

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics –

1. Introduction to business skills
2. Identification of financial and business skills
3. Assessment of personal skills
4. Business risk analysis

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, **you will be able to**

- Identify and take Financial and business skills available into account when business opportunities are researched
- Assess and match personal skills/attributes against those perceived as necessary for a particular business opportunity
- Identify and assess business risks according to resources available and personal preferences

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described in number 3 to 20.
3. Read the information written in the “Information Sheets 1”. Try to understand what are being discussed. Ask you teacher for assistance if you have hard time understanding them.
4. Accomplish the “Self-check 1” in page 11.
5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check 1).
6. If you earned a satisfactory evaluation proceed to “Information Sheet 2”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #1.

7. Submit your accomplished Self-check. This will form part of your training portfolio.
 8. Read the information written in the “Information Sheet 2”. Try to understand what are being discussed. Ask you teacher for assistance if you have hard time understanding them.
 9. Accomplish the “Self-check 2” in page 26.
 10. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check 2).
 11. Read the information written in the “Information Sheets 3”. Try to understand what are being discussed. Ask you teacher for assistance if you have hard time understanding them.
 12. Accomplish the “Self-check 3, in page 34,
 13. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check 3
 14. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check 3).
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Information Sheet — 1	Determination of financial and business skills
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Principles of Financial Management

Financial Management is the backbone of success for any business, whether big or small. Understanding its principle enables a business to plan and control its expenditures. In order to use the financial information effectively, one needs to understand balance sheets, income statements, cash budgets, break-even analysis and financial ratios. One needs to understand the use of records, statements, analysis, management and planning in relation to money.

Maintaining proper financial management system is required to number of other stake holders also.

- Business Owners – to see if their business is profitable or not and to know what the financial resources of the business are.
- The bank – in order to acquire a loan, the bank will need to get the financial records of the business to assess its ability to repay the loan
- Potential buyer/investor/partner – in case the owner thinks of selling the business, the buyer needs the information to determine the financial viability of the business
- Tax Assessors – to calculate the taxes payable

Financial Record Keeping

Access to correct information is the most significant aid to efficiency, while you might rely on your memory for a number of things, you cannot take a risk when it comes to financial records therefore you should have a proper system for compiling, recording and analyzing the large amount of business data needed for you to make financial decisions. You *must* have an accounting system in place, no matter how small your business is. The accounting system records the business transaction such as cash received, cash paid out, goods bought, goods sold and operating items of the business,

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it enables you to compare your business performance with past results, provide figures for the income statement and balance sheet and it makes it easier to prepare income and other tax returns.

Without proper financial records a business is lost, the owner will not really know where he is going and he will often end up bankrupt. The process of maintaining financial records is known as bookkeeping. Bookkeeping can be defined as the process of recording income and expenses, receipts and payments, and assets and liabilities into the accounting records. The "books" are the documents in which the records of transactions are kept.

Accounting terminologies to understand:

Original records: the pieces of paper which record every transaction; namely sales receipts, quotations, delivery notes, invoices and purchase orders.

Journals: book of original entry which records the detail of every transaction using accounting debit and credit system. An example would be the cash book for recording all cash or bank account transactions and the general journal for non cash transactions.

Ledgers: book of accounts that records transactions separately into various accounts for each asset and liability, as well as capital items, expenses and incomes, and their increases and decreases.

Trial Balance: a list of all ledger accounts balances used to prepare financial statements.

Financial Statements: these are your incomes statements and balance sheet prepared by using information from the Trial Balance.

Source Documents

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These documents are the source of information recorded with accounting entries and can be in either paper or electronic form. Transactions are always supported by a source document. For a sales transaction there must be a sales invoice. For cash payment there must be a payment voucher, or a cash register slip. For purchases there must be purchase orders together with purchase invoices. These source documents become evidence that transactions have taken place.

