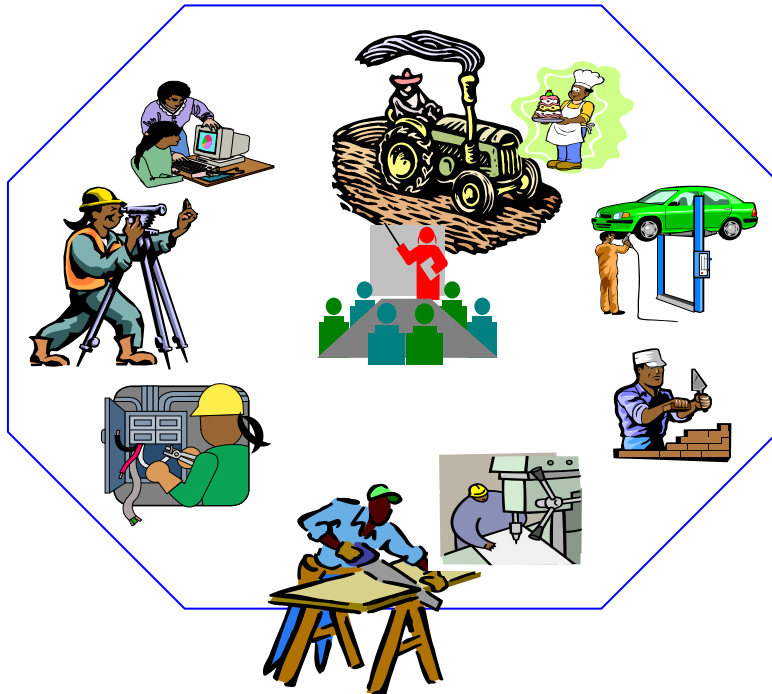


Basic Footwear Production Level-I

Based on Nov, 2019, V5 OS and Feb, 2020 V1 Curriculum



Module Title:- Developing Understanding of Entrepreneurship

LG Code: IND BFP1 MO12 LO(1-5) LG(61-65)

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December 2020

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LG #61	LO#1- Describe and explain the principles, concept and scope of entrepreneurship
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This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Analyzing and discussing the principles
- Identifying different roles of enterprises
- Categorizing, classifying and identifying enterprises
- Interpreting and identifying terms and elements
- Explaining functions of entrepreneurship

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- The principles, concept and terminology of entrepreneurship are analyzed and discussed
- The different / various forms of enterprises in the community are identified and their roles understood
- The identified enterprises are categorized and classified
- The terms and elements involved in the concept of enterprising, both on a personal level and in the context of being enterprising in business are identified and interpreted
- Functions of entrepreneurship in business and how the entrepreneurs improved business and economic environment are explained

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described
3. Read the information written in the information “Sheet .
4. Accomplish the “Self-check
5. If you earned a satisfactory evaluation from the “Self-check” proceed to “Operation Sheet
6. Do the “LAP test”

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Information Sheet 1- 1 Analyzing and discussing the principles

1.1 Analyzing and discussing the principles

1.1. **Definition of Entrepreneurship**

Entrepreneurship is the act of creating a business or businesses while building and scaling it to generate a profit. It is also about transforming the world by solving big problems. **It** is the process of doing something new and something different for the purpose of creating wealth for the individual and adding value to society.

Entrepreneurship is an organizational and management approach that enables persons to respond to change and solve problems in whatever situation (either business or non-business) they may find themselves.

Like initiating social change, creating an innovative product or presenting a new life-changing solution. It's about building a life on your own terms. No bosses, No restricting schedules and no one holding you back. Entrepreneurs are able to take the first step into making the world a better place, for everyone in the world.

1.2 .Principles of Entrepreneurship

1. **Be a Solution Provider**

You must note that entrepreneurship is not just about making money at first but it's about providing solutions and adding value.

2. **Have a Vision**

You are not an entrepreneur merely to make a living. You are an entrepreneur because you want to enable the world to live more amply, with greater vision, with a finer spirit of hope and

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achievement. You are an entrepreneur to enrich the world, and you impoverish yourself if you forget the errand. Jonathan Swift said that “*Vision is the art of seeing what is invisible to others*”. Have a defined purpose and pursue it.

“Successful entrepreneurs are those that were able to transform their vision into reality”

3. Choose the Right Team

When assembling your team, it is imperative to gather a team of individuals with the same mindset and attitude towards achieving a common goal.

“Good team work builds speed”

4. Viable Product/Service

Let your product/service fulfill a need, be innovative and the approach, a little different from other regular businesses. Technology is an important tool in the hand of modern entrepreneurs

“Good products most times sell itself”

5. Capital

Good business plan always draw investors. Capital should be your least worry when you have a solution. Entrepreneurship is all about solution. When your idea is great, you can easily get investors or government loan. World’s economy depends on it.

“Capital isn’t scarce, vision is”

6. Accountability

As an entrepreneur, you are accountable to the success or failure of your business, not your employees, investors or advisors. You must have detailed account of whatever transaction made by the company. Have a scorecard of all inventories.

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“Accountability breeds responsibility”

7. Growth and Marketing

Every successful business grew over the years. Most big companies started small. It was all a process. Success in business is not a one-time event; it is an on-going process. You must give room for growth. Do not be content with the success of yesterday; always strive to beat your own record. That way, your business will keep on growing, your investors will be happy to remain and inject more funds. Always remain focused and dedicated to your goal. Have a clear goal and pursue it. Your business growth also depends on your **marketing strategy**. Marketing helps in getting your product known and good sales come from good marketing.

“Without continual growth and progress, such words as improvement, achievement, and success have no meaning”

8. Know Your Customer

Your customer base determines the life of your business. If you provide solution to better the world, your customers will increase. In business, the higher your customers, the higher the profit. Your business must be streamlined into a particular niche.

“Always treat your customers as special guests”

9. Priorities

For success in business, you must categorize things in order of importance. Set your priorities based on your goals and do not deviate. Your investors should not make you lose focus on your dream.

“Things which matters most must never be at the mercy of things which matter least”

10. Never Give Up

The never give up attitude is one quality an entrepreneur must possess. Successful entrepreneurs are goal-getters. They never give up on turning their vision into reality.

“Never, Never, Never Give Up”

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1.3. ENTREPRENEURIAL CHARACTERISTICS

Enterprising women and men exhibit the following characteristics:

E-Energy.

Working hard, but in a smart way, is key to being enterprising.

N -Need to achieve.

You need to have the motivation to achieve success and accomplish all the activities you engage in.

T- Task oriented.

To gain satisfying rewards, tasks have to be completed on time. Efficiency, effectiveness and time management are important aspects that enable you to complete tasks.

E -Empathy.

You are able to mentally put yourself in the position of the people you intend to influence. You try to feel what they are feeling.

R- Resourcefulness.

You are able to provide the leadership and guidance needed to manage the enterprise.

Identification, mobilization and effective utilization of both the physical and the nonphysical resources needed in undertaking a venture are very important in managing the enterprise.

P -Planning.

To see the total picture of the enterprise, it is necessary to establish a written plan.

R -Risk-taking.

The decision to go ahead and start the enterprise or undertake the activity must be made. All enterprising men and women take risks only after they have conducted research, so that they can achieve the desired results and receive the rewards.

I -Innovation.

The ability to apply new ideas that will enable you to undertake unique activities is another hallmark of enterprising people. Through individual initiative, imagination,

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intuition and insight you will be able to devise new ways of doing things to accommodate whatever new situation you may find yourself in.

S -Skills.

Enterprising men and women have the ability or know-how that enables them to undertake and complete activities. Most men and women have a certain amount of knowledge, attitudes and practical skills that can be useful when realizing an enterprise.

Independence means freedom from dependence on others. Enterprising people are able to make their own decisions and are self reliant. They exercise their own will without the control of others.

N -Networking.

Networking is important because through this activity, enterprising people obtain information and learn from feedback they receive from others.

G- Goal oriented.

Self-Check -1	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Match Column A with Column B

Column A

- _____1. Entrepreneurship
- _____2.Principle of Entrepreneurship
- _____3. Characteristics of Enterprising

Column B

- A. Innovation
- B. Never Give-up
- C. Act of Creating a Business
- D. An act of Satisfaction

Note: Satisfactory rating - 3 points

Unsatisfactory - below 3 points

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Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

1. Define Entrepreneurship
2. Write Principles of Entrepreneurship

You can ask you teacher for the copy of the correct answers.

Note: Satisfactory rating - 10 points

Unsatisfactory - below 10 points

Information Sheet- 2	Identifying different roles of enterprises
-----------------------------	---

1.2 Identifying different roles of enterprises

Enterprising

An idea that is translated into Personal context a planned and implemented activity
business venture or Business context: undertaking that brings profit.

On a personal level, enterprising can be any identified idea that a person can translate
Into a planned and satisfactorily implemented activity. In the business sense, Enterprising
refers to the implementation of a business venture or undertaking. Practically all
undertakings can be referred to as enterprising, i.e. idea identification, Planning,
implementation, successful completion of an activity and receiving the rewards.

You are enterprising if you follow the above process whenever you are involved with
Issues in your life. By understanding the enterprising concept, you can appreciate that

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all people have the potential to be enterprising. Some people are enterprising when they own a business. Enterprising men and women are able to deal positively with the Challenges and problems they face in their daily lives. Being enterprising can bring benefits to you and also help you to become a value member of your family, community, place of work and society. By adopting an enterprising approach to your activities, you will know what to do in whatever circumstances you find yourself in. This kind of approach will enable you to appreciate the challenges of life because you will be able to translate challenges into positive results.

Different Forms of Enterprise

People in a community have many interests and different needs and wants. Enterprising men and women are able to identify these needs and wants and establish specific enterprises to satisfy them. Enterprises can provide satisfying rewards for those who successfully establish them. Terms used to classify enterprises include:

- private
- public
- formal
- informal
- individual
- community
- local
- foreign
- small
- large
- business
- social
- manufacturing
- service
- Consumer goods or industrial goods.

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Enterprises that succeed, irrespective of their nature, come up with valued approaches to provide solutions to problems, and satisfying the desired needs and wants.

Enterprises in a community have the potential to benefit from each other. Output from one enterprise normally becomes input for other enterprises, and this helps in money circulation among the enterprises within the community. The more money circulates in the community, the more prosperous the community becomes.

Men and women acquire different skills that lead to different careers. They are applied in trade, services, manufacturing, food processing, recreation, information and communication, and other forms of enterprises. The existence of many types of enterprise in your community offers you opportunities to apply the skills you have acquired.

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Self-Check -2	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page

Multiple Choice

1. Which one of the following is public type of enterprise?
A. Telecommunication Corporation B. Retail Shop C. Wholesale enterprise D. .none Answer- A

2. Enterprises are applied on :- A. Trade B. Services C. Manufacturing D. All E. none. Answer - D

Note: Satisfactory rating - 3 points

Unsatisfactory - below 3 points

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

1. Define What Enterprising mean?
2. Write at least five forms of enterprises

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Information Sheet- 3	Categorizing, classifying and identifying enterprises
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1.3 Categorizing, classifying and identifying enterprises

Personal achiever

- Need for high achievement
- Need for performance feedback
- Desire to plan and set goals
- Strong individual initiative
- Strong personal commitment
- Internal locus of control

II. Super-salesperson

- Capacity to empathize
- Social interaction and relationships are important
- Need to have strong positive relationships with others
- Sales force is critical
- Background: less education, more experience

III. Real manager

- Desire to be corporate leader
- Desire to compete
- Decisive
- Desire of power
- Desire to stand out in a crowd

IV. Expert Idea Generator

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- Desire to innovate
- Love of ideas, curious
- Belief that new products are crucial
- Intelligence is the competitive advantage
- Desire to avoid taking risks

Self-check –3	Write
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1) Write Categorizing enterprises? (5point)

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Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

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1.4 Interpreting and identifying terms and elements

Terms used to explain enterprising

Enterprising involves:

1. Idea – identification, imagination, thought
2. Planned - Thought out, written down
3. Implemented - Using people, using materials, using money
4. Activity - can be seen, can be touched
5. Reward - Satisfying outcome, acceptable feedback

Meaning and scope of enterprising

- I. Personal context: An idea that is translated into On a personal level, enterprising can be any identified idea that a person can translate into a planned and satisfactorily implemented activity. In the business sense, enterprising refers to the implementation of a business venture or undertaking. Practically all undertakings can be referred to as enterprising, i.e. idea identification, planning, implementation, successful completion of an activity and receiving the rewards.
- II. o a planned and implemented activity.
- III. Business context: Business venture or undertaking that brings profit.

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Self-Check -4	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

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- I. Choose the Best Answer from the given alternatives.
1. Enterprising involves: A. Idea generation B. Planning C. activity D. all
 2. Which comes first in enterprising? A. Planning B. Idea identification C. Activity D. none

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

Information Sheet- 5	Explaining functions of entrepreneurship
-----------------------------	---

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1.5 Explaining functions of entrepreneurship

Function of Entrepreneurship in business.

, Entrepreneurial Function in Business

- a. Identifying gaps in the market
- b. Obtaining finance for the business
- c. Managing the business/ managerial function/
- d. Bearing the uncertainties /risk taking activity/
- e. Creating job and wealth in the community

a) Entrepreneurs are the prime movers in the business or social sectors. Without entrepreneurs, there would be no business or social development. They are the ones who **identify gaps in the market** and then turn these gaps into business opportunities.

b) It is the entrepreneur who **obtains finances** for the business. After identifying a business opportunity, the entrepreneur mobilizes the necessary resources to implement the opportunity and becomes the financier of the enterprise. The entrepreneur does not of course have to finance the business from personal savings alone. The necessary finances and other resources could be borrowed. It is, therefore, a function of the entrepreneur to provide financing for the business.

c) Another function of the entrepreneur is to **manage** the business. This is also a function that he/she can delegate to other people. Even where other people are employed to manage the business, the ultimate responsibility for management remains with the entrepreneur. Management functions involve a wide range of activities such as

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organizing, coordinating, leading, recruiting, rewarding and evaluating employees. The entrepreneur manages production, marketing, personnel and all other aspects of the business.

d) The entrepreneur also has the function of **bearing the uncertainties** and risks of the business. Entrepreneurs try to avoid risk situations whenever possible. Entrepreneurs take only calculated risks; before taking a risk, they know the costs and the benefits of the risk situation.

e) Through the entrepreneurial function, many jobs are created in the economy. In addition, wealth is made available to the individual, the community and society through the actions of entrepreneurs. Entrepreneurs **encourage competition**, which is critical in sustaining a free market system and promotes economic growth, social progress and the spread of prosperity among a country's population. Entrepreneurship is an effective mechanism for ensuring innovation and creativity as well as achieving economic development at the grassroots level.

Self-Check –5	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

I. Choose the Best Answer from the Given Alternatives

1. One is not function of enterprising?

- A. **Encourage Competition** B. **manage** the business C. **obtains finances** D. **none** **Answer -D**

2. Bearing uncertainties in enterprise function means pertains:-

- A. Financing B. Encouraging Competition C. avoid risk situations D. none

Answer-C.

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

1. Why Gap in the market is identified?

Answer-To turn Gaps into business opportunities

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List of Reference Materials

1) <https://insme.wordpress.com> › 2015/12/16 › create-assessing-your-enterprise.

