# **Tool 2: Select the Right Product / Service for the Business: Instructions for Using the Tool**

* *Naina has four business ideas that she can pursue – snacks corner, tailoring shop, stationery shop, and beauty salon. Naina wants to understand the products / services she should provide for each viable business idea. She is more inclined towards setting up a small snacks corner near a bus stand in her village and wants to know what food and beverage items she should sell in her shop. She asks Shilpa, the enterprise consultant in her village, to help her out.*

*Naina and Shilpa decide to name the business as* ***Naina’s Snacks Corner.***

*Shilpa suggested that to arrive at the type of food and beverage items to sell in the snacks corner, it is first essential to understand the types of customers who will come to the snacks corner and what would they like to eat or drink. Shilpa realises that there can be four broad categories of customers that Naina will be able to cater to. They are:*

1. *Individuals*
2. *Retailers or nearby shops*
3. *Wholesalers*
4. *Institutions and other businesses*

*Taking a cue from the above categorisation, Shilpa lists out the types of customers who will come to Naina’s shop in the following format:*

| ***Table 2.e.1: Possible Customers Types for Naina’s Snacks Corner*** | |
| --- | --- |
| ***S.No*** | ***Possible Customer Types*** |
| *1* | *Persons waiting for the bus* |
| *2* | *Labourers from the nearby construction site* |
| *3* | *Students returning from school / college* |
| *4* | *Married couples* |
| *5* | *Middle aged men* |

* *Having listed the types of customers, Shilpa then writes down what each customer group will expect from Naina’s snacks corner in the following format:*

| ***Table 2.e.2: Needs of Possible Customers Types for Naina’s Snacks Corner*** | | |
| --- | --- | --- |
| ***S.No*** | ***Possible Customer Types*** | ***Customer Needs*** |
| *1* | *Persons waiting for the bus* | * *Place to stand in shade* * *Quick service of tea or cold-drinks* * *Ready-to-eat snacks (samosa, pakoda, dhokla)* |
| *2* | *Labourers from the nearby construction site* | * *Place to wash themselves* * *Place to sit in the shade* * *Hot tea* * *Biscuits / other cheap snacks (muri)* |
| *3* | *Students returning from school / college* | * *Ready-to-eat snacks (samosa, pakoda, dhokla)* * *Cold-drinks* |
| *4* | *Married couples* | * *Clean place to sit in the shade* * *Hot tea* * *Hot snacks (chana kulcha, chowmein, samosa, gulgula, pakoda, dhokla)* * *Puchka* |
| *5* | *Middle aged men* | * *Place to sit in the shade* * *Hot tea* * *Hot snacks (Samosa, pakoda, dhokla)* |

* *Having listed the customer types, Shilpa now wants to find out which types of customers Naina should be focussing on. She begins noting down how much money each customer type will spend in the shop, how frequently they will sell, and are there any seasonal fluctuations she should be considering. She gets this information by visiting competitors in nearby areas and also through her experience. She fills the details in the following format:*
* ***The answer under ‘Will the Entrepreneur be Able to Serve the Customer Type’ will have to be taken by the entrepreneur on the basis table 2.e.2 and on columns B to E in table 2.e.3***

| ***Table 2.e.3: Understanding Potential Customers Visiting Naina’s Snacks Corner*** | | | | | |  |
| --- | --- | --- | --- | --- | --- | --- |
| ***Customer Type*** | ***How often do the customers purchase (Frequency)*** | ***How many customers purchase in the mentioned frequency*** | ***Amount spent by customer type in one visit (Rs.)*** | ***Seasonal Fluctuation*** | ***Analysis of Customer Type*** | ***Will the entrepreneur be able to serve the customer type*** |
| ***A*** | ***B*** | ***C*** | ***D*** | ***E*** | ***F*** | ***G*** |
| *Persons waiting for the bus* | *Once a day* | *40 per day* | *10* | *No* | * *This customer type will give us enough revenue* * *There will not be additional costs to serve the customer type* * *This customer type will not require any additional time to be served* | *Yes* |
| *Labourers from the nearby construction site* | *Twice a day* | *15 per day* | *8* | *Yes* | * *This customer type will give us enough revenue* * *There will not be additional costs to serve the customer type* * *This customer type will not require any additional time to be served* | *Yes* |
| *Students returning from school / college* | *Once a week* | *20 per day* | *15* | *Yes* | * *This customer type will give us enough revenue* * *There will not be additional costs to serve the customer type* * *This customer type will not require any additional time to be served* | *Yes* |
| *Married couples* | *Once a week* | *2 per day* | *40* | *No* | * *This customer type will give us enough revenue* * *There will not be additional costs to serve the customer type* * *This customer type will not require any additional time to be served* | *No* |
| *Middle aged men* | *Once a day* | *10 per day* | *10* | *No* | * *This customer type will give us enough revenue* * *There will not be additional costs to serve the customer type* * *This customer type will not require any additional time to be served* | *Yes* |

*As is evident from the above table, Naina will not be able to serve married couples as their frequency is less and they demand a proper place to sit. For others, a simple arrangement like providing shade will suffice. Hence, Shilpa suggest that Naina focusses on customers other than married couples and works towards meeting their expectations from her snacks corner.*

*Shilpa finally lists the all customer types Naina will cater to:*

1. *Persons waiting for the bus*
2. *Labourers from the nearby construction site*
3. *Students returning from school / college*
4. *Middle aged men*

* *Now that Shilpa and Naina have agreed on the customer types, they want to know which snacks should be prepared. As the next step, Shilpa decides to make a list of all snacks Naina would have to serve to all selected customer types. She prepares the table below based on tables 2.e.2 and 2.e.3:*

|  |  |  |
| --- | --- | --- |
| ***Table 2.e.4: Understanding Products / Services to Sell in Snacks Corner*** | | |
| ***Snacks / Beverages to Prepare (Production)*** | ***Trading Items*** | ***Services*** |
| *Tea* | *Cold-drinks* |  |
| *Samosa* | *Biscuits* |  |
| *Pakoda* | *Muri* |  |
| *Dhokla* |  |  |

* *Having listed the products / services Naina needs to provide in her snacks corner, Shilpa thinks it is important to consider the nearby competition. Shilpa wants to understand the following:*
  + *Are there any competitors who are providing the same products / services as Naina?*
  + *If there is existing competition, will Naina be able to provide services better than them or at the least same as them?*

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

*Shilpa makes the following table to structure her thoughts better:*

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

| ***Table 2.e.6: Analysing Existing Competition*** | | | |
| --- | --- | --- | --- |
| ***Product / Service*** | ***Is there existing competition?*** | ***Can the entrepreneur provide products / services better than them or at least similar to them?*** | ***Is the product / service selected or rejected?*** |
| *Tea* | *Yes* | *Yes* | *Selected* |
| *Samosa* | *Yes* | *Yes* | *Selected* |
| *Pakoda* | *Yes* | *Yes* | *Selected* |
| *Dhokla* | *Yes* | *No* | *Rejected* |
| *Cold-drinks* | *Yes* | *Yes* | *Selected* |
| *Biscuits* | *Yes* | *Yes* | *Selected* |
| *Muri* | *Yes* | *Yes* | *Selected* |

*Having conducted these steps, Shilpa finally lists down the products / services Naina must offer in her snacks corner:*

1. *Tea*
2. *Samosa*
3. *Pakoda*
4. *Cold-drinks*
5. *Biscuits*
6. *Muri*

# **Tool 3: Estimate Revenue of the Business: Instructions for Using the Tool**

* *Naina and Shilpa have now short-listed products that can be sold in her snacks corner. Naina now wants to understand how much money her business will be able to make by selling the selected products and services. Shilpa helps her with estimating the revenue for her business.*
* *Shilpa suggested that Naina first looks at the products and services she plans to sell in her snacks corner. She lists them in the table as under:*
* ***The list of products / services can be sourced from Tool 2 – “Select the Right Product / Service for the Business”***

|  |  |
| --- | --- |
| ***Table 3.e.1: List of Products / Services Sold in Naina’s Snacks Corner*** | |
| ***S.No*** | ***Products / Services*** |
| *1* | *Tea* |
| *2* | *Samosa* |
| *3* | *Pakoda* |
| *4* | *Cold-drinks* |
| *5* | *Biscuits* |
| *6* | *Muri* |

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

| ***Table 3.e.2: Analysing the Customers’ Ability to Pay in a Year in Naina’s Snacks Corner*** | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| ***S.No*** | ***Customer Types*** | ***How often do the customers purchase (Frequency)*** | ***How many customers purchase in the mentioned frequency*** | ***Amount spent by customer type in One visit (Rs.)*** | ***When will they come during the year*** | ***Calculation for Approximate amount spent by a customer type in a year*** | ***Approximate amount spent by a customer type in a year (Rs.)*** |
|  | ***A*** | ***B*** | ***C*** | ***D*** | ***E*** | ***F = C x B x D x E*** | ***G*** |
| *1* | *Persons waiting for the bus* | *Once a day* | *40 per day* | *10* | *Throughout the year (360 days)* | *40 customers x 1 per day x Rs. 10 x 360 days a year* | *Rs. 1,44,000* |
| *2* | *Labourers from the nearby construction site* | *Twice a day* | *15 per day* | *8* | *Throughout the year, except in rainy season (300 days a year)* | *15 customers x 2 per day x Rs. 8 x 300 days a year* | *Rs. 72,000* |
| *3* | *Students returning from school / college* | *Once a week* | *20 per day* | *15* | *Throughout the year (52 weeks)* | *20 customers x 1 per week x Rs. 15 x 52 weeks a year* | *Rs. 15,600* |
| *4* | *Middle aged men* | *Once a day* | *10 per day* | *10* | *Throughout the year (360 days)* | *10 customers x 1 per day x Rs. 10 x 300 days a year* | *Rs. 36,000* |
|  | ***Total*** |  |  |  |  |  | ***Rs. 2,67,600*** |

* *As the next step, Shilpa decides to estimate the quantity of products the customer type will purchase from Naina’s business. She decides to organise information for each customer type in the table below:*

| ***Table 3.e.3: Estimate of Number of Customers, and Frequency of Purchase in Naina’s Snacks Corner*** | | | | | |
| --- | --- | --- | --- | --- | --- |
| ***Product / Service*** | ***How often will the customers come to buy*** | ***No. of times the customer will come to buy in the time period given in column B*** | ***No. of Customers*** | ***Quantity purchased by customers in one instance*** | ***Number of Instances in a year (consider the information in column B)*** |
| ***A*** | ***B*** | ***C*** | ***D*** | ***E*** | ***F*** |
| *Persons waiting for the bus* | | | | | |
| *Tea* | *Daily* | *1* | *25 in summers and 40 in winters* | *1 cup* | *180 instances in summer and 180 instances in winter* |
| *Samosa* | *Daily* | *1* | *10* | *1 no.* | *360 instances a year* |
| *Pakoda* | *Daily* | *1* | *8* | *1 plate* | *360 instances a year* |
| *Cold-drinks* | *Daily* | *1* | *20 in summer* | *1 no.* | *180 instances a year* |
| *Biscuits* | *Daily* | *1* | *20* | *2 nos.* | *360 instances a year* |
| *Muri* | *Daily* | *1* | *5* | *50 gm* | *360 instances a year* |
| *Labourers from the nearby construction site* | | | | | |
| *Tea* | *Daily* | *2* | *10* | *1 cup* | *300 instances a year (no labour during rains)* |
| *Biscuits* | *Daily* | *2* | *10* | *1 no.* | *300 instances a year* |
| *Muri* | *Daily* | *2* | *10* | *50 gm* | *300 instances a year* |
| *Students returning from school / college* | | | | | |
| *Samosa* | *Daily* | *1* | *2 in summer and 5 in winter* | *1 no.* | *180 instances in summer and 180 instances in winter* |
| *Pakoda* | *Daily* | *1* | *2 in summer and 5 in winter* | *1 plate* | *180 instances in summer and 180 instances in winter* |
| *Cold-drinks* | *Daily* | *1* | *10 in summer* | *1 no.* | *180 instances a year* |
| *Middle aged men* | | | | | |
| *Tea* | *Daily* | *1* | *10* | *1 cup* | *360 instances a year* |
| *Samosa* | *Daily* | *1* | *2 in summer and 5 in winter* | *1 no.* | *180 instances in summer and 180 instances in winter* |
| *Pakoda* | *Daily* | *1* | *2 in summer and 5 in winter* | *1 plate* | *180 instances in summer and 180 instances in winter* |
| *Muri* | *Daily* | *1 serving* | *2* | *50 gm* | *360 instances a year* |