Types of Source Documents

1. Quotations

Quotations are documents requested for a particular product to assess and compare the cost of that product with another from the various suppliers of the product. A quotation should always have the following details: Document

Name, Company Name & Address, Client Company Name & Address, Items, number of items, Unit Price, Total Price, VAT (if registered), Quotation Number, Validity, Terms and Conditions, and the Date. Below is a template of a quotation:

Your Company Name	
<i>Your company slogan</i>	
Address	
Date	
City	
Phone	Fax
Quotation for:	
Name	

Company			
Address			
City, State			
Phone			
Quantity	Description	Unit Price	Amount
			SUB TOTAL
			TAX RATE
			TOTAL

Invoices

Invoices are issued when service was rendered. These are documents upon which a client makes a payment. An invoice should always have the following details:

Document Name, Company Name & Address, Client Company Name & Address, Items, Number of items, Unit Price, Total Price, VAT (if registered), Invoice Number and Date. Below is a template of an invoice:

<i>Your company slogan</i>	
Address	
Invoice #	
City	
Date	
Phone	Fax
From:	To:

Name	Name		
Company	Company		
Address	Address		
City, State	City		
Phone	Phone		
Quantity	Description	Unit Price	Amount

Sub total	
Tax rate	15%
Total	

Financial Statements

These are documents that show your financial situation. The Major financial statements of a business are: the income statement, balance sheet, cash flow statement.

Income Statement

An income statement (sometimes called a profit and loss statement) lists your revenues and expenses, and tells you the profit or loss of your business for a given period of time. The effect of matching income with expenses is either an increase or a decrease in owner's equity. Net profit increases owner's wealth and net loss decreases it.

Balance Sheet

The Balance Sheet is a statement listing the total assets, liabilities and owner's equity indicating the net worth of the company at a certain point in time. In other words, a

balance sheet dated June 30, 2008 contains account balances as of that day and is a snapshot of the business' finances at that point.

Assets = Liabilities + Owner's Equity

A balance sheet must balance. That is, assets must equal liabilities plus owner's equity. Assets represent resources (such as cash, inventory, and accounts receivable, land, building etc.) that are owned by company. Liabilities (bank loans, mortgages etc.) and owner's equity are claims to those assets.

Cash flow Statement

Cash flow problems often catch small business owners by surprise. An accurate cash flow projection can protect entrepreneurs against this situation. A cash flow projection charts the amounts of money your business expects to receive and pay out each month for a certain period. This forecast takes into account the lag time between billing your clients and getting paid; incurring an expense and paying for it; and collecting taxes that aren't due to the Government until a later date.

A well-prepared cash flow projection will allow you to plot anticipated cash flow positions over time. It will help you anticipate shortfalls in time to do something about them, protecting you from a cash flow crisis. Also, a cash flow projection can help you spot sales trends, tell you if your customers are taking too long to pay, and help you plan for major asset purchases.

In addition, should you decide to seek a loan, banks will ask to see one-year cash flow projections by month, and three- to five-year projections by quarter.

It can predict the ability of your business to create the cash necessary for expansion or to support you. It can project your business's cash inflows and outflows and predict your business's cash flow gaps — periods when cash outflows exceed cash inflows. It can also be used to prepare a formal cash flow budget for your lender to help assure the lender that you will have the cash available to pay back the loan.

Financial Ratio Analysis

Financial ratios are useful in examining the financial condition or 'health' of your business. They are classified into certain categories each of which shows the financial performance in different aspects of your business.

Liquidity Analysis

The liquidity ratios provide an indication of the ability of a business to meet its short term obligations. Providers of loan capital are interested in liquidity ratios because they indicate the extent to which a business can meet its debt obligations. Two liquidity ratios are:

The Current Ratio = Current Assets/Current Liabilities

Example of current assets are Cash, stock, receivable from customers etc.

Let us assume that the total of current asset is= USD 550,000.

Examples of current liabilities are: amount due to suppliers, to employees, taxes etc.

Let us assume the current liability is = USD
250,000.

Then Current Ratio is: $550\ 000 / 250\ 000 = 2.20:1$

This means that the business had 2.20 times current assets available for each USD due. A larger ratio reflects a more favorable position. A smaller means that the business will not be able to meet its debt obligations

Acid Test Ratio = (Current Assets – Inventory) / Current Liabilities

Where inventory will be deducted from current asset; in this case let us assume inventory is USD 200,000. Then

$$= (550\ 000 - 200\ 000) / 250\ 000$$

$$= 350\,000 / 250\,000$$

$$= 1.40: 1$$

Normally a minimum acid test ratio of 1:1 is recommended

Profitability Ratio

This ratio shows the yield (as a percentage) earned by owners of capital. An example is the gross profit margin ratio which tells you how much of each extra money available after covering production cost.

In other words, it measures the difference between what it costs to produce a product and what you're selling it for.