**LG
#62**

LO#2 : Discuss how to become entrepreneur

instruction sheet

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

- Discussing and analyzing self-employment
- Discussing and explaining advantages and disadvantages
- Identifying and discussing entrepreneurial characteristics
- Assessing self-potential to become future entrepreneur
- Identifying and explaining successful entrepreneurship

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Self-employment as an alternative option for an individual economic independence and personal growth is discussed and analyzed
- Advantages and disadvantages of self-employment are discussed and explained
- Entrepreneurial characteristics and traits are identified and discussed
- Self-potential is assessed to determine if qualified to become future entrepreneur
 - Major competences of successful entrepreneurship are identified and explained

Learning Instructions:

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1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described
3. Read the information written in the information “Sheet 1
4. Accomplish the “Self-check
5. If you earned a satisfactory evaluation from the “Self-check” proceed to “Operation Sheet
6. Do the “LAP test” .

Information Sheet -1: Discussing and analyzing self-employment

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2.1 Discussing and analyzing self-employment

Self-employment

Self-employment is the state of working for oneself rather than an employer. Generally, tax authorities will view a person as self-employed if the person chooses to be recognized as such, or is generating income such that the person is required to file a tax return under legislation in the relevant jurisdiction. In the real world, the critical issue for the taxing authorities is not that the person is trading but is whether the person is profitable and hence potentially taxable. In other words, the activity of trading is likely to be ignored if no profit is present, so occasional and hobby- or enthusiast-based economic activity is generally ignored by authorities.

5.1. Objective of Self Employment

- To enable learners to appreciate that self-employment is a lifestyle that may suit some of them upon graduation.
- “Self- employment is an activity where individuals create their own employment opportunities by creating a business.
- Self-employed people generally find their own work rather than being provided with work by an employer, earning income from a profession, a trade or a business that they operate.
- In some countries governments (the United States and United Kingdom, for example) are placing more emphasis on clarifying whether an individual is self-employed or engaged in disguised employment, often described as the pretense

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of a contractual intra-business relationship to hide what is otherwise a simple employer-employee relationship.

5.2. Difference between self-employment, entrepreneurship, and startup

Self-employment provides works primarily for the founders. Entrepreneurship refers all new businesses, including self-employment and businesses that never intend to grow big or become registered, but startups refer to new businesses that intend to grow beyond the founders, to have employees, and grow large.

In summary:

- Self-employment: an organization created with the primarily intention to give a job to the founders.
- Entrepreneurship: all new organizations. startup: a temporary new organization created with the intention to be bigger (at least have employees)
- A **startup company**, or simply a **startup**, is an entrepreneurial venture in its early stages of operations typically aimed at resolving a real life issue with an innovative product or service.

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Self-Check –1	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

1.What is the difference between self-employment, entrepreneurship and start-up?

Answer

Self-Employment is give job for founders of the organization;

Start-up is a business enterprise on its earliest stage.

Entrepreneurship –all new enterprises created with the intention of to bed bigger.

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Information Sheet- 2	Discussing and explaining advantages and disadvantages
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2.2 Discussing and explaining advantages and disadvantages

Advantages and Disadvantages of Self Employment

1. ADVANTAGES OF WORKING FOR YOURSELF

Those who choose self-employment as a career usually do so for six basic reasons: personal satisfaction, independence, profits, job security, flexibility and status.

- a. Personal satisfaction:** To some people, the chief reward of working for yourself is personal satisfaction. Personal satisfaction means doing what you want with your life. Being self-employed will enable you to spend each work day in a job you enjoy. For example, if you like photography, you may start your own studio. Each time a customer is pleased with a portrait, you will receive personal satisfaction.
- b. Independence:** Another advantage of being a self-employed person is independence. Independence is freedom from control of others. You are able to use your knowledge, skills and abilities as you see fit. When you are self-employed you are driven by spirit of self-reliance and individual survival. Compared to those who work for others, self-employed persons have more freedom of action. They are in charge and can make decisions without first having to get the approval of someone else.
- c. Profit and income:** One of the major rewards expected when starting a new business is profit. Profit is the amount of income left after all expenses have been paid. Profits go to the owner of a business. Being self-employed, you would be able to control your income.

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- d. Job security:** Many enterprises are created by persons who are seeking the kind of job security that is not available elsewhere. Job security is the assurance of continued employment and income. Self-employed persons cannot be laid off, fired, or forced to retire at a certain age.
- e. Status:** Status is a term used to describe a person’s social rank or position. Self-employed persons receive attention and recognition through customer contact and public exposure. As a result, they may enjoy status above that of many other types of workers. Closely related to social status is pride in ownership; most people enjoy seeing their names on buildings, vehicles, stationery and advertisements. To some degree, all people seek status.
- f. Flexibility:** Individuals who become self-employed have options to start enterprises in all categories and sizes depending on their capabilities. Self-employment also gives the individual the job of being an employer and a leader rather than an employee and a follower.

2. CONSTRAINTS OF WORKING FOR YOURSELF

In addition to knowing the advantages of self-employment, you should also be familiar with the disadvantages: possible loss of invested capital, uncertain or low income, long hours and routine chores.

- a. Possible loss of invested capital:** One risk of being self-employed is the possibility of losing your invested capital. The term invested capital refers to the money the entrepreneur put into starting the enterprise. As a general rule, the riskier the business, the greater the profit potential.
- b. Uncertain or low income:** Another disadvantage of owning your business is the possibility of uncertain or low income. Unlike the salaries of employed workers, profits usually vary from one month to another. This is true even in well-established businesses. When income is available, there still may not be enough to meet personal and family needs. This is often the case during the first six to twelve months of operation.
- c. Long business hours:** Entrepreneurs do not work just forty hours a week; they do not punch time clocks. Many self-employed persons work fourteen or more hours a day, six or seven

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days a week. The owner is often the first to arrive at the business in the morning and the last to leave at night. Business hours are set at the convenience of customers, not the desire of the owner. For example, many market shops are open from 8:00 a.m. to 9:00 p.m. Some entrepreneurs feel they cannot leave their businesses for more than one or two days at a time.

d. Routine chores: Running your own business may involve routine chores you do not like to do.

You also need to be a jack of all trades. This can sometimes be a challenge if you do not join with others in a partnership or you cannot raise sufficient funds to allow you to employ other people.

e. Risks: You stand the best chance of success if you are prepared to take calculated risks.

Calculated risks allow you to estimate the chances of failure or success without taking a gamble. Very low risk ventures have less reward in terms of profits and may lead to limiting your ideas and their follow-up.

f. Time involvement: Starting a small business takes a lot of hard work. In fact, it may consume most of your waking hours in the first few years. But in the long run, work effort and personal involvement on the part of a small business owner can vary greatly. In many established small businesses, day to-day activities can be turned over to a manager. Decide on the personal involvement and work effort you would like to put into your business in the future (six years from now).

Advantages and disadvantages of paid employment

Advantages	Disadvantages
<ul style="list-style-type: none"> • Specific responsibilities 	<ul style="list-style-type: none"> • Follows order
<ul style="list-style-type: none"> • Steady income 	<ul style="list-style-type: none"> • Ability not easily recognized
<ul style="list-style-type: none"> • Fringe benefits 	<ul style="list-style-type: none"> • Set income
<ul style="list-style-type: none"> • . fixed hours of work 	<ul style="list-style-type: none"> • Limited responsibility
<ul style="list-style-type: none"> • More certain future 	<ul style="list-style-type: none"> • Difficult to implement ideas
<ul style="list-style-type: none"> • Minimal risks 	<ul style="list-style-type: none"> • Dependent on employers

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Self-Check -2	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

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1. _____ are assets in a community that help meet certain needs for those around them. (3 points)
- A. Clients' needs and gaps
B. Local maps
C. Local resources
D. Services
2. Write the differences of client's needs and gaps. (6 points)
3. List out the processes of determining local available resources for meeting client's needs. (5 points)

Note: Satisfactory rating - 14 points Unsatisfactory - below 14 points

You can ask your teacher for the copy of the correct answers.

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

Information Sheet-3	Identifying and discussing entrepreneurial characteristics
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2.3 Identifying and discussing entrepreneurial characteristics

Entrepreneurial characteristics

- Self- confident
- Independent
- Optimistic
- Dynamic leader
- Originality of thought
- Builds on strengths
- Innovative and creative
- Resourceful
- Committed
- Takes initiative
- Versatile and knowledgeable
- Gets along with others
- Flexible– Mentally well-organized
- Responsive to feedback
- Achievement-oriented
- Builds for the future– Reliable, has integrity
- Highly motivated
- Profit-oriented
- Persistent and determined
- Willing to listen
- Hard working
- Energetic and forceful
- Perceptive
- Goal-oriented
- Risk-taker
- Accepts challenges
- Communicates effectively
- Decision-maker
- Sets own performance standards
- Sees broad picture
- Understands self
- Manages an organization
- Copes with uncertainty

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3.2.Traits: have been defined as the aggregate of peculiar qualities or characteristics which constitutes personal individuality. The 14 PECs can be summarized as follows and a successful entrepreneur:

- Takes initiative
- Is persistent
- Is concerned for high quality contracts
- Is oriented to efficiency
- Solves problems in original ways
- Takes calculated risks
- Is persuasive
- Sees and acts on opportunities
- personally seeks information
- is committed to fulfilling
- Plans systematically
- Demonstrates self-confidence
- is assertive
- Uses influential strategies

3.3. What would happen if a person had,

• Knowledge and skills only?

- ✓ unlikely to survive for long,
- ✓ he/she might exhibit little persistence when faced with major obstacles; or
- ✓ may neither see nor act on opportunities; or
- ✓ unwilling to take the calculated risk

• Knowledge and traits only?

- ✓ too dependent on outsiders and,
- ✓ The solution might be to find a partner or employ people with the requisite skills.

3.4. What would happen if a person had

• Skills and traits only?

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Mightbe able to start a business. In a competitive environment, however, the lack of knowledge or familiarity with, for example, customers, or the market (including trends) could lead to failure. Information is essential for any business to succeed.

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Self-Check –3	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Multiple Choices

Choose the Best Answer from the given Alternatives

1. Which one of the following is not entrepreneurial characteristics?

A. Takes initiative B. Decision Maker C. Achievement-Oriented D. Persistent E. none

2. Aggregate of peculiar qualities which constitutes personal individuality:-

A. Characteristics B. Traits C. Principles D. none

Answers

1. D 2. B

Score = _____
Rating: _____

Answer Sheet

Name: _____

Date: _____

Short Answer Questions

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**Information Sheet-
4**

Assessing self-potential to become future entrepreneur

2.4 Assessing self -potential to be future entrepreneur

Whether you are about to start a new business or are already running one, every now and then you need to take time to review where you are and where you are going. Perhaps the most crucial aspect is whether you are going in the right direction and how you can make sure you arrive at the point of success. Start with a checklist that should include the following areas...

Your Passion

Are you passionate /Enthusiastic/about your business? If not, you're probably in the wrong business and should think again. Unless you have that passion, you'll be unlikely to weather the storms and come out smiling on the other side.

Your Vision

Do you have one for where you want to be in five years time, and in ten years. This vision needs to sit in your mind while you mull over the different ways to get there..

Your Connections

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Contacts are crucial for your business. If you're worried about networking taking time from your day, join a business breakfast club and get it all over with early. These are springing up all over the place and members often make a point of doing business together.

It is equally vital that you don't try to do everything yourself, for the business as well as your sanity. Many entrepreneurs have bitten the dust because they wouldn't, or couldn't, delegate or accept help. If you can't afford a dedicated PA, and haven't any family members who can help, check out the services of a virtual one. Assistants take the worry out of not being able to be in two places at once, not having the time to write follow up letters or emails, and so on. They can be worth their weight in gold.

Your Customer Relations

Do you keep records of what your customers purchase from you, be it products or services? Do you know how much they've spent with you, and how they've spent their money. Among the many benefits you'll derive from this is that you can communicate with them personally, make them feel special to you.

Later, when they are established with you, is the time to go for a customer survey or to ask them to refer their own contacts. Then, if you don't have a referrals reward scheme, a simple thank you is always appreciated. It can lead to more referrals, while a sense of being ignored means they're unlikely to repeat their generosity.

Your Staff Relations

This is another crucial area, whether you have a paid workforce, rely on help from family and friends, or buy in temporary help now and then. Make people feel appreciated and

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you'll have their loyalty. Involve them in decision-making, even in a small way, and they will set to with gusto to make those decisions work. If you work with enough people to form more than one team, encourage a little competitiveness. As long as the teams can be equally balanced, this can be an effective way to get maximum productivity.

If you have a suggestion box, don't ignore anything posted in it. If it's not feasible, make sure everyone knows why. If you hold regular brainstorming sessions, involve everyone from your second in command to the lowest office assistant. Some of the best ideas can come out of these, and you'll get great satisfaction from seeing an office boy's pride as the management team discusses his idea with him and turns it into a brilliant plan. As the boss, you will benefit too as his confidence soars.

Your Personal Check List

Every entrepreneur needs to take time regularly to review all these areas of their business and how they themselves are performing. But no checklist is right for everyone. You can probably think of other areas to add to your own list. So do make your own checklist and set an appointment with yourself to review it at regular intervals. Having a mentor with you will help if you're not sure you can be totally honest with yourself, but just having your own thinking time is better than not doing it at all. Have your checklist to hand and take notes on action points as you go. Be sure to put your next self assessment in your diary before you finish.

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Self-Check –4	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

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Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

2. Write at least four self-potentialities to be an entrepreneur.

Answer

1. Passion

3. Customer Relation

2. Connection

4. Personal Check list

Information Sheet- 5	Identifying and explaining successful entrepreneurship
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2.5 Identifying and explaining successful entrepreneurship

What is Entrepreneur?

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An entrepreneur is the person who sees a problem in the world and immediately focuses on creating the solution. They're the leaders that strike out on their own to improve society. Whether they're creating jobs or a new product, they constantly take action to ensure world progress.

Importance of Entrepreneurs

- Entrepreneurs create jobs: Without entrepreneurs, jobs wouldn't exist. Entrepreneurs take on the risk to employ themselves. Their ambition to continue their business' growth eventually leads to the creation of new jobs.
- Entrepreneurs create change: Entrepreneurs dream big so naturally some of their ideas will make worldwide change. They might create a new product that solves a burning problem or take on the challenge to explore something never explored before. Many believe in improving the world with their products, ideas or businesses.
- Entrepreneurs are given to society: They make more money and thus pay more in taxes which helps fund social services. Entrepreneurs are some of the biggest donors to charities and nonprofits for various causes. Some seek to invest their money in creating solutions to help poorer communities have access to things we take for granted like clean drinking water and good health care.
- Entrepreneurs add to national income: Entrepreneurship generates new wealth in an economy. New ideas and improved products or services from entrepreneurs allow for the growth of new markets and new wealth to be created in an economy. Adding to that, increased level of employment and earnings add to the national income.

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- Entrepreneurs see possibilities and solutions where the average person only sees annoyances and problems.

5.2.ENTREPRENEURIAL COMPETENCIES

- Taking Initiatives
- being highly competitive
- Exploiting Change
- dealing with uncertainties
- Seeking Opportunities

5.1. Major Competencies for Successful Entrepreneurship

There are three major competencies for successful entrepreneurship. These may be defined as:

- a body of knowledge
- a set of skills
- a cluster of traits.

A. Knowledge: has been defined as a set or body of information stored, which may be recalled at an appropriate time. Knowledge in the context of business may be manifested by information on, or familiarity with aspects such as:

- Business opportunity
- the market
- Customers
- competitors
- Production processes
- technical matters
- Business management
- sources of assistance

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Knowledge of business or entrepreneurship, however, is not enough for success in setting up and operating a business – in the same way as, for example, reading or learning about flying, driving or swimming will not on its own enable you to fly a plane, drive a car or swim in a pool.