* *Based on the table above, Shilpa calculates number of customers per year visiting Naina’s business, their purchase quantity and finally the sales volume for the business. She uses the following table to perform her calculations*

| ***Table 3.e.4: Estimating Number of Customers, Purchase Quantity, and Sales Volume for a Year for Naina’s Snacks Corner*** | | | |
| --- | --- | --- | --- |
|  | ***Number of Customers per Year***  ***(No. of Customers x Instances in a Year)*** | ***Purchase Quantity per Customer***  ***(Qty x Number of times the customer will buy)*** | ***Sales Volume*** |
|  | ***Columns C and F from Table 3.e.3*** | ***Columns D, and E from Table 3.e.3*** |  |
|  | ***A*** | ***B*** | ***C = A x B*** |
| *Persons waiting for the bus* | | | |
| *Tea* | *(25 x 180 instances) + (40 x 180 instances) = 11,700 customers per year* | *1 cup x 1 per day = 1 cup per day* | *11,700 x 1 = 11,700 cups per year* |
| *Pakoda* | *8 x 360 days = 2,880 customers per year* | *1 plate x 1 per day = 1 plate per day* | *2,880 x 1 = 2,880 plates per year* |
| *Cold-drinks* | *20 x 180 days = 3,600 customers per year* | *1 no. x 1 per day = 1 no. per day* | *3,600 x 1 = 3,600 nos. per year* |
| *Biscuits* | *20 x 360 days = 7,200 customers per year* | *2 nos. x 1 per day = 2 nos. per day* | *7,200 x 2 = 14,400 nos. per year* |
| *Muri* | *5 x 360 days = 1,800 customers per year* | *50 gm x 1 per day = 50 gm per day* | *1,800 x 50 = 90,000 gms per year or 90 kg per year* |
| *Labourers from the nearby construction site* | | | |
| *Tea* | *10 x 300 days = 3,000 customers per year* | *1 cup x 2 per day = 2 cup per day* | *3,000 x 1 = 3,000 cups per year* |
| *Biscuits* | *10 x 300 days = 3,000 customers per year* | *1 no. x 2 per day = 2 no. per day* | *3,000 x 2 = 6,000 nos. per year* |
| *Muri* | *10 x 300 days = 3,000 customers per year* | *50 gm x 2 per day = 100 gm per day* | *3,000 x 100 = 3,00,000 gm per year or 300 kg per year* |
| *Students returning from school / college* | | | |
| *Samosa* | *(2 x 180 days) + (5 x 180 days) = 1,260 customers per year* | *1 no. x 1 per day = 1 no. per day* | *1,260 x 1 = 1,260 nos. per year* |
| *Pakoda* | *2 x 180 days) + (5 x 180 days) = 1,260 customers per year* | *1 plate x 1 per day = 1 plate per day* | *1,260 x 1 = 1,260 plates per year* |
| *Cold-drinks* | *10 x 180 days = 1,800 customers per year* | *1 no. x 1 per day = 1 no. per day* | *1,800 x 1 = 1,800 nos. per year* |
| *Middle aged men* | | | |
| *Tea* | *10 x 360 days = 3,600 customers per year* | *1 cup x 1 per day = 1 cup per day* | *3,600 x 1 = 3,600 cups per year* |
| *Samosa* | *(2 x 180 days) + (5 x 180 days) = 1,260 customers per year* | *1 no. x 1 per day = 1 no. per day* | *1,260 x 1 = 1,260 nos. per year* |
| *Pakoda* | *(2 x 180 days) + (5 x 180 days) = 1,260 customers per year* | *1 plate x 1 per day = 1 plate per day* | *1,260 x 1 = 1,260 plates per year* |
| *Muri* | *2 x 360 days = 720 customers per year* | *50 gm x 1 per day = 50 gm per day* | *720 x 50 = 36,000 gms per year or 36 kg per year* |

* *Based on table 3.e.4, Shilpa consolidates the sales volume as under:*

| ***Table 3.e.5: Consolidating Sales Volume for Naina’s Snacks Corner*** | | | | | |
| --- | --- | --- | --- | --- | --- |
| *Product / Service* | *Persons waiting for the bus* | *Labourers from the nearby construction site* | *Students returning from school / college* | *Middle aged men* | *Total* |
| ***A*** | ***B*** | ***C*** | ***D*** | ***E*** | ***F*** |
| *Tea* | *11,700 cups per year* | *3,000 cups per year* |  | *3,600 cups per year* | *18,300 cups per year* |
| *Samosa* | *3,600 nos. per year* |  | *1,260 nos. per year* | *1,260 nos. per year* | *6,120 nos. per year* |
| *Pakoda* | *2,880 plates per year* |  | *1,260 plates per year* | *1,260 plates per year* | *5,400 plates per year* |
| *Cold-drinks* | *3,600 nos. per year* |  | *1,800 nos. per year* |  | *5,400 nos. per year* |
| *Biscuits* | *14,400 nos. per year* | *6,000 nos. per year* |  |  | *20,400 nos. per year* |
| *Muri* | *90,000 gms per year or 90 kg per year* | *3,00,000 gm per year or 300 kg per year* |  | *36,000 gms per year or 36 kg per year* | *426 kg per year* |

* *To consolidate information, Shilpa extracts columns A and F from table 3.e.5 and writes them in table 3.e.6*

|  |  |
| --- | --- |
| ***Table 3.e.6: Products / Services Sold in Naina’s Snacks Corner with their Sales Volume*** | |
| ***Products / Services*** | ***Estimated Sales Volume*** |
| *Tea* | *18,300 cups per year* |
| *Samosa* | *6,120 nos. per year* |
| *Pakoda* | *5,400 plates per year* |
| *Cold-drinks* | *5,400 nos. per year* |
| *Biscuits* | *20,400 nos. per year* |
| *Muri* | *426 kg per year* |

* *To estimate revenue, Shilpa decides to look at the competitor’s price. She uses the nearest and competitors price to calculate revenue for Naina’s snacks corner in the following table:*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Table 3.e.7: Revenue Estimation for Naina’s Snacks Corner*** | | | |
| ***Products / Services*** | ***Estimated Sales Volume*** | ***Nearest Competitor’s Price*** | ***Revenue***  ***(Sales Volume x Price)*** |
| *Tea* | *18,300 cups per year* | *Rs. 5 per cup* | *Rs. 91,500* |
| *Samosa* | *6,120 nos. per year* | *Rs.5 per piece* | *Rs. 30,600* |
| *Pakoda* | *5,400 plates per year* | *Rs. 8 per plate* | *Rs. 43,200* |
| *Cold-drinks* | *5,400 nos. per year* | *Rs. 10 per bottle* | *Rs. 54,000* |
| *Biscuits* | *20,400 nos. per year* | *Rs. 1 per biscuit* | *Rs. 20,400* |
| *Muri* | *426 kg per year* | *Rs. 3 per 50 gm (i.e. Rs. 60 per kg)* | *Rs. 25,560* |
| ***Total*** |  |  | ***Rs. 2,65,260*** |

* *Shilpa now compares the customers’ estimated ability to spend in table 3.e.2 and the estimated revenue from table 3.e.7. Shilpa does so to check if the customers can actually spend the amount of money she has estimated Naina’s business to earn. She does her analysis in the following table:*

|  |  |  |
| --- | --- | --- |
| ***Table 3.e.8: Checking if Revenue Matches with Customers’ Ability to Pay*** | | |
| ***Particulars*** | ***Source*** | ***Amount*** |
| *Customers’ ability to pay* | *Table 3.e.2* | *Rs. 2,67,600* |
| *±5% of customer’s ability to pay* |  | *Rs. 2,54,220 – Rs. 2,80,980* |
| *Estimated revenue for the business* | *Table 3.e.7* | *Rs. 2,65,260* |
| *Does the revenue fall within ±5% of customer’s ability to pay* | *Yes / No* | *Yes* |

* ***If the estimated revenue doesn’t fall within ±5% of customer’s ability to pay, then rework table 3.3 and subsequently all tables from table 3.e.3 to table 3.e.8***

# **Tool 4:** **Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur**

* *Now that Shilpa has helped Naina in estimating revenue for her business, she suggests charting out quality standards and production process for Naina’s business. Setting standards and processes will help them in estimating costs and subsequently the profits of the business.*
* *Shilpa suggested that Naina first looks at the products and services she plans to sell in her snacks corner. She lists them in the table as under:*
* ***The list of products / services to be sold by the business can be sourced from Tool 2 – ‘Select the Right Product / Service for the Business’***

|  |  |
| --- | --- |
| ***Table 4.e.1: List of Products / Services Sold in Naina’s Snacks Corner*** | |
| ***S.No*** | ***Products / Services*** |
| *1* | *Tea* |
| *2* | *Samosa* |
| *3* | *Pakoda* |
| *4* | *Cold-drinks* |
| *5* | *Biscuits* |
| *6* | *Muri* |

* *Before Naina lays down the processes for preparing her products / services, Shipa advises that they should list down the quality standards that they must follow in the business. Shilpa recollects from her TEAM module that quality is based on functionality, safety, and attractiveness or experience of the products in the business. She discusses these parameters with Naina and they write down the quality standards for the business together in the following table*
* ***Quality standards should be based on customer needs mentioned in Table 2.e.2, in Tool 2 – ‘Selecting Right Products / Services for the Business’***

| ***Table 4.e.2: Quality Standards for Naina’s Snacks Corner*** | | |
| --- | --- | --- |
| ***Functionality*** | ***Safety*** | ***Attractiveness*** |
| * *Tea, pakodas and samosas would be served hot to the customer* * *Samosas and pakodas should not be stored for more than three hours to retain freshness* * *Biscuits and muri should be kept in air-tight containers to avoid spoilage* | * *The tea cup should not be too full, otherwise hot tea might get spilled on the customer* * *The gas stove should be kept away from the customers to avoid injuries* * *Food should be covered and protected from flies* * *The utensils should be washed after every use* * *The shop should be cleaned everyday* * *Bottles / packs that have been expired should not be sold* | * *Quick service* * *Shade to stand in* * *Place to wash* * *Place to sit* |

* ***Based on the above standards, take regular feedback from customers and take corrective actions when needed***
* *Shilpa now helps Naina think from a production / purchase point of view. Having estimated the sales volume for each product / service to be sold in her shop and prepared the quality standards to be adhered to, Naina assesses the frequency of production / purchase and the subsequent batch size*
* ***Sales volume can be sourced from Table 3.e.6 of Tool 3 – ‘Estimate Revenue for the Business’***
* ***You may consider the seasonal fluctuations mentioned in Table 3.e.3 in Tool 3 – ‘Estimating Revenue for the Business’ to determine the number of times the product / service will be produced / purchased during the year***

| ***Table 4.e.3: Assessing Batch Size for Production / Purchase Cycle*** | | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| ***S.No*** | ***Products / Services*** | ***Sales Volume per Year*** | ***Quantity that can be Produced / Purchased at once*** | ***Number of Batches to be Produced in a Year*** | ***Frequency of Production / Purchase [Daily / Weekly / Monthly / Yearly]*** | ***Batch produced in the Mentioned Frequency*** |
|  | ***A*** | ***B*** | ***C*** | ***D = B / C*** | ***E*** | ***F = D / E*** |
| *1* | *Tea* | *18,300 cups per year* | *5 cups at a time* | *3,660 batches a year* | *Daily (360 days a year)* | *10 batches a day* |
| *2* | *Samosa* | *6,120 nos. per year* | *8 samosas at a time* | *765 batches a year* | *Daily (360 days a year)* | *2 batches a day* |
| *3* | *Pakoda* | *5,400 plates per year* | *5 plates at a time* | *1,080 batches a year* | *Daily (360 days a year)* | *3 batches a day* |
| *4* | *Cold-drinks* | *5,400 nos. per year* | *216 bottles at a time* | *25 batches a year* | *Weekly (25 weeks)* | *1 batch a week in summers* |
| *5* | *Biscuits* | *20,400 nos. per year* | *393 biscuits at a time* | *52 batches a year* | *Weekly (52 weeks)* | *1 batch a week* |
| *6* | *Muri* | *426 kg per year* | *200 gms at a time* | *2,130 batches a year* | *Daily (360 days a year)* | *6 batches a day* |
|  | *Sweet Mango* | *393 kg per year* | *50 kg at a time* | *9 batches a year* | *Yearly* | *9 batches a year* |

