \$4000, \$2000, and \$1000 respectively and the rest were not awarded any prize.

Questions

- How is pitching a given project important to entrepreneurs? Refer to the above case study.
- What do you think enabled Muhoza to emerge as the winner?
- What steps did she use to prepare her business plan pitch?

4.1. Meaning and Importance of business plan pitching



Learning Activity 4.1

Patrick and Grace are having a conversation. Read it and answer the questions that follow.

Patrick: I fear talking to people. I don't know why.

Grace: But Patrick! You easily talk to me and your peers.

Patrick: I know, but I can't easily talk to elders and leaders, yet I need to tell the leaders of my sector about my business. You never know if they can connect me to potential funders.

Grace: That's a good idea, tell me about your business.

Patrick: It is a simple business, I create charcoal from used papers and sell it to people around my community.

Grace: So, is that hard to explain to elders and leaders in your sector? I think if you start talking first with friends and family, you will gain confidence.

Also, it can help to attract many customers and secure funds for investors.

Patrick: Thanks for your advice, Grace. I am really looking forward to getting people who can fund my business.

- From this statement said by Patrick in the dialogue above, "...I need to tell the leaders of my sector about my business". What do you think pitching means? Relate your answers to the whole dialogue as well.
- Why was Patrick interested in talking about his business to elders and leaders?

4.1.1. Meaning of a pitch

In business, a pitch refers to the presentation of ideas designed to attract investors, get feedback to improve your business. Generally speaking, consider pitching as a motivating action for your company. You might be making a pitch for new clients, investments in your organisation, or even new employees to come on board. The goal is to inspire the audience to join you by sharing your vision for your work with them.

4.1.2. Importance of Pitching

It's important to remember that a pitch to an investor may not strictly seek startup capital. For example, a business may need an investment when it has an unexpected but very profitable order beyond its current capacity. Such a pitch is easier to make because investors feel far more secure with the purchase order in hand.

- **Business funding:** a good business plan pitch enables an entrepreneur to get funds for either starting up a business or expanding the already existing one.
- **Attracting investors:** a good business plan pitch helps an entrepreneur to persuade potential investors for both technical and financial support.
- **To share a clear picture of business:** It enables the audience to understand the business' nature of operation and strategy
- **Attracting customers:** A well and persuasive presented pitch attracts potential customers.
- **Business positioning:** Business plan pitching offers an opportunity for creating a good impression to investors and potential clients.
- **Boosting network:** A well-presented business plan pitch persuades the targeted audience. In this process, the entrepreneur increases the level of his or her network.
- **Communicate the brand message:** A good pitching positions the business brand well. Therefore, offering a good platform for sharing the brand message with the targeted clients.

Application Activity 4.1



Your close friend has got a chance to pitch his or her business idea during the Business Expo happening at Kigali Arena in two weeks' time, but he/she is hesitant. Write a letter explaining to her/him why she should go ahead and pitch her business.

4.2. Preparation of a project pitch

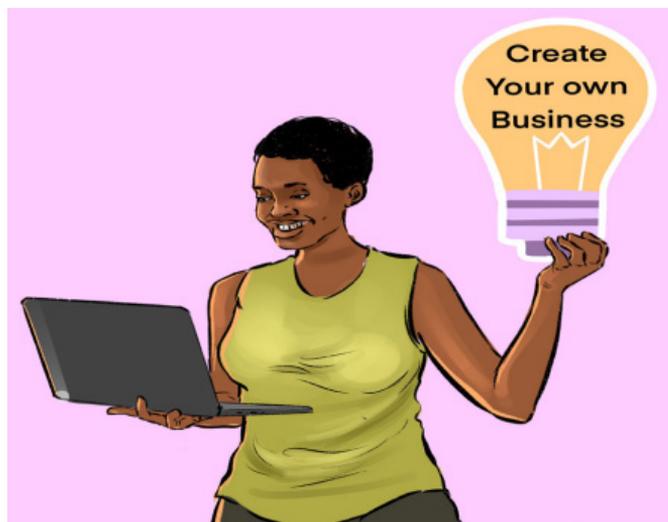


Fig 4.1: The Students Business Club after Pitching session



Learning Activity 4.2

Using the project of your choice that you can start after school, prepare a business idea pitch that you will present to the class. Relate to the previous case study to easily help you tackle the activity. What would you do as you prepare to pitch your business idea?



4.2.1. Preparation required

Preparation required for the pitch at this stage are as follows:

- i) **Content preparation:** A good pitching effort requires great supporting documents. Once you have the basics down, it's pretty easy to prepare all of these documents as needed. A good business pitch requires a business plan conveying a few things quickly: the mission and vision, the problem you solve, the solution you provide, and the people you do it for.
- ii) **Materials needed** for the presentation like powerpoint presentation, projectors, invitations to your audience, venue or place for pitching
- iii) **Psychological preparation:** Business plan pitching has to be planned well by the owners of the business venture. There are specific steps that should be followed in order to have the best persuasive pitching. Your business pitch should be clear, concise, and persuasive. It should explain what your company does, what problem it solves, and why it's a good investment.

4.2.2. Steps involved in preparation of business plan pitch

- i) **Analysis of the audience:** Knowing the audience, one is going to present the business plan pitch to determine the presentation, content selection, pitching techniques, approaches, and anticipation of the questions likely to be asked.

Questions to ask yourself when researching investors:



**WHAT INDUSTRIES
DO THEY INVEST IN?**



**WHAT STAGE
DO THEY INVEST IN?**



**WHAT'S THE INVESTOR'S
TRACK RECORD?**

Figure showing what questions to ask

- ii) **Select a topic:** Select a topic based on the problem to solve, and the nature of the audience/ potential investors. The topic should be phrased in a way that will persuade the audience.
- iii) **Define the pitching objective:** The right business plan pitching objectives enable the team to convince potential investors. This means that one must

have in mind why they are pitching their business idea, and work towards delivering a successful pitch that can make them raise the capital needed.

- iv) **Prepare the body of the business plan pitch:** The content of the business plan pitch is expected to be organised in a sequential way. This therefore calls for having a clear and understandable body of it. The smarter and well-organised the content presentation, the better the chances of winning the attention of the investors.
- v) **Anticipate the questions from the audience:** While preparing for the business plan pitching, one must anticipate the possible questions likely to be asked by potential investors. Then, list them down and brainstorm the appropriate answers to the questions. This will enable one to avoid being caught unawares.
- vi) **Prepare the suggestions and conclusion:** It is good if you list various suggestions that make the business venture unique. The suggestions must reflect the new thing the business venture will bring to the community. Suggest to the investors the possible solutions to the problem to be solved and how they will benefit from the investment.
- vii) **Practice pitching of business plan (Micro- pitch):** The team that intends to pitch, should get the time and practice pitching the business plan. This is important because it increases one's confidence and having an opportunity of getting feedback from teammates prior to the actual day of pitching.

4.2.3. The key items to cover in business plan pitch

A business venture owner to be able to persuade potential investors must take note of the following in his or her business plan pitch:

- i) **Business idea and goals:** A business plan pitch must address the business idea to be pitched for. This should be clear and precious so that potential investors are able to understand it. It must also contain SMART goals. These two aspects are very fundamental in the business pitching process. With no clear business idea and goals, it means the presentation content will be irrelevant to the audience.
- ii) **Problem identified:** The business plan pitch is developed around the identified problem. The business venture, therefore, comes to provide a solution. This is what the investors love to hear. The problem identified must be affecting the community, not a specific individual. The business idea being pitched should be worth investing in.
- iii) **Solution:** The business plan pitch should clearly show the innovative and creative solution that the business venture will execute in addressing the problem at hand. The solution should be unique and easy to implement. The more convincing solution increases the chances of persuading potential investors to invest their funds into one's business.

- iv) **Target Market:** A pitching team must understand the target market. This calls for serious research and study, and where possible the projected market share percentages. This is very important because it will provide a guide on the financial projections. The profitability levels of the business form part of the convincing parts of the business plan pitch content. The beachhead market and general market segmentation targeted should be catered for.
- v) **Marketing strategy:** The business plan pitch should show and describe clearly the market strategy to be used. This determines the profitable-probability level of the business venture to be invested in. The investor would like to know the marketing strategy to be employed. Therefore, it is very important to take time and make clear research and study the marketing strategy. One may have a wonderful business idea, but if the marketing strategy is poor, chances of profiting from the venture become low, hence discouraging potential investors.
- vi) **Industry Analysis:** There must be a part of industry analysis in the business plan pitch deck. For example, if the business idea deals with Renewable energy, therefore, make research on the energy sector and have data to use in the presentation.
- vii) **Management Team:** The capability of the team that will be engaged in managing the business venture is very important. Include this on the pitch deck. Potential investors wish to know if they invest in the project, will the team manage to handle the funds and generate profit.
- viii) **Competition:** Knowing and understanding the competitors is very vital to the success of a business. Therefore, potential investors would like to know if you really know the competitors. In a business plan pitch, it is very necessary to mention the competitive advantage that favours the business. The competitors' weaknesses and strengths should be analysed so that one is able to provide a unique solution that would out-compete them.
- ix) **Current status, amount of money requested, and the projected use of funds:** This is a very important section of the business plan pitch. The potential investors need to know the financial abilities of the team in order to make informed financial decisions. The financial status of the business venture should be honestly shown.



Application Activity 4.2

During the vacation, you are contacted by a women's association that has a start-up business specialising in Biogas production. The business aims at supplying this biogas to all low-income earning homesteads in the village, at an affordable fee. However, they would like to raise capital from potential investors to be able to do so.

Questions

- a) Prepare a one-page guide that you will give to the association highlighting the steps they would follow and the key items they would consider to have a successful pitching and win the interest of the investors.

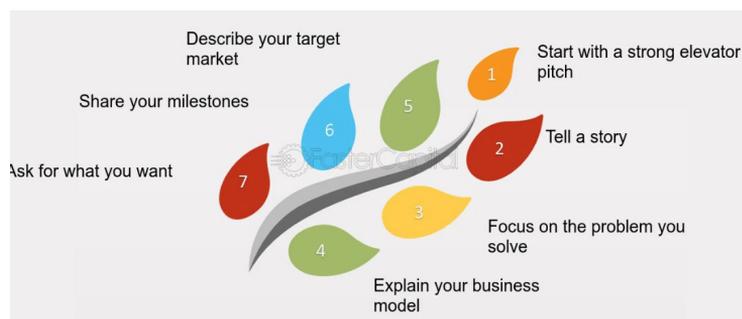
4.3. Activities performed during pitching



Learning Activity 4.3

Referring to the case study about East African Young Entrepreneurs Project Show (EAYEPS) in the introductory activity, analyse it again to suggest techniques you think Muhoza used to pitch her project successfully and emerged a winner of the show.

4.3.1. Techniques used to pitch the business project



Capital is a driving factor in the growth and development of a business. Therefore, it is very important to master the best ways and techniques of persuading potential investors. The following are some of the techniques one can use in a business plan pitching:

- i) **Writing only key points:** It is very important to write points of the pitch presentation points. Avoid congesting the pitch deck with a lot of information.
- ii) **Avoid reading directly the content:** Reading the business plan pitch deck content in front of potential investors must be avoided. Speak to the audience more about the product and services. This helps them to gauge the confidence and mastery level of the person advancing for the business venture they would invest in.
- iii) **Using visualisation, pictures, symbols, colours, tables:** These attract the attention of the investors and carry in a summarised and precise way much information needed by the investors. The visual impression is very important and selects wisely good colours
- iv) **Make it short, concise, and come to the point:** Time management while pitching is very crucial. In most cases, the potential investors have no time for a lengthy presentation. It is, therefore, important to make the business plan pitch short in order to fit into the tight schedule of the audience. It should not be more than 10 minutes. The lesser time spent during the presentation the better.
- v) **Reacting positively to questions:** When conducting business plan pitching, one must stay calm and professionally respond to any question asked with the highest level of humility. Observing ethical considerations as one is pitching is very important.
- vi) **Using body language, voice, and appearance:** The salesman or the team representative pitching must have all the needed communication skills, the most outstanding are the use of body language, voice, and appearance. Sometimes people underscore the importance of the way they appear, while pitching, but this communicates a lot to the audience. Use the easiest language. The voice must be appropriate. Practising before the actual pitching time helps to perfect this.
- vii) **Trying to convince:** Business plan pitching is all about persuading the investors to buy the idea and accept to provide funding. Make sure that this golden rule never goes out of the mind from the start of the pitching up to the end. Pitching is all about convincing potential investors to fund the business idea implementation.

4.3.2. The Real Pitching Process

For a successful pitching activity, one needs to put more focus on the following:

- a) Greeting & thank audience for the attendance
- b) Start with the Problem / gap identified after market analysis

- c) Business idea and goals (Solution)
- d) Target market
- e) Benefits to the investors & society
- f) Amount of money requested, projected use of it, and the anticipated Returns
- g) The call to investors
- h) Thank the audience

4.3.4. Activities performed after pitching

- a) Receive feedbacks
- b) Integrate the suggestion & recommendations

In a nutshell, when preparing for a business plan pitching session, it is important to know that there are three main stages one should go through while planning to pitch for a business as shown in the below table:

Preparation required for pitching		
Stage	What should be done	Description
Before the pitching	Prepare Content	<ul style="list-style-type: none"> • Make sure that all the needed content is prepared • Make extensive research and collect data
	Prepare material needed for the presentation	<ul style="list-style-type: none"> • List the materials required for presentation. These may include, supportive documents, Pitch deck presentation, projectors, computer, prototype if there is any, short video clips among others.
	Prepare yourself Psychologically	<ul style="list-style-type: none"> • This concerns the emotional status of the team and the presenter. • All the team members, especially those to be involved in the presentation, should be psychologically prepared. This enables them to avoid being nervous and increases their confidence. • When one is psychologically stable, he or she becomes mentally prepared for the questions from the audience and analyses questions asked. • This is important because it helps one to have the ability of controlling the audience, therefore, influencing them to buy his or her idea.

During pitching	Pitch	<p>Now that you have all the needed content, materials and have prepared psychologically for Pitching, it is very important to take note of Techniques one would use during the pitching and also consider seriously the following as you do the actual pitching:</p> <ul style="list-style-type: none"> • Greeting & thank audience for the attendance • Start with the Problem / gap identified after market analysis • Talk about your business idea and goals (Solution) • Specify the target market • Explain the benefits to the investors & society • Amount of money requested, projected use of it, and the anticipated Returns • The call to investors • Thank the audience • Receive feedbacks
After pitching	The last stage	<p>When one has finished pitching his or her Business plan, the following actions should be taken note of:</p> <ul style="list-style-type: none"> • Analyse the recommendations given and if they fit in the line of interest, incorporate them into the pitch deck. • Write an email to the potential investors, thanking them for sparing their time and willingly offering construction feedback during the pitching. Ask them if they are fine with you sharing the revised deck with them or securing a second chance of pitching again. • Keep detailed notes of the interaction -- who was at the meeting, what excited them, what they were worried about, and what specific results they would want to see as evidence of success. • Connect with them on LinkedIn, follow them on Twitter, and create a Google Alert for their names and their fund to stay abreast of their investments and interests.

		<ul style="list-style-type: none"> • After the meeting, send a short thank-you note referencing the specific feedback/ insights gained. • If the investors mentioned what the company needs to do to be exciting for them in the future, reference it in the message. • If and when the business reaches a success milestone, follow up on this thread and remind the investor of their past feedback. • In addition, add the investors to the company email list, and reach out to them every now and then with updates.
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Application Activity 4.3

Reflect on the problem you identified in the introductory activity, and the solutions. Incorporate the above techniques and present your business idea pitch.

End of Unit Assessment

I. Project Activity

You have been selected to represent your Sector as a S.6 leaver student in the community to participate in Rwanda young entrepreneur's projects competition sponsored by RDB and Serena hotel and the competition is to take place in 2 months' time from now. This is the only chance for you to get capital from sponsors / interested investors for the project that you have been dreaming of for many years.

Required

- Use your project and describe the steps you will follow to prepare pitch for your project
- Show the key items you will consider while preparing pitch for your project
- What techniques will you use to emerge the winner of the competition so that you get capital for your project?

Make a simple report summarising how you will pitch the project you present during the competition.