- Skill: has been defined as the ability to apply knowledge and can be acquired or developed through practice, e.g. flying, driving or swimming. In the context of business, it is possible to distinguish between skills of a technical and managerial nature. Some examples are listed below:

Technical

- Engineering
- Computing
- Sewing
- Carpentry
- Mechanics
- Catering

Managerial

- Marketing (including selling)
- Time management
- Financial management
- Organization
- Planning
- Leadership

Self-Check –5	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Multiple Choice

1. Which one is true about entrepreneur?

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A. Entrepreneurs do not create job. B. Entrepreneurs are not self initiative C. It is good to have a body of knowledge only for successful entrepreneurs D. none

2. Which one of the following is not a technical skill type for entrepreneurs?

A. Engineering B. Sewing C. Competing D. Planning

Answer

1.D 2. D

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

List of Reference Materials

1 <https://www2.deloitte.com> › content › dam › Deloitte › Documents › audit

2 <https://www.entrepreneur.com> › encyclopedia › business-plan

3 <https://www.entrepreneur.com> › encyclopedia › business-plan

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4 <https://procurementmanagement.pressbooks.com> › chapter › so

5 <https://managementhelp.org> › businessresearch › methods

6 Please read 'The nature of sourcing decision' on pages 198 – 205 from your textbook *Procurement Principles and Management*, 10th edn, England: Prentice-Hall,

7) Pearson Education Limited by Baily, P, Farmer, D, Crocker, B, Jessop, D and Jones, D (2008).

8) <https://insme.wordpress.com> › 2015/12/16 › create-assessing-your-enterprise.

LG	LO#3: Discuss how to organize an enterprise
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#63

instruction sheet

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

- Discussing and correlating the importance of business entrepreneurship
- Discussing, clarifying and understanding facts about enterprises
- Identifying and explaining key success and factor
- Identifying and assessing business opportunities
- Generating business ideas
- Discussing and understanding procedures for suitable market for business
- Identifying and discussing major factors of business location
- Identifying and explaining basic types of business ownership
- Estimating and clarifying amount of money needed to start an enterprise
- Identifying advantages and disadvantages source of capital

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- The importance and role of business entrepreneurship in the society are discussed and correlated to the operations of the economy
- Facts about small and medium enterprises are discussed, clarified and understood
- Key success factor in setting up small and medium business are identified and explained
- Business opportunities are identified and assessed
- Business ideas are generated using appropriate tools, techniques and

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steps

- Procedures for identifying suitable market for business are discussed and understood
- Major factors to consider in selecting a location for a business are identified and discussed
- Basic types of business ownership are identified and explained
- Amount of money needed to start an enterprise estimated and distinction between pre operations and initial operation payments clarified
- Advantages and disadvantages of using various sources of capital to start an enterprise are identified

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described
3. Read the information written in the information “Sheet
4. Accomplish the “Self-check
5. If you earned a satisfactory evaluation from the “Self-check” proceed to “Operation Sheet 1
6. Do the “LAP test”

Information Sheet- 1	Discussing and correlating the importance of business entrepreneurship
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3.1 Discussing and correlating the importance of business entrepreneurship Entrepreneurial Roles in Business

Entrepreneurs fulfill the following three dominant roles –

- Economic Change
- Social Change
- Technological Change

These are referred to as behavioral roles. All entrepreneurs have these common characteristics and decide to become an entrepreneur due to the factors or circumstances in their lives which made them think the way they do.

To do their work effectively and operate a successful business, these entrepreneurs should perform certain roles. These roles are the same as the basic managerial roles. All such roles are listed out in detail as follows –

Figure Head Role

The entrepreneur needs to be the Head in the organization and participate in ceremonial duties, such as representing the organization in formal and informal events or even being the public spokesperson whenever there is a press release, etc.

Leader Role

The entrepreneur should also act as a leader because an entrepreneur may need to bring people with dissenting views and approaches to work together as a team. So, he needs to be good with his people management and leadership skills. He has to lead the people by hiring, firing, training and motivating his resources as and when necessary.

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Liaison Role

The entrepreneur should also be the liaison officer for his organization. He should be the source of link with the outside world and business houses, always trying to find an opportunity of working together with other big organizations.

Monitor Role

The entrepreneur acts as a regulatory body too; he monitors both the internal and the external environment of the business constantly.

Information Provider and Receiver Role

The entrepreneur should also act as the organizational representative and transmit information internally and externally the organization.

Spokesman Role

The manager should also act as the spokesman of the business and transmit information internally and externally the organization. He needs to be the source of knowledge about his company to potential investors and collaborators.

Entrepreneurial Role

This is the basic role of the entrepreneur; he/she declares new ideas for the organizations, brainstorms it with the employees and friends and then bears the risk of any unsuccessful implementation.

Disturbance Handler

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The entrepreneur needs to act as the mediator and bring people with dissenting thoughts to the table and get them motivated to work together. He needs to handle all conflicts and get the team to focus constantly on the goal.

Resource Allocator

The entrepreneur needs to find out how the available resources can be allocated between different departments of the organization to suit their demands and necessities. This helps them achieve the organizational goals and the objectives.

Negotiator Role

The entrepreneur must negotiate on behalf of the organization both internally with the staff as well as with the external investors or collaborators. At such opportunities, the entrepreneurs need to be more focused on their role of being a ‘win-win” deal breaker.

Added Roles of an Entrepreneur

Apart from the above-mentioned roles, there are some specific entrepreneurial roles that a person is supposed to fill up in his duties of an entrepreneur. These are divided into three categories, which are as follows –

- Social Roles,
- Economic Roles, and
- Technological Roles.

Let us now discuss each of them in detail.

Social Roles of Entrepreneur

- Creating opportunities for entrepreneurship.

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- Creating job or employment opportunities in the society.
- Engaging in social welfare services of redistributing income and wealth.
- Transforming a standard working procedure into a more modern approach.

Economic Roles of Entrepreneurs

- Bearing the risk of failing in business.
- Mobilizing the revenue of the organization properly.
- Utilizing human resources in a cost-efficient manner.
- Providing channels of further economic growth in the organization.

Technological Roles of Entrepreneur

- Changing traditional technology to modern system.
- Adapting improved technology to business environment.
- Utilization of available technology in the production process.
- Developing efficiency and competence in the workforce through technology

Importance of Entrepreneurship

1. **EMPLOYMENT CREATION:** Entrepreneurs create employment for themselves and other people. They are employers and assist in solving the unemployment problem.
2. **LOCAL RESOURCES:** When entrepreneurs utilize local resources, the value of these resources increases.
3. **DECENTRALIZATION AND DIVERSIFICATION OF BUSINESS:** Entrepreneurs are able to identify business opportunities, and locate these businesses in suitable areas, including rural areas.
4. **PROMOTION OF TECHNOLOGY:** By being creative, entrepreneurs are able to contribute to the utilization and development of appropriate technology.

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5. CAPITAL FORMATION: Entrepreneurship increases capital formation and investment in new and expanding businesses.

6. PROMOTION OF AN ENTREPRENEURIAL CULTURE: By projecting successful images, entrepreneurs become role models for other people

Self-Check –1	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

1. Write at least two economic role of entrepreneurs
2. Write three dominant roles of Entrepreneurs
3. Write at least three Importances of entrepreneurship

Answers

1.

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- i. Bearing the risk of falling in Business
- ii. Mobilizing the revenue of the business properly

2.

i. Social Roles

- ii. Economic Roles
- iii. Technological Roles

3.

a. For Creation of Employment Opportunity

b. For Capital formation

c. For creation of Entrepreneurial Culture

Information Sheet- 2	Discussing, clarifying and understanding facts about enterprises
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3.2 Discussing, clarifying and understanding facts about enterprises

Small and medium enterprises.

A. Definitions of small businesses

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- A business is small if the owner has direct lines of communication with the operating managers and has personal contact with a large proportion of the work force, including key personnel.”

- ” Individually owned and operated business”
- “A business employing not more than fifty people” (this number may differ from one country to another)

B. Elements constituting the meaning of small business:

- Independent management
- Owner supplied capital
- Mainly local area of operation
- Relatively small size within an industry

2.2. Weaknesses and Strengths of Small Enterprises

2.2.1. SMALL ENTERPRISE STRENGTHS:

- Personal touch
- Greater motivation
- Greater flexibility
- Less bureaucracy
- Unobtrusive (less conspicuous)

2.2.2. SMALL ENTERPRISE WEAKNESSES:

- ✓ Financial limitations
- ✓ Staffing problems
- ✓ Higher direct costs
- ✓ Too many eggs in one basket

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- ✓ Lack of credibility

Importance of Micro and Small Enterprises

If you look at your community, there are many small enterprises working and greatly contributing for the development of a country. The contribution of micro and small enterprises is discussed below.

A. Supporting large enterprises:

The major contributions of micro and small enterprises in supporting large enterprises can be classified as distribution and supply function.

- Distribution function: _ to distribute and sale products wholesalers and retailers
- Supply function: _ act as suppliers for sub- contractors
- outputs of small enterprises serve as inputs of the big enterprises.

B. Sources of innovation: the majority of the twentieth century innovations are the results of individuals or small scale enterprises. E.g. air engine. The research centers of big enterprises focus on the improvement of the existing products.

C. Creating employment opportunities: in our country, after the proclamation of free market economy, many private small business organizations have been established. These small enterprises have provided the chance of employment for many persons.

D. Stimulating economic competition: in an economy, where there is no competition, the quality of products and services highly depends on the self-interest of the business person. This is because the customers do not have different alternatives to compare and select the best organization that brings quality products and services.

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Self-Check –2	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) Weaknesses and Strengths of Small Enterprises?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

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Matching

Column A

Column B

Answer Sheet

Score = _____

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Short Answer Questions

Information Sheet- 3	Identifying and explaining key success and factor
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3.3 Identifying and explaining key success and factor

Key Success Factors in Setting up a Small Business

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How do I become an entrepreneur? How can I set up a successful business? These are questions that people often ask. Unfortunately, however, no proof answer or formula has been identified as yet. The entrepreneur's ability to do this successfully depends on the following factors;

1.3.1. Idea and Market

The important issue to be determined here is the viability of the idea, project, product or service to be offered. In other words, does the idea, product or service meet a need or want for which there are customers who can afford it and are willing to use/purchase it in sufficient quantities to make the whole project worthwhile (i.e. return a profit, in a business context)? How the proposition to be offered is more desirable or better than what is currently available and how will competitors react?

1.3.2. Motivation and Determination

It is widely acknowledged that, to be successful, the individual or group needs to be highly motivated and determined to set up the business to make it succeed. This will be reflected, for example, in how persistent they are in overcoming obstacles that might get

in the way, how they go about seeking information and how they act on opportunities. Additional indicators might be their commitment and attitude to work (quality, efficiency, and long hours), previous attempts to set up a business and the support of family or partners.

1.3.3. Ability

Another important question is whether the individual or others involved have particular abilities – these may be knowledge, technical or managerial skills of relevance to

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the business or project. One way of making up for any lack in this area could be to team up with people who have the necessary expertise, or buy it in.

1.3.4. Resources

Finally, the extent to which the person(s) involved can acquire or organize resources in adequate measure will not only influence performance but also, in some cases, whether they start at all. Examples here include capital, cash, premises, materials, equipment and labor. The availability of infrastructure (e.g. utilities like electricity, telephone, roads) and support services might also be important.

1.3.5. Business plan

In order to turn the above 4 components into reality, a plan would be required. In business, this is normally referred to as a Business Plan. On the whole a business plan should show four main things, namely:

- Where you currently are with your idea, project or business;
- What you wish to do;
- How you propose to go about it;
- And that the project is worthwhile.

1.3.6. Organization and Management

The business then needs to actually start operating and, once this is done, it would need to be managed. In setting up the business, or before starting to operate, there may be legal or other statutory requirements to be met. There may be a need to consult professionals such as lawyers, accountants and/or staff from small business support agencies for advice. The whole business and the process need to be managed, and how well this is done – in particular, finding and dealing with customers, management of

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cash and finances, marketing, handling employees, dealing with suppliers, control systems – will all affect

Self-Check –3	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1)writeKey Success Factors in Setting up a Small Business?

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Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

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Short Answer Questions

Information Sheet- 4	Identifying and assessing business opportunities
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3.4 Identifying and assessing business opportunity

Seeing, seeking and acting on opportunities is one of the characteristics of successful entrepreneurs. It is also the basis for starting and maintaining successful ventures. It

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involves not only generating ideas and recognizing opportunities, but also screening and evaluating them to determine the most viable, attractive propositions to be pursued. A business opportunity may be defined simply as an attractive investment idea or proposition that provides the possibility of a monetary return for the person taking the risk.

3.3 Distinction between ideas and opportunities

A good idea is not necessarily a good business opportunity. Consider, for example, that over 80% of all new products fail. So, what turns an idea into a business opportunity? To put it simply in economic terms, Income must exceed Costs to earn a Profit.

3.4 Characteristics of a good business opportunity

To be a good business opportunity, it must fulfill, or be capable of meeting, the following criteria:

- Real demand: responds to unsatisfied needs or requirements of customers who have the ability to purchase and who are willing to buy
- Return on investment, provides acceptable returns or rewards for the risk and effort required
- Be competitive: be equal to or better (from the viewpoint of the customer) than other available products or services
- Meet objectives: meet the goals and aspirations of the person or organization taking the risk
- Availability of resources and skills: the entrepreneur is able to obtain the necessary resources.

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Self-Check –4	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

3.21) what are Characteristics of a good business opportunity?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

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		Rating: _____	
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Answer Sheet

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Short Answer Questions

Information Sheet- 5	Generating business ideas
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3.5 Generating business ideas

How do I find a good business idea?

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Creativity is the ability to bring something new in to existence. Entrepreneurs use creativity to solve every day problems, promote products and services, update products and services etc. to be creative, entrepreneurs need to keep their mind and eyes open to their environment.

Creative exercise; the nine dots, Creative Square, cancel the six letters and make a single word that is meaningful.

5.2. Organizational actions that may hinder creativity are;

- Emphasis bureaucratic structure
- Minimize the availability of resources
- Ensure poor communication that blocks the flow of ideas
- Omit reward for success

5.3. Organizational actions that enhance creativity;

- Create an open, decentralized organizational structure
- Provide the freedom to fail
- Make resources available for new initiatives
- Remove bureaucratic structure
- Provide appropriate financial and nonfinancial reward for success

5.4. Generating business idea

The first and foremost step in starting a small business is to find out a suitable business idea. In order to establish a business venture with an entrepreneurial system an entrepreneur needs to take the following steps;

- 1) Search for business idea
- 2) Process the idea/investigate/
- 3) Select the best idea

5.4.1. Search for business idea

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The idea may originate from various sources. Example; success story of a friend or family member, demand for certain products. The idea may relate to the starting of new business or to take over of an existing enterprise. The idea should be technically feasible/workable/ and yield a reasonable return on investment.

5.4.2. Idea processing/investigating/

Once business ideas discovered, screening and testing of ideas is done. The following considerations are significant in the evaluation and testing of business ideas.

- a) Technical feasibility/workability/: it refers to the possibility of producing the product. Technical feasibility of a product is judged in terms of availability of necessary technology, machinery, equipment, labor, and raw materials.
- b) Commercial viability: a cost benefit analysis is required to ascertain the profitability of the idea.