* *Shilpa, now with Naina’s help, lists down the steps she’ll follow to purchase / prepare the products / render services in her business. She uses the format in the table below:*

| ***Table 4.e.4: Process of Preparing Goods and Rendering Services and Required Equipment in Naina’s Snacks Corner*** | | | |
| --- | --- | --- | --- |
| ***Products / Services*** | ***Steps to Prepare / Purchase the Product or Render a Service for 1 batch*** | ***Equipment Required*** | ***Raw Material Required*** |
| *Tea (for one batch of 5 cups)* | 1. *Heat 500 ml of water in a vessel* 2. *Add 5 tablespoons of tea leaves* 3. *Allow it to brew* 4. *Add 250 ml of milk* 5. *Add sugar as per taste* 6. *Allow it to brew* 7. *Strain* 8. *Put in a kettle* 9. *Serve hot* | 1. *1 lt. vessel* 2. *Cups to serve tea* 3. *Vessels to store tea / sugar* 4. *Gas stove* 5. *Gas cylinder* 6. *Strainer* | 1. *Tea leaves – 20 gms* 2. *Milk – 250 ml* 3. *Sugar – 20 gms* 4. *Water* |
| *Samosa (for one batch of 8 samosas)* | 1. *Boil 500 gm potatoes* 2. *Add salt while boiling the potatoes* 3. *Allow the potatoes to cool* 4. *Peel the boiled potatoes* 5. *Cut them into small cubes* 6. *Wash and chop 3 onions and few chillies* 7. *Heat oil in a wok* 8. *Add chopped onion and chillies and fry them till onion get golden brown* 9. *Add spices as per taste* 10. *Put potatoes* 11. *Cook for 5 minutes and remove from gas* 12. *Take 500 gm flour and knead it into a dough* 13. *Make small balls of the dough and flatten them using a rolling pin* 14. *Make a cone out of the flattened dough and add cooked potatoes to it* 15. *Close the cone (you will get the triangle shape of the samosas)* 16. *Heat oil in a wok* 17. *Fry samosas till they are golden brown* 18. *Drain them out on a paper* 19. *Serve hot* | 1. *1 lt vessel* 2. *Plates to serve* 3. *Spoons* 4. *Spoon to fry* 5. *Wok* 6. *Rolling pin* 7. *Chakla* 8. *Knife to cut vegetables* 9. *Gas stove* 10. *Gas cylinder* 11. *Vessels to store spices* | 1. *Potatoes – 500 gm* 2. *Salt* 3. *Onions – 100 gm* 4. *Chillies – 5 gm* 5. *Oil – 250 ml* 6. *Spices* 7. *Flour – 500 gm* 8. *Water* |
| *Pakoda (for one batch of 5 plates)* | 1. *Wash and slice onions and potatoes* 2. *Put 250 gms gram flour in a vessel* 3. *Add spices as per taste* 4. *Add water to the vessel and make it into a thick batter* 5. *Heat oil in a wok* 6. *Dip the sliced vegetables in the batter and put them in the wok* 7. *Fry the vegetables till they are done* 8. *Drain them out on a paper* 9. *Serve hot* | 1. *1 lt. vessel* 2. *Wok* 3. *Spoon to fry* 4. *Knife to cut vegetables* 5. *Gas stove* 6. *Gas cylinder* 7. *Vessels to store spices* | 1. *Onion – 200 gm* 2. *Potato – 200 gm* 3. *Spices* 4. *Water* 5. *Gram flour – 250 gm* 6. *Oil – 250 ml* |
| *Cold-drinks* | 1. *Buy cold-drinks from the block market* 2. *Store them in a clean place* |  |  |
| *Biscuits* | 1. *Buy biscuits from the block market* 2. *Store them in a clean place* |  |  |
| *Muri (for one batch of 200 gms)* | 1. *Wash and finely chop onions and chillies* 2. *Take 200 gms of muri* 3. *Mix muri with chopped onions and chillies* 4. *Add spices as per taste* 5. *Squeeze lemon* 6. *Serve fresh* | 1. *Knife to cut vegetables* 2. *500 ml vessel* 3. *Plates / bowls to serve* 4. *Vessels to store spices* | 1. *Onion – 10 gm* 2. *Chillies – 1 gm* 3. *Spices* 4. *Lemon – 1 nos.* 5. *Puffed rice – 200 gm* |

* *Shilpa now consolidates the raw material requirement for Naina’a business in the following table:*

| ***Table 4.e.5: List of Raw Materials along with their Estimates Quantity in Naina’s Snacks Corner*** | |
| --- | --- |
| ***List of Raw Material*** | ***Estimated Quantity for 1 Batch*** |
| ***Tea*** | |
| *Milk* | *250 ml* |
| *Sugar* | *20 gms* |
| *Tea Leaves* | *20 gms* |
| ***Samosa*** | |
| *Flour* | *500 gms* |
| *Potatoes* | *500 gms* |
| *Onion* | *100 gms* |
| *Oil* | *250 ml* |
| *Chillies* | *5 gm* |
| *Spices* | *5 gm* |
| ***Pakoda*** | |
| *Gram Flour* | *250 gms* |
| *Potato* | *200 gms* |
| *Onion* | *200 gms* |
| *Spices* | *5 gm* |
| *Oil* | *250 ml* |
| ***Cold-drinks*** | |
| *Cold-drinks* | *216 bottles* |
| ***Biscuits*** | |
| *Biscuits* | *393 biscuits* |
| ***Muri*** | |
| *Puffed rice* | *200 gm* |
| *Spices* | *2 gm* |
| *Onion* | *10 gm* |
| *Lemon* | *1 nos.* |
| *Chilli* | *1 gm* |

* *Shilpa also consolidates a list of equipment for Naina’a business in the following table:*

| ***Table 4.e.6: List of Equipment Required in Naina’s Snacks Corner*** | | |
| --- | --- | --- |
| ***S.No*** | ***Equipment*** | ***Quantity*** |
| *1* | *1 lt. vessel* | *2* |
| *2* | *Cups to serve tea* | *12* |
| *3* | *Vessels to store tea / sugar* | *2* |
| *4* | *Gas stove* | *1* |
| *5* | *Gas cylinder* | *1* |
| *6* | *Plates to serve* | *12* |
| *7* | *Spoons* | *24* |
| *8* | *Spoon to fry* | *1* |
| *9* | *Wok* | *1* |
| *10* | *Rolling pin* | *1* |
| *11* | *Chakla* | *1* |
| *12* | *Knife to cut vegetables* | *2* |
| *13* | *500 ml vessel* | *2* |
| *14* | *Tarpoulin for shade* | *1* |
| *15* | *Floor mats to sit* | *6* |
| *16* | *Basket to cover samosas and pakodas* | *2* |
| *17* | *Air-tight container for biscuits* | *2* |

* *Having understood the process and equipment required for each product in the business, Shilpa now wants to understand whether Naina has the skill or if she can acquire the skill for preparing the product / rendering the service. Shilpa fills the table below in consultation with Naina:*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Table 4.e.7: Analysis of Skills Required for Preparing / Procuring Products and / or Rendering Services in Naina’s Snacks Corner*** | | | |
| ***Product / Service*** | ***Does the entrepreneur have the skill to perform steps listed in the previous table?*** | ***Can the entrepreneur get trained?*** | ***Can the entrepreneur hire a helper?*** |
| *Tea* | *Yes* |  |  |
| *Samosa* |  | *Yes* |  |
| *Pakoda* | *Yes* |  |  |
| *Cold-drinks* | *Yes* |  |  |
| *Biscuits* | *Yes* |  |  |
| *Muri* | *Yes* |  |  |

* *Having assessed the equipment and skills requirement, Shilpa finds it necessary to assess the time requirement for doing the business. Having detailed out the process earlier, Shilpa and Naina discuss and arrive at the time estimates for a batch*
* ***‘Frequency of Production / Purchase’ can be sourced Table 4.e.3 (column D)***
* ***‘Number of Batches in the Frequency Mentioned in Column B’ can be sourced Table 4.e.3 (column F)***
* ***Time Required to Prepare 1 Batch can be estimated looking at the process in Table 4.e.4***

| ***Table 4.e.8: Estimating Time Required for Preparing Products and / or Rendering Services in Naina’s Snacks Corner*** | | | | | |
| --- | --- | --- | --- | --- | --- |
| ***Product / Service*** | ***Frequency of Production / Purchase*** | ***Number of Batches in the Frequency Mentioned in Column B*** | ***Time Required to Prepare 1 Batch*** | ***Time Required by the Entrepreneur*** | ***Can any operation be clubbed?*** |
| ***A*** | ***B*** | ***C*** | ***D*** | ***E = C x D*** |  |
| *Tea* | *Daily* | *10 batches a day* | *10 minutes* | *100 minutes a day* | *100 minutes a day* |
| *Samosa* | *Daily* | *2 batches a day* | *30 minutes* | *60 minutes a day* | *60 minutes a day* |
| *Pakoda* | *Daily* | *3 batches a day* | *30 minutes* | *90 minutes a day* | *90 minutes a day* |
| *Cold-drinks* | *Weekly* | *1 batch a week* | *2 hours* | *2 hours a week* | *2 hours a week* |
| *Biscuits* | *Weekly* | *1 batch a week* | *2 hours* | *2 hours a week* |
| *Muri* | *Daily* | *6 batches a day* | *5 minutes* | *30 minutes a day* | *30 minutes a day* |

* *Shilpa now wants to check if Naina will be able to spare the required time from her schedule. She analyses it in the following format:*

| ***Table 4.e.9: Analysing if the Entrepreneur has Sufficient Time for Running the Business*** | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| ***Daily*** | | ***Weekly*** | | ***Monthly*** | | ***Yearly*** | |
| *Is any part of the production / purchase daily?* | *Yes* | *Is any part of the production / purchase weekly?* | *Yes* | *Is any part of the production / purchase monthly?* | *No* | *Is any part of the production / purchase yearly?* | *No* |
| *How much time will the entrepreneur require per day?* | *280 minutes or 4.5 hours per day* | *How much time will the entrepreneur require per week?* | *2 hours per week* | *How much time will the entrepreneur require per month?* |  | *How much time will the entrepreneur require per year?* |  |
| *Will the entrepreneur be able to take out as much time?* | *Yes* | *Will the entrepreneur be able to take out as much time?* | *Yes* | *Will the entrepreneur be able to take out as much time?* |  | *Will the entrepreneur be able to take out as much time?* |  |
| *Will the entrepreneur need to hire workers?* | *No* | *Will the entrepreneur need to hire workers?* | *No* | *Will the entrepreneur need to hire workers?* |  | *Will the entrepreneur need to hire workers?* |  |
| *For how many days / months the worker needs to be hired?* |  | *For how many days / months the worker needs to be hired?* |  | *For how many days / months the worker needs to be hired?* |  | *For how many days / months the worker needs to be hired?* |  |
| *What is the approximate wage rate?* |  | *What is the approximate wage rate?* |  | *What is the approximate wage rate?* |  | *What is the approximate wage rate?* |  |

* *Shilpa and Naina have analysed the raw material, equipment, skill, and time to produce / purchase the products / services. Now, Shilpa wants to assess whether raw material, equipment, skill, and time are available for Naina to run her business. She does a simple analysis in the following table:*
* ***Availability of raw material can be estimated based on the list of raw material in Table 4.e.5***
* ***Availability of equipment can be estimated based on the list of equipment in Table 4.e.6***
* ***Availability of skills can be estimated based on analysis done in Table 4.e.7***
* ***Availability of time can be estimated based on analysis done in Table 4.e.9***

| ***Table 4.e.10: Analysis of Naina’s Skills, Time, and Equipment*** | | | | |
| --- | --- | --- | --- | --- |
| ***Product / Service*** | ***Is the raw material available?*** | ***Is there equipment available or can equipment be purchased easily?*** | ***Is the skill available or can it be acquired easily?*** | ***Is there time available for this activity or can workers be hired to make up for insufficient time?*** |
| *Tea* | *Yes* | *Yes* | *Yes* | *Yes* |
| *Samosa* | *Yes* | *Yes* | *Yes (skill can be acquired)* | *Yes* |
| *Pakoda* | *Yes* | *Yes* | *Yes* | *Yes* |
| *Cold-drinks* | *Yes* | *Yes* | *Yes* | *Yes* |
| *Biscuits* | *Yes* | *Yes* | *Yes* | *Yes* |
| *Muri* | *Yes* | *Yes* | *Yes* | *Yes* |