II. Other Assessment Questions

1. In the community there are many start-ups that are competing for a grant. Now, as a senior 6 student who has studied business plan pitching, you have realised that one of the start-ups has little or no knowledge of business plan pitching, yet with a wonderful business idea that would change the livelihood of many homesteads. By coincidence, this start-up approaches you for help. The client, Twifashe Ltd, a start-up that developed a state-of-the-art water filtration system that is portable and uses solar energy for boiling the water in one of the sections. The filtration device is designed to be used by low-income earners who have no access to clean water and like taking tea. The product depends on solar energy for boiling water. While the start-up is self-assured that it will be able to persuade clients to purchase its device, the owners are in serious need of funds in order to start production and attain economies of scale.

Required

The role of someone with Business plan pitching knowledge and skills is to prepare a business plan pitch deck that Twifashe Ltd can use to persuade investors to support the company.

- a) Explain the meaning of a business plan pitching
 - b) Analyse the purpose of a business plan pitching to the growth and development of a business.
 - c) identify a given business idea and prepare a business plan pitch deck for it.
2. Explain the steps involved in the preparation of a business plan pitching.



Unit 5: Taxes and Customs Procedures

Key unit competence

To be able to interpret tax computations and declare goods/services from customs.

Introduction

You were introduced to taxes and customs procedures in O-level, this implies that the knowledge, skills, and values acquired in relation to taxes will help you to understand the concepts throughout the unit. This unit will concentrate more on the different types of taxes collected locally and on cross-border trading activities and their computations.



Introductory Activity

Read the following extract and answer the questions that follow.

A tax is a fee without a direct exchange requested to the members of the community by the State according to the law, to financially support the execution of the government tasks and taking into account the contributive capacities of the payer.

Taxation in Rwanda dates way back to 1912 when property tax was introduced. Since then, different taxes have been born and reformed to broaden the tax base, reduce tax rates, and reduce tax evasion among others.

Comprehensive tax reforms as approved by the cabinet (April 21st 2023)

Cabinet approved comprehensive tax reforms following directives issued by the President of the Republic in January 2023, and in line with the revised Medium-Term Revenue Strategy (MTRS) passed in May 2022.

Focusing on Corporate Income Tax (CIT), Value Added Tax (VAT), and Excise Duty, the tax reforms will reduce tax rates, broaden the tax base, improve tax compliance, and curb tax evasion while ensuring that tax revenues increase by 1% of GDP by FY 2025/26. Additionally, a review has also been conducted of the existing taxes and fees collected by decentralised entities.

Key Changes to the Tax Code

VAT: Government will exempt VAT on rice and maize flour for both domestic trade and imports. The move is expected to improve food security and the school feeding program.

Corporate Income Tax: The Government is reducing the corporate income tax statutory rate from 30% to 28% with an eventual target of 20% in the medium term. This will improve Rwanda's competitiveness and position the country as a preferred African investment destination.

Excise Duty: To boost Rwanda's tourism and MICE industry, the Government has adopted changes on the taxation of high-end products, especially beverages. For instance, under the new reforms wine will be taxed up to FRW 50,000 of value meaning that the excise duty cannot exceed FRW 35,000 per liter (70% of FRW 40,000).

Property tax and rates on land tax: According to the approved tax reforms, the new rate applied on land tax has been set between FRW 0 to 80 FRW per square metre from the initial FRW 0 to FRW 300 rate. A second residential house will be taxed at 0.5% of the combined market value of the house and land. The Tax rate for commercial buildings is reduced from 0.5 % to 0.3% of its market value on both building and land. Tax charges on commercial buildings are capped at FRW 30 billion.

Tax on sale of immovable property: This levy will be applied at 2% of the property value for registered taxpayers and 2.5% for non-registered taxpayers. The first five million of the sale of every immovable property will be tax-exempt.

Trading License: Businesses and traders will pay a single trading licence tax, that combines market and public cleaning fees. Businesses with more than one branch will pay only one licence per district.

Waived fees: Some fees previously charged by decentralised entities (on documents, or services) have been scrapped. The government has put in place a number of measures to ensure that the proposed changes lead to a stable revenue growth path in the medium term.

Note to editors: The MTRS aims to implement several reforms that contribute towards the sustainable development of the country by mobilising adequate domestic resources (taxes) while creating a modern, equitable, and efficient.

Questions

- a) Given that taxes in Rwanda date back to 1912, why do you think people and businesses have to pay taxes?
- b) Mention some of the taxes that have been reformed according to the extract.
- c) Name any other taxes being paid in Rwanda that are not identified above in the extract.
- d) Classify the above taxes identified in c & d as direct or indirect taxes.

5.1. Meaning of concepts and classification of taxes in Rwanda



Learning Activity 5.1

Analyse the following dialogue and use it to answer the questions thereafter:

Paul: Hello Juliet, do you have some time?

Juliet: Yes.

Paul: Thank you. Since you work with Rwanda Revenue Authority, I need some help from you.

Juliet: I have heard of the tax reforms. But before you tell me about tax reforms, what is the meaning of a tax, and what types of taxes are paid in Rwanda?

Paul: Ooh, a tax is a mandatory financial charge imposed by the government on individuals and businesses to fund public expenditures and programs.

Juliet: Thank you, Paul. But may you also talk about the types of taxes.

Paul: Okay. Let us start with the simple ones. There are taxes paid on: land, employees, goods and services, exports and imports, among others. Next time when we have enough time, I will tell you more about taxes in Rwanda.

Juliet: Alright, thank you so much. This was very informative. But before you go, what are direct and indirect taxes?

Paul: Okay, Direct taxes are taxes paid on profit or any income. For example: Pay As You Earn (PAYE), Corporate Income Tax (CIT), Capital Gain Tax, Personal Income Tax (PIT), Rental Income Tax, etc... Indirect taxes are levied on consumption of good and services. Basically, in Rwanda we have two types of indirect taxes: Value Added Tax (VAT) and Excise Duty

Juliet: Thank you so much, this has been very helpful.

Paul: It has been a pleasure meeting you, Juliet.

Questions

1. According to the dialogue, what do you think a tax is?
2. With examples, make the difference between direct tax and indirect tax.

5.1.1. Meaning of concepts

Tax is a mandatory financial charge imposed by the government on individuals and businesses to fund public expenditures and programs. It can also refer to a fee without direct exchange requested to the members of the community

by the State according to the law, to financially support the execution of the government tasks.

Taxation refers to the act of levying or imposing taxes by the tax authority. It can also be defined as a legally compulsory transfer of money from the public to the government mainly as a source of government revenue. It is also defined as the compulsory payment to the government for the payment or provision of voluntary consumption of goods and services.

Customs are government agencies responsible for regulating and facilitating the movement of goods across borders. They are a crucial part of international trade, as it ensures that goods entering or leaving the country comply with relevant laws and regulations, including those related to tariffs, duties, taxes, and safe standards.

5.1.2. Classification/ types of taxes imposed on business in Rwanda

In Rwanda taxes are classified as below:

A. Direct taxes

Direct taxes are taxes charged on the income or profits of the person to the government.

It is the tax where the liability as well as the burden to pay resides on the same individual and . In general, direct taxes are levied on profit and income.

Examples of Direct taxes

- i) **Corporate income tax:** Is a tax that must be paid by an entity or a corporation based on the amount of profit generated. Corporate income tax is deducted by the state on industrial and commercial income achieved by the firms working as commercial companies.

The corporate income tax is paid by:

- Companies established in accordance with Rwandan law or foreign law;
- Cooperative societies and their branches;
- Legal persons and public institutions with autonomy of management

As of April 21st 2023 the Government reduced the corporate income tax statutory rate from 30% to 28% with an eventual target of 20% in the medium term. This will improve Rwanda's competitiveness and position the country as a preferred African investment destination.

ii) **Trading license**

- It is a tax paid by everyone who commits himself to do income-

generating activities, organizations with legal personality, or organizations subject to corporate income tax.

- It is paid before starting activities.
- It is paid every year not later than 31st March with ongoing business.

Businesses and traders pay a single trading license tax that combines market and public cleaning fees. Businesses with more than one branch pay only one license per district.

iii) Personal income tax is a tax imposed on the income earned by individuals. It is a direct tax levied by the government on various sources of income, such as salaries, wages, self-employment earnings, rental income, investment gains and other forms of personal income. For example **PAYE (Pay-As-You-Earn**

Broadly, PIT is charge on the following sources of income:

- Income generated from performing services (including employment)
- Activities of a craft person, singer, artist or player
- Sports, cultural or leisure activities
- Income of Rwanda permanent establishment
- Income from the use, lease and disposal of movable assets by Rwandan business
- Sale, lease and free transfer of immovable Rwandan business assets
- Farming, fishing and forestry
- Usufruct (right of use of asset) and other rights attached to Rwandan Business assets
- Income from investment in share (i.e., dividends)
- Sales or transfer of shares and debentures (capital gains tax)
- Change of partnership profit into shares, such that a partner's interest increases
- Distributions of partnership profits to partners
- Income from lending and deposits(interest)
- Transfer, sales and lease of intellectual property
- Other income generating activities that are not classified as exempt

iv) Withholding tax: This is a tax that is deducted or withheld from an individual's income or payment by a third party and paid directly to the government on their behalf.

Withholding taxes are composed of: Pay as you earn, dividends, interests, performance payments made to an artist, musician, or an athlete;

Apart from the withholding tax on salary (PAYE) paid according to above mentioned, others are paid on a rate of 15%;

The rate of the tax withheld on commodities from abroad is 5%. This tax can be exonerated (temporary exemption) to taxpayers in detention of a quitus fiscal.

A quitus fiscal is a certificate issued by RRA. It is issued to taxpayers who have manifested high integrity in their transactions.

A withholding tax on public tenders is 3%.

Note: Those who have the obligation to withhold withholding taxes are required to pay withheld taxes within 15 days counted from the day of withholding.

v) Rental income tax:

Rental income tax is paid by any individual who earns income from renting out fixed assets located in Rwanda, including land, buildings, and improvements.

In Rwanda, rental income tax is calculated progressively by revenues brackets as follows: 0% on the bracket lower than 180,000 Rwf ; 20% from 180,001 Rwf to 1,000,000 Rwf ; 30% above 1,000,000 Rwf.

vi) Property tax and rates on land tax -the rate applied on property and land is as follows:

- Land tax is FRW 0 to 80 FRW per square meter.
- A second residential house will be taxed at 0.5% of the combined market value of the house and land.
- The Tax rate for commercial buildings is 0.3% of its market value on both buildings and land.
- Tax charges on commercial buildings are capped at FRW 30 billion.

Other types of taxes that are not levied in Rwanda:

- **Inheritance tax** is determined by who owns the property after the decedent. It is also known as death tax.
- **Gift tax** is when someone transfers certain valued property to another person. It could be cash or in-kind.

B. Indirect tax

A tax imposed on consumption, sales, shipping, or production, rather than directly on the property or income of the consumer. Indirect taxes are generally included in the price of goods and services. In this case, the burden of the tax is on final users of the product or service, the consumer.

Examples of Indirect tax;

i) Value Added Tax (VAT)

VAT was introduced in Rwanda in 2001. VAT is a tax on the consumption of goods and services. It is indirectly paid by the final consumer of the goods or services. However, it is paid on their behalf by taxpayers on the value added at each stage of production.

In Rwanda, the normal rate of VAT is 18%. There is also a zero rate (0%) and exemptions applicable for certain types of goods and services. A taxpayer must register for VAT if his turnover is above FRW 20,000,000 for any twelve-month period or above FRW 5,000,000 for three consecutive quarters. In addition, any taxpayer may choose to register voluntarily for VAT if he doesn't meet the threshold

VAT-registered taxpayers are required to have at least one Electronic Invoicing System (EIS), such as an Electronic Billing Machine (EBM) in each of their sales locations, and use these to provide EIS invoices for all sales transactions.

In addition to other products, on April 21st 2023, the government exempted VAT on rice and maize flour for both domestic trade and imports. The move is expected to improve food security and the school feeding program.

ii) Customs duties: This is the tax imposed on imports and exports. They include:

- **Import duty:** This is the tax imposed on imported goods to;
 - a) Get government revenue
 - b) Discourage imports so as to protect domestic industries
 - c) Discourage imports so as to conserve foreign exchange
- **Export duty:** This is a tax imposed on exports to raise revenue and discourage the exportation of certain goods in order to satisfy the local market demand.
- **Excise duty:** Excise tax is imposed on specified goods /service produced locally or imported to be consumed in the country. Excise tax was established in Rwanda in 1960 and is levied on locally produced beers, lemonades, mineral water, juices, liquors, wines, fuel, vehicles,

powdered milk, as well as on cigarettes, etc... and their imported counterparts if appearing on the list published in the consumption tax law. Excise tax is also levied on telephone communication since year 2007.



Application Activity 5.1

Read the following business activities in Rwanda and name the types of taxes they pay

Business Activity	Type of Tax Paid
Your teacher at school	
A motorcyclist in your area	
A farmer in your area	
Richard runs a betting business	
Murokore runs a retail trade in your village	
Umukiza runs a consultancy business	
Tom owns rental houses and plots of land	
Batamuriza sells goods to Europe	

5.2. Role of taxes, and computation of VAT and personal income tax



Learning Activity 5.2

Paying taxes plays a great role in the social and economic development of the country. Using the specific examples from the photo below, explain the contribution of taxes to Rwanda's social economic development.



5.2.1. Role of taxes

Taxes paid by entrepreneurs, corporations, organizations play several important roles in the economy and society. Here are some key roles of taxes:

To an entrepreneur

- Paying taxes by the entrepreneur helps the business activity to operate smoothly, as it does not face penalties and associated costs from the RRA for non-payment.
- When an entrepreneur pays taxes, it improves his/her reputation or public image which may result into increased customers and better services from the government
- To avoid inconveniences of closure of the business and its associated costs: when an entrepreneur fails to pay assessed taxes, his/her business is subject to penalty or even closure in some cases.
- Entrepreneurs benefit from infrastructures to successfully operate such as roads to move raw materials, finished goods, workers; security for their enterprises, goods, among others, which are provided by the government.
- Paying taxes means contributing money to government agencies or departments such as Development Bank of Rwanda (BRD), Business Development Fund (BDF), which support entrepreneurs to operate business activities through soft loans and other financial support.

To the government

- Source of government revenue: taxes are the main source of government revenue to finance its public expenditure. Thus taxes enable the government to pay it workers, construct roads, maintain security, provide health care, education among others
- Taxes benefit the Rwandan government to meet its objectives and goals such constructing affordable houses to the citizens which helps improve the standards of living
- Taxes help government to finance its policies especially on poverty alleviation through programs such as —GIRINKA, —VUP, —UBUDEHE among others
- Taxes enable the government to regulate the prices of goods and services in the country hence ensuring a low cost of living and maintaining the standards of living of the citizens
- Taxes enable the government to maintain a balance between the poor and rich. The government uses the taxes from business people to provide services needed by the poor, which otherwise the rich could not provide.

- Taxes enable the government to promote its industrialization policy through reducing products from other countries that would otherwise out compete the home industries.
- Taxes enable the government to ensure that the citizens have enough products. This can be through taxes charged to reduce products moving out of the country or removing taxes on goods needed in the country. This helps maintain a high standard of living

To the Society

- There is reduced rates of poverty among the community due to a significantly equal distribution of income through various activities and projects set by the government
- Improved wellbeing among the vulnerable and elderly as they benefit from the different government financed through taxes
- Reduced infant mortality rates and increased life expectancy due to improved access to health facilities and services
- Increase in the percentage of the population that completes secondary and TVET education, reducing the literacy levels, improving on the peoples' skills through programs such as 12YBE.
- Increased community/social solidarity, general happiness, life satisfaction, and a significant more trust among the community members and for public institutions.
- Taxes are charged on products which are harmful to discourage their usage hence controlling the over-exploitation of resources hence protecting the environment which is vital for the existence of society.

5.2.2 Computation of VAT



Figure 5.2: A buyer is given an EBM receipt.

Value Added Tax (VAT)

$$\text{VAT to be paid to Government} = \text{Output VAT} - \text{Input VAT}$$



VAT can be calculated for a VAT exclusive or inclusive price as follows;

A. VAT Inclusive

This means the price of the goods or services including VAT.