Gross Profit Margin = Gross Profit/Sales

$$= 10\,000.00 / 35\,000.00$$

$$= 0.29:1$$

A gross profit margin of 0.29:1 means that for every dollar in sales, you gain 29 cents extra to cover your administrative costs and your profit.

While some ratios uncover trends by looking at the past, the gross profit margin is a tool you can use to chart your company's future. Some business owners will use an anticipated gross profit margin to help them price their products.

While other factors such as competition and demand may play into pricing decisions, a gross profit margin is a good starting point for product pricing.

For example, if a product costs \$8 to produce, and your gross profit margin is 20 percent (0.2), you can now calculate your pricing by dividing your cost by 0.8 (1-0.2 = 0.8). Therefore, sales price should be ($\$8 / 0.8$) = \$10.

Self check 1	Written test
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Name: _____

Date: _____

Instructions:

Write all your answers in the provided answer sheet

Test: Multiple Choice

Directions:

There are eight [5] questions in Test I. Select the best answer for each question and write only the letter that corresponds to your answer in the provided answer sheet.

A correct answer scores 2 point and an incorrect answer scores 0 point. No marks will be given for a question if more than one answer is supplied.

Start here:

1. Maintaining proper financial management system is beneficial to a bank in a way

- A. To calculate the taxes payable
- B. To see if the business is profitable
- C. To acquire a loan
- D. To see financial viability of the business

2. Documents requested for a particular product to assess and compare the cost of that product with other suppliers of the product are

- A. Quotations
- B. Invoices
- C. Financial Statements
- D. Balance Sheet

3. Book of original entry which records the detail of every transaction using accounting debit and credit system is

- A. Original records
- B. Ledgers
- C. Trial Balance

D. Journals

4. If a company has a gross profit margin of 25 percent for a product with a gross profit of 7birr. What would be the price of the product?

A. 28birr

B. 50birr

C. 25birr

D. 30birr

5. Financial condition or health of a business can be examined by

A. Gross profit

B. Sales margin

C. Price of the product

D. Financial ratio analysis

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Test: Short Answer Questions

1. _____
2. _____
3. _____
4. _____
5. _____

Note: *Satisfactory rating= 5 and above; Unsatisfactory rating= below 5 points.*

You can ask your teacher to correct your work.

Information sheet 2	Assessing of Personal skills
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What makes someone a successful entrepreneur?

It certainly helps to have strong technology skills or expertise in a key area, but these are not defining characteristics of entrepreneurship. Instead, the key qualities are traits such as creativity, the ability to keep going in the face of hardship, and the social skills needed to build great teams. If you want to start a business, it's essential to learn the specific skills that underpin these qualities.

Defining Entrepreneurship

Some experts think of entrepreneurs as people who are willing to take risks which other people may not. Others define them as people who start and build successful businesses. Regardless of definition of "entrepreneur," one thing is certain: becoming a successful entrepreneur isn't easy. Though many researchers have studied the subject of entrepreneurial success, there are no definitive answers. What is known, however, is that the successful entrepreneurs seem to have certain traits in common.

These traits can be gathered into four categories:

- Personal characteristics.
- Interpersonal skills.
- Critical and creative thinking skills.
- Practical skills.

Personal Characteristics

First, examine your personal characteristics, values, and beliefs. Do you have the mind set that's typical of successful entrepreneurs?

- **Optimism:** Are you an optimistic thinker? Optimism is truly an asset, and it will help get you through the tough times that many entrepreneurs experience as they find a business model that works for them.



- **Vision:** Can you easily see where things can be improved? Can you quickly grasp the "big picture," and explain this to others? And can you create a compelling vision of the future, and then inspire other people to engage with that vision?
- **Initiative:** Do you have initiative and instinct to problem-solving or business improvement projects?
- **Desire for Control:** Do you enjoy being in charge and making decisions? Are you motivated to lead others?
- **Drive and Persistence:** Are you self-motivated and energetic? And are you prepared to work hard, for a very long time, to realize your goals?
- **Risk Tolerance:** Are you able to take risks, and make decisions when facts are uncertain?
- **Resilience:** Are you resilient, so that you can pick yourself up when things don't go as planned? And do you learn and grow from your mistakes and failures?

Interpersonal Skills

As a successful entrepreneur, you'll have to work closely with people – this is where it is critical to be able to build great relationships with your team, customers, suppliers, shareholders, investors, and more.