5.4.3. Select the best idea: generally the following considerations influence the selection of idea for a product or service;

- a) Products whose imports are restricted by the government
- b) Products which can be exported easily
- c) Products whose demand exceeds their supply
- d) Products which showed high profitability
- e) Products for which incentives are available by the government.

5.5. Why generate business idea

- Business ideas need to respond to market needs.
- Business ideas need to respond to changing consumer wants and needs.
- Business ideas help entrepreneurs to stay ahead of the competition.
- Business ideas are need to because the life cycle of products and services are limited.
- Business ideas help to ensure that businesses operate effectively and efficiently.

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5.6. Sources of business ideas

- 1) Hobbies or personal interests: if you enjoy playing with computers, cooking, music or sport, you may be able to develop your hobbies or interests into business.
- 2) Personal skill and experience: over half of the ideas for successful business come from experiences in the work place. Your skill and experience are probably your most important resource, not only in generating idea but also in capitalizing on the to develop a good business opportunity.
- 3) Mass media: newspapers, magazines, TV and internet are all examples of mass media.
- 4) Exhibition: another way to find ideas for a business is to attend exhibitions.
- 5) Survey: survey might be conducted informally or formally by talking to people. Survey may be conducted using a questionnaire through interviews or through observation.
- 6) Brainstorming: brainstorming is a technique for creative problem solving and for generating ideas. The objective is to come up with as many ideas as possible. Brainstorming usually starts with a key question or problem statement. Each idea leads to one or more additional ideas. As a result, you will have in a good number of business ideas.

5.7. Four rules of brainstorming

- I. Don't criticize the idea of others.
- II. Ideas that seem to be wild or crazy are welcome.
- III. Quantity is desirable-the greater the number of ideas , the better
- IV. Try to combine and improve upon the idea of others.

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Self-Check –5	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) How do I find a good business idea?

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Unsatisfactory - below 5 points

Answer Sheet

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Rating: _____

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Short Answer Questions

Information Sheet- 6	Discussing and understanding procedures for suitable market for business
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3.6 Discussing and understanding procedures for suitable market for business

Market Information

6.1.1. What is market?

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The market for a business is all the people within a specific geographical area who need a specific product or service and are willing and able to buy it. Every business sells some type of product or service to people. Potential customers can be described as:

1. People who need or want the product or service.
2. People who are able to buy the product or service.
3. People who are willing to buy the product or service.

Competition must be considered. If competitors are serving the same market, it must be decided if the market is large enough to support another business. It should also be determined how the product or service is unique and different from that of the competitors.

6.1.2. What should entrepreneurs know about potential customers?

a. Know the customers: The market can be segmented either by dividing it into meaningful buyer groups or dividing it according to characteristics such as age, sex, marital and family status, employment, income and trends regarding any of these characteristics.

b. Know what different customer groups wants: By segmenting the marketing into groups, it is easier for entrepreneurs to determine what products or services each group wants or needs.

c. Know where the customer buys: Entrepreneurs need to find out where the customers in their market are presently buying, and determine what factors will cause them to switch and buy from their new businesses.

d. Know when the customer buys: By knowing when customers buy (daily, weekly, monthly, yearly, and seasonally), entrepreneurs will be able to determine such things as possible hours of operation, when to advertise and quantity of merchandise to have on hand at specific times of the year.

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e. Know how the customer buys: Knowing how the customer pays for products and services can help the entrepreneur to determine a credit policy as well as a pricing policy for the business.

6.1.3. Where can customer information be located?

Customer information can be obtained from trade associations (publications), chambers of commerce, government agencies (including local government), newspapers and magazines, and individual research by conducting a market survey in the community.

6.1.4. What is market research?

A small market research program, based on a questionnaire given to present customers and/or prospective customers, can disclose problems and areas of dissatisfaction that can be easily remedied, or new products or services that could be offered successfully. Market research should also identify trends that may affect sales and profitability levels. Population shifts, legal developments and the local economic situation should be monitored to enable early identification of problems and opportunities. Competitor activity also should be monitored; competitors may be entering or leaving the market. For example, it is very useful to know what your competitors' strategies are (i.e. how do they compete?).

6.1.5. What is the marketing mix?

The marketing mix is used to describe how entrepreneurs can combine the following four areas into an overall marketing program.

a. Products and services:

effective product strategies for a small business may include concentrating on a narrow product line, developing a highly specialized product or service, or providing a product/service package containing an unusually high amount of service.

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b. Promotion: this marketing decision area includes advertising, salesmanship and other promotional activities. In general, high quality salesmanship is a must for small businesses because of their limited ability to advertise heavily.

c. Place/distribution: manufacturers and wholesalers must decide how to distribute their products. Working through established distributors or manufacturer's agents is generally more feasible for small manufacturers. Small retailers should consider cost and traffic flow as two major factors in location site selection. In other words, low-cost, low-traffic location means spending more on advertising to build traffic.

d. Price: determining price levels and/or pricing policies (including credit policy) is the major factor affecting total revenue. Generally, higher prices mean lower volume and vice-versa; however, small businesses can often command higher prices because of the personalized service they can offer. The nature of the product/service is also important in location decisions. If purchases are made largely on impulse (e.g., soda or candy), then high traffic and visibility are critical. On the other hand, location is less important for products/ services that customers are willing to go out of their way to find (e.g., hotel supplies).

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Self-Check –6	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

- 1) **What should entrepreneurs know about potential customers?**
- 2) **What is the marketing mix?**
- 3) **What is market?**

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

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Short Answer Questions

Information Sheet- 7	Identifying and discussing major factors of business location
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3.7 Identifying and discussing major factors of business location

Selecting a business location

Location of an enterprise is an important management decision. Selecting the business location is vitally important to the success or failure of a small business. Site location is not an easy problem because if the selection is not proper all the money spent on factory building, machinery and their installation etc. will go as waste and the owner has to suffer a great loss.

There are **two basic factors** in selecting a location for a business. These are;

- I) Deciding on the **particular community**, and
- II) Selecting a **particular site** within that community.

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7.2. The general location of a plant:

The following factors must be considered for selecting a region where the enterprise is to be located.

- a) Availability of raw materials: the site selection should be near the source of raw material, so that, the cost of transporting the raw materials to the site may be minimum.
- b) Near to market: the cost of transporting finished goods, advertising and distribution etc. will be greatly reduced if the enterprise is near to market.
- c) Transport facilities: availability of transport (for transporting finished goods and raw materials).
- d) Availability of efficient and cheap labor: while selecting a site it is necessary to consider that where right kind of labor rate is available or not.
- e) Availability of infrastructure
- f) Availability of power and fuel
- g) Business and commercial facilities
- h) Level of competition

5.3. Selection of a particular location

- List “necessary” and “desirable” location factors
- Identify potential sites that match location factors
- Visit sites and select 2 or 3 best sites
- Compare locations to “necessary” and “desirable” location factors
- Visit sites at various times of day and evening and conduct traffic count
- Ask experienced business people and consultants to help
- Analyze all facts and opinions
- Make final decision on business location

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Women and men may have different considerations in selecting business location. Many women work from home or close to home because of their family responsibility and sometimes because of personal security concerns. This can limit their chances to run a successful business. Child care facilities may help women to overcome these constraints and select a more promising business location.

7.4. General factors in selecting a business location

- 1) **Economy:** entrepreneurs should gather information about income in the area they have selected. Specific questions including, what is the average family income? What are the income levels (low, medium, high) in the area?
- 2) **Population:** entrepreneurs should identify the group of people who will be their customers. For example; if you are interested in opening a music store, it would be important to know where the greatest population of teenagers and young adults is located because they buy the most music CDs. Other population factors include: how stable is the area? Is the population growing or declining? All these factors need to be considered when locating a business.
- 3) **Competition:** you must study your competition by gathering information on their strengths and weaknesses. There are three favorable conditions for opening a new firm.
 - a) No competitors are located in the area,
 - b) Competitors businesses are poorly managed,
 - c) Customers demand for your product is growing

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Self-Check –7	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) How to Selecting a business location?

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Answer Sheet

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Short Answer Questions

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Information Sheet- 8	Identifying and explaining basic types of business ownership
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3.8 Identifying and explaining basic types of business ownership

Legal Forms of Business Ownership

Majority of all business enterprises are organized in one of the following three legal forms;

- 1) Sole proprietorship
- 2) Partnership
- 3) Company/Corporation/

1) Sole proprietorship: it is a form of business organization in which an individual invests his own capital, uses his own skill and solely responsible for the results of its operation. It is the easiest and simple form of entrepreneurship. The liability is limited.

2) Partnership: two or more people jointly owned a business and agree to share the profits or loses in an agreed proportion. It is based on a legal agreement or legal document(the number of persons entering in to the agreement, their

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names, the amount of capital they are investing, their rights and duties, the share of profit/loss between them).

There are two types of partnership;

- I) Ordinary partnership and
- II) Limited liability partnership

In an ordinary partnership liability of the partners is unlimited. But, a limited partners liability is restricted or limited.

3) Company/Corporation/: a voluntary association of persons who contribute to its capital but their liability remains limited. It can sue and be sued in its own name. it has the right to own and transfer any property. Thus a company is an artificial. In the other words their company is considering to be a person in the eyes of law. In Ethiopia companies are normally known as share companies or corporations.

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Self-Check –8	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) write basic types of business ownership ?

Note: Satisfactory rating - 5 points

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Answer Sheet

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Short Answer Questions

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Information Sheet- 9	Estimating and clarifying amount of money needed to start an enterprise
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3.9 Estimating and clarifying amount of money needed to start an enterprise

Two essential lists:

Startup costs normally include startup expenses and startup assets:

- **Startup expenses:** These are expenses that happen before you launch and start bringing in any revenue. For example, many new companies incur expenses for legal work, logo design, brochures, location site selection and improvements, and other expenses. Startup expenses also include expenses such as rent and payroll that start before launch and continue from then on.
- **Startup assets:** Typical startup assets are cash (in the form of the money in the bank when the company starts), and in many cases, starting inventory. Other starting assets might be either current or long-term assets, such as equipment, office furniture, vehicles, and so on.

Cash balance on starting date

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- Cash requirements is an estimate of how much money your startup company needs to have in its checking account when it starts. In general, your cash balance on starting date is the money you raised as investments or loans minus the cash you spend on expenses and assets.
- As you build your plan, watch your cash flow projections. If your cash balance drops below zero then you need to increase your financing or reduce expenses. Many entrepreneurs decide they want to raise more cash than they need so they'll have money left over for contingencies.

What's in the business startup guide eBook?

In this guide, Tim writes about:

- Identifying your customers
- Assessing the real risks of starting your own business
- Choosing a name
- Deciding on a legal structure
- Getting licenses, permits, and tax and employer numbers
- Selling on credit vs. cash sales
- Getting funding
- Estimating startup costs

Calculate your business startup costs before you launch

The key to a successful business is preparation. Before your business opens its doors, you'll have bills to pay. Understanding your expenses will help you launch successfully.

Calculating startup costs helps you:

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- Estimate profits
- Do a breakeven analysis
- Secure loans
- Attract investors
- Save money with tax deductions

Identify your startup expenses

Most businesses fall into one of three categories: brick-and-mortar businesses, online businesses, and service providers. You'll face different startup expenses depending on your business type.

There are common startup costs you're likely to have no matter what. Look through this list, and make sure to add any other expenses that are unique to your business.

- Office space
- Equipment and supplies
- Communications
- Utilities
- Licenses and permits
- Insurance
- Lawyer and accountant
- Inventory
- Employee salaries
- Advertising and marketing
- Market research
- Printed marketing materials
- Making a website

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Estimate how much your expenses will cost

Once you have your list of expenses, you can estimate how much they'll actually cost. This process will be different for each expense you have.

Some expenses will have well-defined costs — permits and licenses tend to have clear, published costs. You might have to estimate other costs that are less certain, like employee salaries. Look online and talk directly to mentors, vendors, and service providers to see what similar companies pay for expenses.

Add up your expenses for a full financial picture

Once you've identified your business expenses and how much they'll cost, you should organize your expenses into one-time expenses and monthly expenses.

One-time expenses are the initial costs needed to start the business. Buying major equipment, hiring a logo designer, and paying for permits, licenses, and fees are generally considered to be one-time expenses. You can typically deduct one-time expenses for tax purposes, which can save you money on the amount of taxes you'll owe. Make sure to keep track of your expenses and talk to your accountant when it's time to file your taxes.

Monthly expenses typically include things like salaries, rent, and utility bills. You'll want to count at least one year of monthly expenses, but counting five years is ideal.

Add up your one-time and monthly expenses to get a good picture of how much capital you'll need and when you'll need it.

Use your startup cost calculations to get startup funding

It's a good idea to create a formal report of your expected startup costs.

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You want it in a format that's clear and easy to understand. Investors and lenders compare expected costs to projected revenue and determine the potential for your business to profit.

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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

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Information Sheet- 10	Identifying advantages and disadvantages source of capital
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3.10 Identifying advantages and disadvantages source of capital

Sources of funds for a new business

There are different sources of funds to launch and operate small business. These sources are discussed below;

- 1) Equity financing (personal saving):** the main source of equity financing for most entrepreneurs is their personal savings. Financial experts say that one-half of the money needed to start a business should come from the owners.
- 2) Funds from friends and families;** another popular source of money to start a business is money from other sources such as family, friends or local investors. However, there are a few points to consider, for example: what will happen if the business doesn't succeed? Will it ruin your relationship, especially with family and friends?
- 3) Bank loan:** when equity sources are not enough, the entrepreneur has the option of borrowing from other sources. Lenders do not want to lose money if the business fails. Most lenders will. Therefore, review the business plan carefully. This plan should describe how the business will be operated, how much money will be used, and at what point will be the business profitable.

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Self-Check –10	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) Write Sources of funds for a new business?

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Answer Sheet

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List of Reference Materials

1 <https://www2.deloitte.com> › content › dam › Deloitte › Documents › audit

2 <https://www.entrepreneur.com> › encyclopedia › business-plan

3 <https://www.entrepreneur.com> › encyclopedia › business-plan

4 <https://procurementmanagement.pressbooks.com> › chapter › so

5 <https://managementhelp.org> › businessresearch › methods

6 Please read 'The nature of sourcing decision' on pages 198 – 205 from your textbook *Procurement Principles and Management*, 10th edn, England: Prentice-Hall,

5 Pearson Education Limited by Baily, P, Farmer, D, Crocker, B, Jessop, D and Jones, D (2008).

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LO#4- : Discuss how to operate an enterprise

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#64

instruction sheet

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

- Identifying and understanding disadvantages and advantages of three alternative to become an entrepreneur
- Discussing and explaining process of hiring and managing people
- Discussing and understanding the importance and techniques of managing time
- Discussing and explaining the techniques and procedures of managing sales
- Identifying and discussing factors to consider in selecting suppliers
- Developing awareness of how new technologies can affect business
- Identifying and explaining characteristics of appropriate technology
- Discussing and understanding different types of cost
- Discussing and understanding factors and procedures in knowing the cost
- Explaining and understanding Importance of financial record keeping
- Discussing the application of self-management and negotiation skill
- Preparing simple financial statement
- Performing risk assessment and management

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Disadvantages and advantages of three alternative means of becoming an entrepreneur are identified and understood
 - Process of hiring and managing people is discussed and explained

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- The importance and techniques of managing time are discussed and understood
- The techniques and procedures of managing sales are discussed and explained
- Factors to consider in selecting suppliers and the steps to follow when doing business with them are identified and discussed
- Awareness of how new technologies can affect small and medium business are developed
- Characteristics of appropriate technology for use in small and medium business are identified and explained
- Different types of cost that occur in a business and how to manage them are discussed and understood
- Factors and procedures in knowing the cost of the enterprise are discussed and understood
- Importance of financial record keeping and preparing simple financial statement are explained and understood
- The application of self-management skills and negotiation skills are discussed in operating a business
- Risk assessment and management of business enterprise are performed

Learning Instructions:

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7. Read the specific objectives of this Learning Guide.
8. Follow the instructions described
9. Read the information written in the information “Sheet
10. Accomplish the “Self-check
11. If you earned a satisfactory evaluation from the “Self-check” proceed to “Operation
12. Do the “LAP test”

Information Sheet- 1	Identifying and understanding disadvantages and advantages of three alternative to become an entrepreneur
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4.1 Identifying and understanding disadvantages and advantages of three alternatives to become an entrepreneur

TYPES OF BUSINESS OWNERSHIP

Sole proprietorship. A sole proprietorship is a business unit owned and managed by only one person. It is the simplest and most common form.