Goods and services supplied by VAT registered taxpayers must always be sold at the VAT-inclusive price.

$$\text{VAT inclusive} = \frac{\text{Total invoice or amount}}{118} \times 18 \Leftrightarrow (\text{selling price} \times 18) / 118$$

B. VAT Exclusive

This means that the price of goods and services does not include VAT, as it has not been incorporated into the final cost

$$\text{VAT exclusive} = \frac{\text{Invoice with no VAT} \times 18}{100} \Leftrightarrow (\text{selling price} \times 18) / 100$$

Example 1

Considering the selling price of goods supplied as indicated by the invoice to be 8,000 Rwf.

$$\text{VAT} = \text{selling price} \times \text{rate}$$

$$\text{VAT} = 8,000 \times 18\% = 1,440 \text{ Rwf}$$

$$\text{Total Invoice} = \text{Selling price} + \text{VAT} \Leftrightarrow \text{will be } 8,000 + 1,440 = 9,440 \text{ Rwf}$$

Example 2

UTEXRWA Industry bought cotton from a local farmer worth FRW 1,200,000 to manufacture 170 blankets. All the blankets were sold to a wholesaler based in Kigali City at a cost of FRW 4,000,000. The same blanked were supplied at FRW 8,000,000 to Lemigo Hotel for its daily hotel services. You are required to compute the following with consideration that invoices are VAT inclusive:

- VAT payable by UTEXRWA Industry
- VAT payable by the wholesaler

Solution:

- At UTEXRWA level, $VAT = (4,000,000 \times 18) / 118 = 610,169.49$
- At the level of the wholesaler, we must consider two VATs: VAT on purchase and VAT on sale:

AT on purchase = $(4,000,000 \times 18) / 118 = 610,169.49$

VAT on sale = $(8,000,000 \times 18) / 118 = 1,220,338.98$

Thus, VAT due from the wholesaler is $1,220,338.98 - 610,169.49 = 610,169.52$

Example 3

A students' business club has sold goods to XY enterprise at 100,000 FRW VAT exclusive.

Calculate:

- VAT to be paid
- The price VAT inclusive

Solution

- VAT received= **18,000FRW**
- The price VAT inclusive= $100,000\text{FRW}+18,000\text{FRW}=\mathbf{118,000\text{FRW}}$

5.2.3. Computation of personal income tax

The tax rates and income tax brackets can vary depending on the country and its tax system. Personal income tax in Rwanda is calculated as below ;

Note: During 2023 as per income tax law in force (Law N° 027/2022 of 20 October 2022, the tax rates on employment income are as follows;

- RWF 0 to 60,000 - 0%
- RWF 60,001 to 100,000 - 20%
- RWF 100,001 and above - 30%

From 2024 and the following years as per the new tax policy(April 2023), the tax rates on employment income will be as follows;

- RWF 0 to 60,000 - 0%
- RWF 60,001 to 100,000 - 10%
- RWF 100,001 to 200,000 - 20%
- RWF 200,001 and above - 30%

A professional income tax or PAYE (Pay-As-You-Earn)

MONTHLY TAX RATES

Monthly taxable income (FRW)	Tax rate
From 0 - 60,000	0%
From 60,001 - 100,000	10%
From 100,001 - 200,000	20%
From 200,001 – and above	30%
Casual laborer	15%
Casual laborers not exceeding 60,000	0%

ANNUAL TAX RATES

Monthly taxable income (FRW)	Tax rate
From 0 - 720,000	0%
From 720,001 - 1,200,000	10%
From 1,200,001- 2,400,000	20%
From 2,400,001 – and above	30%
Casual laborer	15%
Casual laborers not exceeding 720,000	0%

Example 1

AKAGERA BUSINESS GROUP has made a list of employees indicating their monthly income:

AKALIZA gets FRW 250,000

AKIMANA gets FRW 360,000

ANGELINE gets FRW 100,000

ASSOUMPTA gets FRW 24,000

Required: Compute the following:

- i) The amount of professional income tax to be deducted on the salary of each employee.
- ii) The total amount of tax on all employees to be paid

Solutions:

During year 2023,

For Akaliza with income of FRW 250,000

Level of income	Tax rate	Taxable income	Tax
0 - 60,000	0%	60,000	0
60,001 - 100,000	20%	40,000	8,000
100,001 and above	30%	150,000	45,000
PAYE			53,000

For Akimana with income of FRW 360,000

Level of income	Tax rate	Taxable income	Tax
0 - 60,000	0%	60,000	0
60,001 - 100,000	20%	40,000	8,000
100,001 and above	30%	260,000	78,000
PAYE			86,000

For Angeline with income of FRW 100,000

Level of income	Tax rate	Taxable income	Tax
0 - 60,000	0%	60,000	0
60,001 - 100,000	20%	40,000	8,000
PAYE			8,000

For Assumpta with income of FRW 24,000

Level of income	Tax rate	Taxable income	Tax
0 - 60,000	0%	24,000	0
PAYE			0

From 2024, the computation will change as follows:

For Akaliza with income of FRW 250,000

Level of income	Tax rate	Taxable income	Tax
0 - 60,000	0%	60,000	0
60,001 - 100,000	10%	40,000	4,000
100,001 - 200,000	20%	100,000	20,000
200,001 and above	30%	50,000	15,000
PAYE			39,000

For Akimana with income of FRW 360,000

Level of income	Tax rate	Taxable income	Tax
0 - 60,000	0%	60,000	0
60,001 - 100,000	10%	40,000	4,000
100,001 - 200,000	20%	100,000	20,000
200,001 and above	30%	160,000	48,000
PAYE			72,000

For Angeline with income of FRW 100,000

Level of income	Tax rate	Taxable income	Tax
0 - 60,000	0%	60,000	0
60,001 - 100,000	10%	40,000	4,000
PAYE			4,000

For Assumpta with income of FRW 24,000

Level of income	Tax rate	Taxable income	Tax
0 - 60,000	0%	24,000	0
PAYE			0

Total amount to be paid by all employees

Names	Amount Year 2023	Amount year 2024
Akaliza	53,000	39,000
Akimana	86,000	72,000
Angelique	8,000	4,000
Assumpta	0	0
Total PAYE	147,000	115,000

Skills Lab Activity



From what you have learnt;

1. Identify taxes that your club will pay based on the project activities?
2. Assuming that your future back home business employs an accountant who will be paid 300,000FRW per month, How much tax is to be paid to the government every month?



Application Activity 5.2

1. The following figures relate to the monthly salaries of DUKUNDANE company Ltd employees for 2019:
 - a) Director Kagabo John earns 350,000FRW
 - b) Accountant Mukama James earns 150,000FRW
 - c) Security Muhire Damien earns 30,001FRW
 - d) Secretary Keza Joana earns 77,000FRW
 - e) Casual laborer Ishimwe Anitha earns 150,000FRW

Required: Determine the total PAYE for the above employees that DUKUNDANE company Ltd pays to RRA every month

2. A students' business club has bought goods from XY enterprise at 1,000,000 FRW VAT included.

Calculate:

- a) VAT paid
- b) The price VAT excluded

5.3. Customs Declaration



Learning Activity 5.3



Fig 5.3: People clearing at the customs office in Rwanda (Source: www.newtimes.rw)

Analyze the photo above and respond to the following questions:

1. What is happening in the photo?
2. Where in Rwanda do such activities / operations take place?
3. Mention some documents that are used in such activities above.

5.3.1. Customs declaration

Customs declaration refers to the practice used by customs offices to clear goods into a country and levy tariffs including clearance procedures such as documentation and inspection, method of determination of goods clarification, and method of assigning its value as the base for taxation. This declaration happens at border posts and other customs offices like MAGERWA.

5.3.2. Customs Offices in Rwanda

Rwanda Revenue Authority (RRA) that was established by law N° 15/15 of 8th November 1997, therefore, all border areas of Rwanda with neighboring countries and airports are gazetted as **customs offices**.

The Current operational One Stop Border Posts (OSBP) are located at the Kigali International Airport, Rusumo, Kagitumba, Nemba, Gatuna and Ruhwa. Other active border posts are located in Cyanika, Rusizi I, Rusizi II, Bugarama, Akanyaru, La Corniche & Petite Barrière in Rubavu and others.

All in all, Rwanda Revenue Authority has got the following Customs Offices countrywide:

- | | |
|---------------------------|-----------------------------|
| - 11AB Akanyaru-Bas | - 21KA Kigali-Aeroport |
| - 11AH Akanyaru-Haut | - 22AE Aerogare-Kgl |
| - 11BU Butare | - 31CY Cyanika |
| - 11BZ Buziba | - 31GC Gisenyi-Corniche |
| - 11GA Gatuna | - 32PL Gisenyi Poids-Lourds |
| - 11GI Gikondo | - 33KA Kabuhanga |
| - 11GT Gatsata oil Depots | - 41BU Bugarama |
| - 11KA Kagitumba | - 41BW Bweyeye |
| - 11KB Kabuye oil Depots | - 41CY Cyangugu |
| - 11NS Nshil | - 41KI Kibuye |
| - 11RE Rutete | - 41MT Mutara |
| - 11RU Rusumo | - 41MU Mururu |
| - 12BA Buhita | - 41RU Ruhwa |
| - 12KN Kaniga | - HQ01 Customs Headquarters |
| - 12KP Kigali-Poste | |
| - 12RW Rwempasha | |
| - 13MU Murago | |
| - 13RO Rwabusoro | |

5.3.3. Documents used in customs declaration

These are documents that are used during the declaration process of exports and imports as some may have limit or customs excise duty or are banned from entry. These may include:

1. **Transaction Invoices:** is a non-negotiable commercial document issued by a seller to a buyer.
2. **Transport documents:** These are documents which show information about cargo that is being transported. Transport documents lie at the heart of international trade transactions. These documents are issued by shipping line, airline, international trucking companies, railroad, freight forwarder and all logistics companies. For example:
 - **CMR:** the CMR (Convention relative au Contract de transport international de Merchandise Par Route) transport document is an international consignment note used by drivers, operators and forwarders that govern the responsibility and liabilities of the parties to a contract for the carriage of goods by road internationally.
 - **Air waybill:** is a transport document used for air freight. An air waybill (AWB) is a non-negotiable transport document covering transport of cargo from the airport. It indicates only acceptance of goods for carriage. This document is prepared by IATA Transport Agent or the airline itself and is addressed to the exporter, the airline and the importer.
 - **Bill of Lading** is a transport document for sea freight. Bill of lading B/L is used by the agent of a carrier to shipper, signed by the captain, agent, or owner of the vessel.
3. **Import license:** An import license is a document issued by a national government authorizing the importation of certain goods into its territory.
4. **Packing list** is a more detailed version of the commercial invoice but without price information.
5. **Certificate of origin:** show that goods in particular shipment have been wholly obtained, produced, manufactured or processed in a particular country.
6. **Certificate of analysis** is a document which confirms that specific goods have undergone specified testing with specified results and adhere to product specification and standard of production.
7. **Goods arrival notice:** is a document sent by a carrier or agent to the consignee to inform about the arrival of the shipment and number of

packages, description of goods, the weight, and collection charges (if any)

8. **Assessment Notice:** is a document issued by a taxing authority specifying the assessed value of a property.
9. **Certificate of Fumigation:** is the proof that wooden packing materials issued in international sea freight shipping e. g wooden pallets and crates, wood, wool etc. Have been fumigated or sterilized prior to international shipment to ensure proper handling as some can be harmful.
10. **Goods invoice:** is a document sent by a seller to a buyer. It specifies the amount and cost of goods that have been provided by a seller.
11. **Payment receipt:** is a simple document that shows that payment was received in exchange for goods or services.
12. **Phytosanitary certificate:** is a certificate stating that a specific crop was inspected a predetermined number of times and a specified disease was not found or a certificate based on an area surveillance stating that a specific disease, as far as known, does not occur in the area of production.
13. **Warehouse handling fees invoice:** is a document given by a warehouseman for items received for storage in his or her warehouse which has evidence of title to the stored goods.



Application Activity 5.3

Analyze the following transactions and identify the documents used during their declaration.

1. Bought goats from Uganda
2. Sold coffee to Japan
3. Bought woods from China
4. Bought Rice and Maize flour from Tanzania

5.4. Declaration procedures



Learning Activity 5.4

You have been employed as the export manager of TAM TAM industries producing cosmetics products and in your exportation plans, you intend to export 6 tonnes of products in one week's time to South Sudan.

Rearrange the processes you will take to clear your products under customs

1. Obtain an invoice for warehouse handling fees.
2. Pay import tax.
3. Submit goods arrival notice for verification from Rwanda Standards Board.
4. Obtain goods exit note
5. Obtain manifest Requirements.
6. Submit import documents to the clearing agent for tax calculation.
7. Obtain notice of arrival of the goods.
8. Pay warehouse fees for goods handling.

Customs declaration may be done both for exports or imports. Although the procedures may slightly differ based on the type of declaration, the general procedure when declaring imports or exports is as follows:

Step 1: Taxpayer prepares all necessary documents and contracts a Clearing Agent.

Step 2: The Clearing Agent prepares and submits an import or export declaration to RRA using the Rwanda electronic Single Window (ReSW).

Step 3: The Clearing Agent receives assessment notices, containing the amounts of customs duties due. The taxpayer pays all customs duties due, either directly or through the Clearing Agent. The assessment notice may contain different 'Doc IDs' for different tax types. If so, these must each be paid separately.

Step 4: The ReSW system allocates the consignment to a certain Customs channel. If verification is required, Customs Officers will request the necessary documents and/or access to the consignment. If there are any problems, further action may be required.

Step 5: After successful verification, the Customs Officer provides the taxpayer with a release order.

Step 6: The taxpayer pays any due warehousing fees, if applicable, to the warehouse owner.

Step 7: The taxpayer receives an exit note and may leave with their consignment.

Imports declaration procedures

1. **Obtain notice of arrival of goods:** The requirements for goods arrival notice are set by internal procedures of Magasins Généraux du Rwanda (MAGERWA) or any other warehouse / logistics organization.

2. **Submit goods arrival notice for verification by Rwanda standards board(RSB).** Requirements are set by internal procedures of Rwanda bureau of standards import inspection procedures.
3. **Obtain manifest:** Rwanda revenue tally officer verifies whether the goods indicated on the import documents match the actual goods on the goods arrival notice. This is to make sure that the importer pays the right amount of taxes.
4. **Submit import documents to the clearing agent for tax calculation.** It is at this stage that the taxes to be paid on the goods is calculated and the importer is informed of how much taxes they have to pay.
5. **Pay import tax:** The clearing agencies have a system whereby goods are assigned different codes and once this code is entered into the system and the country of origin of the goods, taxes are calculated automatically. Large importers who had been previously paying taxes well may be exempted from withholding taxes.
6. **Obtain an invoice for warehouse handling fees:** The requirements are set by the internal procedures of Magasins Généraux du Rwanda instructions.
7. **Pay warehouse fees for goods handling:** Warehouse handling fees are set by MAGERWA management. The fees depend on the quantity of the goods and the time spent in the warehouse. Within 7 days, each kilogram is charged 10 RWF per day. From 7 days and above, an extra 1 RWF is charged per kilogram/day. VAT (18%) and parking fees are added on the total cost.
8. **Obtain goods exist note:** Once the taxes and warehouse storage fees have been paid, Rwanda Revenue Authority and MAGERWA tally officers verify the goods physically to make sure they correspond to the declared goods and the client issued with the goods exit note. It is the goods exit note that the client uses to take his goods from the warehouse.



Application Activity 5.4

Imagine that you had to export raw materials for your business to Dubai. Describe the procedure you would go through.

End of Unit Assessment

1. Project Activity

Imagine that after S.6 you have been provided with capital of 1000,000FRW by your parents or relatives to begin the business of importing Rice from Tanzania. This involves different procedures to have your Rice reach Rwanda especially in clearing under customs. Using the knowledge and experience acquired from the previous lessons, make a report on the process of declaring taxes under Customs.

II. Other Assessment Questions

1.
 - a) Differentiate between customs and customs procedures
 - b) Give three examples of Rwanda's imports and exports
 - c) List examples of exempted goods that are imported into Rwanda.
2. A business club at one of the schools has 3 regular employees namely KALISA, Ingabire, and BERWA with monthly salaries of 35,000FRW, 40,000FRW, and 20,000FRW respectively. On top of that, the business made sales of 300,000FRW VAT exclusive, and the input VAT was 34,000FRW.
 - a) Calculate the total amount of tax that the business club has to pay to RRA
 - b) Advise the above business on how the above taxes would be paid.