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

# **Tool 5: Estimate Costs of the Business: Instructions for Using the Tool**

* *Shilpa, in the earlier tool, listed down standards and processes for Naina’s Snacks Corner, which helped her in listing the raw material required in the business. She now makes use of her findings from Tool 4, to arrive at costs for Naina’s business*
* *Now that Shilpa has estimated revenue in Tool 3, she wants to check if the revenue is enough to cover the costs of Naina’s snacks corner. Shilpa first decides to identify costs Naina will incur in her snacks shop. But before she proceeds, Shilpa finds it necessary to assess the income Naina wants to take home every month. Shilpa asks Naina and writes the answer in the table below:*

|  |  |
| --- | --- |
| ***Table 5.e.1: Take-home Income Desired by Naina*** | |
| *Amount that the entrepreneur wishes to withdraw every month from the business* | *Rs. 3,000* |

* *Now, based on her analysis earlier, Shilpa assess the applicability of various cost items for Naina’s business*
* ***Refer to the processes detailed out in Table 4.e.4 and list of equipment in Table 4.e.6 to cross-check the applicability of costs in the business***
* ***The amount mentioned in Table 5.e.1 may be taken as money withdrawn by owner for personal use***
* ***Wages mentioned in Table 4.e.9 must also be considered***

| ***Table 5.e.2: Cost Incurred by Naina’s Snacks Corner*** | |
| --- | --- |
| ***Costs*** | ***Applicability for the Business (Y / N)*** |
| *Raw Material* | *Y* |
| *Money paid to the workers (wages / salaries)* | *Y* |
| *Electricity* | *N* |
| *Transportation* | *Y* |
| *Money withdrawn by owner for personal purposes / wages withdrawn by owner* | *Y* |
| *Repair and maintenance* | *N* |
| *Rent* | *Y* |
| *Fuel* | *Y* |
| *Packaging cost* | *N* |
| *Other cost 1: Washing powder and scrub* | *Y* |
| *Other cost 2: \_\_\_\_\_\_\_\_\_\_\_\_\_* | *N* |
| *Other cost 3: \_\_\_\_\_\_\_\_\_\_\_\_\_* | *N* |
| *Other cost 4: \_\_\_\_\_\_\_\_\_\_\_\_\_* | *N* |
| *Other cost 5: \_\_\_\_\_\_\_\_\_\_\_\_\_* | *N* |

* *Shilpa now lists down all costs applicable in Naina’s snacks corner and classifies them as fixed and variable costs*
* ***Under exceptional cases, money paid to workers may be considered as a variable cost***

| ***Table 5.e.3: Classification of Costs in Naina’s Snacks Corner*** | | |
| --- | --- | --- |
| ***Costs*** | ***Fixed Cost*** | ***Variable Costs*** |
| *Raw Material* |  | *🗸* |
| *Money paid to the workers* | *🗸* |  |
| *Transportation* | *🗸* |  |
| *Money withdrawn for personal purposes* | *🗸* |  |
| *Rent* | *🗸* |  |
| *Fuel* | *🗸* |  |
| *Washing Powder* | *🗸* |  |

* *Shilpa decides to estimate fixed and variable costs separately. She first decides to estimate fixed costs for Naina’s snacks corner. Shilpa lists down all fixed costs in the business and then makes an estimate in the following table:*
* ***Money withdrawn for personal purposes can be sourced from Table 5.e.1***
* ***To convert monthly estimate into annual estimate, multiply the monthly estimate by the number of months the business is operational. In Naina’s case, the business is operational for 12 months, hence, the monthly estimate has been multiplied by 12***

|  |  |  |
| --- | --- | --- |
| ***Table 5.e.4: Estimation of Fixed Costs in Naina’s Snacks Corner*** | | |
| ***Costs*** | ***Monthly Estimate*** | ***Annual Estimate*** |
| *Money paid to the workers* | *Rs. 1,000* | *Rs. 12,000* |
| *Transportation* | *Rs. 100* | *Rs. 1,200* |
| *Money withdrawn for personal purposes* | *Rs. 3,000* | *Rs. 36,000* |
| *Rent* | *Rs. 800* | *Rs. 9,600* |
| *Fuel* | *Rs. 700* | *Rs. 8,400* |
| *Washing Powder* | *Rs. 50* | *Rs. 600* |
| ***Total*** | ***Rs. 5,650*** | ***Rs. 67,800*** |

* *After estimating fixed costs, Shilpa now decides to estimate variable costs for Naina’s business. For this, she first calculates the number of batches of products / services Naina will have to produce / purchase*

* ***Total Number of Batches in a Year can be sourced from Table 4.e.3 (column D) of Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’***

| ***Table 5.e.5: Number of Batches per Year in Naina’s Snacks Corner*** | |
| --- | --- |
| ***Product / Service*** | ***Total Number of Batches in a Year*** |
|  | ***Table 4.e.3 (column D)*** |
| *Tea* | *3,600 batches* |
| *Samosa* | *720 batches* |
| *Pakoda* | *1,080 batches* |
| *Cold-drinks* | *25 batches* |
| *Biscuits* | *52 batches* |
| *Muri* | *2,160 batches* |

* *After calculating the number of batches, Shilpa refers to her earlier analysis and lists down the quantity of raw-material estimated batch-wise for products in Naina’s business. She uses the table below to arrive at the total raw material required per year for each product / service*
* ***Estimated Quantity for 1 Batch can be sourced from Table 4.e.5 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’***

| ***Table 5.e.6: Estimating Quantity of Raw Material Required for Naina’s Snacks Corner*** | | | |
| --- | --- | --- | --- |
| ***List of Raw Material*** | ***Estimated Quantity for 1 Batch*** | ***Number of Batches per Year*** | ***Total Quantity Required per Year*** |
| ***A*** | ***B*** | ***C*** | ***D = B x C*** |
| ***Tea*** | | | |
| *Milk* | *250 ml* | *3,600 batches* | *9,00,000 ml or 900 litres* |
| *Sugar* | *20 gms* | *3,600 batches* | *72,000 gms or 72 kg* |
| *Tea Leaves* | *20 gms* | *3,600 batches* | *72,000 gms or 72 kg* |
| ***Samosa*** | | | |
| *Flour* | *500 gms* | *720 batches* | *3,60,000 gms or 360 kg* |
| *Potatoes* | *500 gms* | *720 batches* | *3,60,000 gms or 360 kg* |
| *Onion* | *100 gms* | *720 batches* | *72,000 gms or 72 kg* |
| *Oil* | *250 ml* | *720 batches* | *1,80,000 ml or 180 litres* |
| *Chillies* | *5 gm* | *720 batches* | *3,600 gms or 3.6 kg* |
| *Spices* | *5 gm* | *720 batches* | *3,600 gms or 3.6 kg* |
| ***Pakoda*** | | | |
| *Gram Flour* | *250 gms* | *1,080 batches* | *2,70,000 gms or 270 kg* |
| *Potato* | *200 gms* | *1,080 batches* | *2,16,000 gms or 216 kg* |
| *Onion* | *200 gms* | *1,080 batches* | *2,16,000 gms or 216 kg* |
| *Spices* | *5 gm* | *1,080 batches* | *5,400 gms or 5.4 kg* |
| *Oil* | *250 ml* | *1,080 batches* | *2,70,000 ml or 270 litres* |
| ***Cold-drinks*** | | | |
| *Cold-drinks* | *216 bottles* | *25 batches* | *5,400 bottles* |
| ***Biscuits*** | | | |
| *Biscuits* | *393 biscuits* | *52 batches* | *20,436 biscuits* |
| ***Muri*** | | | |
| *Puffed rice* | *200 gm* | *2,160 batches* | *4,32,000 gms or 432 kg* |
| *Spices* | *2 gm* | *2,160 batches* | *4,320 gms or 4.3 kg* |
| *Onion* | *10 gm* | *2,160 batches* | *21,600 gms or 21.6 kg* |
| *Lemon* | *1 nos.* | *2,160 batches* | *2,160 lemons* |
| *Chilli* | *1 gm* | *2,160 batches* | *2,160 gms or 2.1 kg* |

* *Shilpa further consolidates the list of raw materials and their quantities in the following table to calculate total raw material required as two products might use the same raw material. For eg: potatoes in our business are being used in pakodas and samosas:*

| ***Table 5.e.7: Consolidated Quantities of Raw Material required per year for each Product / Service in Naina’s Snacks Corner*** | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| ***List of Raw Material*** | ***Tea*** | ***Samosa*** | ***Pakoda*** | ***Cold-drinks*** | ***Biscuits*** | ***Muri*** | ***Total Raw Material*** |
| *Milk* | *900 litres* |  |  |  |  |  | *900 litres* |
| *Sugar* | *72 kg* |  |  |  |  |  | *72 kg* |
| *Tea Leaves* | *72 kg* |  |  |  |  |  | *72kg* |
| *Flour* |  | *360 kg* |  |  |  |  | *360 kg* |
| *Potatoes* |  | *360 kg* | *216 kg* |  |  |  | *476 kg* |
| *Oil* |  | *180 litres* | *270 litres* |  |  |  | *450 litres* |
| *Chillies* |  | *3.6 kg* |  |  |  | *2.1 kg* | *5.7 kg* |
| *Spices* |  | *3.6 kg* | *5.4 kg* |  |  | *4.3 kg* | *13.3 kg* |
| *Gram Flour* |  |  | *270 kg* |  |  |  | *270 kg* |
| *Onion* |  |  | *216 kg* |  |  | *21.6 kg* | *237.6 kg* |
| *Cold-drinks* |  |  |  | *5,400 bottles* |  |  | *5400 bottles* |
| *Biscuits* |  |  |  |  | *20,436 nos.* |  | *20,436 biscuits* |
| *Puffed rice* |  |  |  |  |  | *432 kg* | *432 kg* |
| *Lemon* |  |  |  |  |  | *2,160 nos.* | *2,160 nos* |

* *Shilpa now mentions the cost per unit of each raw material. She surveys the market and finds out the average prices for each raw material. She uses the price and the quantity estimated above to calculate total variable cost*

| ***Table 5.e.8: Estimation of Raw Material Cost for Naina’s Snacks Corner*** | | | |
| --- | --- | --- | --- |
| ***List of Raw Material*** | ***Estimated Quantity per Year*** | ***Average Cost per Unit*** | ***Cost per Year*** |
| ***A*** | ***B*** | ***C*** | ***D = B x C*** |
| *Milk* | *900 litres* | *Rs. 34 per litre* | *Rs. 30,600* |
| *Sugar* | *72 kg* | *Rs. 30 per kg* | *Rs. 2,160* |
| *Tea Leaves* | *72kg* | *Rs. 150 per kg* | *Rs. 10,800* |
| *Flour* | *360 kg* | *Rs. 25 per kg* | *Rs. 9,000* |
| *Potatoes* | *476 kg* | *Rs. 10 per kg* | *Rs. 4,760* |
| *Oil* | *450 litres* | *Rs. 100 per litre* | *Rs. 45,000* |
| *Chillies* | *7.7 kg* | *Rs. 60 per kg* | *Rs. 462* |
| *Spices* | *13.3 kg* | *Rs. 50 per kg* | *Rs. 665* |
| *Gram Flour* | *270 kg* | *Rs. 60 per kg* | *Rs. 16,200* |
| *Onion* | *237.6 kg* | *Rs. 15 per kg* | *Rs. 3,564* |
| *Cold-drinks* | *5400 bottles* | *Rs. 8 per bottle* | *Rs. 43,200* |
| *Biscuits* | *20,436 biscuits* | *Rs. 0.75 per biscuit* | *Rs. 15,327* |
| *Puffed rice* | *432 kg* | *Rs. 30 per kg* | *Rs. 12,960* |
| *Lemon* | *2,160 nos* | *Re. 0.4 per lemon* | *Rs. 864* |
| ***Total*** |  |  | ***Rs. 1,95,562*** |