Some people are more gifted in this area than others, but, fortunately, you can learn and improve these skills. The types of interpersonal skills you'll need include:

- **Leadership and Motivation:** Can you lead and motivate others to follow you and deliver your vision? And are you able to delegate work to others? As a successful entrepreneur, you'll have to depend on others to get beyond a very early stage in your business – there's just too much to do all on your own!
- **Communication Skills:** Are you competent with all types of communication?

You need to be able to communicate well to sell your vision of the future to investors, potential clients, team members, and more.

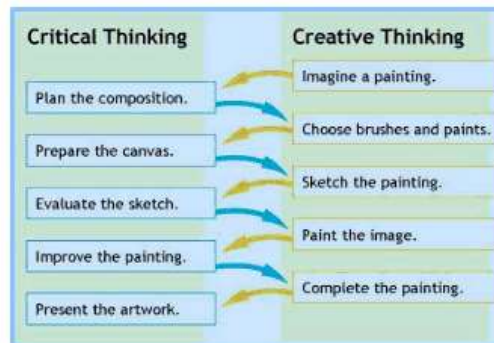
- **Listening:** Do you hear what others are telling you? Your ability to listen can make or break you as an entrepreneur. Make sure that you're skilled at active listening and empathetic listening.
- **Personal Relations:** Are you emotionally intelligent? The higher your Emotional Intelligence, the easier it will be for you to work with others. The good news is that you can improve your emotional intelligence!
- **Negotiation:** Are you a good negotiator? Not only do you need to negotiate keen prices, you also need to be able to resolve differences between people in a positive, mutually beneficial way.
- **Ethics:** Do you deal with people based on respect, integrity, fairness, and truthfulness? Can you lead ethically? You'll find it hard to build a happy, committed team if you deal with people – staff, customers or suppliers – in a shabby way.

Critical and Creative Thinking Skills

As an entrepreneur, you also need to come up with fresh ideas, and make good decisions about opportunities and potential projects.

Many people think that you're either born creative or you're not. However, creativity is a skill that you can develop if you invest the time and effort.

Creative Thinking: Are you able to see situations from a variety of perspectives and come up with original ideas?



- **Problem Solving:** How good are you at coming up with sound solutions to the problems you're facing?
- **Recognizing Opportunities:** Do you recognize opportunities when they present themselves? Can you spot a trend? And are you able to create a plan to take advantage of the opportunities you identify?

Practical Skills

You also need the practical skills and knowledge needed to produce goods or services effectively, and run a company.

- **Goal Setting:** Do you regularly set goals, create a plan to achieve them, and then carry out that plan?
- **Planning and Organizing:** Do you have the talents, skills, and abilities necessary to achieve your goals? Can you coordinate people to achieve these efficiently and effectively? And do you know how to develop a coherent, well thought-through business plan, including developing and learning from appropriate financial forecasts?

- **Decision Making:** How good are you at making decisions? Do you make them based on relevant information and by weighing the potential consequences? And are you confident in the decisions that you make?
- You need knowledge in several areas when starting or running a business. For instance:
 - **Business knowledge:** Do you have a good general knowledge of the main functional areas of a business (sales, marketing, finance, and operations), and are you able to operate or manage others in these areas with a reasonable degree of competence?
 - **Entrepreneurial knowledge:** Do you understand how entrepreneurs raise capital? And do you understand the sheer amount of experimentation and hard work that may be needed to find a business model that works for you?
 - **Opportunity-specific knowledge:** Do you understand the market you're attempting to enter, and do you know what you need to do to bring your product or service to market?
 - **Venture-specific knowledge:** Do you know what you need to do to make this type of business successful? And do you understand the specifics of the business that you want to start?
- You can also learn from others who have worked on projects similar to the ones that you're contemplating, or find a mentor – someone else who's been there before and is willing to coach you.
- Armed with this information, assess your skills in each of these areas. The harder you work to build your skills, the more successful you're likely to be.
- You can succeed without some of these skills, however, the more you're missing, and the more likely you are to fail.

As you work through your analysis, you may feel that you're ready to take the plunge into your own venture. Alternatively, you may decide to wait and further develop your skills. Whatever your choice, make sure that it feels right. Running a business isn't for everyone.

Remember, becoming an entrepreneur is a career decision like any other. Do your homework, look at your needs and desires, and then decide whether this path is for you.

Business skills

It is “good” if the entrepreneur has the following skills or abilities himself or surrounded by the people who have these skills.