Unit 6: Financial Markets

Key unit competence

To be able to manage their finances responsibly and invest in capital markets.

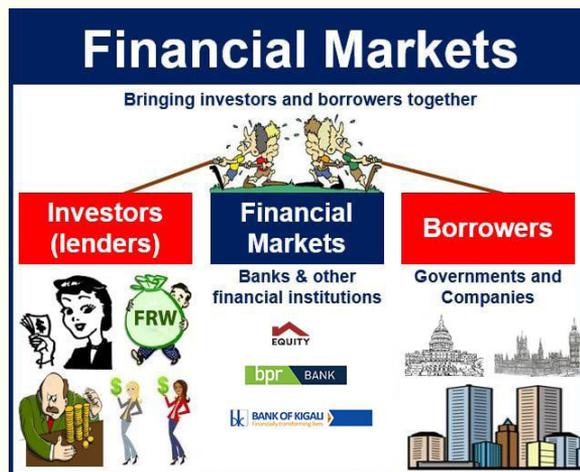
Introduction

You have got prior knowledge and skills related to financial institutions in Senior four. This unit will help you on how to invest your financial resources in long term financial investments in an easy way particularly by investing in capital markets. Therefore, by the end of this unit you must have the ability to make decisions of managing your finances well and investing in financial markets.



Introductory Activity

Analyze the Illustration below and answer the questions that follow.



- What are financial markets?
- Who are the key players in the financial markets?
- What are the functions of financial markets?
- What steps would one go through in order to invest in the financial markets?
- How do people invest in financial markets in Rwanda?

6.1. Meaning, functions and types of financial markets



Learning Activity 6.1

The picture below is from the Rwanda Stock Exchange website. Study it and answer the questions that follow.



Questions:

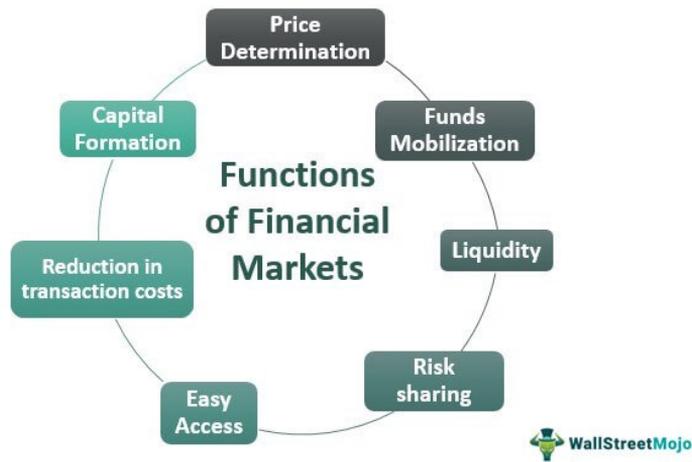
- Describe what the people in the picture are doing?
- How does the activity above promote investment in the country?
- What do you understand about the financial market?
- How do you differentiate primary from secondary financial markets?

6.1.1. Meaning

A financial market is a marketplace where individuals and organizations engage in buying and selling of securities, commodities and other tangible assets. These transactions occur with low transaction costs and the prices are determined based on the interaction of supply and demand forces. Securities include stocks and bonds, and commodities include precious metals or agricultural goods.

Financial Markets are used to match those who want capital to those who have it. Typically, a borrower issues a receipt to the lender promising to pay back the capital. These receipts are securities which may be freely bought or sold. In return for lending money to the borrower, the lender will expect some compensation in the form of interest or dividends. This return on investment is a necessary part of markets to ensure that funds are supplied to them.

6.1.2. The functions of financial markets



There are several functions of financial markets as explained below:

- i) **Price determination:** The financial market performs the function of price determination of the different financial instruments traded between the buyers and the sellers on the financial market.
- ii) **Funds mobilization:** Funds available from the lenders or the investors of the funds will get allocated among the persons who need the funds or raise funds through the means of issuing financial instruments in the financial market
- iii) **Liquidity:** Investors can sell their securities readily and convert them into cash in the financial market, thereby providing liquidity.
- iv) **Risk sharing:** The financial market performs the function of risk sharing as the person who is undertaking the investments is different from the persons who are investing their fund in those investments.
- v) **Easy access:** The industries require the investors to raise funds, and the investors require the industries to invest their money and earn the returns from them. So, the financial market platform provides the potential buyer and seller easily, which helps them save their time and money in finding potential buyers and sellers.
- vi) **Reduction in transaction costs and provision of information:** The trader requires various types of information when doing the transaction of buying and selling the securities. For obtaining the same time and money is required. But the financial market helps provide every type of information to the traders without the requirement of spending any money by them.

vii) Capital formation:



Financial markets provide the channel through which the new investments savings flow into the country, which aids in the country's capital formation.

6.1.3. Types of financial markets

Normally, all the types of financial markets can be classified as:

- a) **The primary market** is the market for new issuers or where new capital is raised . It is the market where securities are sold for the first time.
- b) **The secondary market** is the market for trading securities that have been sold or issued in the primary market and already in the hands of the public.

The types of financial markets include:

- **Physical asset markets versus financial assets markets:**

Physical assets markets are for physical products such as wheat, autos, real estate, computers, and machinery whereas **financial asset markets**, on the other hand, deal with stocks, bonds, notes, and mortgages.

- **Spot markets versus futures markets:**

Spot markets are markets in which assets are bought or sold for "on-the-spot" delivery (literally, within a few days) whereas **futures markets** are markets in which participants agree today to buy or sell an asset at some future date.

- **Money markets versus capital markets:**

Money markets are the markets for short-term, highly liquid debt securities whereas

Capital markets are the markets for intermediate or long-term debt and corporate stocks.



Application Activity 6.1

Read and answer the following question:

Imagine you are the leader of the Youth forum in your area. You have invited fellow youth and you want to talk to them about investing through capital markets. Write the ideas you would tell them relating the functions of Capital markets

6.2. Benefits and instruments of capital markets



Learning Activity 6.2

Read and answer the questions below

- What do you understand by “Capital market”?
- What are the benefits of investing in capital markets?
- What do the following terms mean in financial markets
 - Shares
 - Bonds
 - Debentures
 - Stocks

6.2.1. Meaning of capital markets



Capital market is a place where long term financial securities are traded by individuals and institutions/organizations. In other words, they are financial markets where buyers and sellers together trade stocks, bonds, currencies and other financial assets.

6.2.2. Benefits of investing through capital market

The following benefits apply both to the primary and secondary markets:

- **Access to capital:** By issuing shares or debt directly to the public through the Rwanda stock exchange (RSE), private sector businesses and the government can raise funds for expansion of existing business or new projects.
- **Discover the value of your business:** By listing on the RSE issuers or owners of business are able to discover the price of their securities and therefore the value of their business. This enables them to realize the market worth of their wealth.
- **Strengthens the company's status:** Raise a company's visibility and therefore, enhancing its status with customers and suppliers at home and overseas: A listing on the capital market raises the profile of a company through continuous media coverage. This is free publicity and enhances the product presence of the issuer among its customers.
- **It improves bargaining power:** Have a better bargaining position with financiers.
- **Enhance management practices:** The capital market requires a minimum level of disclosure and corporate governance and this encourages the quality of management practices.
- **Foster employee motivation:** Listed companies may easily employ executives using stock option techniques.
- **Benefits from Capital Market incentives:** New issuers take advantage of incentives provided to listed companies. This comes in the form of low costs and tax advantages to shareholders and owners of the business.
- **Use of shares as currency:** Listed companies with known market value can use their shares as currency instead of cash when taking over others.
- **Savings accumulation:** Investing in securities that are listed in the capital or stock market encourages investors to accumulate their savings in small amounts over time.
- **Source of income:** Investment in the stock market provides a source of income. In every transaction made, the investors have higher chances of earning profits therefore, being able to increase their financial base.
- **Improving investment value:** Whenever the prices of securities go up, the value of investment of shareholders increases.

- **Easy to get loans:** Listed securities are easily accepted as collateral security against loans from financial institutions.
- **Way of getting cash:** Shares and bonds can easily be converted into cash in the shortest time possible without losing much value.

6.2.3. Capital Market instruments

- a) **Shares:** A share is considered as the unit of capital. It is also taken as a unit of ownership in a limited company that gives the holder claim over any dividends that the corporation/company may pay for it. Owners of shares are called **shareholders** and receive dividends on their shares from the company's profits usually at the end of the financial year.
- b) **Debentures:** A debenture is a type of debt instrument that is not secured by physical assets or collateral. Debentures are backed only by the general creditworthiness and reputation of the issuer. Both corporations and governments frequently issue this type of bond to secure capital.
- c) **Bonds** are debt instruments created for the purpose of raising capital. They are essentially loan agreements between the bond issuer and an investor, in which the bond issuer is obligated to pay a specified amount of money at specified future dates.

▪ Government-owned capital market instruments

- i) **Treasury Bills:** Treasury Bills (T-bills) are short-term debt securities (one year or less) issued by the central bank in order to raise money from the public.

In Rwanda; T-Bills are issued by auction on a weekly basis with maturity dates of 28 days, 91 days, 182 days, and 364 days. T-Bills market is announced via the BNR website, each Monday for auction on Thursday (T), and settlements take place on Friday (T+1). The minimum purchase is 100,000 FRW. T-bills market is open for all investors (Banks, non-Banks, Insurance companies, Pension Fund, individuals, etc.)

- ii) **Treasury Bonds:** A Treasury Bond/Government bond is a debt instrument issued by a national government through the Central Bank in its capacity as a government agent, generally with a promise to pay periodic interest payments and to repay the face value on the maturity date. This is a long-term security.



Skills Lab Activity

The Capital Market Authority in Rwanda played an important role in the financial stability and economic development of the country. Discuss the capital market instruments and role played by the Capital Market Authority.



Application Activity 6.2

1. How does investing in a capital market benefit your back home business?
2. How would you use the capital market to raise funds for your business?

6.3. How to invest in Rwanda stock exchange markets



Learning Activity 6.3

From the library resourceful person or computer lab, make research on the requirements and process of investing in the Rwanda stock exchange markets (you can use this link: <https://www.cma.rw>)

Requirements and process to join the Rwanda stock exchange



How to open an account and trade on the Rwanda stock exchange markets

After the shares have been allocated to subscribers in the primary market, the company that offered its shares to the public is listed on the Rwanda Stock Exchange (RSE) where shares can only be bought and sold through licensed stockbrokers (stockbrokers are professionals licensed by CMAC to buy and sell shares on behalf of clients. For this service they charge a commission).

The secondary market is the market where already existing shares and bonds are bought and sold through licensed stockbrokers who are members of the RSE.

Step 1 **Open an investment account with your stockbroker**

- To buy securities, one must open an investment account with a stockbroker for investment and trading in securities.
- To open this account one needs to provide 2 recent passport photos and a copy of the ID card.
- The stockbroker will also open a central securities depository (CSD) account into which your shares/bonds will be held electronically.

Step 2 **Placing a buying or selling order to your stockbroker**

- To buy shares or bonds you are required to discuss with your stockbroker and then provide your account details.
- To buy or sell, you must give written instructions to your stockbrokers.
- The investor then completes a purchase order (or sale order) giving personal particulars (including contact address etc) and the instructions on the transactions (that is what security to buy/sell, the transaction price, etc).
- Where the investor intends to sell securities, he will be required to submit his security certificate.
- In the case of a purchase, the investor will be required to make a deposit covering the value of the transaction.



Application Activity 6.3

Suppose you have a plan of investing the stock market, describe the steps you will be required to get through

End of Unit Assessment

I. Project Activity

As a S.6 student leaver, your father has been investing a lot of money in you to access the education of your choice at all levels. Here comes your father in need of advice on how and when he can invest in capital markets as a way of securing his financial future and your entire family. Using your knowledge as a student of entrepreneurship regarding finances and investment, help your father to find out the solution for his problem.

II. Other Assessment Questions

1. Describe/explain the process of joining Rwanda Stock Exchange?
2. Discuss the benefits of investing in capital markets?
3. Describe the steps involved in investing in the stock exchange markets



Unit 7: Stock Control

Key unit competence

To be able to properly handle stock for the business

Introduction

A business can run smoothly only when enough inventory is kept on hand. All operational processes, including production, warehousing, sales, etc., are impacted by inventory. There should be a balance between opening and closing inventories to prevent any negative effects on other business operations. As a result, inventory is very important to operations management.

This unit is designed to equip you with knowledge, skills, attitudes, and values that will enable you to manage stock effectively and make an inventory, to comply with the standards, policies and procedures followed in the procurement of goods, services and works in supply chain management. Throughout this unit, you will learn how to use basic documents needed in stock management, how to conduct perpetual and periodic inventory, procurement procedures, as well as evaluation methods on supplied stock.



Introductory Activity

Analyze the paragraphs below and answer the questions that follow.

Stock control, otherwise known as **inventory control**, is used to show how much stock you have at any one time, and how you keep track of it.

It applies to every item you use to produce a product or service, from raw materials to finished goods. It covers stock at every stage of the production process, from purchase and delivery to using and re-ordering the stock.

Efficient stock control allows you to have the right amount of stock in the right place at the right time. It ensures that capital is not tied up unnecessarily, and protects production if problems arise with the supply chain.

Questions

- What is meant by stock, stock control/management and inventory?

- b) What are the necessary documents for stock management in a business?
- c) Why is stock control important in a business?
- d) Describe the different methods of stock valuation

7.1. Concepts and necessary documents for stock management



Learning Activity 7.1

Read the story below and answer questions that follow.

Kamanzi is a prosperous trader in Nyarugenge district and owns a very big business. He is considered an exceptional trader by many customers mainly because during scarcity of scholastic materials like reams of papers and exercise books, he is the only trader every parent refers to as he helps them find the needed materials for their children. Kamanzi is also exemplary in terms of stock management. This is attributed to the fact that he has employees who are well trained and manages his stock properly.

Questions

- a) Mention the documents that can be used for proper stock management in Kamana's business.
- b) Under which circumstances can his employees record information?

7.1.1. Meaning of stock and inventory management

Stock

Goods obtained for resale or manufactured for sale that are yet unsold on any particular date are known as **stock**.

It also means the value of the goods that you have on hand to sell to your customers. If you sell services rather than goods, you will not have any stock.

Stock can be classified as:

- **Opening Stock:** Value of stock at the beginning of an accounting period.
- **Closing Stock:** Value of stock at the end of an accounting period.

Inventory

Inventory refers to a company's goods and products that are ready to sell, as well as the raw materials that are used to produce them. Inventory can be categorized in three different ways, including raw materials, work-in-progress, and finished goods. This term is better fit in the manufacturing businesses.

Therefore, a stock reflects the finished goods available for sale while an inventory includes both finished goods and components that create a finished product.

Stock management

Stock management is the practice of ordering, storing, tracking, and controlling inventory.

It is also the process of managing the goods your business plans to sell. Or is the process of buying and storing these goods while keeping order, shipping, handling, and storage expenses under control.

7.1.2. Necessary documents for stock management

The following are the necessary documents in stock management process:

a) Material/ purchase requisition note

A materials requisition form is used to draw/ get materials from the stores, and it specifies the quantity and quality of materials required, along with the job number or work order for which it is needed.

Also known as a requisition slip or materials requisition note, a materials requisition form is a document that authorizes and records the issue of materials for use.

An example of a purchase requisition template.

STOCK REQUISITION

To:		No:	
		Date:	
Please supply the following items(s)			
Quantity	Description	Quantity	Description
Requested by:		Department	
Authorized by:		Date:	
Received by:		Date:	

b) Materials receipt note

This is a document that keeps records of the materials received in the stores at specific dates.

An example of a materials receipt note.

Materials receipt note

To:		No:	
		Date:	
Please acknowledge receipt of the following items(s)			
Quantity	Description	Quantity	Description
Received by:		Date:	
Checked by:		Date:	
Store keeper:		Date:	

c) Return-outward note

This records the materials obtained for a specific job but not fully consumed or they are drawn in excess of requirements, and therefore need to be returned to the stores.

An example of a materials return outward note template.