Most small businesses start as sole proprietorships. Here, you and the business are essentially one. You, as the sole proprietor own all the assets.

As such, you will exclusively enjoy the benefits to be derived from the business. If you decide to become a sole proprietor, you do not need to consult anyone on matters related to setting or running the business.

Advantages of a Sole Proprietorship	Disadvantages of a Sole Proprietorship
<ul style="list-style-type: none"> • Relatively low start-up costs • Greatest freedom from regulation • Owner in direct control of decision-making • Minimal working capital required • Tax advantages to owner • Owner is the boss 	<ul style="list-style-type: none"> • Unlimited liability • Lack of continuity in business organization • Difficulty in raising capital • All the risks are of the owner • Owner shoulders any liability incurred in the business



<ul style="list-style-type: none"> • All profits to owner • In cases of death, the business may be passed on to another by virtue of a will. 	
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<p>Advantages of a Partnership</p> <ul style="list-style-type: none"> • The partners decide as to who shall be responsible for paying debts in case the business is unable to pay its liabilities later. • They agree as to how much will be the share of each one in the profits of the business and what business 	<p>Disadvantages of a Partnership</p> <ul style="list-style-type: none"> • Any action of one partner within the scope of business binds the other partner as well. Thus, if one partner commits a mistake, the other has to suffer the consequences as well. • Partners also have to be consulted each time a decision or action
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<p>responsibilities will be assigned to each.</p> <ul style="list-style-type: none"> • The partners agree as to when the partnership ends such as when one partner agrees to a buy-out offer or when one of the partner dies. • No income tax is levied on the partnership itself but on the owners as individuals. 	<p>concerning the business needs to be made. This means taking more time to get things done.</p>
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Partnership. Under this business form, two or more persons are owners of the business. The owners define their rights and duties as partners in the business through a partnership agreement

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Corporation: This business form is initiated by individuals called **incorporators**, numbering from a minimum of five to a maximum of fifteen.

Advantages of a Corporation	Disadvantages of a Corporation
<ul style="list-style-type: none"> • The incorporators put up the initial or starting capital of the business. To get additional capital, shares of stocks are sold to interested parties called the stockholders. • Each stockholder shares in the ownership of the company, together with the incorporators. • The right of the stockholder to vote on matters affecting the corporation depends on the number of shares he or she holds. • The number of shareholders in the corporation is used as basis for computing the share of each one in the profits of the corporation. This share is called the dividend. • The life of the business does not depend on the stockholders • It has continuity in existence for a maximum of 50 years. • Continuity is not affected by death of a stock holder or by the transfer of shares of stocks 	<ul style="list-style-type: none"> • The corporation is subject to more government control. • The corporation is relatively complicated in form and management. It needs high cost of formation and operation. • Its credit is weakened by the limited liability of the stockholder. • It is subject to a heavier taxation. • The stockholders' voting rights have become theoretical especially in a big corporation because of the use of proxies. • The stockholders have little

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<p>from one stockholder to another.</p> <ul style="list-style-type: none">• In case of losses, liabilities are settled through the sale of the assets of the corporation.	<p>voice in the conduct of the business of the corporation.</p>
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Self-Check –1	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) Write disadvantages and advantages of three alternatives to become an entrepreneur ?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

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Information Sheet- 2	Discussing and explaining process of hiring and managing people
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4.2 Discussing and explaining process of hiring and managing people

Hiring and Orienting New Employees

The Hiring Process

Hiring a new employee is as important to the entrepreneur as it is to the person hired. It can either be the beginning of a mutually rewarding relationship, or the beginning of a long series of mistakes. Two of the major influences on high employee turnover are the recruiting and selection procedures used. The way entrepreneurs advertise a position, handle applications, conduct interviews, and select and introduce a new worker to a job are all elements in the effort to cut down on employee turnover.

1. Sources of Potential Employees

- Within the business
- Want ads
- Employment agencies
- Educational institutions
- Former employees
- Current employees

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2. Selection Procedures

- Application form
- Interview
- Checking of references
- Testing applicant's skills

2.2. Orientation Process

As a general rule, on their first day new employees should be shown around the business. The new employee should be introduced to the rest of the employees, given an overall view of the entire operation, and shown exactly how their jobs fit into the total operation of the business. Such small gestures take little effort and will probably save both time and money in the long run. Remember, it is important to start the new employee off on the right foot. Proper orientation will help a great deal in getting a more productive, long-term employee.

2.3. Four Basic Rules of Orientation

- Prepare the employee
- Present the work
- Try the employee out under supervision
- Follow-up

1.3. Six factors in preparing for the orientation of a new employee

- Know the job
- Have a current employee serve as a mentor
- Prepare a simple job breakdown
- Set a training timetable
- Arrange the work area

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- Evaluate new employee's work on a daily basis

1.4. Employee Considerations

- **Pay Plans:** To employees, wages are an important part of their jobs. They expect their pay to reflect the skills and energy they put into a business. If entrepreneurs want to attract and keep good workers, they must take into consideration the rate paid by other firms for a similar job.
- **Fringe Benefits:** Of all fringe benefits, those for sick leave and holidays are the most widely appreciated by employees. Entrepreneurs should have a set policy regarding all fringe benefits.
- **Employee Relations:** Good pay and fringe benefits aren't all it takes to make employees happy; job satisfaction means much more to them. Entrepreneurs have a responsibility to provide the best kind of physical surroundings and to make sure that there is always two-way communication with the staff.
- **Working Conditions:** The health, comfort and safety of employees, as well as decent working conditions, should be of genuine concern to entrepreneurs. A good environment can do much to encourage efficiency and good attitudes in addition to preventing accidents. The premises should have good ventilation, sufficient heating and cooling, good lighting and proper sanitation, and safety facilities. Having a first-aid kit and a doctor's telephone number are necessities in a health and safety program in any business. Hiring and Orienting New Employees

1.5. Increasing Managerial Skills

When managing employees, entrepreneurs:

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SHOULD be:

- Consistent
- Reliable
- be fair and honest
- build enthusiasm
- encourage questions
- encourage employees to make their own decisions
- instill confidence in them
- keep an open door
- listen actively
- recognize individual differences
- set a personal example
- show consideration for the feelings of others

SHOULD NOT be

- be argumentative
- be autocratic
- be unreasonable
- conceal the truth
- discourage initiative
- discourage ideas
- fail to clarify instructions
- criticize an employee in front of others

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Self-Check –2

Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) How to Increasing Managerial Skills?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

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Information Sheet- 3	Discussing and understanding the importance and techniques of managing time
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4.2 Discussing and understanding the importance and techniques of managing time

MANAGING TIME

Time is something that cannot be saved. You simply lose more and more of it as the day progresses. By the end of the day, there is none left to use! All entrepreneurs need to manage time effectively, and the key to using time effectively is through better time management. By budgeting time, entrepreneurs will achieve better results. Specific ways to make better use of time include: establishing goals; determining deadlines; allocating time for each important activity. Creativity, problem-solving and opportunity seeking are the hallmarks of entrepreneurs. They must therefore set aside time for activities of this kind (all other duties should be given lower priority and be carried out later). Time must be used effectively to accomplish those things entrepreneurs believe are most important. There is no choice as to whether or not to save or spend time! Time is one of the entrepreneur's greatest assets. The main concern of this topic is to identify techniques for spending time effectively.

Time Management Techniques

- goals with deadlines
- be motivated □ Identify specific
- Use telephone/cell phone
- Take notes
- Do only essential activities
- Work in blocks of time and question your use of time.

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- Ask questions
- be action-oriented
- be reflective
- Plan for each day's work
- Learn from experience
- Question your use of time

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Self-Check –3

Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) How to Time Management Techniques?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

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Information Sheet- 4	Discussing and explaining the techniques and procedures of managing sales
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4.4 Discussing and explaining the techniques and procedures of managing sales

MANAGING SALES

Successful selling depends on the entrepreneur's ability to:

- a. Attract the buyer's attention.
- b. Determine customers' needs, wants, problems and goals.
- c. Show how the product or service will satisfy those needs.
- d. Work out the problems that prevent customers from buying.
- e. Ask for the customers' business.

The success of a business depends on the art of selling. If entrepreneurs take advantage of the opportunity to serve people, to satisfy their needs and to solve their problems, there will be satisfied customers. Satisfied customers continue doing business with an entrepreneur and recommend the products and services to others.

No matter what type of business, the entrepreneur must focus not only on producing the product or service, but on selling the product or service as well. Entrepreneurs are salespersons in the sense that they are always selling their products/services to the public. They must maintain their sales image wherever they go and whatever they do in the community.

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4.2.Characteristics of Successful Salespersons

1. Results Oriented
2. Highly Motivated
3. Self-Confident
4. Professional Appearance
5. Honest
6. Dependable
7. Knowledge of Products
8. Good Listener
9. Enthusiastic
10. Pleasing Personality
11. Communicator
12. Sociable
13. Courteous

1.3. Selling Requires Communication

When selling, you communicate to prospective clients something about yourself and the product or service you are selling. This process can be viewed as a series of steps, and each step involves a higher level of communication.

Step 1: approach the prospective customer and introduce yourself and your company

Step 2: specify your reason for approaching the prospective customer

Step 3: show or describe the product/service you are selling

Step 4: demonstrate how the product/service will benefit the prospective customer

Step 5: negotiate terms and conditions of the sale

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Step 6: ask the prospective customer to make a decision regarding the purchase of the product/service.

Step 7: once customers do start to buy your product or service, develop strategies to

help you to keep your customers. One research study has indicated that it costs 10 times as much to attract a new customer than it does to keep an old customer.

Like effective communication, selling is a two-way process. Selling is more of an art than a skill. You have to be good at asking questions and being an active listener to understand customer needs and interests. You have to adapt your message and communication style to the personality and buying motives of the prospective customer. Through effective communication, you build a relationship with the customer based on trust and confidence; this forms the foundation for the present sale transaction and for future sales as well.

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Self-Check –4	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) Write Characteristics of Successful Salespersons?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

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Information Sheet- 5	Identifying and discussing factors to consider in selecting suppliers
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4.5 Identifying and discussing factors to consider in selecting suppliers

Suppliers are important to entrepreneurs because they provide a variety of services to businesses. Suppliers often sell their products to businesses on credit. The business can buy small quantities of products on the basis of their needs, so the business does not have money tied up in inventory. Suppliers can give advice on technical matters, market trends and new products. The entrepreneur should select suppliers, who offer low prices, give the most helpful advice, provide prompt delivery of goods, and are sympathetic in their financial dealings with entrepreneurs

Doing Business with Suppliers

- Step 1: Determine your business needs
- Step 2: Identify potential suppliers
- Step 3: Contact suppliers and obtain written quotations
- Step 4: Select best suppliers
- Step 5: Order goods
- Step 6: Check received goods
- Step 7: Check the invoice
- Step 8: Pay suppliers

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Self-Check –5

Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) Write step of Doing Business with Suppliers?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

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Short Answer Questions

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Information Sheet- 6	Developing awareness of how new technologies can affect business
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4.6 Developing awareness of how new technologies can affect business

Using Technology In Small Business

The use of technology is important because it increases labor productivity, and this in turn increases local competitiveness of both consumer and capital goods locally produced. The use of appropriate technology favors locally produced tools and equipment as well as local resources; this facilitates forward and backward linkages among local businesses

Technology is constantly changing the demands of consumers. Businesses use new technologies to produce new products and services. Entrepreneurs should realize that new technological developments such as the internet and cell phones increase the exchange of information and may have an effect on the operations of their business. Entrepreneurs may not be aware of the nature and effects of all new technologies, yet, they must try to determine technical developments which are likely to have the greatest impact on their business operations.

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**Self-Check –6****Written Test**

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) How to Used Technology In Small Business?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

Rating: _____

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Information Sheet- 7	Identifying and explaining characteristics of appropriate technology
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4.7 Identifying and explaining characteristics of appropriate technology

Characteristics of Appropriate Technologies

The appropriateness of technology for use in a small business is determined by a number of characteristics. For the following seven characteristics, explain how the purchase of a cell phone will increase the efficiency and effectiveness of an accounting firm that serves 60 local businesses.

1. **SIMPLE:** For technology to be considered appropriate, it must be simple to operate. The user of such technology must be able to apply it without encountering problems.
2. **EFFECTIVENESS:** Effectiveness of technology is judged by how well it fits in with the objectives of the user.
3. **AVAILABILITY:** Some technology may be appropriate for certain purposes but not available locally. Information technology, for example, may be the most appropriate for certain tasks, but it may not be readily available locally.
4. **FLEXIBILITY:** As time changes so do the requirements of technology. Appropriate technology must be flexible enough to adapt to changing times in the future.
5. **DURABLE:** Technology that is durable requires less maintenance and repairs.
6. **EFFICIENT:** Technology should be efficient in its utilization of local resources.
7. **COST EFFECTIVE:** The cost of technology should be justified by the benefits achieved. The overall benefits should be greater than the cost of the technology.

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KNOWING THE COST OF ENTERPRISE

Direct and Indirect Costs

Every business generates costs even if there are no ongoing productions, service or trading activities. To understand this, it is essential to know that there are direct costs and indirect costs.

1. Direct costs: are those that only occur when an enterprise is manufacturing goods or producing a service or buying goods to resell. These costs depend directly on the number of products, services or goods produced. Direct costs are composed of two cost sub-groups: direct **material** costs and direct **labor** costs:

a) **Direct material** cost: Expenditures for all items that become part of a product or are used to produce a service or are bought for resale enter into the category of direct material costs. Costs linked to the acquisition of raw materials such as transport from the supplier to the enterprise are included in the direct costs.

b) **Direct labor cost:** All wages for workers and helpers that are directly involved in the production or the delivery of services. This also includes costs for social security.

Staff wages for the retailer and wholesaler are not considered as direct costs because one person generally sells many different items.

2. Indirect costs: are all other costs generated from business activities that are not direct costs. These are costs that cannot directly be attributed to a specific product or service, for example rent for the office premises, salary for the bookkeeper, interest on the bank loan, telephone costs, fire and car insurance, etc. In wholesale or retail business all staff costs are indirect costs.

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To be able to calculate the manufacturing costs of one single product or one single service, the indirect costs have to be attributed proportionally. If the business produces a single product or service, or if the products are quite similar, for example chairs, beds, trousers or shirts, the indirect costs are divided by the number of products and this proportion is added to the direct costs to calculate the total cost per unit of an item. In a service business the indirect costs are generally calculated on the basis of working hours and added to the time spent in delivering the service. Indirect costs are also called **overhead costs**.