- Management skill
- Financial abilities
- Marketing skills
- Personal skills
- Communication skill

1. Management Skills:

Management skills cover a wide array of abilities such as organizational skills, leadership skills that are required to start and run the business. Along with Management skills computer knowledge is also helpful to the entrepreneur.

The Internet has changed the way businesses do business. This changing business environment requires the entrepreneur to constantly learn and apply computer skills if they wish to remain competitive.

Moreover, continuous learning, lifelong learning is a motto for success. Attend seminars, workshops, business conferences, join local business groups and keep up to date with changes within the entrepreneurs chosen business field. It is important to keep learning in the area of expertise required.

2. Financial Abilities:

Financial abilities are essential for today’s entrepreneur. Although entrepreneurs hire accountants and bookkeepers to keep track of their business interests, the entrepreneur must have a strong understanding of financial/accounting principles and practices. Financial abilities may include accounting skills, organizational and administrative skills, understanding of tax laws, and provincial/federal regulations. Numerous educational

institutions including secondary institutions offer courses that will enhance the potential entrepreneur's financial abilities and in turn increase their likelihood of success.

3. Marketing Skills:

An entrepreneur may have the best product or service but if he cannot attract customers his venture is doomed to fail. Marketing skills allows the entrepreneur to communicate and inform potential customers of their products or services. Effective marketing encompasses one -on-one communication skills and the ability to define and target market or customer. Defining and targeting customer is one of the key success factors for business success, yet it is one of the areas most neglected by the entrepreneurs. Once the market has been defined, communicating to customer becomes the focus of marketing. This is not to suggest that this endeavor is a one -time occurrence for the entrepreneur, defining and re-defining the target market must be an on-going exercise for the business owner.



Numerous organizations, government agencies, and educational institutions offer marketing courses for the beginners and experts; entrepreneur should take advantage of this offer.

4. Personal Skills:

This has been discussed in detail in "Information sheet 3 - Assessment of personal skills"

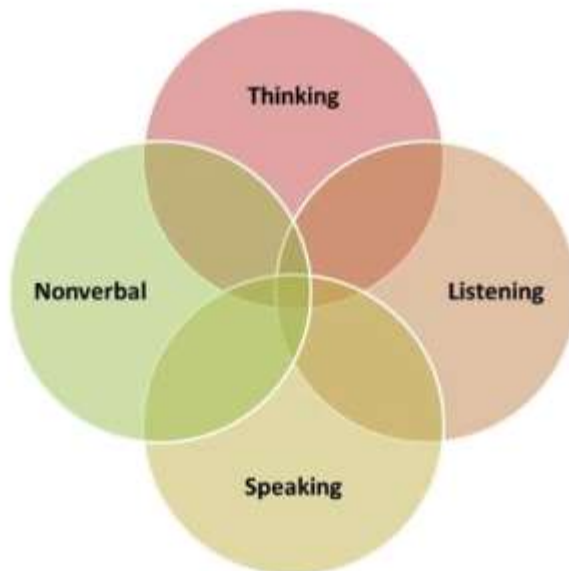
5. Communication Skills:

Communication skills are essential for today's entrepreneur. This includes both written and verbal communication skills. The businessperson of today may communicate with lawyers, accountants, bank managers, employees, government officials and customers in a single day. Being able to communicate your message or information clearly, orally or written, is essential for success.

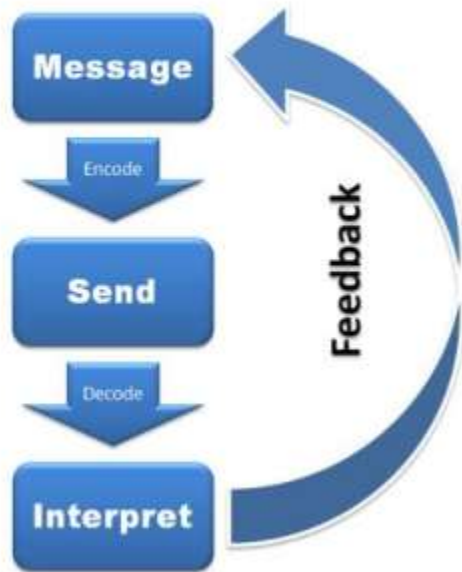
The ability to communicate effectively with various audiences in a variety of forms is a skill few people possess naturally.