* *Shilpa finally compiles Naina’s fixed and variable costs for the year to arrive at the total cost for her business:*

|  |  |  |
| --- | --- | --- |
| ***Table 5.e.9: Estimation of Total Cost for Naina’s Snacks Corner*** | | |
| ***Cost*** | ***Source*** | ***Amount*** |
| *Fixed Cost* | *Table 5.e.4* | *Rs. 67,800* |
| *Variable Cost* | *Table 5.e.8* | *Rs. 1,95,562* |
| ***Total Cost*** |  | ***Rs. 2,63,362*** |

# **Tool 6: Estimate Profit of the Business: Instructions for Using the Tool**

* *Shilpa and Naina have already estimated the revenue and costs of Naina’s Snacks Corner in previous tools. Shilpa now calculates the profit of her business. If Naina’s business is making a profit, Shilpa can move on to next tools. However, if Naina’s business is incurring a loss, then Shilpa needs to find a way to make the business profitable or reject the business idea. This tool will help Shilpa in the same*
* ***Revenue can be sourced from Table 3.e.7 from Tool 3 – ‘Estimating Revenue for the Business’***
* ***Total Cost can be sourced from Table 5.e.9 from Tool 5 – ‘Estimating Cost of the Business’***

|  |  |
| --- | --- |
| ***Table 6.e.1: Calculating Profit for Naina’s Snacks Corner*** | |
| ***Cost*** | ***Amount (Annual)*** |
| *Revenue* | *Rs. 2,65,260* |
| *Total Cost* | *Rs. 2,63,362* |
| *Revenue – Total Cost* | *Rs. 1,898* |

*Shilpa finds that Naina’s Snacks Corner has higher revenue than costs. The difference between revenue and cost is Rs. 1,898, after accounting for her personal expenses at the rate of Rs. 3,000 per month. Shilpa now decides to consult with Naina whether to continue with snacks corner or not.*

* ***If business is earning a profit, i.e. revenue is more than the total cost, then the idea can be considered for further analysis***
* ***If the business is incurring a loss, i.e. revenue is less than the total cost then, the following steps must be considered:***
  + ***Increase Revenue***
    - ***Increase Price***
      * ***If the entrepreneur and CRP-EP think that the business offerings can demand a higher price than the competitors, then work out Tool 9 – ‘Set Price for Products / Services’ and calculate revenue in Tool 3 – ‘Estimate Revenue for the Business’ using the prices. Subsequently rework Tool 6 – ‘Estimate Profit of the Business’***
    - ***Increase Sales Volume***
      * ***Consider adding new customer types and additional products in Tool 2 – ‘Select Right Products / Service for the Business’ and subsequently rework Tool 3 – ‘Estimate Revenue of the Business’, Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’, Tool 5 – ‘Estimate Cost of the Business’, and Tool 6 – ‘Estimate Profit of the Business’***
  + ***Decrease Cost***
    - * ***Shilpa and Naina can try to identify a supplier for purchasing raw material and negotiating lower prices with the supplier. Tool 8 – ‘Create Inventory Plan for the Business’ may help in selecting a supplier***
      * ***Shilpa and Naina can look for cheaper alternatives / substitutes for raw material***
      * ***They can also think about reducing wastage, and costs such as rent, electricity, fuel, and salaries, if possible***
  + ***Consider doing both – increasing revenue and decreasing cost***
  + ***If after repeated changes, the business is not profitable, reject the business idea***

# **Tool 7: Create Sales Plan for the Business: Instructions for Using the Tool**

* *Now that Shilpa has estimated revenue, costs, and profit for Naina’s Snacks Corner, the next step is to create a sales plan. Sales plan will help Naina plan for her inventory and produce as per requirement. It will also help her establish the method of sales, quantity of sales per month, and help Naina in framing the credit policy for her business.*
* *Shilpa lists down the customer types that Naina will cater in her business and then identify the method of sales for each customer type. Shilpa uses the following format to do so:*
* ***Customer types for the business can be sourced from Table 2.e.3 of Tool 2 – ‘Select the Right Product / Service for the Business’***

| ***Table 7.e.1: Sales Method for Customer Types in Naina’s Snacks Corner*** | | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| ***Customer Types*** | ***Directly to consumers –door to door sales*** | ***Directly to consumers – own outlet*** | ***Selling to retailers or shops*** | ***Selling to wholesalers*** | ***Selling directly to institutions or other businesses*** | ***Selling through exhibitions / fairs*** |
| *Persons waiting for the bus* |  | *🗸* |  |  |  |  |
| *Labourers from the nearby construction site* |  | *🗸* |  |  |  |  |
| *Students returning from school / college* |  | *🗸* |  |  |  |  |
| *Middle aged men* |  | *🗸* |  |  |  |  |

* *Now that Naina has identified various sales methods, she re-writes the yearly sales volume decided earlier*
* ***Sales volume per year for the business can be sourced from Table 3.e.6 of Tool 3 – ‘Estimate Revenue of the Business’***

| ***Table 7.e.2: Products / Services Sold in Naina’s Snacks Corner with their Sales Volume*** | |
| --- | --- |
| ***Products / Services*** | ***Estimated Sales Volume*** |
| *Tea* | *18,300 cups per year* |
| *Samosa* | *6,120 nos. per year* |
| *Pakoda* | *5,400 plates per year* |
| *Cold-drinks* | *5,400 nos. per year* |
| *Biscuits* | *20,400 nos. per year* |
| *Muri* | *426 kg per year* |

* *Shilpa further decides to distribute the estimated sales volume per sales method. She uses the format below for the same. Since there is only one sales channel, total volume for products will be sold through the selected sales channel*
* ***The estimated sales volume in table 7.e.3 (last column) must match with the estimated sales volume in table 7.e.2***

|  |  |  |
| --- | --- | --- |
| ***Table 7.e.3: Estimation of Sales Volume by Sales Method for Naina’s Snacks Corner*** | | |
| ***Products / Services*** | ***Directly to consumers – own outlet*** | ***Estimated Sales Volume (Total for all Sales Methods)*** |
| ***Percentage of Sale*** | ***100%*** | ***100%*** |
| *Tea* | *18,300 cups per year* | *18,300 cups per year* |
| *Samosa* | *6,120 nos. per year* | *6,120 nos. per year* |
| *Pakoda* | *5,400 plates per year* | *5,400 plates per year* |
| *Cold-drinks* | *5,400 nos. per year* | *5,400 nos. per year* |
| *Biscuits* | *20,400 nos. per year* | *20,400 nos. per year* |
| *Muri* | *426 kg per year* | *426 kg per year* |

* *Shilpa now wants to break the sales volume into monthly targets. She considers seasonal fluctuations mentioned earlier to arrive at the month-wise sales targets*
* ***Please take seasonal fluctuations into consideration while preparing the sales plan for the entrepreneur.***
* ***A few factors that contribute to seasonal fluctuations are: availability of raw material, harvest season in villages, festivals, etc.***
* ***You may consider the seasonal fluctuations mentioned in Table 3.e.3 in Tool 3 – ‘Estimating Revenue for the Business’ and determine the month-wise sales plan***
* *Shilpa calculates that Naina’s average sales on a monthly basis. Hence, if Naina is selling 18,300 cups of tea in a year, it means, her average sale per month is (18,300 divided by 12) 1,525 cups per month. But, Naina’s business also has seasonal fluctuations, as mentioned in table 3.e.3 in Tool 3. Shilpa discusses with Naina and plans a 20% increase for tea, samosa, and pakoda in winter months. She also realises from Table 3.e.3 that cold-drinks will only be sold during summer and sales for biscuits and muri are not affected by seasonal fluctuations. She presents the information in the following table:*

| ***Table 7.e.4: Sales Plan for Naina’s Snacks Corner*** | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | ***Directly to consumers – home visits*** | ***Directly to consumers – own outlet*** | ***Selling to retailers or shops*** | ***Selling to wholesalers*** | ***Selling directly to institutions or other businesses*** | ***Selling through exhibitions / fairs*** | ***Total*** |
| ***Tea*** | | | | | | | |
| *Total* |  | *18,300 cups* |  |  |  |  | *18,300 cups* |
| *Jan* |  | *1,830 cups* |  |  |  |  | *1,830 cups* |
| *Feb* |  | *1,830 cups* |  |  |  |  | *1,830 cups* |
| *Mar* |  | *1,830 cups* |  |  |  |  | *1,830 cups* |
| *Apr* |  | *1,220 cups* |  |  |  |  | *1,220 cups* |
| *May* |  | *1,220 cups* |  |  |  |  | *1,220 cups* |
| *Jun* |  | *1,220 cups* |  |  |  |  | *1,220 cups* |
| *Jul* |  | *1,220 cups* |  |  |  |  | *1,220 cups* |
| *Aug* |  | *1,220 cups* |  |  |  |  | *1,220 cups* |
| *Sep* |  | *1,220 cups* |  |  |  |  | *1,220 cups* |
| *Oct* |  | *1,830 cups* |  |  |  |  | *1,830 cups* |
| *Nov* |  | *1,830 cups* |  |  |  |  | *1,830 cups* |
| *Dec* |  | *1,830 cups* |  |  |  |  | *1,830 cups* |
| ***Samosa*** | | | | | | | |
| *Total* |  | *6,120 nos.* |  |  |  |  | *6,120 nos.* |
| *Jan* |  | *612 nos.* |  |  |  |  | *612 nos.* |
| *Feb* |  | *612 nos.* |  |  |  |  | *612 nos.* |
| *Mar* |  | *612 nos.* |  |  |  |  | *612 nos.* |
| *Apr* |  | *408 nos.* |  |  |  |  | *408 nos.* |
| *May* |  | *408 nos.* |  |  |  |  | *408 nos.* |
| *Jun* |  | *408 nos.* |  |  |  |  | *408 nos.* |
| *Jul* |  | *408 nos.* |  |  |  |  | *408 nos.* |
| *Aug* |  | *408 nos.* |  |  |  |  | *408 nos.* |
| *Sep* |  | *408 nos.* |  |  |  |  | *408 nos.* |
| *Oct* |  | *612 nos.* |  |  |  |  | *612 nos.* |
| *Nov* |  | *612 nos.* |  |  |  |  | *612 nos.* |
| *Dec* |  | *612 nos.* |  |  |  |  | *612 nos.* |
| ***Pakoda*** | | | | | | | |
| *Total* |  | *5,400 plates* |  |  |  |  | *5,400 plates* |
| *Jan* |  | *540 plates* |  |  |  |  | *540 plates* |
| *Feb* |  | *540 plates* |  |  |  |  | *540 plates* |
| *Mar* |  | *540 plates* |  |  |  |  | *540 plates* |
| *Apr* |  | *360 plates* |  |  |  |  | *360 plates* |
| *May* |  | *360 plates* |  |  |  |  | *360 plates* |
| *Jun* |  | *360 plates* |  |  |  |  | *360 plates* |
| *Jul* |  | *360 plates* |  |  |  |  | *360 plates* |
| *Aug* |  | *360 plates* |  |  |  |  | *360 plates* |
| *Sep* |  | *360 plates* |  |  |  |  | *360 plates* |
| *Oct* |  | *540 plates* |  |  |  |  | *540 plates* |
| *Nov* |  | *540 plates* |  |  |  |  | *540 plates* |
| *Dec* |  | *540 plates* |  |  |  |  | *540 plates* |
| ***Cold Drinks*** | | | | | | | |
| *Total* |  | *5,400 nos.* |  |  |  |  | *5,400 nos.* |
| *Jan* |  |  |  |  |  |  |  |
| *Feb* |  |  |  |  |  |  |  |
| *Mar* |  |  |  |  |  |  |  |
| *Apr* |  | *900 nos.* |  |  |  |  | *900 nos.* |
| *May* |  | *900 nos.* |  |  |  |  | *900 nos.* |
| *Jun* |  | *900 nos.* |  |  |  |  | *900 nos.* |
| *Jul* |  | *900 nos.* |  |  |  |  | *900 nos.* |
| *Aug* |  | *900 nos.* |  |  |  |  | *900 nos.* |
| *Sep* |  | *900 nos.* |  |  |  |  | *900 nos.* |
| *Oct* |  |  |  |  |  |  |  |
| *Nov* |  |  |  |  |  |  |  |
| *Dec* |  |  |  |  |  |  |  |
| ***Biscuits*** | | | | | | | |
| *Total* |  | *20,400 nos.* |  |  |  |  | *20,400 nos.* |
| *Jan* |  | *1,700 nos.* |  |  |  |  | *1,700 nos.* |
| *Feb* |  | *1,700 nos.* |  |  |  |  | *1,700 nos.* |
| *Mar* |  | *1,700 nos.* |  |  |  |  | *1,700 nos.* |
| *Apr* |  | *1,700 nos.* |  |  |  |  | *1,700 nos.* |
| *May* |  | *1,700 nos.* |  |  |  |  | *1,700 nos.* |
| *Jun* |  | *1,700 nos.* |  |  |  |  | *1,700 nos.* |
| *Jul* |  | *1,700 nos.* |  |  |  |  | *1,700 nos.* |
| *Aug* |  | *1,700 nos.* |  |  |  |  | *1,700 nos.* |
| *Sep* |  | *1,700 nos.* |  |  |  |  | *1,700 nos.* |
| *Oct* |  | *1,700 nos.* |  |  |  |  | *1,700 nos.* |
| *Nov* |  | *1,700 nos.* |  |  |  |  | *1,700 nos.* |
| *Dec* |  | *1,700 nos.* |  |  |  |  | *1,700 nos.* |
| ***Muri*** | | | | | | | |
| *Total* |  | *426 kg* |  |  |  |  | *426 kg* |
| *Jan* |  | *35.5 kg* |  |  |  |  | *35.5 kg* |
| *Feb* |  | *35.5 kg* |  |  |  |  | *35.5 kg* |
| *Mar* |  | *35.5 kg* |  |  |  |  | *35.5 kg* |
| *Apr* |  | *35.5 kg* |  |  |  |  | *35.5 kg* |
| *May* |  | *35.5 kg* |  |  |  |  | *35.5 kg* |
| *Jun* |  | *35.5 kg* |  |  |  |  | *35.5 kg* |
| *Jul* |  | *35.5 kg* |  |  |  |  | *35.5 kg* |
| *Aug* |  | *35.5 kg* |  |  |  |  | *35.5 kg* |
| *Sep* |  | *35.5 kg* |  |  |  |  | *35.5 kg* |
| *Oct* |  | *35.5 kg* |  |  |  |  | *35.5 kg* |
| *Nov* |  | *35.5 kg* |  |  |  |  | *35.5 kg* |
| *Dec* |  | *35.5 kg* |  |  |  |  | *35.5 kg* |