To make the distinction between direct costs and indirect costs is not always easy, for example the glue used in furniture making. The quantity used for one chair is so small that it represents only a very small portion of the price of the glue. The expenditure for a pot of glue is therefore considered as an indirect cost. Also, if a helper serves several workers, his/her salary cannot be attributed to one single product. The salary will therefore be counted as an indirect cost.

➤ Total cost of a product or service:

Sum of Direct Material Costs

+ Sum of Direct Labor Costs

+ Proportion of indirect costs

= Total cost per product or service

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**Self-Check –7****Written Test**

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) What are Direct and Indirect Costs?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

Rating: _____

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Short Answer Questions

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4.8 Discussing and understanding different types of cost

different ways to categorize costs

Costs can have different relationships to output. Costs also are used in different business applications, such as financial accounting, cost accounting, budgeting, capital budgeting, and valuation. Consequently, there are different ways of categorizing costs according to their relationship to output as well as according to the context in which they are used. Following this summary of the different types of costs are some examples of how costs are used in different business applications.

Fixed and Variable Costs

The two basic types of costs incurred by businesses are fixed and variable. Fixed costs do not vary with output, while variable costs do. Fixed costs are sometimes called overhead costs. They are incurred whether a firm manufactures 100 widgets or 1,000 widgets. In preparing a budget, fixed costs may include rent, depreciation, and supervisors' salaries. Manufacturing overhead may include such items as property taxes and insurance. These fixed costs remain constant in spite of changes in output.

Variable costs, on the other hand, fluctuate in direct proportion to changes in output. In a production facility, labor and material costs are usually variable costs that increase as the volume of production increases. It takes more labor and material to produce more output, so the cost of labor and material varies in direct proportion to the volume of output.

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For many companies in the service sector, the traditional division of costs into fixed and variable does not work. Typically, variable costs have been defined primarily as "labor and materials." However, in a service industry labor is usually salaried by contract or by managerial policy and thus does not fluctuate with production. It is, therefore, a fixed and not a variable cost for these companies. There is no hard and firm rule about what category (fixed or variable) is appropriate for particular costs. The cost of office paper in one company, for example, may be an overhead or fixed cost since the paper is used in the administrative offices for administrative tasks. For another company, that same office paper may well be a variable cost because the business produces printing as a service to other businesses, like Kinkos, for example. Each business must determine based on its own uses whether an expense is a fixed or variable cost to the business.

In addition to variable and fixed costs, some costs are considered mixed. That is, they contain elements of fixed and variable costs. In some cases the cost of supervision and inspection are considered mixed costs.

Direct and Indirect Costs

Direct costs are similar to variable costs. They can be directly attributed to the production of output. The system of valuing inventories called direct costing is also known as variable costing. Under this accounting system only those costs that vary directly with the volume of production are charged to products as they are manufactured. The value of inventory is the sum of direct material, direct labor, and all variable manufacturing costs.

Indirect costs, on the other hand, are similar to fixed costs. They are not directly related to the volume of output. Indirect costs in a manufacturing plant may include supervisors' salaries, indirect labor, factory supplies used, taxes, utilities,

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depreciation on building and equipment, factory rent, tools expense, and patent expense. These indirect costs are sometimes referred to as manufacturing overhead.

Under the accounting system known as full costing or absorption costing, all of the indirect costs in manufacturing overhead as well as direct costs are included in determining the cost of inventory. They are considered part of the cost of the products being manufactured.

Product and Period Costs

The concepts of product and period costs are similar to direct and indirect costs. Product costs are those that the firm's accounting system associates directly with output and that are used to value inventory. Period costs are charged as expenses to the current period. Under direct costing, period costs are not viewed as costs of the products being manufactured, so they are not associated with valuing inventories.

If the firm uses a full cost accounting system, however, then all manufacturing costs—including fixed manufacturing overhead costs and variable costs—become product costs. They are considered part of the cost of manufacturing and are charged against inventory.

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Self-Check –8

Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1)what are DIFFERENT WAYS TO CATEGORIZE COSTS?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

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Information Sheet- 9	Discussing and understanding factors and procedures in knowing the cost
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4.9 Discussing and understanding factors and procedures in knowing the cost

Pricing is often one of the most difficult things to get right in business. There are several factors a business needs to consider in setting a price:

- **Competitors** – a huge impact on pricing decisions. The relative market shares (or market strength) of competitors influences whether a business can set prices independently, or whether it has to follow the lead shown by competitors
- **Costs** – a business cannot ignore the cost of production or buying a product when it comes to setting a selling price. In the long-term, a business will fail if it sells for less than cost, or if its gross profit margin is too low to cover the fixed costs of the business.
- **The state of the market for the product** – if there is a high demand for the product, but a shortage of supply, then the business can put prices up.
- **The state of the economy** – some products are more sensitive to changes in unemployment and workers wages than others. Makers of luxury products will need to drop prices especially when the economy is in a downturn.
- **The bargaining power of customers in the target market** – who are the buyers of the product? Do they have any bargaining power over the price set? An individual consumer has little bargaining power over a supermarket (though they can take their custom elsewhere). However, an industrial customer that buys substantial quantities of a product from a business may be able to negotiate lower or special prices.

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- **Other elements of the marketing mix** – it is important to understand that prices cannot be set without reference to other parts of the marketing mix. The distribution channels used will affect price – different prices might be charged for the same product sold direct to consumers or via intermediaries. The price of a product in the decline stage of its product life-cycle will need to be lower than when it was first launched.

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**Self-Check –9****Written Test**

- **Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

- 1)how to state of the market for the product?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

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Answer Sheet

Score = _____

Rating: _____

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Information Sheet- 10	Explaining and understanding Importance of financial record keeping
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4.10 Explaining and understanding Importance of financial record keeping

Today's complex world economy and the rapid pace of the farming industry makes it difficult for producers to manage a farm enterprise the way their parents may have managed it 30 years ago. Without a proper understanding of record keeping and its current and future implications, the farm operator will not make it very far in today's business environment. While you may not have control over the weather and only limited ability to manage diseases and insects, you have the power and the responsibility to monitor the farm's financial performance. The first and most important step in taking control of your farm operation's financial well-being is to keep good and accurate financial records. Do you want to know where your business is going? Do you want to avoid jeopardizing your borrowing capacity? If you answered "YES" to these questions, then detailed and accurate financial record keeping is for you. There are three main reasons farm operators should keep good financial records. First, good financial records are essential for reporting income tax returns. Without accurate records, a farmer can under-pay or over-pay on their taxes. This

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might get the farmer into trouble if there is an unexpected IRS audit of records. Secondly, good records are essential in obtaining credit. Bankers want to see a balance sheet, income statement, and cash flow statement before they loan money to any business. Finally, accurate financial records along with production data are important in making decisions about the farm enterprise. Having the information contained in an accurate record keeping system helps a farm operator make decisions about how to farm more efficiently and profitably. Keep the following guidelines in mind when implementing or reviewing your financial record keeping system. First, keep it simple! If the record keeping system is unnecessarily complicated, you are more likely to make mistakes. Second, maintain financial records that have the appropriate level of detail depending upon the complexity of your business. A more complex farm operation requires a more detailed system. Third, make sure that your records provide essential information on a timely basis. Fourth, consider including the following components when constructing your record keeping system:

- (1) A business checking account to handle business transactions;
- (2) An income ledger by calendar month;
- (3) An expense ledger by calendar month;
- (4) An inventory ledger for physical counting and valuation;
- (5) A depreciation schedule for pro-rating original costs of assets;
- (6) A balance sheet to determine net worth;
- (7) An income statement to determine net profit or loss;
- (8) A cash flow statement to measure flow of funds. Following these guidelines will deliver positive results for your farming business.

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Self-Check –10

Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) Explaining and understanding Importance of financial record keeping ?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

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Information Sheet- 11	Discussing the application of self-management and negotiation skill
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4.11 Discussing the application of self-management and negotiation skill

Self-management Skills: List, Definition, Tips & Techniques

12.1.1. Definition

Self-management skills are some of the most important and difficult to learn abilities in business, in the workplace, and in our personal life.

This page contains a key self-management skills list, definition, tips and techniques that can help you to manage a good self-confidence and to achieve your goals.

Effective self-management and self-motivation skills have the power to change dramatically almost every aspect of our life.

Self-management skills definition refers to our abilities to control our feelings, emotions, and activities. They play a decisive role in our personal and business life.

Essential Self – Management Skills List. Tips and Techniques.

Self confidence

Self-confident people tend to see their lives in a positive way and they face their fears head-on.

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To be self-confident means to like and to respect yourself and to believe in your own abilities and strengths.

12.1.2. Self-Management Tips

Some of the best self-confidence and self-management tips are:

- get rid of the negative thoughts in your head;
- think positively;
- be happy with small things;
- do not forget to tell yourself that you are smart and intelligent;
- chat with positive people;

Self-confident people are some of the most successful people in the business.

12.1.3. Stress management skills

Stress management skills are among the most important in the self-management skills list.

It is impossible to find a completely a stress-free work and life environment!

We have to learn to cope with problems and to manage stress because the stress situations are everywhere. Unmanaged workplace stress reduces productivity, increases pressures, affects the performance of the brain, memory, and concentration.

Good stress and self-management tips and techniques are:

- exercise your body, relax yourself by taking your mind off your stress;
- enjoy yourself, rest yourself as regularly as possible;

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- go to vacations and holidays with the people you love;
- take walks in nature;
- do hobbies and take time to do activities that you love the most.

12.1.4. Self-motivation

Self-motivation is a crucial ability in the self-management skills list too.

Self-motivation is one of the most powerful forces that drive you to do things and to achieve success in business and personal life.

Good self-motivation tips and techniques are:

- to find and list your motives (needs and desires);
- find different sources of motivation and inspiration (music, books, activities);
- think expansive thoughts;
- live fully in the present moment;
- dear to have big dreams;
- dream often – every day;
- Remember that nothing is impossible.

12.1.5. Have a healthy lifestyle and a balanced diet

Healthy eating and physical activities are extremely important when it comes to increasing your mind and body power. When you exercise and do activities your brain releases more of endorphins known as serotonin, which helps you feel good and fight bad mood and negative emotions.

Healthy eating plays a crucial role in overall health and will give you a great power and energy.

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The self-management skills, tips, and techniques listed above are essential to achieve good self-control and to be more successful in business and personal life.

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**Self-Check –11****Written Test**

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

- 1) Explaining Stress management skills?
- 2) What are Self-motivation?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

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Information Sheet- 12	Preparing simple financial statement
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4.12 Preparing simple financial statement

Key Questions Concerning Record Keeping

1. Why keep records?

A. The law requires that some form of written records be kept by all businesses.

B. Adequate records can answer the following questions:

- How much profit is the business making?
- How much is the business worth?
- How much do credit customers owe the business?
- How much does the business owe its creditors?
- How much tax should the business pay?

2. How can a record keeping system be established?

A. Before establishing an adequate record keeping system, the assistance of an accountant should be obtained. If the owner cannot afford an accountant, he or she cannot afford to be in business.

B. An accountant can establish a suitable recording system tailored to the needs of a particular business.

3. What will others want to know about the finances of a business?

Various people will want to know about the financial conditions of a business. Bankers may be interested because you have applied for a financial loan. Tax collectors are interested in your business condition, as are partners, relatives

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and others who may have lent you money. Suppliers will also want to know things about the finances of your firm, because when they ship you merchandise for which you have not yet paid, it is as though they are extending a form of credit.

Specific questions they might ask include:

- A. How much do you own, how much do you owe, and how much are you worth?
- B. What was your income last year?
- C. How much of your sales are for cash and how much are for credit?
- D. What has been your collection record?
- E. What is your total “overhead” and what percentage of gross sales does it represent?
- F. What expenses do you have?
- G. What is the present value of buildings, equipment, vehicles, fixtures and other accessories?
- H. What items of inventory are the best and worst sellers?
- I. What are the most profitable and least profitable departments?
- J. Are you taking full advantage of cash discounts, trade discounts, and advertising and merchandising allowances?

4. What kinds of records should a small business keep?

A. **Payroll.** The owner must know the amount paid to himself or herself and to employees. This information alone requires a mini-accounting system to keep things accurate and in order.

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B. Cash Balance. The owner must know how much cash is available at any given time to determine if bills can be paid. Money comes into and goes out of the firm every day, but without records entrepreneurs would not know what they can afford.

C. Accounts Receivable. Under certain conditions, the owner extends credit to some customers. The money owed is called accounts receivable. They are important records. Without them, how would the owner know when to bill and for how much? When to discontinue credit? When to make aggressive efforts to collect overdue bills? When to charge interest, if any?

D. Accounts Payable. The amount of money owed by a business to others (such as suppliers) is called accounts payable. These bills need to be paid on time for two reasons: (1) sometimes by paying a bill on time you will receive a cash discount, and

(2) You must maintain a good reputation in relation to those with whom you do business. Without accurate records you may make mistakes.

E. Inventory Records. Even in a small retail business, an owner must have control of inventory. What products are selling? What products aren't moving? Is there a good supply on hand? Entrepreneurs can keep some of this information in their head, but not enough to do the kind of job necessary to make a profit.

F. Government Requirements. The owner must file financial statements for tax purposes. Taxes are calculated on the profit a business earns. Even a small retail business must file certain reports.

G. Financial Statement. At least once a year the owner should have a comprehensive financial statement on the business prepared – this is similar to an individual having an annual medical check-up. How well did the business do in terms of total sales? What were its expenses? What are its profits before and after taxes? What can the owner do to improve things next year? When

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borrowing money, entrepreneurs must present such a statement to a banker; if they want to sell their business, they must show financial statements to prospective buyers.

5. Who should be responsible for keeping the financial records?

A. Keeping the records yourself. If the business is small and you have some experience, you may be able to keep the records for your business yourself.

Remember: when you are doing this job, you are preventing yourself from doing some other task for your business, perhaps a task that only you, the owner, can perform. Plan on delegating the record keeping functions to someone else as soon as possible. But you should still always understand the system and be able to “step in” at any moment if the record keeper leaves or is sick.

B. Assigning an assistant. If you employ others, one of the first jobs you may give to one of your employees is that of keeping all or some of the records. All employees have some record keeping responsibility since they make out sales slips, operate the cash register, and in many ways perform record keeping tasks which you trust will be accurate. It is your responsibility to train and instruct this individual and periodically evaluate the methods used.

C. Hiring a full-time bookkeeper. When you are large enough to do this, you are in a good position to secure a competent person who will frequently know more about records than you do. This is a difficult area for some businessmen to delegate. They feel that they must keep their own “hands” on the books, but this frequently confuses the record keeper and sometimes weakens his or her position. State your wishes and requirements, and let the bookkeeper do the job!

D. Contracting the service out. There are many firms which sell various record keeping services. These range from an annual audit with the

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preparation of a profit and loss statement and balance sheet, to weekly payrolls, daily sales analysis, and inventory control and analysis.