Fortunately, there are a variety of courses and associations that may help sharpen communication skills. Toastmasters have been effectively "teaching" people how to get your message across professionally. Educational institutions offer a variety of courses, seminars, and workshops designed to improve written communication skills.

The Four Communication Skills



Effective Communication Cycle



2.2.1 Opportunities

Opportunity is an occasions or situation that makes it possible to do something that you want to do or have to do, or the possibility of doing something

Business opportunity is a packaged business investment that allows the buyer to begin a business. (Technically, all franchise are business opportunity, but not all business opportunities are franchises.)

Common types of business opportunity

- Distributorship it involves entering in to an agreement to offer and sell the product of another, without being entitled to use the manufacturers trade name as parts of the agreement trade name
- Rack jobbing this involves selling another company products through a distribution system of racks in a Variety of stores that are serviced by the rack jobber
- Vending machine routes. These are typically similar to rack jobbing. The investment is usually greater for this type of business opportunity venture since the business person must buy the machine as well as the merchandise being sold in them, but here the situation is reversed in term of the payment procedure

2.2.2 Market competition

Competition is a good for everybody; it helps bring out everybody potential. In order for the entrepreneurial spirit to thrive within a country there must be true, market competition. This could be defined as a business environment where firms, located both within and out a country, have to compete with one another solely on the merits of their goods and services. By contrast, uncompetitive markets could be described as a business environment where companies receive special treatment and are protected from competition, however, tend to have less entrepreneurs and therefore, experience less economic growth.

2.2.3 Timing/ cyclical considerations

What is cyclical industry?

Understanding cyclical industry are sensitive to business cycles, so downturns in the cycle force consumer to prioritize expenses and potentially pare some costs that are not essential. Therefore, industries that focus on non essential products face the biggest risk of revenue loss when economic contraction takes hold. By contrast, industries such as utility tend to weather economic storms much better, because no matter how bad items are, most people find away to pay their light bill.

Examples of cyclical industries- industries involved in the production of durable goods, such as raw materials and heavy equipment, tend to be cyclical. Consumer discretionary goods, a sector focused on products and services that people buy with discretionary income, also is highly sensitive to the business cycle, because discretionary expenses are easier to cut from a consumer budget during hard times rather than essential costs.

2.2.4 Resources available

The resources are needed to create value for customer. They are considered your assets and they are needed to sustain and support your business. These resources can be categorized in four main categories

1. **Physical resources** such as raw materials, building vehicles, transportation, storage, facilities, machines, and factory.

2. **Human resources**, or staff, such as talented engineer or marketing experts, designer. These resources are more important in companies in the knowledge intensive and creative sectors.
3. **Intellectual resources**, such as your brand, patents, copyrights, partnership, and customers databases. This can include recopies for those who deals with food. Or it can include a particular way of doing things.
4. **Financial resources**, such as cash, credit

2.2.4 Location and/ or premises available

There are more factors to consider when choosing a location for business venture, whether setting up an office or a shop for the first time or looking to expand into new areas. The key factors a business needs to consider when selecting a new location

1. Accessibility

It's important to consider local transport links, particularly main roads and motorways. Property rental and purchase prices are often steeper in higher density, more commercialized areas, so there are certainly cost benefits to seeking a more out of town location providing your daily business operations.

2. Security

It's fair to say that in business, make decision based on information, intuition, and probability mixed in with a little luck. But knowing the chance of crime in the area you are considering is an important part of decision making process

3. Competition

Establishing which competitors are in your area and their offering could help guarantee you chose the right location for your business. If there is too much competition then it may be a warning sign to expand your horizons to new location. If you have an element of your offering that is unique or offers some kind of new innovations, then choosing an area that already has a ripe market could be the ideal way to pick up customers very quickly and establish a presence in a new area in a relatively short time frame.

4. Business rates

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Cash is king cash flow is critical as it determines have viable ability for a business to survive and pay its bills. Therefore, it is important to research the average business rates include rent, utility bills and taxes in the area to ensure you can afford the premises

5. Skill base in the area

Take in to account employment rates as well; if you rely on skilled workers it is best to go to where there is a health bank of talent. Employees are often a business biggest assets thus choosing a location that is lacking in required talent may be the start of your business downfall

6. Potential for growth

A decision needs to be made as to whether the premises you are choosing is a short term location or if you would like to stay there for the long hall. Consequently, locations flexibility could be a very important factor regarding the premises suitability for your business needs.