* *Having finalised the sales plan, Shilpa also wants Naina to decide on the credit policy that she will adopt*

|  |  |
| --- | --- |
| ***Table 7.e.5: Decision to Sell on Credit for Naina’s Snacks Corner*** | |
| *The business will have no sales transactions on credit* |  |
| *The business will have at least one sales transaction on credit* | *🗸* |

*Naina anticipates that her business will have credit sales*

* ***If the business will have credit sales, then proceed to next steps. If the business plans to sell all products / services on cash, then the tool to develop sales plan ends here***
* *Since Naina decides to sell on credit, Shilpa decides to frame a credit policy. She uses the following framework to organise the policy decisions. Naina and Shilpa sit together and decide answers to the following questions:*

| ***Table 7.e.6: Credit Policy for Naina’s Snacks Corner*** | |
| --- | --- |
|  | ***Directly to consumers – own outlet*** |
| ***Who will the business give credit to?*** | *The business will give credit to customers who live within 2 km of Naina’s house* |
| ***For how long will the business give credit?*** | *The credit will be given for a period of maximum of 10 days from the date of sale* |
| ***What percentage of monthly revenue will be on credit?*** | *A maximum of 20% of the monthly revenue can be given on credit, i.e. if Naina’s monthly revenue if Rs. 100, she will give a maximum credit of Rs. 20 to her customers* |
| ***Will there be periods in a year when no credit is given or extra credit is given?*** | *No credit will be given during festivals (particularly during Holi and Diwali)* |

# **Tool 8: Create Inventory Plan for the Business - Instructions for Using the Tool**

* *Shilpa helped Naina prepare a sales plan for her business in the previous tool. Shilpa now makes use of the sales plan to prepare an inventory plan for Naina’s business*
* *Shilpa looks at the material requirement for Naina’s business she already prepared in Tool 3 and presents it as under:*
* ***The list of raw material and the estimated quantity for 1 batch can be sourced from Table 4.e.5 from Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’***

| ***Table 8.e.1: List of Raw Materials along with their Estimates Quantity in Naina’s Snacks Corner*** | |
| --- | --- |
| ***List of Raw Material*** | ***Estimated Quantity for 1 Batch*** |
| ***Tea*** | |
| *Milk* | *250 ml* |
| *Sugar* | *20 gms* |
| *Tea Leaves* | *20 gms* |
| ***Samosa*** | |
| *Flour* | *500 gms* |
| *Potatoes* | *500 gms* |
| *Onion* | *100 gms* |
| *Oil* | *250 ml* |
| *Chillies* | *5 gm* |
| *Spices* | *5 gm* |
| ***Pakoda*** | |
| *Gram Flour* | *250 gms* |
| *Potato* | *200 gms* |
| *Onion* | *200 gms* |
| *Spices* | *5 gm* |
| *Oil* | *250 ml* |
| ***Cold-drinks*** | |
| *Cold Drinks* | *216 bottles* |
| ***Biscuits*** | |
| *Biscuits* | *393 biscuits* |
| ***Muri*** | |
| *Puffed rice* | *200 gm* |
| *Spices* | *2 gm* |
| *Onion* | *10 gm* |
| *Lemon* | *1 nos.* |
| *Chilli* | *1 gm* |

* *Shilpa now decides to look at the sales plan prepared earlier and assess the amount of raw material required per month in the business. In this step she re-writes the estimated sales volume for Naina’s business*
* ***The month-wise sales plan can be sourced from Table 7.e.4 (total column) in Tool 7 – ‘Create Sales Plan of the Business’***

| ***Table 8.e.2: Sales Volume for Products Sold in Naina’s Snacks Corner*** | | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Unit*** | ***Jan*** | ***Feb*** | ***Mar*** | ***Apr*** | ***May*** | ***Jun*** | ***Jul*** | ***Aug*** | ***Sep*** | ***Oct*** | ***Nov*** | ***Dec*** |
| *Tea* | *Cups* | *1,830* | *1,830* | *1,830* | *1,220* | *1,220* | *1,220* | *1,220* | *1,220* | *1,220* | *1,830* | *1,830* | *1,830* |
| *Samosa* | *Nos.* | *612* | *612* | *612* | *408* | *408* | *408* | *408* | *408* | *408* | *612* | *612* | *612* |
| *Pakoda* | *Plates* | *540* | *540* | *540* | *360* | *360* | *360* | *360* | *360* | *360* | *540* | *540* | *540* |
| *Cold-drinks* | *Bottles* |  |  |  | *900* | *900* | *900* | *900* | *900* | *900* |  |  |  |
| *Biscuits* | *Nos.* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* |
| *Muri* | *Kg* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* |

* *Shilpa reproduces the batch size for each product to be produced in the table below:*
* ***The batch size can be sourced from Table 4.e.3 (column C) in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’***

| ***Table 8.e.3: Batch Size for Producing / Purchasing Products Sold by Naina’s Snacks Corner*** | | |
| --- | --- | --- |
| ***S.No*** | ***Products / Services*** | ***Estimated batch size to be produced / purchased for the given sales volume*** |
|  | ***A*** | ***Table 4.e.3 (column C)*** |
| *1* | *Tea* | *5 cups at a time* |
| *2* | *Samosa* | *8 samosas at a time* |
| *3* | *Pakoda* | *5 plates at a time* |
| *4* | *Cold-drinks* | *216 bottles at a time* |
| *5* | *Biscuits* | *393 biscuits at a time* |
| *6* | *Muri* | *200 gms at a time* |

* *Shilpa now calculates the number of batches to be produced per month.*
* ***Divide the values in Table 8.e.2 with those in Table 8.e.3***

| ***Table 8.e.4: Estimation of Number of Batches to be Produced / Purchased per Month in Naina’s Snacks Corner*** | | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Unit*** | ***Jan*** | ***Feb*** | ***Mar*** | ***Apr*** | ***May*** | ***Jun*** | ***Jul*** | ***Aug*** | ***Sep*** | ***Oct*** | ***Nov*** | ***Dec*** |
| *Tea* | *Batches* | *366* | *366* | *366* | *244* | *244* | *244* | *244* | *244* | *244* | *366* | *366* | *366* |
| *Samosa* | *Batches* | *76.5* | *76.5* | *76.5* | *51* | *51* | *51* | *51* | *51* | *51* | *76.5* | *76.5* | *76.5* |
| *Pakoda* | *Batches* | *108* | *108* | *108* | *72* | *72* | *72* | *72* | *72* | *72* | *108* | *108* | *108* |
| *Cold-drinks* | *Batches* | *0* | *0* | *0* | *4* | *4* | *4* | *4* | *4* | *4* | *0* | *0* | *0* |
| *Biscuits* | *Batches* | *4* | *4* | *4* | *4* | *4* | *4* | *4* | *4* | *4* | *4* | *4* | *4* |
| *Muri* | *Batches* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* |

* *After finalising the number of batches, Shilpa mentions the quantity of raw material to be purchased in months of production / purchase*
* ***Multiply the values in Table 8.e.1 with those in Table 8.e.4***

| ***Table 8.e.5: Calculation of Raw Material Required per Month in Naina’s Snacks Corner*** | | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Unit*** | ***Jan*** | ***Feb*** | ***Mar*** | ***Apr*** | ***May*** | ***Jun*** | ***Jul*** | ***Aug*** | ***Sep*** | ***Oct*** | ***Nov*** | ***Dec*** |
| ***Tea*** | | | | | | | | | | | | | |
| *Milk* | *Litres* | *91.5* | *91.5* | *91.5* | *61* | *61* | *61* | *61* | *61* | *61* | *91.5* | *91.5* | *91.5* |
| *Sugar* | *Kg* | *7.3* | *7.3* | *7.3* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *7.3* | *7.3* | *7.3* |
| *Tea Leaves* | *Kg* | *7.3* | *7.3* | *7.3* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *7.3* | *7.3* | *7.3* |
| ***Samosa*** | | | | | | | | | | | | | |
| *Flour* | *Kg* | *38.2* | *38.2* | *38.2* | *25.5* | *25.5* | *25.5* | *25.5* | *25.5* | *25.5* | *38.2* | *38.2* | *38.2* |
| *Potatoes* | *Kg* | *38.2* | *38.2* | *38.2* | *25.5* | *25.5* | *25.5* | *25.5* | *25.5* | *25.5* | *38.2* | *38.2* | *38.2* |
| *Onion* | *Kg* | *7.6* | *7.6* | *7.6* | *5.1* | *5.1* | *5.1* | *5.1* | *5.1* | *5.1* | *7.6* | *7.6* | *7.6* |
| *Oil* | *Litres* | *19.1* | *19.1* | *19.1* | *12.7* | *12.7* | *12.7* | *12.7* | *12.7* | *12.7* | *19.1* | *19.1* | *19.1* |
| *Chillies* | *Gms* | *382.5* | *382.5* | *382.5* | *255* | *255* | *255* | *255* | *255* | *255* | *382.5* | *382.5* | *382.5* |
| *Spices* | *Gms* | *382.5* | *382.5* | *382.5* | *255* | *255* | *255* | *255* | *255* | *255* | *382.5* | *382.5* | *382.5* |
| ***Pakoda*** | | | | | | | | | | | | | |
| *Gram Flour* | *Kg* | *27* | *27* | *27* | *18* | *18* | *18* | *18* | *18* | *18* | *27* | *27* | *27* |
| *Potato* | *Kg* | *21.6* | *21.6* | *21.6* | *14.4* | *14.4* | *14.4* | *14.4* | *14.4* | *14.4* | *21.6* | *21.6* | *21.6* |
| *Onion* | *Kg* | *21.6* | *21.6* | *21.6* | *14.4* | *14.4* | *14.4* | *14.4* | *14.4* | *14.4* | *21.6* | *21.6* | *21.6* |
| *Spices* | *Gms* | *540* | *540* | *540* | *360* | *360* | *360* | *360* | *360* | *360* | *540* | *540* | *540* |
| *Oil* | *Litres* | *27* | *27* | *27* | *18* | *18* | *18* | *18* | *18* | *18* | *27* | *27* | *27* |
| ***Cold-drinks*** | | | | | | | | | | | | | |
| *Cold-drinks* | *Bottles* | *0* | *0* | *0* | *864* | *864* | *864* | *864* | *864* | *864* | *0* | *0* | *0* |
| ***Biscuits*** | | | | | | | | | | | | | |
| *Biscuits* | *Nos.* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* |
| ***Muri*** | | | | | | | | | | | | | |
| *Puffed rice* | *Kg* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* |
| *Spices* | *Gms* | *355* | *355* | *355* | *355* | *355* | *355* | *355* | *355* | *355* | *355* | *355* | *355* |
| *Onion* | *Kg* | *1.8* | *1.8* | *1.8* | *1.8* | *1.8* | *1.8* | *1.8* | *1.8* | *1.8* | *1.8* | *1.8* | *1.8* |
| *Lemon* | *Nos.* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* |
| *Chilli* | *Gms* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* | *177.5* |