E. **Accounting department.** Eventually, if size warrants, you may have your own accounting department headed by a comptroller or an officer within the firm, usually the treasurer. The department would maintain a full set of books, including accounts receivable, accounts payable, and general ledger accounts. Mechanical or computerized record keeping equipment may be feasible, depending on the volume of information needed

Profit and Loss Statement

A profit and loss statement helps to determine whether a business is operating at a profit or a loss for a given time period of one month to one year. The more frequently you calculate your profits and losses, the sooner you will know the financial position of the business. There are five specific steps to calculating the profit and loss statements:

1. **Sales:** including sales for cash and credit,
2. **Cost of Goods Sold:** this is the price paid by the business for merchandise sold; it can be computed by adding the value of the goods purchased during the period to the initial stock (the initial stock figure can be obtained from the previous income statement), and then subtracting the value of the stock on hand at the end of the period.
3. **Gross Profit:** calculated by subtracting the cost of goods sold from sales
4. **Expenses:** this includes labor costs and other costs of operating the business
5. **Net Profit:** this is the amount remaining when the expenses are deducted from the gross profit. This figure will indicate whether you are operating at a profit or a loss.

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Your facilitator will show you an example of a profit and loss statement for the ABC

FLOWER SHOP for the month of July. The net profit for July is 7,000. Remember that if the business is registered, the owner will have to pay taxes on the profit.

ABC Flower Shop,
Profit and Loss Statement
For Month Ending July 31, 20____

Sales

Cash sales	60,000
Credit sales	<u>20,000</u>
Total sales	<u>80,000</u>

Cost of goods sold

Beginning	
Inventory	18,000
Purchases	<u>50,000</u>
Cost of goods	68,000
for sale	
Less ending	<u>8,000</u>
inventory	

Cost of goods

Sold 60,000

Gross profit 20,000

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Expenses

Salaries/wages	10,000	
Electricity	1,500	
Advertising	700	
Other expenses	800	
Total Expenses		<u>13,000</u>
Net profit before taxes		7,000
Estimated tax		<u>2,000</u>
Estimated net profit after taxes		5,000

The Balance Sheet

The balance sheet is a financial statement which indicates what you own and what you owe on any given day in the life of a business. The financial figures on the balance sheet change from day to day because money is always coming in and going out of the business. A primary reason for preparing a balance sheet is to determine if the business is making a profit or a loss.

- The formula used to prepare a balance sheet is:

$$\text{Assets} = \text{Liabilities} + \text{Net Worth}$$

1. Assets:

These include everything a business owns, such as cash, equipment, buildings and inventory.

- **Current assets** include cash and anything that can be converted into cash within twelve months. Current assets include cash, bank accounts, and accounts receivable (What people owe you), and inventory.
- **Fixed assets** are things that cannot be changed into cash easily (within twelve months). They are items that the business acquired for long-term use. Fixed assets include land, buildings, machinery, equipment, and vehicles.

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2. Liabilities:

These include anything that the business owes. Liabilities might include loans, credit notes, taxes and mortgages.

- **Current liabilities:** a current liability is anything you owe that has to be paid by using a current asset. Current liabilities are usually items to be paid within twelve months, including taxes, loans and bills due to creditors.
- **Long-term liabilities:** any debt that cannot be paid within twelve months, such as a mortgage.

3. Net Worth:

This is what is actually owned by the business after subtracting liabilities. It represents the initial investment of the owners and retained earnings.

ABC Flower Shop

Balance Sheet

June 8, 20__

ASSETS

Fixed Assets

Land and building 18,000

Equipment 3,800

Total Fixed Assets 21,800

Current Assets

Cash 8,000

Accounts receivable 2,000

Inventory 1,700

Total Current Assets 11,700

TOTAL ASSETS **33,500**

LIABILITIES AND NET WORTH

Long-Term Liabilities

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Mortgage 8,500

Total Long-Term Liabilities

Current Liabilities

Accounts payable 1,000

Taxes payable 2,000

Total Current Liabilities 3,000

TOTAL LIABILITIES 11,500

NET WORTH

(Total Assets – Total Liabilities) 22,000

TOTAL LIABILITIES

AND NET WORTH 33,500

Self-Check –12	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

Rating: _____

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Name: _____

Date: _____

Short Answer Questions

Information Sheet- 13	Performing risk assessment and management
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4.13 Performing risk assessment and management

Enterprise Risk Management Risk Assessment

Marsh Risk Consulting's (MRC) highly efficient ERM risk assessment process can help organizations quickly understand and prioritize critical, enterprise-wide risks and develop plans to maximize as well as mitigate and manage risk.

Who It's For

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Any size organization in any industry, anywhere in the world, especially those with:

- Significant change to the business model.
- No clearly defined risk management practices.
- Over-reliance on a limited number of vendors or customers.
- Key leadership change.
- A reputational crisis or serious business failure.
- A compliance or governance issue.

What You Get

- Identification and ranking of your key business risks.
- A review of the current controls intended to manage these risks.
- Detailed action plans for closing risk management gaps.
- An enhanced ability to develop and execute effective, corporate-level risk management strategies.

Service Highlights

Our ERM risk assessment process is based on the time-tested and rigorous Delphi method for reaching consensus among experts in areas where empirical data is limited. MRC uses a multi-step process involving focused interviews and a facilitated workshop with top decision makers. We leverage the expertise of Marsh's industry, brokerage, and consulting professionals to provide scalable, flexible, and dynamic risk assessments designed to integrate risk into corporate-level decision making. By assisting your strategic planning, budgeting, auditing, and corporate governance efforts, along with other organization-wide processes, our ERM risk assessment can help your organization:

- Reduce and more effectively manage operating costs.

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- Protect earnings, revenue streams, and key relationships.
- Enhance the integrity and transparency of business operations.
- Align operations with stakeholder expectations.

The efficiency and effectiveness of the process allows you to generate consensus on crucial risks and the associated management controls so that you can navigate through tough times and remain competitive in the short and long term. The risk assessment process can be embedded into existing business processes, becoming an ongoing, consistent method of risk identification.

The steps in the process described below are proven to deliver highly valuable results in a relatively short time period.

Due Diligence and Data Collection

During this first phase of the ERM risk assessment process, we analyze your business activities and objectives as well as challenges to growth and profitability.

Context-Setting Interviews

Through a series of meetings with top organizational decision makers, critical risks and related information are established, existing risk management practices are reviewed, and risk evaluation criteria are set. The evaluation of existing risk management practices looks at:

- The framework for managing risk.
- Your risk management culture.
- Processes for anticipating risks related to change.
- The adequacy of technical information to support risk-based decisions.
- Whether there is a systematic approach to controlling risk.

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Facilitated Workshop

A facilitated workshop is then conducted with your leadership team and key personnel to evaluate a customized inventory of risks populated across various categories of risk. Each risk scenario/event is evaluated and rated based on input by your leadership team. Voting software is used to support additional risk review.

Analysis and Report Development

With the information gathered in the previous steps, our professionals prepare a report, incorporating easy-to-understand graphical depictions of risk information, that includes:

- A ranked inventory of risks facing your organization, according to likelihood of occurrence and severity of impact.
- A graphical summary, or risk/heat map, that provides an overview of your risk profile and serves as a robust communication tool with key stakeholders.
- An action plan to:
 - Improve existing risk management practices.
 - Close gaps in risk management effectiveness.
 - Develop a risk communication strategy for key stakeholders.
 - Embed the risk assessment process into the organization.

What Is Enterprise Risk?

Some business risk is easy to identify. We put sprinkler systems in buildings and buy insurance policies to protect against fires. Retail stores put magnetic detectors at entrance doors to detect shoplifters and prevent theft. But some **enterprise risks**, which are risks that would cause losses or put the ability of the business to function properly in jeopardy, are not always as easy to identify.

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Types of Enterprise Risk

There are many types of enterprise risk that a business might face. Here are a few examples:

- **Compliance** - A company has to follow relevant government health, safety and privacy regulations and can be fined if they do not. For example, physicians have to comply with HIPAA (Health Insurance Portability and Accountability Act) rules to protect patient privacy.
- **Financial** - Businesses have to account for things like non-payment (bad debt) or a rise in interest rates on business borrowing.
- **Operational** - Businesses have to handle operational issues, such as a power loss, theft, or a breakdown of an important machine in the plant.
- **Strategic** - Enterprises face many strategic risks. For example, they have to consider what happens when they introduce a new product that is an utter failure or when a new competitor enters the market and undercuts prices by 20%.

There are certainly other types of risks - reputation harm (bad social media buzz), safety (for our workers and clients), or even a breakdown in our supply chain. Even a positive risk (sounds funny, I know) is possible - what if our new product takes off like a rocket? Developing a policy for dealing with all of these types of risks is known as **enterprise risk management (ERM)**. ERM is about the ability to understand and control the risks and developing a strategy for dealing with them while still generating acceptable returns.

Reducing risk while still generating an acceptable return is the goal

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Risk Assessment and Mitigation

Risk assessment is a lot of just-in-case planning. What do we do if something happens and is it worth worrying about? Given the fact that there are multiple categories of risks to plan for, we have to prioritize our efforts and put in place routine procedures and policies to minimize exposure. We have to look at our processes, our people and our technology and determine our **risk appetite**, which is the level of our willingness to accept risk.

One suggested mitigation strategy for dealing with risks is to put a framework in place that could include the following elements:

- **Governance and Policies** - Put in place to oversee risks
- **Risk Data and Infrastructure** - Mechanisms for making sure we have good information to manage risks
- **Measurement, Evaluation and Communication** - Determining what happened and reporting on it
- **Stress Testing** - How to evaluate the measures put in place or determine what could hurt us

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Self-Check –13	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

- 1) How to Enterprise Risk Assessment?
- 2) How to Enterprise Risk Management?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

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Date: _____

Short Answer Questions

List of Reference Materials

1 <https://www2.deloitte.com> › content › dam › Deloitte › Documents › audit

2 <https://www.entrepreneur.com> › encyclopedia › business-plan

3 <https://www.entrepreneur.com> › encyclopedia › business-plan

4 <https://procurementmanagement.pressbooks.com> › chapter › so

5 <https://managementhelp.org> › businessresearch › methods

6 Please read 'The nature of sourcing decision' on pages 198 – 205 from your textbook *Procurement Principles and Management*, 10th edn, England: Prentice-Hall,

6 Pearson Education Limited by Baily, P, Farmer, D, Crocker, B, Jessop, D and Jones, D (2008).

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**LG
#65**

LO#5- Develop one's own business plan

instruction sheet:5

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

- Discussing and applying process of preparing/ writing a business plan
- Applying standard structure and format in preparing business plan
- Interpreting, assessing and analyzing findings
- Clearing and understanding feasibility of the business idea
- Identifying and understanding problems that may arise or encounter

Discussing and understanding techniques and procedures in obtaining and sourcing information

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Process of preparing/ writing a business plan is discussed and applied
- Standard structure and format are applied in preparing business plan
- Findings of the business plan are interpreted, assessed and analyzed

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- Feasibility of the business idea is made clear and understandable
- Problems that may arise or encounter when starting a business are identified and understand
- Techniques and procedures in obtaining and sourcing information are discussed and understood

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described
3. Read the information written in the information “Sheet
4. Accomplish the “Self-check
5. If you earned a satisfactory evaluation from the “Self-check” proceed to “Operation
6. Do the “LAP test”

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Information Sheet- 1	Discussing and applying process of preparing/ writing a business plan
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6.1 Discussing and applying process of preparing/ writing a business plan

Business Plan

Definition: *A written document describing the nature of the business, the sales and marketing strategy, and the financial background, and containing a projected profit and loss statement*

A business plan is also a road map that provides directions so a business can plan its future and helps it avoid bumps in the road. The time you spend making your business plan thorough and accurate, and keeping it up-to-date, is an investment that pays big dividends in the long term.

Your business plan should conform to generally accepted guidelines regarding form and content. Each section should include specific elements and address relevant questions that the people who read your plan will most likely ask. Generally, a business plan has the following components:

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Process of preparing a business plan

8 Steps to Writing a Business Plan

1. **Executive Summary:** Summarize your company's value-proposition.
 2. **Company Overview:** Discuss your business's history, leadership team, and locations.
 3. **Market Analysis:** Describe your industry and how your company stands out from competitors.
 4. **Business Organization:** Explain your company's legal structure, and introduce key executives.
 5. **Products and Services:** Showcase your product or service and the pricing model.
 6. **Marketing and Sales Plan:** Highlight how you plan to acquire and retain customers.
 7. **Financial Plan and Projections:** Provide at least three years of financial projections.
 8. Appendix: Include additional information, such as your resume.
- ne-Page
Business Plan Template for a Service Business

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Self-Check –1	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) Write Process of preparing a business plan?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

Rating: _____

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Date: _____

Short Answer Questions

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Information Sheet- 2	Applying standard structure and format in preparing business plan
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5.2 Applying standard structure and format in preparing business plan

Outline of Business Plan Template

The outline of our business plan template appears below. It is simplified a bit for this page, so we encourage you to download the Word version to get instructions for each section, as well as a cover page, table of contents, legal disclaimer, and more.

1. Executive Summary
 1. Opportunity
 1. Problem Summary
 2. Solution Summary
 3. Market Summary
 4. Competition
 5. Overview
 6. Why Us?

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2. Expectations
 1. Forecast
 2. Financial Highlights by Year [chart]
 3. Financing Needed
2. Opportunity
 1. Problem & Solution
 1. Problem Worth Solving
 2. Our Solution
 2. Target Market
 3. Competition
 1. Current Alternatives
 2. Our Advantages
3. Execution
 1. Marketing & Sales
 1. Marketing Plan
 2. Sales Plan
 2. Operations
 1. Locations & Facilities
 2. Technology
 3. Equipment & Tools
 3. Milestones & Metrics
 1. Milestones Table
 2. Key Metrics
4. Company
 1. Overview
 2. Team
 1. Management Team
 2. Advisors

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5. Financial Plan

1. Forecast

1. Key Assumptions
2. Revenue by Month [chart]
3. Expenses by Month [chart]
4. Net Profit (or Loss) by Year [chart]

2. Financing

1. Use of Funds
2. Sources of Funds

3. Statements

1. Projected Profit & Loss
2. Projected Balance Sheet
3. Projected Cash Flow Statement

6. Appendix

1. Monthly Financial Forecasts
2. Additional Documentation

Simple Business Plan Template

This template is suitable for freelance businesses that provide services, such as consultants, graphic designers, landscapers, and delivery services. For a one-page plan, the answers to questions should be one or two sentences

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Information Sheet- 3	Interpreting, assessing and analyzing findings
---------------------------------	---

5.3 Interpreting, assessing and analyzing findings

Evaluating Criteria's of a Business plan

1. Value Created by the New Product or Service
2. Attractiveness of the Market Opportunity
3. Competitive Advantage of the Proposed Venture
4. Operational and Technological Viability
5. Capability of Management Team
6. Capital Requirements and Financial Forecast

Business Plan Analysis

- What Are the Basic Components of a Business Plan?
- What Are the Functions of a Business Plan?
- Key Factors to Considering Business Feasibility
- Key Tools for Planning Finances

Analyzing a business plan correctly can make an entrepreneur, or save an investor, millions of dollars. Good business plans provide a thorough and logical breakdown of how a business makes money by delivering goods or services to customers and taking payment. They are designed to answer the question: Can this business work under real-world conditions?

Significance

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The most common reasons to perform a business plan analysis are to determine whether the business is a good investment or lending risk, or even whether to pursue the business. Investors need to know how much risk the business represents, financially and operationally. Lenders need to ensure that the business has sound financial planning and a stable income. Entrepreneurs may find that writing the business plan allows them to view the venture more objectively.

Function

A thorough business plan should describe the business's finances, history, operations, competition and customers. The plan must persuade readers that a specific set of customers has a specific problem, then describe exactly how the business solves that problem better than the competition. If the plan calls for investment or lending, it must also convince investors that the business's managers and key employees are up to the task. A good plan must also specify how the investor will recover her money once the investment is mature.