Materials return outward note

To:		No:	
		Date:	
Please verify return of the following items(s)			
Quantity	Description	Quantity	Description
Returned by:		Department:	
		Date:	
Verified by:		Date:	

d) Materials return inward note

This is prepared by the store keeper to record the materials that were given out for a specific job and were not fully consumed or they were drawn in excess of requirements, and have been returned to the stores

An example of a materials return inward note template.

Materials return inwards note

To:		No:	
		Date:	
Please verify return of the following items(s)			
Quantity	Description	Quantity	Description
Returned by by:		Department:	
		Date:	
Stored by:		Date:	

e) Stock sheet inventory

The stock sheet is a document that records regular movement of goods in the store. The storekeeper indicates the goods received or issued.

The storekeeper determines the balance after the movement of purchases and sales of goods. Each exit and entry of goods into stock must be justified with a relevant document such as receipt note and purchase requisition note.

The following is an example of a stock sheet note template.

Name of company: _____

Date: _____

N°	Stock items	Initial			Received			Issued			Balance		
		Qty	P/U	Total	Qty	P/U	Total	Qty	P/U	Total	Qty	P/U	Total
1.													
2.													
3.													
4.													



Application Activity 7.1

Nyiraneza is a stock manager for SABANA LTD, a distributor of BRALIRWA products. On March 12th, 2018, SABANA LTD had the following items in the stock:

Items	Number of crates	Unit Price
Primus 72cl	12	8,100
Primus 33cl	6	8,100
Mutzig 65cl	4	10,100
Mutzig 33cl	0	10,200
Legend 30 cl	4	12,100
Amstel 33cl	8	14,100
Turbo King 33cl	1	10,200
Heineken 33cl	0	20,000
Soft Drinks 30cl	3	6,700
Soft Drinks 50cl	6	8,000

In the morning of March 12th, 2018, Nyiraneza made a Purchase order for the following items:

Items	Unit price (FRW)	Quantity ordered	Total price (FRW)
Primus 72cl	8,100	20	162000
Primus 33cl	8,100	0	0
Mutzig 65cl	10,100	15	151500
Mutzig 33cl	10,200	30	306000
Legend 30 cl	12,100	6	72600
Amstel 33cl	14,100	10	141000
Turbo King 33cl	10,200	10	102000
Heineken 33cl	20,000	5	100000
Soft Drinks 30cl	6,700	30	201000
Soft Drinks 50cl	8,000	0	0
TOTAL			1,236,100



BRALIRWA main stock supplied to SABANA LTD the following items on March 12th, 2018:

Items	Unit price (FRW)	Quantity delivered	Total price (FRW)
Primus 72cl	8,100	20	162000
Primus 33cl	8,100	0	0
Mutzig 65cl	10,100	15	151500
Mutzig 33cl	10,200	30	306000
Legend 30 cl	12,100	0	0
Amstel 33cl	14,100	10	141000
Turbo King 33cl	10,200	10	102000
Heineken 33cl	20,000	5	100000
Soft Drinks 30cl	6,700	30	201000
Soft Drinks 50cl	8,000	0	0
TOTAL			1,163,500

On the same day (March 12th, 2018), SABANA LTD sold the following items:

Items	Number of crates
Primus 72cl	15
Primus 33cl	6
Mutzig 65cl	6
Mutzig 33cl	0
Legend 30 cl	4
Amstel 33cl	8
Turbo King 33cl	1
Heineken 33cl	0
Soft Drinks 30cl	12
Soft Drinks 50cl	6

- Complete the **receipt note** and **stock sheet** for SABANA LTD on March 12th, 2018.
- Develop a **purchase requisition** (10 crates for each identified item) for SABANA LTD on March 13th, 2018, following the principle that the minimum stock level is 6 crates for each item.

7.2. Inventory management systems



Learning Activity 7.2

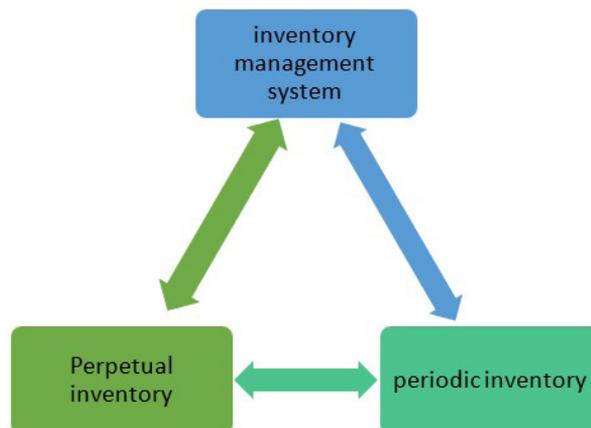
Read answer the following questions

1. Differentiate between perpetual and periodic inventories
2. Referring to your school, briefly explain how perpetual and periodic inventories are carried out by the accounting department.

7.2.1. Meaning of inventory systems

One of the most challenging aspects of running a business is learning how to effectively manage your inventory so you have what your customers need and want without having too much excess, which can be a waste of money. Whether it is deciding what and how much to order, when to order, keeping an accurate count of your products, or knowing how to handle excess and shortages, knowing how to control inventory properly will help ensure your business's success.

Inventory management systems therefore, refers to the accounting methods that businesses use to track the number of products they have in their stores. They are two methods of tracking inventory and these include:



7.2.2. Types of inventory management systems

- a) **Periodic inventory** is one that involves a physical count at various periods of time. The **periodic inventory system** uses an occasional physical count to measure the level of inventory and the cost of goods sold.

Advantages of Periodic Inventory System

- Since no permanent employee is required for physical counting of merchandise inventory under this system it is less expensive.
- It is applicable for all business organizations large or small dealing with specific or a variety of goods.
- Since stock taking is done at the end of a period under this system the normal activities of the business are not hampered.
- Since the stock-taking of merchandise is done on a particular date the quantity of stock of merchandise is reliable.

Disadvantages of Periodic Inventory System

- On the very day of the physical counting of merchandise stock, normal activities of business remain almost suspended.
- The act of counting merchandise stock is to be completed hurriedly due to a shortage of time.
- Under this system the chance of fraud and forgery lies, because here continuous control over merchandise is absent.
- Under this system on expiry of the particular period, the reasons for differences between merchandise at hand and merchandise shown in the books of accounts cannot be sorted out easily.
- Under this system, the stock control device is very weak. Their employees get a chance to adopt corruption.

b) Perpetual inventory is computerized, using point-of-sale and enterprise asset management systems. The perpetual system keeps track of inventory balances continuously, with updates made automatically whenever a product is received or sold.

Perpetual inventory can save the business money in these ways:

- There is no need to close facilities regularly to perform physical inventories,
- Data from scanned barcodes help you forecast stock,
- You can account for all transactions, providing complete accountability of your products.

Even though perpetual inventory is superior, it is not perfect. While there is a constant, automatic product tracking system, there are still ways to lose positive inventory control.

The disadvantages of using perpetual inventory include:

- You must still perform an annual inventory to synchronize your data,
- You must input every transaction, which requires more consistent record-keeping and monitoring,

- Perpetual inventory systems have higher setup costs than other methods since they require software and training.

Differences Between Perpetual and Periodic Inventory Systems:

Perpetual Inventory Systems	Periodic Inventory Systems
Track sales immediately	Track sales on recurring basis
Use point-of-sale systems	Utilize recurring physical counts
Better for large businesses	Better for small companies
Smaller margin for error	Larger margin for error
Cost of goods sold updated constantly	Cost of goods sold updated periodically
Require less effort	Require physical counts
Start-up cost potentially high	Less expensive to start up



Application Activity 7.2

Analyze the scenario below and answer questions that follow

Nishimwe and Rugwiza are employees of TURAHEZA COMPANY LTD which has hardware stores in Huye and Kigali towns. Nishimwe is the manager of the Huye branch, while Rugwiza is the manager of the Kigali branch. In their daily work, Nishimwe records and controls the physical movements of stock. Every time she sells or purchases an item, she puts the report in the template that she has developed using excel software. For Rugwiza, the stock manager of the Kigali branch, the inventory control is done at the end of the month and the monthly stock value is determined.

Questions

1. Determine whether the system used by these employees is perpetual or periodic and explain why.
2. Identify advantages of each system.

7.3. Inventory valuation methods on supplied stock



Learning Activity 7.3

Read the scenario below and answer questions that follow:

AMBARUBERWE Limited bought a range of beachwear in the summer, with each item costing 15,000 FRW and retailing for 30,000 FRW. Most of the goods were sold but, during the rainy season, ten items remained unsold. These were put at a discount of 18,000 FRW each. On 31 December, at the end of the store's financial year, five items remained unsold.

- At what price will they be valued at the end of year stock valuation?
- Twelve months later, three items still remained unsold and have been reduced further to 10,000 FRW each. At what price will they now be valued at the end of year stock valuation?

The cost of unsold inventory is determined at the end of each accounting period. Inventory is valued usually at cost or at the market value, whichever is lower. Stocks are never valued at selling prices when selling prices are above cost prices. The reason for this is that selling prices include profit, and to value stock in this way would recognize the profit in the financial statements before it has been realized.

The three common stock valuation methods are First-In, First-Out (FIFO); Last-In, First-Out (LIFO) and Weighted Average Cost (WAC).

7.3.1. FIFO



FIFO is the acronym for **First-In, First-Out**. FIFO is a valuation method in which assets produced or acquired first are sold, used, or disposed of first.

Under FIFO, the **oldest** cost of an item in inventory will be removed **first**

when one of those items is sold. This oldest cost will then be reported on the income statement as part of the cost of goods sold. **Example:** If a company using FIFO method has four units purchased at different costs and in the following sequence: 6,000 FRW; 6,400 FRW, 6,500 FRW and 6,600 FRW, the company will report its cost of goods sold as 6,000 (the first cost).

7.3.2. LIFO

LIFO is the acronym for **Last-In, First-Out**. It is a valuation method in which the last asset acquired (the newest), is the first asset sold.

Under LIFO the latest or more recent costs of products purchased (or produced) are the first costs expensed as the cost of goods sold. This means that the costs of the oldest products will be reported as inventory.

For example

Let us illustrate LIFO with a company that has three units of the same product in inventory. The units were purchased at different costs and in the following sequence: 6,000 FRW, 6,400, FRW and 6,600 FRW. Under LIFO the company will report its cost of goods sold as 6,600 (the latest cost).

Note that the last cost of **6,600 FRW** is the first cost out of inventory-the LIFO assumption.

LIFO has become popular because of inflation and the fact that the income tax rules can permit companies to use LIFO.

7.3.3. Weighted Average Cost method (WAC)

In Weighted Average Cost method (WAC or AVCO), the weighted average cost of items is calculated, using the formula:

$$\text{Weighted Average Cost} = \frac{\text{Total cost of goods in stock}}{\text{Number of items in stock}}$$

The weighted average cost is then used to value goods sold. A new weighted average cost must be calculated each time that further stocks are bought during the year.

Recording stock values

To be able to accurately calculate the price at which stocks of materials are issued and to ascertain a valuation of stock, a **store's ledger record or stock card** is used. Note that stock records are usually kept at cost price, not the selling price.

Example of stock card

Vannesa & Kalisa Papeterie sell office materials. One of the items stocked is reams of papers. To show how the stock card would appear under FIFO, LIFO and AVCO, the following data is used:

January 2018: Opening stock of 40 reams of papers at a cost of 3,000 FRW each

February 2018: Bought 20 reams of papers at a cost of 3,600 FRW each

March 2018: Sold 36 reams of papers

April 2018: Bought 20 reams of papers at a cost of 3,750 FRW each

May 2018: Sold 25 reams of papers.

1. FIFO method

Vannesa & Kalisa Papeterie
Reams of papers (2018)

Date 2018	Receipts			Issues			Balance		
	Quantity	P/U	Total cost (FRW)	Quantity	P/U	Total cost (FRW)	Quantity	P/U	Total cost (FRW)
January	Balance						40	3,000	120,000
February	20	3,600	72,000	-	-	-	40	3,000	120,000
							<u>20</u>	<u>3,600</u>	<u>72,000</u>
							60		192,000
March				36	3,000	108,000	4	3,000	12,000
							<u>20</u>	<u>3,600</u>	<u>72,000</u>
							24		84,000
April	20	3,750	75,000	-	-	-	4	3,000	12,000
							20	3,600	72,000
							<u>20</u>	<u>3,750</u>	<u>75,000</u>
							44		159,000
May				4	3,000	12,000			
				20	3,600	72,000			
				1	3,750	3,750			
				25			19	3750	71,250
Total	40		147,000	61		244,000	19		71,250

Note: In the 'Balance' columns, a new list of stock quantities and costs is started after each receipt or issue. When stock is issued, costs are used from the top of the list downwards.

2. Stock card using LIFO

Vanessa & Kalisa Papeterie Reams of papers (2018)

Date	Receipts			Issues			Balance		
	Quantity	P/U	Total cost (FRW)	Quantity	P/U	Total cost (FRW)	Quantity	P/U	Total cost (FRW)
2018									
January	Balance						40	3,000	120,000
February	20	3,600	72,000	-	-	-	40	3,000	120,000
							<u>20</u>	3,600	<u>72,000</u>
							60		192,000
March				20	3,600	72,000	24	3,000	72,000
				<u>16</u>	3,000	48,000			
				36					
April	20	3,750	75,000	-	-	-	24	3,000	72,000
							<u>20</u>	3,750	<u>75,000</u>
							44		147,000
May				20	3,750	75,000			
				<u>5</u>	3,000	15,000	19	3,000	57,000
				25					
Total	40		147,000	61		210,000	19		57,000

3. Stock card using WAC (weighted average cost per unit)

In this method, each quantity issued is valued at the weighted average cost per unit, and so is the balance in stock. The complete list of different costs does not have to be re-written each time.

WAC method

Vanessa & Kalisa Papeterie

Item: Reams of papers (2018)

Date	Receipts		Issues		Balance	
	Quantity	P/U	Total cost (FRW)	Quantity	P/U	Total cost (FRW)
2018						
January	Balance					
February	20	3,600	72,000	-	-	120,000
March				36	3,200	115,200
April	20	3,750	75,000	-	-	76,800
May				25	3,450	86,250
Total	40		147,000	61		244,000
				19		65,550

Note: Weighted average cost is calculated by dividing the quantity held in stock into the value of the stock. For example, at the end of February, the weighted average cost is $192,000\text{FRW} \div 60 = 3,200$, and at the end of April it is $151,800 \div 44 = 3,450\text{FRW}$.

The closing stock valuations at the end of May 2018 under the three methods show total cost prices of:

- FIFO: 71,250 FRW
- LIFO: 57,000 FRW
- WAC: 65,550 FRW



Application Activity 7.3

Analyze the following information from the books of GASABO Bakery Limited

GASABO Bakery Limited Makes cakes which are sold to supermarket chains. The company uses the first in, first out (FIFO) method for valuing its stocks. Complete the following stock card for wheat flour for December 2017:

STOCK CARD: WHEAT FLOUR

Date 2017	Receipts		Issues		Balance	
	Quantity Kg	Cost per kg	Quantity Kg	Cost per kg	Quantity Kg	Total cost FRW
Balance at 1 December					1,000	1,000,000
6 December	2,000	1,100				
10 December			2,000			
17 December	2,500	1,200				
20 December			1,500			
25 December			1,000			



Skills Lab Activity

Interview a resourceful person such as a school bursar, accountant or an entrepreneur about the procurement process using the following questions:

1. Why does the business/ school manager control a business inventory/stock?
2. What documents does the school/business use in stock management?
3. Which inventory system does the business/school use?

End of Unit Assessment

I. Project Activity

Each student creates 3 stock management documents for the business they tend to start back home.

II. Other Assessment Questions

1. Suppose you are selected to be the Head of Finance Unit in a newly established public school. Prepare a purchase requisition for your office materials.
2. The following information is extracted in the books of a stock manager:
 - 200 bags of 50 kg of cement are bought in January 2016 at a cost of 10, 000 FRW each
 - 100 bags are sold in February
 - 80 bags are bought in March at a cost of 9,500 FRW each
 - 100 bags are sold in April
 - 150 bags are bought in May at a cost of 9,800 FRW each.