* *As the next step, Shilpa calculates the total quantity required per month for each raw material. She bases her calculation on Table 8.e.4*

| ***Table 8.e.6: Raw Material Required per Month in Naina’s Snacks Corner*** | | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Unit*** | ***Jan*** | ***Feb*** | ***Mar*** | ***Apr*** | ***May*** | ***Jun*** | ***Jul*** | ***Aug*** | ***Sep*** | ***Oct*** | ***Nov*** | ***Dec*** |
| *Biscuits* | *Nos.* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* |
| *Chillies* | *Gms* | *560* | *560* | *560* | *432.5* | *432.5* | *432.5* | *432.5* | *432.5* | *432.5* | *560* | *560* | *560* |
| *Cold-drinks* | *Bottles* | *0* | *0* | *0* | *864* | *864* | *864* | *864* | *864* | *864* | *0* | *0* | *0* |
| *Flour* | *Kg* | *38.2* | *38.2* | *38.2* | *25.5* | *25.5* | *25.5* | *25.5* | *25.5* | *25.5* | *38.2* | *38.2* | *38.2* |
| *Gram Flour* | *Kg* | *27* | *27* | *27* | *18* | *18* | *18* | *18* | *18* | *18* | *27* | *27* | *27* |
| *Lemon* | *Nos.* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* |
| *Milk* | *Litres* | *91.5* | *91.5* | *91.5* | *61* | *61* | *61* | *61* | *61* | *61* | *91.5* | *91.5* | *91.5* |
| *Oil* | *Litres* | *46.1* | *46.1* | *46.1* | *30.7* | *30.7* | *30.7* | *30.7* | *30.7* | *30.7* | *46.1* | *46.1* | *46.1* |
| *Onion* | *Kg* | *31* | *31* | *31* | *21.3* | *21.3* | *21.3* | *21.3* | *21.3* | *21.3* | *31* | *31* | *31* |
| *Potato* | *Kg* | *59.8* | *59.8* | *59.8* | *39.9* | *39.9* | *39.9* | *39.9* | *39.9* | *39.9* | *59.8* | *59.8* | *59.8* |
| *Puffed rice* | *Kg* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* |
| *Spices* | *Gms* | *1277.5* | *1277.5* | *1277.5* | *970* | *970* | *970* | *970* | *970* | *970* | *1277.5* | *1277.5* | *1277.5* |
| *Sugar* | *Kg* | *7.3* | *7.3* | *7.3* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *7.3* | *7.3* | *7.3* |
| *Tea Leaves* | *Kg* | *7.3* | *7.3* | *7.3* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *7.3* | *7.3* | *7.3* |

* *Shilpa now considers the availability of raw material per month in the market in the following table. She also mentions if the raw material is available in abundance or if its quantity is limited*

| ***Table 8.e.7: Availability of Raw Material Required per Month for Naina’s Snacks Corner*** | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Jan*** | ***Feb*** | ***Mar*** | ***Apr*** | ***May*** | ***Jun*** | ***Jul*** | ***Aug*** | ***Sep*** | ***Oct*** | ***Nov*** | ***Dec*** |
| *Biscuits* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |
| *Chillies* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |
| *Cold-drinks* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |
| *Flour* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |
| *Gram Flour* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |
| *Lemon* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |
| *Milk* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |
| *Oil* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |
| *Onion* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |
| *Potato* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |
| *Puffed rice* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |
| *Spices* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |
| *Sugar* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |
| *Tea Leaves* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* | *Y Abundant* |

* *As the next step, Shilpa decides to plan for those raw material which were either not available or available in limited quantities. However, based on her assessment in Table 8.e.7, she realises that all raw material is available in abundance throughout the year.*

| ***Table 8.e.8: Understanding Raw Material Availability per Month for Naina’s Snacks Corner*** | | | | | | | | | | | | | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Jan*** | | ***Feb*** | | ***Mar*** | | ***Apr*** | | ***May*** | | ***Jun*** | | ***Jul*** | | ***Aug*** | | ***Sep*** | | ***Oct*** | | ***Nov*** | | ***Dec*** | |
|  | *Required* | *Available* | *Required* | *Available* | *Required* | *Available* | *Required* | *Available* | *Required* | *Available* | *Required* | *Available* | *Required* | *Available* | *Required* | *Available* | *Required* | *Available* | *Required* | *Available* | *Required* | *Available* | *Required* | *Available* |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

* *Since all raw-materials are available in abundance, Shilpa decides to skip this step. This step is to calculate the net availability of raw material in the table below:*
* ***The net requirement is the difference between the required raw material and available raw material***

| ***Table 8.e.9: Availability of Raw Material Required per Month in Naina’s Snacks Corner*** | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Jan*** | ***Feb*** | ***Mar*** | ***Apr*** | ***May*** | ***Jun*** | ***Jul*** | ***Aug*** | ***Sep*** | ***Oct*** | ***Nov*** | ***Dec*** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

* *Looking at Table 8.e.7, 8.e.8, and 8.e.9, Shilpa thinks on the following questions:*
  + *Can Naina produce the product every month as per the production plan?*

*Naina can purchase and produce according to the production plan since all raw-materials are available in abundance*

* ***Naina will be able to produce as per the production plan if all cells in Table 8.e.8 are 0 or positive***
  + *In case Naina is able to produce as per her production plan, will she have:*
    - *Enough money to purchase raw material on a regular basis?*
    - *Enough space to store the raw material?*
    - *Enough time to purchase raw material as required?*
    - *If the answer to all three questions is ‘yes’, proceed to next section in Tool 8. However, if the answer to any one question is ‘no’, then address the specific problem*

*Naina will have enough money, space, and time to purchase raw material*

* + *In case Naina is unable to produce as per her sales plan, answer the following questions:*
    - *Which raw material has seasonal fluctuations in availability?*
    - *Can Naina purchase the raw material when it is available and store it as*
      1. *Raw material*
      2. *Work-in-progress*
      3. *Finished goods*

*This case is not applicable for Naina’s Snacks Corner*

* *After making appropriate changes based on the above, write the final purchase plan in the table below:*

| ***Table 8.e.10: Final Quantity to be Purchased*** | | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Unit*** | ***Jan*** | ***Feb*** | ***Mar*** | ***Apr*** | ***May*** | ***Jun*** | ***Jul*** | ***Aug*** | ***Sep*** | ***Oct*** | ***Nov*** | ***Dec*** |
| *Biscuits* | *Nos.* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* |
| *Chillies* | *Gms* | *560* | *560* | *560* | *432.5* | *432.5* | *432.5* | *432.5* | *432.5* | *432.5* | *560* | *560* | *560* |
| *Cold-drinks* | *Bottles* | *0* | *0* | *0* | *864* | *864* | *864* | *864* | *864* | *864* | *0* | *0* | *0* |
| *Flour* | *Kg* | *38.2* | *38.2* | *38.2* | *25.5* | *25.5* | *25.5* | *25.5* | *25.5* | *25.5* | *38.2* | *38.2* | *38.2* |
| *Gram Flour* | *Kg* | *27* | *27* | *27* | *18* | *18* | *18* | *18* | *18* | *18* | *27* | *27* | *27* |
| *Lemon* | *Nos.* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* |
| *Milk* | *Litres* | *91.5* | *91.5* | *91.5* | *61* | *61* | *61* | *61* | *61* | *61* | *91.5* | *91.5* | *91.5* |
| *Oil* | *Litres* | *46.1* | *46.1* | *46.1* | *30.7* | *30.7* | *30.7* | *30.7* | *30.7* | *30.7* | *46.1* | *46.1* | *46.1* |
| *Onion* | *Kg* | *31* | *31* | *31* | *21.3* | *21.3* | *21.3* | *21.3* | *21.3* | *21.3* | *31* | *31* | *31* |
| *Potato* | *Kg* | *59.8* | *59.8* | *59.8* | *39.9* | *39.9* | *39.9* | *39.9* | *39.9* | *39.9* | *59.8* | *59.8* | *59.8* |
| *Puffed rice* | *Kg* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* |
| *Spices* | *Gms* | *1277.5* | *1277.5* | *1277.5* | *970* | *970* | *970* | *970* | *970* | *970* | *1277.5* | *1277.5* | *1277.5* |
| *Sugar* | *Kg* | *7.3* | *7.3* | *7.3* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *7.3* | *7.3* | *7.3* |
| *Tea Leaves* | *Kg* | *7.3* | *7.3* | *7.3* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *7.3* | *7.3* | *7.3* |

* *Besides this, Shilpa also has to guide Naina on selection of the right supplier for purchasing raw material. She suggests Naina considers the following questions:*
  + *Identify the suppliers in the market and find out their prices of raw material*
  + *Understand if the suppliers will give raw material on credit*
  + *If the suppliers are not giving any credit, will they give a lower price for cash purchases?*
* ***If the cash and credit prices of raw material are the same, Shilpa must urge Naina to purchase on credit***
* *Hence, Naina should make an assessment of every major supplier on the following terms before identifying the most suitable supplier to purchase raw material. Shilpa helps Naina in collecting and analysing this information in the following table:*

| ***Table 8.e.11: Choosing Suppliers*** | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | ***Supplier 1*** | ***Supplier 2*** | ***Supplier 3*** | ***Supplier 4*** | ***Supplier 5*** | ***Supplier 6*** | ***Supplier 7*** | ***Supplier 8*** |
| *Biscuits* | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |
| *Chillies* | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |
| ***Cold-drinks*** | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |
| ***Flour*** | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |
| ***Gram Flour*** | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |
| ***Lemon*** | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |
| ***Milk*** | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |
| ***Oil*** | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |
| ***Onion*** | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |
| ***Potato*** | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |
| ***Puffed Rice*** | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |
| ***Spices*** | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |
| ***Sugar*** | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |
| ***Tea Leaves*** | | | | | | | | |
| *Name of Supplier* |  |  |  |  |  |  |  |  |
| *Price* |  |  |  |  |  |  |  |  |
| *Quality* |  |  |  |  |  |  |  |  |
| *Credit Period* |  |  |  |  |  |  |  |  |

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

* *As the next step, Shilpa suggests that Naina must now decide the price of the products / services she wishes to sell*

*To start with, Shilpa lists down the products and services that Naina plans to sell in her enterprise*

* ***The list of products / services can be sourced from Table 4.e.9 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’***

| ***Table 9.e.1: List of Products / Services Sold in Naina’s Snacks Corner*** | |
| --- | --- |
| ***S.No*** | ***Products / Services*** |
| *1* | *Tea* |
| *2* | *Samosa* |
| *3* | *Pakoda* |
| *4* | *Cold-drinks* |
| *5* | *Biscuits* |
| *6* | *Muri* |

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

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

* ***Quality standards of the business can be sourced from Table 4.e.2 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’***

| ***Table 9.e.2: Quality Standards for Naina’s Snacks Corner*** | | |
| --- | --- | --- |
| ***Functionality*** | ***Safety*** | ***Attractiveness*** |
| * *Tea, pakodas and samosas would be served hot to the customer* * *Samosas and pakodas should not be stored for more than three hours to retain freshness* * *Biscuits and muri should be kept in air-tight containers to avoid spoilage* | * *The tea cup should not be too full, otherwise hot tea might get spilled on the customer* * *The gas stove should be kept away from the customers to avoid injuries* * *Food should be covered and protected from flies* * *The utensils should be washed after every use* * *The shop should be cleaned everyday* * *Bottles / packs that have been expired should not be sold* | * *Quick service* * *Shade to stand in* * *Place to wash* * *Place to sit* |