Self check 2	Written test
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Name: _____

Date: _____

Instructions:

Write all your answers in the provided answer sheet in page 7 & 8

Test I: Multiple Choice

Directions:

There are five [5] questions in Test 2. Select the best answer for each question and write only the letter that corresponds to your answer in the provided answer sheet.

A correct answer scores 1 point and an incorrect answer scores 0 point. No marks will be given for a question if more than one answer is supplied.

Start here:

1. Which of the following does not represent the basic entrepreneurial qualities of starting a business?

- A. Effective communication
- B. Trading business
- C. Identify an opportunity
- D. Determination

2. The entrepreneur should know about the following topics

(1) Accounting (2) Financial (3) Tax implications (4) all

Mark the following statements as True or False in your answer paper.

3. Computer knowledge has become essential for business growth

True or False

4. The communication skill very important for the entrepreneurs

True or False

5. A good product will succeed only if it marketed well True or False

Test II: Short Answer Questions

Directions: Answer all the questions listed below. (3 points)

1. What are the skills an entrepreneur should have?

2. How marketing skill does help an entrepreneur?

3. How an entrepreneur can gain communication skills?

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Test I: Short Answer Questions

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

Test II. Short Answer Questions

- 1. _____

- 2. _____

- 3. _____

Note: Satisfactory rating= 8 and above; Unsatisfactory rating= below 8 points.

You can ask your teacher to correct your work.

Running a business can be a dangerous occupation with many different types of risk. Some of these potential hazards can destroy a business, while others can cause serious damage that can be costly and time consuming to repair. But the entrepreneur can prepare for themselves to face the risk if they know what they are.

If and when risk becomes reality, a well-prepared business can moderate the risk's impact. Birr losses, lost time and productivity and the negative impact on customers can all be minimized.

Physical Risks

Building risks are the most common type of physical risk. Fire or explosions are the most common risk to a building. To manage this risk, and the risk to employees, it's important to do the following:

- Make sure all employees know the exact street address of the building to give the Civil Defense operators, in case of emergency.
- Know the location of all exits.
- Install fire alarms and smoke detectors.
- a sprinkler system will provide additional protection to the physical plant, equipment, documents and, of course, personnel.
- Inform all employees that in the event of emergency their personal safety takes priority over everything else. Tell them to leave the building and abandon all work-associated documents, equipment and or products

Hazardous material spills or accidents also occur with some regularity. Among the hazardous materials most frequently spilled or released into the atmosphere of a workplace are: acid, gas, toxic fumes, toxic dust or filings, and poisonous liquids or waste. Fire department hazardous material units are prepared to handle these types of

disaster. People who work with these materials, however, should be properly equipped and trained to handle these materials safely.

A plan should be created and implemented to handle the immediate effects of these risks. Government agencies and local fire departments may help in acquiring information to prevent these accidents and provide advice on how to control them and minimize their damage if they occur.

Location Risks

Among the hazards facing the location of a business are fire break-out, storm damage, floods, hurricane or tornado, earthquake and other natural disasters.

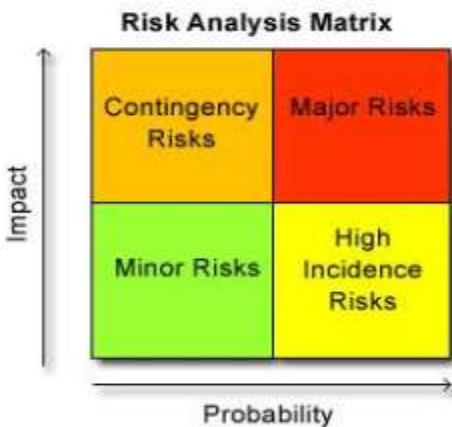
Employees should be familiar with streets leading in and out of the neighborhood on all sides of the place of business. Keep sufficient fuel in your vehicles to drive out of and away from the neighborhood.

Human Risks

Alcoholism and drug abuse are major risks to personnel in the work force.

Employees suffering from these conditions should be urged to seek treatment, counseling and rehabilitation if necessary. Some insurance policies may provide partial coverage for the cost of treatment.