From this information, prepare stock cards for cement using:

- a) FIFO
- b) LIFO
- c) WAC



Unit 8: Work Habits and Behavior

Key unit competence

To be able to apply for a job and maintain professional conduct at the workplace.

Introduction

Every workplace is full of a diverse group of individuals who behave in different ways. Managers may assist their teams perform better and finish tasks more successfully by recognizing the various workplace behaviors that employees may exhibit.

Understanding one's personality can help an employee change their behavior at work, play to their strengths, focus on their flaws, interact with co-workers more successfully, and ultimately succeed in their job.



Introductory Activity

The activity below is a self-reflection. It is not a test but is a way to see what you already know or do not know about the unit. You will read statements and check (X) the column that best describes your experience. Please, you need to answer honestly and independently.

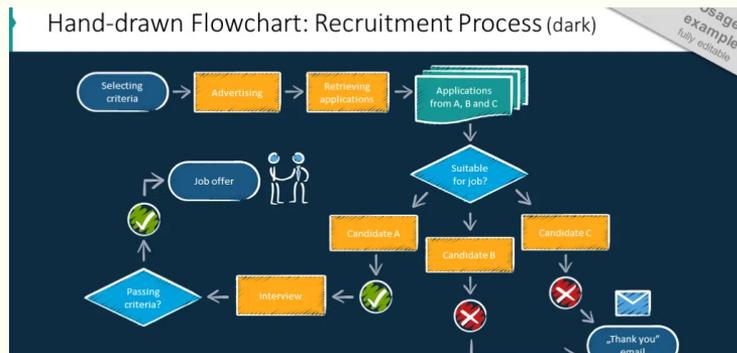
My experience	1	2	3	4
Knowledge, skills and abilities	I don't have any experience doing this	I have very little experience doing this	I have some experience doing this.	I have a lot of experience doing this.
Finding information about possible work				
Writing a job application letter & bio-data				
Responding to questions during a job interview with confidence				
Demonstrating good behavior and a positive attitude at work				
Showing up to work on time				
Managing my time well				

8.1. Recruitment process for the employer



Learning Activity 8.1

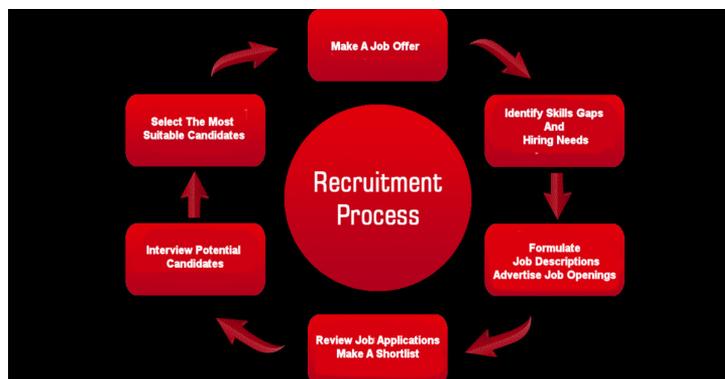
Analyze the illustration below and use it to answer the questions that follow



Required

- a) What does recruitment mean?
- b) Describe the process of recruitment
- c) When does the recruitment process begin?
- d) When does the recruitment process end?
- e) What do the following terms mean in the recruitment process?
 - i) Job analysis
 - ii) Job description
 - iii) Job specification
 - iv) Job advert

Recruitment process



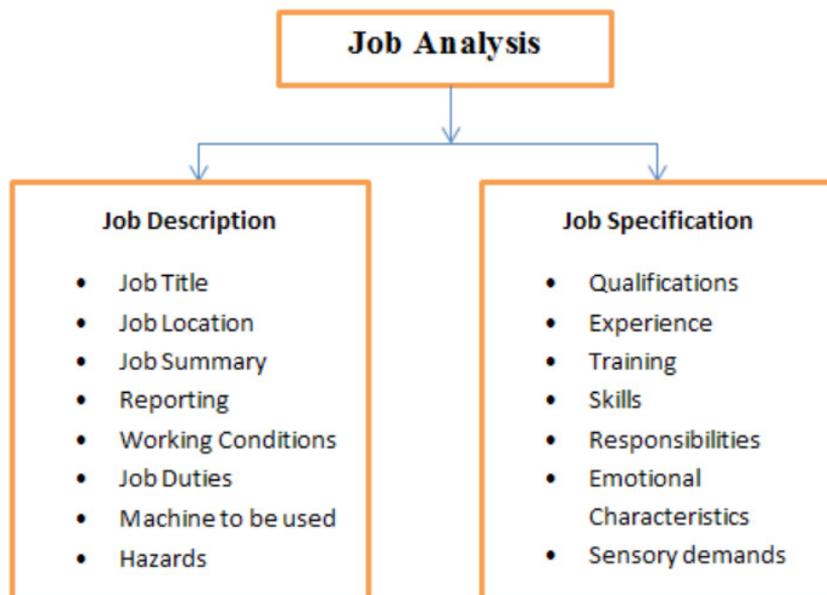
Recruitment is a process of finding and attracting the potential resources for filling up the vacant positions in an organization. It sources the candidates with the abilities and attitude, which are required for achieving the objectives of an organization.

Recruitment process is a process of identifying the job vacancy, analyzing the job requirements, reviewing applications, screening, shortlisting and selecting the right candidate.

Recruitment process is the first step in creating a powerful resource base. The process undergoes a systematic procedure starting from sourcing the resources to arranging and conducting interviews and finally selecting the right candidates.

i) Job analysis

It involves establishing the nature of the job (tasks, activities, responsibilities, and accountabilities) which will also determine associated required talents and competencies defining behavioral attributes for best performance.



ii) Job description

This is a written statement which outlines the duties and responsibilities involved in performing a job such as who does what, when, where and why. The main contents include job purpose, job tasks and responsibilities.

It informs employees exactly what is expected of them and provides a useful document to refer to when you are evaluating an employee's performance. You can also use it to develop selection criteria, identify training needs, and manage performance.

Purpose of Job Description

- a) The main purpose of job description is to collect job-related data to advertise for a job. It helps in attracting, targeting, recruiting and selecting the right candidate for the right job.
- b) It is done to determine what needs to be delivered in a particular job. It clarifies what employees are supposed to do if selected for that particular job opening.
- c) It gives recruiting staff a clear view of what kind of candidate is required by a particular department or division to perform a specific task or job.
- d) It also clarifies who will report to whom.
- e) Once someone has been employed, it will show whether they are carrying out the job effectively.

Here is a job description for a financial manager.

Title Job	Financial manager
Department	Finance Department
Responsible to	Managing Director
Responsible for	Accountants, cashiers
<p>Main purpose of the job:</p> <ul style="list-style-type: none"> • Responsible for bookkeeping, auditing and making financial reports for the business • Responsible for accountants, cashiers and workers in the finance department. To take a supervisory role. <p>Main duties</p> <ul style="list-style-type: none"> • Preparing payrolls • Making financial reports for external auditors and other stakeholders • Advise the general manager and the managing directors on financial issues. • Supervise the subordinate staff • Advising staff when queries arise <p>Occasional duties</p> <ul style="list-style-type: none"> • Appointment of new staff • Training new staff in their duties • Training new staff to use the equipment • Disciplining staff as and when required • Dismissing staff if necessary. 	

iii) Job specification

Job specification involves a definition of qualifications, experiences and competencies required by the jobholder and any other necessary information on the special demands made by the job such as physical conditions, unusual hours or travel away from home. Job specification sets out terms and conditions of employment such as pay, employee benefits, general health, mental health, intelligence, aptitude, judgment, leadership skills, emotional ability, adaptability, flexibility, values and ethics, manners and creativity, etc.

Purpose of job specification

- i) It helps candidates analyze whether they are eligible to apply for a particular job vacancy or not. It is based on job description and job specification.
- ii) It helps the recruiting team to understand what level of qualifications, qualities and set of characteristics should be present in a candidate to make him or her eligible for the job opening.
- iii) Job Specification gives detailed information about any job including job responsibilities, desired technical and physical skills, conversational ability and much more.
- iv) It helps in selecting the most appropriate candidate for a particular job.

Here is a job specification for a financial manager

Job title	Financial manager
Department	Finance
Details of job: <ul style="list-style-type: none"> · Responsible for bookkeeping, auditing and making financial reports for the business · Responsible for Accountants, cashiers and workers in the finance department. To take a supervisory role. 	
Qualifications Essential: bachelor's degree in finance and accounting. Master's degree in the related field will be an added advantage.	
Experience: Desirable: Minimum 5 years' experience of working in the finance department.	
Skills: <ul style="list-style-type: none"> · Communication effectively with people. · Ability to manage people 	

- Computer literate with computerized accounting software packages e.g., Sage or Quick books

Physical fitness:

- Physical fitness needs to be fit all day.

Personal characteristics:

- Honest and responsible.
- Friendly, helpful, organized
- High integrity

v) Job Advertising

It is a way organizations communicate to attract new employees to work with them, Recruitment advertisements typically have a uniform layout and contain the following elements;

- i) Brief description of the organization
- ii) The title of the job advertised the grade and the manager to whom the job holder will report
- iii) Duties and responsibilities of the job holder
- iv) Skills and Competences of the job holder
- v) Conditions of educational qualification and experience of that job position holder
- vi) The channel of communication used for submitting the application
- vii) The timeline during which applications will be submitted
- viii) The channel of communication for feedback
- ix) Signature and the stamp of the organization manager who wants to post the advertisement.

Some business organizations use recruitment advertising agencies to receive professional advice and help them to recruit new workers. They offer a service which they are paid for in return. Examples of recruitment agencies in Rwanda include; -

- i) Tohoza.com
- ii) Umurimu.com
- iii) Jobs in Rwanda
- iv) NFT consult
- v) Ndangira.net



Application Activity 8.1

1. A collection of jobs with comparable responsibilities, tasks, and duties is known as.....
 - a) job,
 - b) business,
 - c) career,
 - d) Entrepreneurship

2. _____ is a result of job analysis.
 - a) job specification
 - b) job description
 - c) job requirement
 - d) both A & B

3. The development and application of employees' skills and energies to accomplish the goals and objectives of the organization is called:
 - a) human resource management.
 - b) human resource planning.
 - c) selection.
 - d) recruiting.

4. The first step in the human resource planning process is:
 - a) preparing a job analysis.
 - b) forecasting future human resource needs.
 - c) assessing future demand.
 - d) assessing future supply

5. Which term describes the process of gathering, analyzing, and synthesizing information about the jobs that are being done and any new jobs that are envisaged?
 - a) job description.
 - b) job analysis.
 - c) job specification.
 - d) human resource inventory.

6. A job _____ is a written statement of the job's activities, the equipment required for it, and the working conditions in which it exists.
 - a) analysis.
 - b) specification.
 - c) design.
 - d) description.

8.2. Finding/Applying for a Job



Learning Activity 8.2



Describe the experience of finding any kind of work/job you have or have heard from others, by answering the questions below.

- How did you start the process?
- What resources did you use to find a job?
- What steps did you take to find the job?
- Did it require you to write some documents? If yes, which ones?
- How long did it take?
- What approaches worked well and what did not work?

Finding a job/work requires one to prepare some documents expressing your interest in a particular job or area of work and highlights why you are qualified for the work; and also describing a brief history of your education, work experience and activities, skills, accomplishments and any other information relevant to getting a job.

These documents are:

a) Cover letter

Also referred to as an application letter, it is a letter to an employer expressing your interest in a job or area of work and highlights why you are qualified for the work.

It is designed to introduce you in a more personal way, complementing the contents of the resume/CV, expanding on relevant skills and achievements, and highlighting a selection of your most prominent accomplishments.

A cover letter contains:

- contact information,
- purpose of letter,
- summary

Purpose of a Cover Letter

A good cover letter persuades the employer your qualifications match their needs, plus:

- Shows you did research and take the job seriously.
- Proves you understand the challenges of the company.
- Reflects that your vision aligns with their goals.
- Presents how your skills and experience are a solution.

Steps of writing a cover letter for a job application

1. Start with a header

A professional cover letter opens with a header. Ideally, your cover letter header should be the same as in your resume (for consistency). Include the following in your header:

- Full name
- Job title
- Phone number
- Email address

2. Address the reader

Once you are done with the header, mention the location and date of writing.

Then, address your cover letter directly to the hiring manager like so:

- Dear Sir,
- Dear Madam

3. Make a proper introduction

These few sentences at the beginning of your cover letter will determine whether the hiring manager will read on. So, you need to start your cover letter in a way that attracts and holds the reader's interest. Highlight your achievements and display your passion and enthusiasm.

4. Explain why you are the perfect fit

The second paragraph (main body) of your cover letter has a couple of jobs to perform:

- Give the hiring manager what they're looking for.
- Show that you will satisfy the company's specific needs.

5. Show your motivation to join the company

Your future employers have needs. If they are willing to hire you, it is because they think you will satisfy those needs. But they also want you to enjoy working with them. That way, they know you're more likely to stay with them for longer. **The key to writing a perfect third paragraph of your cover letter** is showing the hiring manager why you want this job, not just any job. That's particularly important for entry-level candidates—enthusiasm and passion help prove you'll hit the ground running.

6. Close with a promise

The best cover letter ending should be by providing value. Tell the hiring manager that you are looking forward to meeting in person and discussing how your experience and knowledge can help your future employer fulfil their goals. Avoid these mistakes in the final paragraph:

- Coming off needy
- Focusing on how much you want the job, not on what you have to offer
- Repeating the clichéd phrase, "Thank you for your consideration and your time"

7. Stay Formal in the Closing Salutation

Once you have written the body of your cover letter, you just need to put a formal closing at the very end. Write **"Sincerely"** and follow it with your full name. Adding your handwritten signature is optional (recommended for more formal cover letters). You can also use any of the following:

- Thank you,
- Best regards,
- Kind regards,
- Respectfully yours,
- With best regards,

8. Double-check the formatting

Before you send, make sure your cover letter formatting is intact. Consider the following:

- Choose a legible cover letter font like Arial or Garamond, and keep it between 10 and 12 points in font size.

- Set even margins on all sides—1-inch margins should be perfect.
- Left-align all your contents.
- Use double cover letter spacing between paragraphs and 1–1.15 between lines.
- Title your cover letter by JobTitle–CoverLetter–YourName.
- Let your cover letter layout stay intact en route to the recruiter by saving the file in PDF.

9. Match your cover letter with your resume

The final step of writing your cover letter is, in fact, checking up on your resume to see if they both match the job requirements. Make sure you meet your hiring manager's expectations to the best of your ability.

Plus, a great cover letter that matches your resume will give you an advantage over other candidates.

Cover letter format

1. First Paragraph – Greetings and why you are writing
2. Middle Paragraphs - What you have to offer
3. Concluding Paragraph - How you will follow up

1. Why You Are Writing

In some cases, you may have been referred to an employer by a friend or acquaintance. Be sure to mention this person.

If you are writing in response to a job posting, indicate where you learned of the position and the title of the position. Express your enthusiasm and the likely match between your credentials and the position's qualifications.

If you are writing a letter in which you inquire about possible job openings - state your specific job objective.

2. What You Have To Offer

In responding to an advertisement, refer specifically to the qualifications listed and show how your particular abilities and experiences relate to the position for which you are applying.

3. How You Will Follow Up

Close by restating your interest in the job and letting the employer know you can make yourself available for an interview.

In conclusion, you may indicate that your references are available on request. Also, if you have a portfolio or writing samples to support your qualifications, state their availability

Sample Application Letter

Kigali City

Gasabo District

Kimironko Sector

Email: buteja@gmail.com

Phone: +250783344560

15th October 2019

To: **Director of Rwanda**

Microfinance Ltd Kigali

Dear sir/Madam,

Re: Application for job on position of cashier

I would like to apply for the position of cashier as per your advert in Imvaho Nshya no: 2345-4-2019 in the institution which is under your responsibility.

I am a young Rwandan 25 years of age, and I hold an A2 certificate in Math, Economics and Geography. As you can see from my curriculum vitae, I have two years' experience of working in the field of education and financial institutions. I work well in a team daily, and I am eager/enthusiastic to contribute to the growth of your institution too.

Although I have no specific IT qualifications, I do have necessary keyboard skills and necessary knowledge of the software that you use.

I am looking forward to hearing from you.

Thank you for your positive consideration of my application.