Considerations

Successful businesses have ambitious goals but realistic expectations of the time and resources necessary to meet those goals. Each section of the plan should demonstrate the business owner's knowledge of his customers and industry. That industry and customer base must be growing; it is better to demonstrate that the business can realistically capture a tiny piece of a growing market than a large piece of a stagnant or declining one.

Features

The business plan must clearly document the how the company makes and provides its goods or services. Suppliers of the business's materials are described in terms

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of their reliability, costs and relationship with the business. Products are pictured, if they have already been produced, or mock-ups or schematics of planned products are provided. Plans for service businesses include a flowchart for how the service is provided. Payment methods, such as invoicing customers monthly or taking credit cards at the point of sale, are specified, and reasonable transaction costs anticipated. Owners have clearly stated what the risks are at each stage of operations, and how the business will avoid, deal with, or preferably profit from each risk.

Expert Insight

The finance section of the plan is arguably the most important. It includes three years of historical or pro forma (estimated future) financial statements, break-even analysis and revenue projections. Most entrepreneurs tend to underestimate their costs and overestimate their revenues; the plan must demonstrate that the figures are realistic and there is room for error, cost overruns, and economic downturns. In most cases, the business should be able to make money when achieving even a modest success.

References (1)

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Self-Check –3	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) How to Evaluating Criteria's of a Business plan?

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

Information Sheet- 4	Clearing and understanding feasibility of the business idea
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5.4 Clearing and understanding feasibility of the business idea

After having learned about the importance of business planning, you must know the different types of business plan.

1. Feasibility study

- It is created in order to minimize risk and to ascertain the viability of a project.
- It is not merely an investigation but a frame work on how the operation of a business project shall be accomplished.
- It is used to determine the potential success of a proposed business venture.

A feasibility study has a project summary which deals with the introductory statement of the problem, the business name, the business logo, the business location, descriptive definition of the project and objectives.

Major Components of a Feasibility Study:

a. Marketing study

- The sufficient demands for the product as well as the competitive position of the firm in the industry must be determined.

b. Technical study

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– In this study, you must consider the manufacturing process, plant size, production schedule, machinery, plant location and layout structure, raw materials, utilities and waste disposal.

c. Management study

- This involves on how the project shall be managed such as the business organization including the organization chart and function of each unit management personnel, skills and numbers of labor required.

d. Financial study

- You should include the assessment of total capital requirements break-even outputs, sales and prices, amount of sales required to earn a certain amount of profit and the cash payback period.

d. Social desirability

- This is measured by economic benefits to the people living in the community and its vicinities.

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Self-Check -4

Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1) What are Major Components of a Feasibility Study?

Note: Satisfactory rating - 10 points Unsatisfactory - below 10 points

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

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Information Sheet- 5	Discussing and understanding techniques and procedures in obtaining and sourcing information
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5.5 Discussing and understanding techniques and procedures in obtaining and sourcing information

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Adapted from the Field Guide to Nonprofit Program Design, Marketing and Evaluation, Field Guide to Consulting and Organizational Development with Nonprofits and Field Guide to Consulting and Organizational Development.

The following table provides an overview of the basic methods to collect data.

Method	Overall Purpose	Advantages	Challenges
questionnaires, surveys, checklists	when need to quickly and/or easily get lots of information from people in a non threatening way	<ul style="list-style-type: none"> -can complete anonymously -inexpensive to administer -easy to compare and analyze -administer to many people -can get lots of data -many sample questionnaires already exist 	<ul style="list-style-type: none"> -might not get careful feedback -wording can bias client's responses -are impersonal -in surveys, may need sampling expert - doesn't get full story

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interviews	when want to fully understand someone's impressions or experiences, or learn more about their answers to questionnaires	<ul style="list-style-type: none"> -get full range and depth of information -develops relationship with client -can be flexible with client 	<ul style="list-style-type: none"> -can take much time -can be hard to analyze and compare -can be costly -interviewer can bias client's responses
documentation review	when want impression of how program operates without interrupting the program; is from review of applications, finances, memos, minutes, etc.	<ul style="list-style-type: none"> -get comprehensive and historical information -doesn't interrupt program or client's routine in program -information already exists -few biases about information 	<ul style="list-style-type: none"> -often takes much time -info may be incomplete -need to be quite clear about what looking for -not flexible means to get data; data restricted to what already exists
observation	to gather accurate information about how a program actually operates, particularly about processes	<ul style="list-style-type: none"> -view operations of a program as they are actually occurring -can adapt to events as they occur 	<ul style="list-style-type: none"> -can be difficult to interpret seen behaviors -can be complex to categorize observations -can influence behaviors of program participants -can be expensive
focus groups	explore a topic in depth through group	<ul style="list-style-type: none"> -quickly and reliably get common impressions 	<ul style="list-style-type: none"> -can be hard to analyze responses



	discussion, e.g., about reactions to an experience or suggestion, understanding common complaints, etc.; useful in evaluation and marketing	-can be efficient way to get much range and depth of information in short time - can convey key information about programs	-need good facilitator for safety and closure -difficult to schedule 6-8 people together
case studies	to fully understand or depict client's experiences in a program, and conduct comprehensive examination through cross comparison of cases	-fully depicts client's experience in program input, process and results -powerful means to portray program to outsiders	-usually quite time consuming to collect, organize and describe -represents depth of information, rather than breadth

Sourcing information

Having prioritize the products or services to conduct supply market analysis, we now move on to sourcing information relating to the market conditions and they may be obtained from the following sources:

1. **Primary data** field research that can use one or more approaches, such as observation, analysis of internal records such as sales trends, trade missions to suppliers' operations and questionnaires. Trade association conferences offer a good

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opportunity to network and learn more from other people who know a lot about what is going on in the industry.

2. **Secondary data** statistics and annual reports issued for supplier companies. Trade journals provide recent updates to what is happening in the industry. News headlines, trade websites and libraries also provide multiple leads for further information. Investment analysis reports, as well as interviews, can provide very good information on what is happening in certain industries where they are investing.
3. **Government sources**, e.g., abstracts of statistics, economic trends, employment gazette, business monitors, central bank reports, etc.
4. **Non-government sources** including chamber of commerce, professional associations, press reviews, economic forecasts, etc.
5. **Trade consultants** who can provide information, but they are very often costly.
6. **Existing suppliers and customers** with the power of snowball sampling where you can be referred to other experts.

The location of potential useful sources of supply is a major responsibility of the Procurement function and can be a huge challenge today with the increasingly complex buyer's needs in view of technological advances, increasing 'concentration' in supply markets with continuous trends of takeovers and mergers, and increased specialization among manufacturers with a greater proportion of their needs outsourced.

The good news is that the internet has revolutionised organisations' ability to locate and collect information on potential suppliers. Sources of information on certain potential suppliers can be collated from previous internal recorded performance,

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annual reports, catalogue library, publications, trade directories, exhibitions, other buyers, sourcing agents, distributors, embassies, trade consultants, existing suppliers, customers and colleagues.

There are multiple sources of market and supplier information available. However, the reputation of a particular source must also be investigated and ascertained. The key here is to triangulate, which means that the buyer needs to explore, compare and contrast data from multiple sources before he or she can validate it.

The whole point of conducting market research is to understand the prevailing market conditions and the ability of current or potential new suppliers to effectively deliver the product or service. In this respect, supply market intelligence becomes one of the most important and critical stepping stones for an effective sourcing strategy. As one manager noted, “Supply market intelligence may be the only competitive advantage of the future!”

Self-Check -5	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

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1) write Sourcing information?

Note: Satisfactory rating - 10 points Unsatisfactory - below 10 points

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

1 <https://www2.deloitte.com> › content › dam › Deloitte › Documents › audit

2 <https://www.entrepreneur.com> › encyclopedia › business-plan

3 <https://www.entrepreneur.com> › encyclopedia › business-plan

4 <https://procurementmanagement.pressbooks.com> › chapter › so

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5 <https://managementhelp.org> › *businessresearch* › *methods*

6 Please read ‘The nature of sourcing decision’ on pages 198 – 205 from your textbook *Procurement Principles and Management*, 10th edn, England: Prentice-Hall,

7 Pearson Education Limited by Baily, P, Farmer, D, Crocker, B, Jessop, D and Jones, D (2008).

Standard Structure and Format in Preparing Business Plan.

(Name of the Business)

Business Plan

Prepared by: _____

Date: _____

Place: _____

Content

	Page
Executive Summary	10
Business Idea and Market.....	12
Marketing Plan Product	13
Marketing Plan Price.....	14

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Marketing Plan Place.....	15
Marketing Plan Promotion.....	16
Legal Form	17
Start-up Capital.....	18
Sources of Start-up Capital	19
Organization and Staff.....	20
Business Operation and Costs.....	21
Cash Flow Plan.....	22
Profit Margin.....	23
Opening Balance.....	24

Executive Summary

Business name, business structure, registration number, Tin number, Business location, Date established, legal form

Introduce promoters here, and the reason you are now preparing this Business Plan.

This section should not be completed until the business plan is written. It will highlight all milestones in the company’s development over the next five years. It should sum up the following areas:

- Purpose of the plan
- Product or service and its advantages
- Market opportunity
- Management team
- Track record, if any
- Financial projections

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- Funding requirements

Financial projections should be summarized and highlighted. The following format is suggested as a guide:

	Year 1	Year 2	Year 3
Sales			
Exports			
Net Profit before Tax			
Investment			
Employment			

Business Idea and Market

Description of the business idea

(E.g. identified needs, who are the customers, type of products or services to satisfy the needs, how to reach the customers, Business name, business structure, registration number, Tin number, Business location, Date established, and legal form)

Description of the market

(E.g. geographical area, town, type of customers, size of total market, description of competitors, market share for the new business, etc.)

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Marketing Plan Product

Detailed description of the product or product range or service

Product/service	(1)	(2)
Denomination		
Specification (e.g. size, colour, quality)		
Packaging		
After sales service		

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Product/service	(3)	(4)
Denomination		
Specification (e.g. size, colour, quality)		
Packaging		
After sales service		

Marketing Plan Price

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Product/service	(1)	(2)
How much are customers willing to pay?	Highest ; Average; Lowest	Highest ; Average; Lowest
Competitors' price	Highest ; Average; Lowest	Highest ; Average; Lowest
My price		
Reasons for setting my price		
Margin for discount?	Yes (? %) No	Yes (? %) No

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Product/service	(3)	(4)
How much are customers willing to pay?	Highest ; Average; Lowest	Highest ; Average; Lowest
Competitors' price	Highest ; Average; Lowest	Highest ; Average; Lowest
My price		
Reasons for setting my price		
Margin for discount?	Yes (? %) No	Yes (? %) No

Marketing Plan Place

Location of the business

Description of the planned location for the business

Reason for choosing this location

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Reaching the customers by selling to

- Individuals Retailers Wholesalers Others

Reason for choosing this way of distribution

Marketing Plan Promotion

Start-up promotion

Description of the planned actions to inform customers about the opening of the new business (e.g. printed information, brochures, posters, newspaper articles, radio advertisements, opening ceremony, etc. Also make inquiries about the costs for the different types of promotion)

Legal Form

The legal form of the business will be:

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Reason for choosing this legal

form _____

Start-Up Capital

Estimation of start-up capital		Amount
INVESTMENT		
Land		
Building		
Equipment		
Miscellaneous		
Total Investment		
WORKING CAPITAL		
Inventory (stock)		
____ months of staff costs		
____ months of operational costs		

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Total working capital	
TOTAL START-UP CAPITAL	

Specification of investment items

Investment item	Specification	Price
Land	Surface	
Building	Surface	
Equipment	Type, technical specification	
Tools		
Transport		
Miscellaneous		
TOTAL ACQUISITION COSTS		

Sources of Start-Up Capital

Sources of funding

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Type	Source	Conditions (duration/interest)	Amount
Equity capital	<input type="checkbox"/> Own savings <input type="checkbox"/> Partner		
Loan 1	<input type="checkbox"/> Family <input type="checkbox"/> Friends <input type="checkbox"/> Money lender		
Loan 2	<input type="checkbox"/> Credit cooperative <input type="checkbox"/> Government scheme <input type="checkbox"/> Bank loan		
TOTAL FUNDING			

Information about funding sources

Loan 1

Name and address of creditor or credit institution

Credit agreement under discussion finalized

Money available on (date) _____

Loan 2

Name and address of creditor or credit institution

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Credit agreement under discussion finalized

Money available on (date) _____

Debt Servicing (Loan Repayments)

Repayment period	1 Amount	2 Amount	3 Amount	4 Amount	5 Amount	6 Amount	7 Amount	8 Amount
Loan 1								
Instalment								
Interest								
Loan 2								
Instalment								
Interest								
Debt service Sum of Instalments								
Repayment period	9 Amount	10 Amount	11 Amount	12 Amount	13 Amount	14 Amount	15 Amount	16 Amount

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Loan 1								
Instalment								
Interest								
Loan 2								
Instalment								
Interest								
Debt service Sum of Instalments								

Organization and Staff

Organization of the business

Staff requirements

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Position

Tasks, Responsibilities and Qualifications

1	_____	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____
6	_____	_____

Planned organization chart

(Sketch of planned organization chart)

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Staff costs

	Position	Qualifications	Salary per month	Social security	Total staff cost
1	_____	_____	_____	_____	_____
2	_____	_____	_____	_____	_____
3	_____	_____	_____	_____	_____
4	_____	_____	_____	_____	_____
5	_____	_____	_____	_____	_____
6	_____	_____	_____	_____	_____

Organization of business premises

(Sketch of planned shop, office or workshop)



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Business Operation Costs

Monthly Sales Plan

All products, product range or service

Month		1	2	3	4	5	6	7	8	9	10	11	12
Product 1	Price												
	Quantity												
	Revenue												
Product 2	Price												
	Quantity												
	Revenue												
Product 3	Price												
	Quantity												
	Revenue												
Product 4	Price												
	Quantity												
	Revenue												
All products	Revenue												

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Monthly Operational Cost Plan

Planning is based on the monthly Sales Plan

Month		1	2	3	4	5	6	7	8	9
Product1	Quantity									
Materials	All Cost									
Product2	Quantity									
Materials	All Cost									
Product3	Quantity									
Materials	All Cost									
Product4	Quantity									
Materials	All Cost									
+staff	Total Cost									
+others	Total Cost									
=Operation	Total Cost									
+Capital	Interest									
Cost	Depreciation									
=	Total Cost									

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Cash Flow Plan

Monthly Cash Flow Plan

Month	Pre operation	1	2	3	4	5	6	7	8	9	10	11	12
Cash beginning of the month													
+Equity													
+Loans													
+Sales													
+Any other													
I: Total Cash in													
+Investment													
+Operational Cost													
+Loan repayment													
+Any other													
II. Total cash out													
I-II Cash at the end of the													

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month														
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Company Name
Profit and loss statement
For the year ended

Month	1	2	3	4	5	6	7	8	9	10	11	12
Revenue												
Cost of goods Manufactured												
Direct Materials Used												
Direct Labor Cost												
Factory Overhead Cost												
Total Manufacturing Cost												
+Beginning work in process inventory												
-ending work in process inventory												
=Cost of Goods Manufactured												
+Beginning Finished good inventory												
-Ending Finished Goods Inventory												
Cost of Goods Sold												
Gross Profit												
Marketing and Administrative Expense												
Salary expense												
Rent Expense												
Promotion Expense												
Utilities Expense												
Miscellaneous Expense												
Total Marketing and Administrative Expense												
Profit before tax												



Profit After tax													
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