Protecting against embezzlement, theft and fraud may be difficult, but these are crimes which occur frequently in the workplace. A system of double signature requirements for checks and invoice and payables verification can help prevent embezzlement and fraud. Stringent accounting procedures may discover embezzlement or fraud. A thorough background check before hiring personnel can uncover previous offenses in the applicant's past. While this may not necessarily be grounds for declining to hire an applicant, placement for the new hire in a critical position in which money and cash equivalents are used may not be judicious.



Sickness among the work force is inevitable and is always a problem. To prevent loss of productivity, assign and train backup personnel to handle the work of critical employees when they are absent due to illness.

Technology Risks

Power outage is perhaps the most common of technology risks. Auxiliary gas driven Power generators are a good back-up system to provide electrical energy for lighting and other functions until utility power is restored. In manufacturing plants, several large auxiliary generators can keep a factory producing until utility power is restored.

Computers may be kept up and running with high-performance back-up batteries Power surges may occur during a lightning storm, or randomly, so computer systems should be

furnished with surge-protection devices to avoid loss of documents and destruction of equipment. Offline and online data back-up systems should be used to protect critical documents. Although telephone and telecommunications failure is relatively uncommon, Risk managers may consider providing emergency-use-only company cell phones to personnel whose use of the phone is critical to their business.

Prioritizing Risk

After the risks have been identified, they must be prioritized in accordance with your assessment of their probability.

Managing Risk

Insurance is a principle safeguard in managing risk, and many risks are insurable. Fire insurance is a necessity for any business that occupies a physical space, whether owned outright or rented, and should be a top priority. Product liability insurance, as an obvious example, is not necessary in a service business.

Some risks are inarguably high priority, such as the risk of fraud or embezzlement if employees handle money or perform accounting duties in accounts payable and receivable. Specialized insurance companies will underwrite a cash bond to provide financial coverage in the event of embezzlement, theft or fraud.

When insuring against potential risks, never assume a best-case scenario. Even if employees have worked for years with no problems and their service has been exemplary, insurance against employee error may be a necessity. The extent of insurance coverage against injury will depend on the nature of your business. A heavy manufacturing plant will, of course, require more extensive coverage for employees. Product liability insurance is also a necessity.

If a business relies heavily on computerized data – customer lists and accounting data, for example – exterior back up and insurance coverage are mandatory.

Finally, hiring a risk management consultant may be a prudent step in the prevention and management of risks. in your business is best achieved through employee training, background checks, safety checks, equipment maintenance, and maintenance of the physical premises.

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A single, accountable staff member with managerial authority should be appointed to handle risk management responsibilities. He should formulate plans for emergency situations such as:

- Fire
- Explosion
- Hazardous materials accidents or
- The occurrence of other emergencies

Employees must know what to do, and where to exit the building or office space.

A plan for the safety inspection of the physical premises and equipment should be developed and implemented regularly, with the training and education of personnel. A periodic, stringent review of all potential risks should be conducted.

Any problems should be immediately addressed. Insurance coverage should also be periodically reviewed and upgraded or downgraded as necessity requires.

While business risks are abounding, and their consequences can be destructive, there are ways and means to insure against them, to prevent them and to minimize their damage if and when they occur. Finally, hiring a risk management consultant may be a prudent step in the prevention and management of ri

Self check 3	Written test
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Instructions: Write all your answers in the provided answer sheet in page 37

Test I: Multiple Choice

Directions:

There are two [2] questions in Test I. Select the best answer for each question and write only the letter that corresponds to your answer in the provided answer sheet.

a correct answer scores 1 point and an incorrect answer scores 0 point. No marks will be given for a question if more than one answer is supplied.

Start here:

1 The best risk insurance is

- A. Managing risk
- B. Prioritizing risk
- C. Ignoring risk
- D. Prevention

2 Preventing risks from occurring in your business is best achieved through

- A. Increasing production
- B. Employee training
- C. Safety checks
- D. Equipment maintenance

Test II: Short Answer Questions

Directions: Answer all the questions listed below. Examples may be necessary to aid some explanations/answers

1. What should a company do to manage all risks, including the risk to employees?
(3 pts)
2. Risks must be prioritized in accordance with your assessment of their probability of occurring. Establish a probability scale for purposes of risk assessment in a industry (4 pts)

Answer Sheet

Score = _____
Rating: _____

Test I : Short Answer Questions

1. _____

2. _____

Test II: Short Answer Questions

1. _____

2. _____

Note: Satisfactory rating= 6 and above; Unsatisfactory rating= below 6 points.

You can ask your teacher to correct your work.