Yours sincerely,



Signature,

BUTERA Jane

b) Curriculum Vitae (CV)

A curriculum vitae (CV) is a detailed document highlighting your professional and academic history. CVs typically include information such as your work experience, along with your achievements, awards, scholarships or grants you've earned, coursework, research projects and publications of your work.

Elements of Curriculum Vitae

A basic Cv should include the following:

- 1) **Contact Information:** At the top of your CV, include your personal identification/name and contact information (address, phone number, email address, etc.).
- 2) **Education background/Qualifications:** This may include the school/ institution attended, dates of study, and degree received.
- 3) **Work Experience:** List relevant work experience; this may include non-academic work that you feel is worth including. List the employer, position, and dates of employment. Include a brief list of your duties and/or accomplishments.
- 4) **Skills**
 - Professional competencies relevant to the position for which you are applying.
 - Computer Skills
 - Language Skills Etc.
- 5) **References:** In this part, include people who know you and who might be contacted in case they need any information about you.
- 6) Lastly, end by certifying that the information is from the best of your knowledge.

CV writing tips

- Include relevant information only: Your bio-data should not include all details about your life!
- Keep it simple, clear and neat
- Limit to 1-2 pages
- Be accurate: no spelling or grammatical errors
- Use bullets to describe duties/responsibilities of previous work
- Spell out acronyms the first time you use it, put the acronym in parentheses and then use the acronym after that
- If using a computer, font size should be between 10 and 12 points
- Use 2.5 cm margins

Sample of curriculum vitae (CV)

Name: BUTERA Janet

Address: P.O.Box 1010

Bugesera District

Eastern Province-Rwanda.

Age: 21 years old

Telephone: (+250) 738469764

E-mail: butejane@yahoo.fr

OBJECTIVE:

To be gainfully employed and be a productive member of the community utilizing my acquired education and skills.

EDUCATION AND TRAINING

January 2015: Computer Hardware Servicing

Year 2008-2012: GS Secondary School

Year 2002-2008 GS Secondary School

SKILLS

Computer literate - familiar with MS Word, Powerpoint and Excel

Willing to take on new challenges and eager to learn

WORK EXPERIENCE

2015-to date Cashier (BUTE supermarket)

2013-2014 Receptionist at UBUMWE HOTEL (Kigali)

Other skill:

- Good communication skills
- Good interpersonal skills
- Personal selling skills
- Working under minimum supervision

Languages

- Kinyarwanda
- English
- French

Referees:**Mrs. INEZA Beatrice**

Manager BUTEJ supermarket
The New Hope Revival
Mission Rwanda
Tel: 0788301234.

Miss BURANGA Judith

Manager UBUMWE hotel
Tel: 0788304321

I, BUTERA Janet do declare that the above information is true to the best of my knowledge.

**Application Activity 8.2**

Analyze the illustration below and use it to answer the questions that follow.

**Required**

- Which document is illustrated above?
- In which process is it used in business operations?
- Use the information provided on the illustration and prepare:
 - A cover letter
 - A curriculum vitae

8.3. Interview Process and techniques



Learning Activity 8.3

Observe the picture of a job applicant being interviewed and answer questions follow:



For any interview you have attended, be it at school, in the community or for a job, describe:

- a) What was the interview for?
- b) How you prepared yourself:
 - Before the interview
 - During the interview
 - After the interview

8.3.1. Interview process

The **interview process** is a multiple-stage process for hiring new employees. The stages mainly comprise job interviews held either one-on-one, with a group of candidates, or with a panel.

Interviews are conducted in person, over the phone or by email, or via video conferencing tools. The exact process will vary for each organization, depending on the role and who is responsible for recruiting and hiring.

A job interview is an opportunity for the employer to find out more about you – your education, work background, interests, personality – and for you to find out more about the employer/business/company/organization and the specific job to which you are applying.

8.3.2. Parts of the interview

In general, there are three main parts to the interview:

- 1) **Opening:** This part involves greetings, introductions, and it is where the employer states the purpose of the interview.
- 2) **Body of the interview:** This is the major part of the interview process where the interviewee is asked questions by interviewers to elicit information in relation to the post.

In the process of questioning, interviewers should ensure that clear questions are asked, and the interviewee is given time to respond. To be able to answer well, the interviewee should also listen attentively to questions and respond accordingly.

Commonly asked questions in interviews include;

- a) Tell me/us about yourself
 - b) What qualities and skills do you have that will help you perform this job?
 - c) What previous experiences do you have that are related to this position?
 - d) Are you familiar with this company/business/organization?
 - e) What do you know about this company/organization?
 - f) What are your strengths and weaknesses?
 - g) What makes you fit for this position?
- 3) **Closing the interview:** In closing the interview, ask whether the candidate has anything more to tell you about his candidacy or any questions about the job/employer. Thank the interviewee for turning up for the interview. The interviewee should also thank the interviewer and express interest and enthusiasm regarding the next step.

8.3.3. Tips for an interview

An interview is an integral part of the recruitment process. Interviews range from conversations lasting a few minutes to several formal meetings, sometimes with more than one interviewer. The interview process allows you to demonstrate that you are the right candidate for the job. The better prepared you are, the more relaxed and comfortable you will be when the interview questions begin.

Getting the most out of interviewing is a combination of preparation, suitable questioning and listening.

Before the interview

- Learn as much as you can about the organization or business to which you are applying for a job: What do they do? Where? Size? Who are their clients? etc.
- Think about how your previous work experience, schooling and activities will help you perform the job to which you are applying.
- Dress appropriately for the interview: neat, clean clothing and shoes.
- Allow plenty of time to get to the interview.
- Write down questions you may have for the interviewer.

During the interview

- Greet the interviewer. Speak slowly, clearly and distinctly in a confident voice.
- Think before speaking.
- Be respectful.
- Listen carefully: One of the most neglected interview skills is listening. Make sure you listen attentively and respond accordingly.
- Be a good listener: Wait until the interviewer has finished talking before you respond.
- Stay calm.
- Ask the interviewer to repeat or rephrase a question if you have not fully understood it.
- If you do not know the answer to a question, be honest and let the interviewer know why.
- Be honest in your answers but present any negative experiences in a positive light or as lessons learned.
- Present yourself as being confident that you can do the job.
- Thank the interviewer.

After the interview

- Send a thank you letter by post or email if appropriate.
- Follow up with a phone call after a week if appropriate.

Application Activity 8.3

Case study

An Interview with Mutesi

Mutesi has applied to be a cashier in one of the supermarkets in her district. She has prepared and sent in her CV showing different experiences she





has acquired as a cashier. She has practiced answering questions she thinks might be asked. She is confident in her ability to handle the duties of the cashier.

One week before her interview, Mutesi got a call from the owner of the supermarket, requesting her to prepare for the interview which was scheduled in two weeks to come. Without panicking, she quickly got on the internet to search how she could best show her skills. She approached her relatives and friends for advice on how best she can approach the interview.

On the day of the interview, she was very confident, clear and was able to sell her skills successfully. She was able to demonstrate several things that ultimately made her the best suited for the job. She showed the interviewer that she understood the challenges facing the retail, wholesale businesses and the competitors that the supermarket could capitalize on.

Finally, she proved that she understood the business she wanted to enter in and that her skills were appropriate for the position.

Read the above case study and answer the questions that follow:

1. What did Mutesi do to prepare for her interview?
2. During her interview, what skills did she demonstrate that made her the suitable candidate?

8.4. Appropriate workplace behaviors and attitudes



Learning Activity 8.4

Think of any previous work you have done (including long or short-term jobs, family business, and any others). Describe your experience by answering the questions below:

- a) What was the work setting – office, shop, construction site, restaurant?
- b) Did you need to follow any rules or regulations (dress, work hours)?
- c) What happened if you were not able to follow the rules?
- d) Did your employer give you feedback on how well you were doing your job? And on what you need to do better?
- e) Did you behave the same way at work and at home? Why or why not? What were some differences?



Figure 8.1: Appropriate workplace.

Every place of work has a different atmosphere, a different environment, a different ethos. An efficient and harmonious working environment is created largely by the way people behave in the workplace. This includes the behavior of employees, employers and to some extent, even customers and clients.

Work behavior is the behavior one uses in employment and is normally more formal than other types of human behavior. This varies from profession to profession, as some are far more casual than others.

Work attitude means a feeling, belief or an opinion about a particular activity. At work some people may feel uncomfortable towards doing certain types of work or may not be interested in helping others. Such attitudes reduce productivity and team work at work. Proper workplace behavior and attitude contribute much to the success of a given organization.

Appropriate workplace behavior and attitude include the following;

- **Dressing neatly and appropriately for the work:** If wearing a uniform make sure it is clean and neat; clothes should not get in the way or prevent you from doing your work; it should not be distracting to you or others.
- **Keeping time and managing it well:** Attendance and punctuality are essential to keep your job. Let your supervisor know if you are going to be late.
- **Speaking to co-workers in a positive and respectful manner**
- **Being honest:** Being honest will gain you the respect of co-workers.
- **Keeping discussions and interactions related to work:** Don't bring your personal problems to work or let them affect how you do your job or interact with others. Avoid topics or making comments that might make others feel uncomfortable.

- **Staying positive:** Don't complain or be pulled into negative discussions about work. Rather, approach problems positively and help to think about how to improve the situation.
- **Being respectful of others and your environment:** Take proper care of equipment, put things back where they belong and keep the environment tidy.
- **Being a team player:** Participate proactively and respectfully and listen to the ideas of others as well.
- **Respecting the roles and contributions of others.**
- **Believing in yourself and what you do:** Being positive about your job and how you do it will help you to succeed and achieve your goals.
- **Open mindedness:** This involves having increased receptiveness to new ideas.
- **Valuing new experiences:** This calls for desire to seek out and take on new challenges.
- **Desire for self-improvement:** To attain it, one should exercise continued learning as well as self-instruction.

Some examples of unacceptable behavior are:

- Aggressive or abusive behavior, such as shouting or personal insults
- Spreading malicious rumors or gossip, or insulting someone
- Discrimination or harassment
- Unwanted physical contact
- Stalking
- Offensive comments/jokes or body language
- Publishing, circulating or displaying pornographic, racist, sexually suggestive or otherwise offensive material or pictures
- Isolation, deliberate exclusion and/or non co-operation at work
- Persistent and unreasonable criticism
- Unreasonable demands and impossible targets
- Coercion, such as pressure to subscribe to a particular political or religious belief

Skills Lab Activity



Bright Business club wants to expand by introducing other viable projects. In efforts to ensure the club grows effectively, they will recruit a strong marketing manager from one of the members of the club. The key role of the marketing manager is to ensure the right projects are implemented in the club.

Questions

1. As a student of entrepreneurship, create a relevant job specification and make an advert for the above position.
2. Discuss the importance of creating a job specification for a given position.



Application Activity 8.4

Analyze the illustrations below and use them to answer the questions that follow



A



B

Required

- a) Which illustration shows appropriate and inappropriate workplace behavior?
- b) Describe the workplace behavior illustrated above in A and B
- c) If there is any inappropriate behavior in the illustrations, how can it be stopped at the workplace?

End of Unit Assessment

I. Project Activity

1. Students think of a vacancy they want to fill in their back-home business and design:
 - a) Job analysis
 - b) Job analysis
 - c) Job description
 - d) Job specification
 - e) Job advert

2. You have come across an advertisement on the internet about the need for a Head of Security in a prominent shop. Write an application letter to apply for the above post.
3. Gikundiro is a senior six-level student who wants to start a fruit processing business and she needs help from you to design an advert for various posts in a fruit processing business.



Unit 9: Work Safety and Health

Key unit competence

To be able to apply standard health and safety practices and regulations at the workplace.

Introduction

Successfully managing health and safety practices in the workplace relies on commitment, consultation, and co-operation of everyone at the workplace. Safety practices help protect people from accidents and injuries, while security helps protect people from crime and violence. Both are important for creating a safe and productive work environment. Everyone in the workplace needs to understand the need for standard health and safety practices, what their role is in making the workplace safer, and how they can abide by regulations and fulfill their responsibilities and duties.

This unit is intended to give knowledge, skills regarding the health and safety guidelines that the business must comply with and attitude to be adopted during an emergency.



Introductory Activity

Read the proverb below and answer the questions that follow.

“Inyamaswa idakenga yicwa n’umututizi” (When not cautious, an animal can be killed by an ordinary tree cutter).

- What does the proverb mean?
- What is the relationship between the proverb and safety and health at work place?
- Give an example of situations at the workplace that may relate with the proverb.
- What other proverbs do you know that have the same meaning?
- What should one do in order to avoid the situation portrayed by the proverb?

9.1.1. Definition of concepts

Workplace safety refers to the limitation of elements that can cause harm, accidents, and other negative outcomes in the workplace. It represents a collection of policies, behaviors, and precautions applied at work to limit hazards, accidents, and other kinds of harm in a work environment.

A healthy workplace is a setup where employees, managers, and leaders openly communicate and collaborate on a shared vision of improving the health, safety, and wellbeing of all members of the organization. According to the World Health Organization (WHO), a healthy workplace provides physical, psychological, social, and organizational conditions that protect and promote the health and safety of all workers of a company. A healthy workplace is the ideal place to work in.

A healthy habit: is any behavior that benefits physical, mental, and emotional health. These habits improve overall well-being and make you feel good.

Example: Most people spend at least six hours every day sitting in a chair. Not only is this bad for your back, but it also leads to weight gain and circulatory issues.

Hygiene is the practice of keeping oneself and one's surroundings clean in order to prevent infection and disease and remain healthy and fit.

Sanitation is an arrangement to protect the public health specially the provision of clean drinking water and proper disposal of sewage.

Personal hygiene refers to maintaining cleanliness of one's body and clothing to preserve overall health and well-being.

Workplace hygiene refers to the standards of cleanliness that employers are expected to meet in ensuring that they provide a healthy working environment in which their staff can work, as well as clean and safe premises for members of the public to visit.

9.1.2. Importance of safety and health workplace

Workplace safety is important because it helps prevent deaths, injuries, financial losses, property damage, increases worker productivity, enhances product or service quality and promotes good public relations.

A safe and healthy workplace not only protects workers from injury and illness, it can also:

- **Improved health and wellbeing.** The most significant and most obvious benefit of a healthy workplace is the improvement of the workforce's health and wellbeing.

- **Greater productivity and performance.** A business can increase productivity when employees are healthy and happy in the workplace, which results in an improvement in the performance of their employees as well as the quality of output.
- **Improved corporate image.** When employees are satisfied with the safety and health of the workplace, it leads to an improvement in the organization's corporate image.
- **It also attracts more clients.** Employees in a healthy workplace are more productive, which results in higher quality output. This will attract customers and clients to the products and services of that business, bringing in higher profits.
- **Increased job satisfaction.** Seeing employees happy with the workplace is one of the significant benefits of a healthy workplace. When a workplace caters to the needs and wants of an employee, it reduces the turnover rates of the company.
- **Greater work development and learning opportunities.** Employees feel appreciated when their work environment allows them to explore their capabilities and skills in their work.
- **Improved employee morale.** Having a healthy workplace helps employees feel safe, heard, and comfortable enough to freely work and express their creativity without feeling judged. A healthy workplace sees employees' happiness increase and motivation to continue working.
- **Lower absenteeism rates.** Businesses that take the time to cultivate a healthy workplace will see fewer health and sickness instances, lowering the number of absenteeism and tardiness.
- **Increased employee engagement.** A healthy workplace naturally increases employee engagement in the workforce, resulting in higher productivity rate, greater loyalty, better retention rates, and enhanced customer experiences.
- **Lower turnover rate.** Employees who are happy with their business's work environment will be less likely to leave for another company. When turnover rates are low, it helps businesses lower costs associated with hiring new employees.
- **Lower workers' compensation premiums.** Having a healthy workplace sees employees satisfied, motivated, and healthy. In effect, companies will see a reduction in claimed workers' compensation premiums.

9.1.3. Daily Positive health habits

Healthy habits include but are not limited to eating well, exercising, getting enough rest and avoiding harmful substances, but also:

- **Get enough sleep.** A good sleep can improve memory and concentration, boost the immune system, and help you cope with stress more easily.
- **Manage stress.** Stress can affect the mood and physical health. It can cause anxiety, anger, and irritability as well as headaches, muscle pain, exhaustion, and sleeping problems.
- **Find time to relax.** Set aside time every day for self-care and relaxation. Make a routine for the self, so that relaxation becomes a daily ritual.
- **Meditate once a day.** Meditation may help you manage pain, reduce blood pressure, improve symptoms of depression and anxiety, and cope with daily stress.
- **Maintaining a healthy social life.** Whether it is volunteering, joining a club, or attending a movie, communal activities help improve mood and mental functioning by keeping the mind active and serotonin levels balanced.
- **Maintain healthy eating habits.** To get all the nutrition the human body needs, you must eat a balanced diet including dairy, grains, protein, fruits and vegetables, as well as fat.
- **Get some exercise every day, even just a little.** This will not only make you feel better but also make you look better. Try walking if you cannot afford another as it is a great exercise.

General good safety habits at work

- Everyone helps keep the work environment tidy and organized.
- Everyone is comfortable reporting unsafe working conditions up the chain of command.
- Everyone who is required to wear PPE is wearing it the right way—and it fits properly.
- Everyone knows where safety equipment is located.
- Everyone who handles heavy objects uses proper lifting and carrying techniques.
- Everyone knows that their organization is committed to safety at the highest levels and can see posters in the break room or on the job site demonstrating this commitment.
- Everyone knows where to go and what to do in an emergency.

- Everyone is aware of hazardous chemicals in the work area and knows where to find the Safety Data Sheets (SDSs).

9.1.4. Daily hygiene and sanitation practices



Figure 9.2: Hygiene and sanitation practices at workplace

Healthy hygiene and sanitation are very important for every workplace.

Below are some healthy hygiene and sanitation practices that can be practiced at the workplace:

- Provide staff with a written hygiene policy. Inform them of the intentions and expectations of a clean workplace.
- It is pivotal for a hygienic workplace to have a clean restroom well stocked with soap, toilet paper and hand towels.
- Provide items such as clean wipes, sanitizers, and tissues to help the staff maintain a clean and hygienic workspace.
- Make sure the workplace is regularly cleaned. This helps prevent the spread of infection
- Before and after using the cooking supplies (including utensils) you should wash these with soap and water (preferably hot water).



★ I will avoid cigarettes, alcohol and drugs.

This resolution has added bonuses:

- It won't cost you any money.
- It won't cost you any time.
- It won't



★ I will cover my mouth when I sneeze or cough.

Coughing or sneezing into your elbow works well because it doesn't transfer germs to your hands.



Application Activity 9.1

Using the knowledge and skills on hygiene and sanitation, make a weekly plan that you will follow in order to apply hygiene and sanitation practices either at home or work (school). In you include the practices you will apply and those you will avoid. Every day you will put a check/tick on the hygiene and sanitation practices applied or avoided.

Use the following template to make the plan.

No.	Practice	To apply	To avoid

At the end of the week you will assess the hygiene and sanitation practices by comparing the practices applied and those avoided. Which practices were you able to apply? Which practices did you manage to avoid?

9.2. Hazards in the workplace and ways to make work safer

Learning Activity 9.2



Figure 9.2: Unsafe workplace



The above figure illustrates a workplace environment from one of the departments in the company. Study the figure and answer the questions below.

- a) Is this a safe and healthy workplace? Justify your answer
- b) What do you think the term 'hazard' means?
- c) What do you think the term 'Workplace Hazard' means?
- d) How many workplace hazards can you identify in this image?
- e) Briefly explain what you understand by the following types of hazards as relates to safety and health at work
 - Safety hazards
 - Chemical hazards
 - Biological hazards
 - Physical hazards,
 - Ergonomic hazards,
 - Workload hazards
- f) How can the workplace above be made safer? Suggest ways to eliminate the hazards identified

9.2.1. Meaning of Hazards at the workplace

A hazard is any source of potential damage, harm or adverse health effects on something or someone. A hazard is the potential for harm or an adverse effect to for example, to people as health effects, to organizations as property or equipment losses, or to the environment.

Hazards in the workplace occur when the working environment can cause injury, illness or death. The hazards can result from many of the different aspects of the working environment world, including: equipment, dangerous materials, unsafe working practices and behavior of people.

9.2.2. Types of hazards

Workplace hazards fall into six core types – safety, biological, physical, ergonomic, chemical and workload.



Figure 9.2.2.1. Type of hazards

Safety hazards

Safety hazards can affect any employee, but these are more likely to affect those who work with machinery or on a construction site. Safety hazards include slips, trips and falls, operating dangerous machinery and electrical hazards

Biological hazards

Biological hazards are extremely dangerous. These include exposure to dangerous substances and diseases associated with working amongst animals, people, or infectious plant materials.

Physical hazards

Physical hazards can affect those who work in extreme weather conditions or in harmful environments. Workers that are exposed to continuous loud noise, radiation, sun rays and ultraviolet rays could be at risk.



Figure 9.2.2.2 Ergonomic hazards

Ergonomic hazards

Ergonomic hazards affect individuals whose work puts a strain on their body. Manual roles that require lifting or sitting for long periods can cause damage over time.

Chemical hazards

Chemical hazards mainly threaten employees whose roles expose them to dangerous liquids, solvents or flammable gasses. Exposure to harmful chemicals can cause illness, skin irritation, breathing problems and, in extreme cases, death.

Workload hazards

Workload hazards include issues that could cause stress or strain, such as workload, violence or aggression. These hazards can be experienced in any job role.

9.2.3. Handling hazards in a workplace



Figure 9.2.3.1: Ways to make work safer

The best way to prevent injuries or illness in the workplace is to find the hazards that could cause injury or illness, and fix them.

The following four steps may be followed to prevent unsafe situations at the workplace using the acronym **SAFE** (Spot the Hazard, Assess the Risk, Fix the Problem, Evaluate Results)

Spot the hazard

The first step in ensuring a safe workplace is to identify hazards. Hazards can be identified by:

- Asking workers and contractors in the workplace about any hazards they may have noticed.
- Looking at the physical structure of the workplace: for example, stairs, desks, floor surfaces, exits, driveways.

- Checking all machinery, appliances and vehicles used for work.
- Examining how substances are stored, used and moved from one place to another.
- Reviewing the injury records, including 'near misses' reviewing information from designers, manufacturers or suppliers of the equipment and substances in the workplace.

Assess the risk

A risk is the likelihood of a hazard causing injury, illness or damage to the health. So you need to work out which hazards are more serious than others and deal with those first.

Assess the risk associated with each hazard by determining:

- The potential impact of the hazard.
- How severe could an injury or illness be?
- What's the worst possible damage the hazard could cause to someone's health?
- Would it require simple first aid only? Or cause permanent ill health or disability? Or could it kill?
- The likeliness of the hazard to cause someone harm.
- Could it happen at any time or would it be a rare event?
- How often are workers exposed to the hazard?

Fix the problem

Remove the hazard completely from the workplace. Concentrate on the most urgent hazards without neglecting the simpler ones that could be easily and immediately fixed.

Hazards can be fixed by using the hierarchy of controls to remove or reduce risk in the workplace.

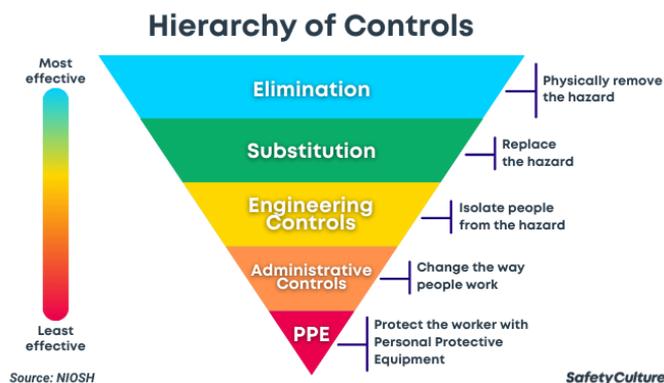


Figure 9.2.3.2: Hierarchy of controls of hazards

Eliminate the hazard

Remove it completely from the workplace. For example: repair damaged equipment. If this is not practical, then;

Substitute the hazard

Replace it with a safer alternative. For example: use a less toxic chemical; lift smaller packages. If this is not practical, then;

Isolate the hazard

Keep it away from workers as much as possible. For example: relocate photocopiers to separate, ventilated rooms; install barriers to restrict access to hazardous work areas. If this is not practical, then;

Use engineering controls

Adapt tools or equipment to reduce the risk. For example: place guards on dangerous parts of machinery; use a trolley for moving heavy loads. If this is not practical, then;

Use administrative controls

Change work practices and organization. For example, rotate jobs to reduce the time spent on any single work task; train staff in safe work procedures; carry out routine maintenance of equipment. If this is not practical, then;

Use personal protective equipment (PPE)

For example: use hearing/eye protection equipment, hard hats, gloves and masks; train staff to use PPE correctly.

Evaluate results

- After fixing the problem, find out whether the changes have been effective.
- Get feedback from those affected by the changes and include them in any modifications to their workplace or work routines.
- Make sure the solution does not introduce new hazards.
- If the work process changes, or new equipment is introduced to a task, then the risk assessment must be reviewed.



Application Activity 9.2



Figure 9.2.2: Safety and health at work

The illustration above shows some situations that may cause harm to workers or people at a workplace. Study the illustration and answer the questions below.

- Describe all the situations that can cause harm illustrated above
- Categorize the situations described above according to the types of hazards and suggest how the situation (hazard) can be managed by completing the table below:

No.	Unsafe situation	Type of hazard	How to manage the situation

- Using the knowledge and skills of hazards at the workplace, identify all potential causes of harm at the school (workplace) and make a report of all the hazards identified which should include:
 - All potential hazards identified
 - Categories of the hazards identified
 - Measures or strategies to manage or handle the hazard

9.3. Emergencies at workplace



Learning Activity 9.3

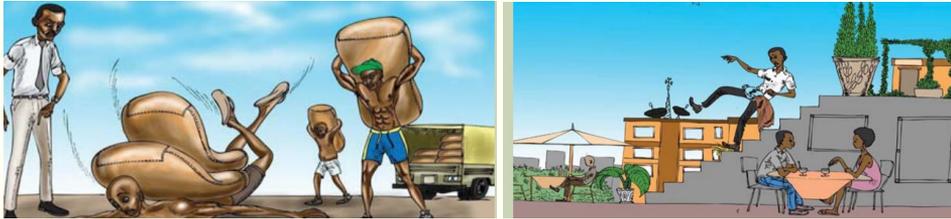


Figure 9.3: Emergency at workplace

The figure above shows a situation at a workplace. Study the figure and answer questions that follow.

- What do you think is happening at the workplace?
- How can the situation illustrated above affect the workplace (people and organization)?
- Name any other situations that can occur and endangers employees, clients, or the public at the workplace.
- What do you understand about the term 'workplace emergency'?
- What do you understand about the following types of emergencies related to safety and health at work?
 - Natural emergencies
 - Civil emergencies
 - Work-related emergencies
- How can emergencies be responded to at the workplace?

9.3.1. Types of workplace emergencies

A **workplace emergency** is an unforeseen or unplanned situation that threatens the employees, customers, or the public; disrupts or shuts down the operations; or causes physical or environmental damage.

A **natural emergency** could occur as a result of flooding, severe weather such as hurricanes or tornadoes, or forest fires.

Work-related emergencies are caused by factors relating directly to the work conducted. Work-related emergencies could be things such as chemical spills, explosions, machinery malfunction, or dangerous gas releases.

Civil emergencies are emergencies that stem from civil factors. Civil factors could be things such as protests, strikes, or workplace violence or harassment, either employee-to-employee or client-based.

9.3.2. Responding to emergencies and staying healthy at work

Emergency	Response
 <p data-bbox="327 594 380 626">Fire</p>	<ul data-bbox="502 368 1240 600" style="list-style-type: none"> • Pull the nearest fire alarm. • Use stairwells to leave the building. • Do not re-enter building(s) until directed by emergency personnel. • Alert other people as you evacuate and provide assistance to others if necessary.
 <p data-bbox="273 999 432 1032">Earthquakes</p>	<ul data-bbox="502 659 1240 1157" style="list-style-type: none"> • STOP. Running is the most common cause of injury during an earthquake. • DROP. Make sure the head is not the tallest thing in the room. • COVER. Get under a desk or table to protect the self from falling objects. • HOLD. Whatever you are under, hold on tightly until the shaking stops. • After the shaking has stopped, evacuate to a safe location, away from buildings. • Report the status to school officials. • Avoid using cell phone lines except for emergency calls. Use text messages for other contacts.
 <p data-bbox="259 1423 448 1455">Active Shooter</p>	<ul data-bbox="502 1189 1240 1455" style="list-style-type: none"> • RUN. Leave the building as quickly and quietly, if safe to do so. • HIDE. If you can't leave, go to an area that can be locked or secured. Stay low, hidden and spread out. • Call 911. • If you encounter police, show your hands, follow their commands and don't make sudden movements.
 <p data-bbox="227 1721 477 1753">Medical Emergency</p>	<ul data-bbox="502 1485 1240 1753" style="list-style-type: none"> • Avoid leaving an injured person except to summon help. • Do not move the injured person. • Render first aid or CPR if you are trained and feel comfortable doing so. • Protect the self before and after rendering assistance. • Call 911.

 <p>Hazardous Materials</p>	<ul style="list-style-type: none"> • Notify affected personnel immediately and evacuate the contaminated area. • Move to a safe distance of at least 100 yards. • Advise others to stay clear of contaminated areas. • Wait for further instructions from emergency personnel. • Call 911.
 <p>Suspicious Person</p>	<ul style="list-style-type: none"> • Do not let a stranger into locked or secured areas for any reason. • Do not confront or attempt to stop any person from leaving the area. • Move to a safe location and call 911
 <p>Suspicious Object</p>	<ul style="list-style-type: none"> • Do not disturb, touch or use electrical devices near objects. • Move at least 100 yards from the object. • Call 911
 <p>Power Outage</p>	<ul style="list-style-type: none"> • Remain calm and offer assistance to others. • Take the nearest marked exit. • Do not panic or push others while exiting. • Call Facilities at 206-592-3260 to report power outages.

Guidelines for action in an emergency situation



Figure 9.7: Guidelines for action in an emergency situation

There are five steps that are considered to be best-practice that should be taken in the management of an emergency.

Prevention: The steps that are taken to avoid an incident or accident from occurring in the first place

Mitigation: These are measures that can reduce the risk of an emergency happening.

Preparedness: The activities that are carried out to be ready to respond in the event that an emergency has occurred.

Response: The actions that are taken immediately before, during and or after an emergency to save lives and reduce loss and damages.

Recovery: The actions that take place in the aftermath of the emergency to restore services and return to normal conditions.



Application Activity 9.3

Read the statement below and answer questions that follow.

“An emergency can happen with no warning, so the best thing to do is be prepared”.

Make an emergency response plan that can be followed to respond appropriately if there is a safety hazard, an accident or an emergency in a workplace and in daily life. The plan should include steps and guidelines for the following emergencies:

- a) Fire and smoke/Natural disasters/Severe weather
- b) Personal injury or threat
- c) Gas leak/Dangerous gas releases
- d) Workplace violence or harassment



Skills Lab Activity

Skills Lab activity You have been given a job to make guidelines to apply standard health and safety practices and regulations related to your business club. Present the guideline that include:

- a) Daily positive health habits to be practiced.
- b) Daily hygiene and sanitation practices to be applied.
- c) Strategies to handle hazards at the school.
- d) Steps and guidelines to respond to emergencies at the workplace when something happens.

End of Unit Assessment

I. Project activity

Suppose that the Head Teacher asks you to put in place the checklist to ensure that the Kitchen department is working in healthy and safe working conditions. Your checklist should include.

- Emergency procedures in kitchen context.
- Health and safety practices and hazards to be checked.
- How to recognize and assess the health and safety risks
- Appropriate practices to protect the environment.

II. Other Assessment Questions

1. Describe any 5 healthy habits that should be practiced every day:
 - at work
 - in daily life
2. Describe some strategies to prevent the spread of illness and contamination at the workplace and at home.
3. Briefly describe any 5 unsafe situations that could harm people while on the job.
4. With examples, differentiate the types of hazards in the workplace.
5. With examples, differentiate the types of emergencies at the workplace.
6. Describe some strategies to deal with emergencies in life and in any workplace.

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