* *Shilpa and Naina decide on two closest competitors for Naina’s Snacks Corner. They then compare Naina’s business offerings with those of the competitors in the following table and assesses the overall competitiveness of the business offerings with respect to each competitor based on conventions stated below:*

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

|  |  |  |
| --- | --- | --- |
| ***Table 9.e.3: Analysis of Existing Competition on Quality Parameters*** | | |
|  | ***Competitor 1*** | ***Competitor 2*** |
| ***Quality Parameters*** | ***Naina’s Snacks Corner vs Radha’s Tea Stall*** | ***Naina’s Snacks Corner vs Tipu’s Snacks Corner*** |
| *Functionality* | *Naina’s business is same* | *Naina’s business is better* |
| *Safety* | *Naina’s business is better* | *Naina’s business is better* |
| *Attractiveness* | *Naina’s business is worse* | *Naina’s business is same* |
| ***Overall*** | ***Case #12 = Same*** | ***Case #2 - Better*** |

* ***If the entrepreneur is better than both competitors, then the entrepreneur can set the price of the product higher than both competitors***
* ***If the entrepreneur is better than a one competitors and worse than the other, the entrepreneur can set the price of the product between the available price ranges***
* ***If the entrepreneur is worse than both competitors, then the entrepreneur should set a lower price for her product***
* ***If the entrepreneur is better / worse than a competitors and at par with the other, the entrepreneur can set the price of the product between the available price ranges***
* ***If the entrepreneur is at par with the competitors, the entrepreneur should set the price of the product equal to that of the competitors or lower than them to compete***
* *In the above case, we find that Naina’s Snacks Corner is overall at par with Radha’s Tea Stall and better than Tipu’s Snacks Corner. Thus, Naina can set her prices higher than Tipu’s Snacks Corner and at par with Radha’s Tea Stall.*

*Shilpa lists down the prices of both competitors and helps Naina set prices for her offerings based on their analysis above:*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Table 9.e.4: Setting Price for Naina’s Snacks Corner*** | | | |
| ***Products / Services*** | ***Prices in Radha’s Tea Stall*** | ***Prices in Tipu’s Snacks Corner*** | ***Prices in Naina’s Snacks Corner*** |
|  | *Same as Radha* | *Higher than Tipu* |  |
| *Tea* | *Rs. 5 per cup* | *Rs. 5 per cup* | *Rs. 5 per cup* |
| *Samosa* | *Rs. 6 per piece* | *Rs. 5 per piece* | *Rs. 6 per piece* |
| *Pakoda* | *Does not sell* | *Rs. 8 per plate* | *Rs. 10 per plate* |
| *Cold-drinks* | *MRP* | *MRP* | *MRP (Rs. 10 per bottle)* |
| *Biscuits* | *Re. 1 per biscuit* | *Re. 1 per biscuit* | *Re. 1 per biscuit* |
| *Muri* | *Rs. 3 per 50 gm* | *Rs. 2 per 50 gm* | *Rs. 3 per 50 gm* |

* *Shilpa now feeds in the actual prices of products / services in Table 3.e.7 in Tool 3 – ‘Estimate Revenue of the Business’ to find out the actual revenue of the business as under:*
* ***Prices in Naina’s Snacks Corner will be sourced from Table 9.e.4 above***

|  |  |  |  |
| --- | --- | --- | --- |
| ***Table 9.e.5: Actual Revenue for Naina’s Snacks Corner*** | | | |
| ***Products / Services*** | ***Estimated Sales Volume*** | ***Prices in Naina’s Snacks Corner*** | ***Revenue***  ***(Sales Volume x Price)*** |
| *Tea* | *18,300 cups per year* | *Rs. 5 per cup* | *Rs. 91,500* |
| *Samosa* | *6,120 nos. per year* | *Rs. 6 per piece* | *Rs. 36,720* |
| *Pakoda* | *5,400 plates per year* | *Rs. 10 per plate* | *Rs. 54,000* |
| *Cold-drinks* | *5,400 nos. per year* | *Rs. 10 per bottle* | *Rs. 54,000* |
| *Biscuits* | *20,400 nos. per year* | *Rs. 1 per biscuit* | *Rs. 20,400* |
| *Muri* | *426 kg per year* | *Rs. 3 per 50 gm (i.e. Rs. 60 per kg)* | *Rs. 25,560* |
| ***Total*** |  |  | ***Rs. 2,82,180*** |

* *Shilpa also checks the amount of profit Naina’s Snacks Corner is making after revising the revenue. She feeds the actual revenue earned by Naina’s Snacks Corner in Table 6.e.1 in Tool 6 – ‘Estimate Profit of the Business’ to calculate the profit*

|  |  |  |
| --- | --- | --- |
| ***Table 9.e.6: Calculating Profit for Naina’s Snacks Corner*** | | |
| ***Cost*** | ***Source*** | ***Amount (Annual)*** |
| *Revenue* | *Table 9.e.5* | *Rs. 2,82,180* |
| *Total Cost* | *Table 5.e.9* | *Rs. 2,63,362* |
| *Revenue – Total Cost* |  | *Rs. 18,818* |

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

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

* *Having selected products for Naina’s Snacks Corner, estimated revenue, costs, and profits for her business, and prepared sales and inventory plan, Shilpa now considers estimating capital requirements for her business. She uses this tool to calculate fixed capital required in Naina’s business*
* *As the first step, Shilpa suggests they re-write the equipment needed for the business*
* ***The equipment required in the business can be sourced from Table 4.e.6 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’***

| ***Table 10.e.1: List of Equipment Required in Naina’s Snacks Corner*** | | |
| --- | --- | --- |
| ***S.No*** | ***Equipment*** | ***Quantity*** |
| *1* | *1 lt. vessel* | *2* |
| *2* | *Cups to serve tea* | *12* |
| *3* | *Vessels to store tea / sugar* | *2* |
| *4* | *Gas stove* | *1* |
| *5* | *Gas cylinder* | *1* |
| *6* | *Plates to serve* | *12* |
| *7* | *Spoons* | *24* |
| *8* | *Spoon to fry* | *1* |
| *9* | *Wok* | *1* |
| *10* | *Rolling pin* | *1* |
| *11* | *Chakla* | *1* |
| *12* | *Knife to cut vegetables* | *2* |
| *13* | *500 ml vessel* | *2* |
| *14* | *Tarpoulin for shade* | *1* |
| *15* | *Floor mats to sit* | *6* |
| *16* | *Basket to cover samosas and pakodas* | *2* |
| *17* | *Air-tight container for biscuits* | *2* |

* *Shilpa now decides to find out the price of equipment. Since Naina is short of money, Shilpa decides to estimate the price of new and second hand equipment as well as possibility of taking the equipment on rent. She visits the market and consults a few shopkeepers. She notes the information in the following format:*
* ***Mention the best price after comparing it across different brands, locations, agencies***

| ***Table 10.e.2: Prices of New and Second Hand Equipment Required in Naina’s Snacks Corner*** | | | | |
| --- | --- | --- | --- | --- |
| ***S.No*** | ***Equipment*** | ***Price of New Equipment per Unit*** | ***Price of Second Hand Equipment per Unit*** | ***Rent per Month per Unit*** |
| *1* | *1 lt. vessel* | *Rs. 400* |  |  |
| *2* | *Cups to serve tea* | *Rs. 30* |  |  |
| *3* | *Vessels to store tea / sugar* | *Rs. 50* |  |  |
| *4* | *Gas stove* | *Rs. 500* | *Rs. 300* |  |
| *5* | *Gas cylinder* | *Rs. 1,500* | *Rs. 1,000* | *Rs. 100* |
| *6* | *Plates to serve* | *Rs. 20* |  |  |
| *7* | *Spoons* | *Rs. 10* |  |  |
| *8* | *Spoon to fry* | *Rs. 50* |  |  |
| *9* | *Wok* | *Rs. 500* |  |  |
| *10* | *Rolling pin* | *Rs. 50* |  |  |
| *11* | *Chakla* | *Rs. 150* |  |  |
| *12* | *Knife to cut vegetables* | *Rs. 40* |  |  |
| *13* | *500 ml vessel* | *Rs. 200* |  |  |
| *14* | *Tarpaulin for shade* | *Rs. 200* |  |  |
| *15* | *Floor mats to sit* | *Rs. 70* |  |  |
| *16* | *Basket to cover samosas and pakodas* | *Rs. 40* |  |  |
| *17* | *Air-tight container for biscuits* | *Rs. 80* |  |  |

* *Since Naina is starting a new business, Shilpa suggests that she takes the equipment with more investment on rent. If her business picks up in subsequent months, she can purchase a new or second hand equipment. Naina, in consultation with Shilpa, now tries to see which equipment can be rented and which equipment will have to be purchased.*
* ***The calculation of rented equipment will be taken up in Tool 11 – ‘Estimate Working Capital Needs of a Business’***

| ***Table 10.e.3: Understanding Equipment to be Rented or Purchased in Naina’s Snacks Corner*** | | | |
| --- | --- | --- | --- |
| ***S.No*** | ***Equipment*** | ***Purchase* (🗸)** | ***Rent* (🗸)** |
| *1* | *1 lt. vessel* | *🗸* |  |
| *2* | *Cups to serve tea* | *🗸* |  |
| *3* | *Vessels to store tea / sugar* | *🗸* |  |
| *4* | *Gas stove* | *🗸* |  |
| *5* | *Gas cylinder* |  | *🗸* |
| *6* | *Plates to serve* | *🗸* |  |
| *7* | *Spoons* | *🗸* |  |
| *8* | *Spoon to fry* | *🗸* |  |
| *9* | *Wok* | *🗸* |  |
| *10* | *Rolling pin* | *🗸* |  |
| *11* | *Chakla* | *🗸* |  |
| *12* | *Knife to cut vegetables* | *🗸* |  |
| *13* | *500 ml vessel* | *🗸* |  |
| *14* | *Tarpoulin for shade* | *🗸* |  |
| *15* | *Floor mats to sit* | *🗸* |  |
| *16* | *Basket to cover samosas and pakodas* | *🗸* |  |
| *17* | *Air-tight container for biscuits* | *🗸* |  |

* ***The calculations of rent will be considered under working capital.***
* *Shilpa now writes down the final list of equipment to be purchased along with their amounts*
* ***Rate can be sourced from Table 10.e.2 above***
* ***Units can be sourced from Table 10.e.1 above***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Table 10.e.4: Final List of Equipment to be Purchased in Naina’s Snacks Corner*** | | | | |
| ***Equipment*** | ***Type***  ***(New / Second Hand)*** | ***Rate*** | ***Units*** | ***Amount*** |
| *1 lt. vessel* | *New* | *Rs. 400* | *2* | *Rs. 800* |
| *Cups to serve tea* | *New* | *Rs. 30* | *12* | *Rs. 360* |
| *Vessels to store tea / sugar* | *New* | *Rs. 50* | *2* | *Rs. 100* |
| *Gas stove* | *Second Hand* | *Rs. 300* | *1* | *Rs. 300* |
| *Plates to serve* | *New* | *Rs. 20* | *12* | *Rs. 240* |
| *Spoons* | *New* | *Rs. 10* | *24* | *Rs. 240* |
| *Spoon to fry* | *New* | *Rs. 50* | *1* | *Rs. 50* |
| *Wok* | *New* | *Rs. 500* | *1* | *Rs. 500* |
| *Rolling pin* | *New* | *Rs. 50* | *1* | *Rs. 50* |
| *Chakla* | *New* | *Rs. 150* | *1* | *Rs. 150* |
| *Knife to cut vegetables* | *New* | *Rs. 40* | *2* | *Rs. 80* |
| *500 ml vessel* | *New* | *Rs. 200* | *2* | *Rs. 400* |
| *Tarpoulin for shade* | *New* | *Rs. 200* | *1* | *Rs. 200* |
| *Floor mats to sit* | *New* | *Rs. 70* | *6* | *Rs. 420* |
| *Basket to cover samosas and pakodas* | *New* | *Rs. 40* | *2* | *Rs. 80* |
| *Air-tight container for biscuits* | *New* | *Rs. 80* | *2* | *Rs. 160* |
| ***Total*** |  |  |  | ***Rs. 4,080*** |

* *Shilpa now considers the deposits that need to be made for the rented equipment / premises. She notes down the information in the following table:*

|  |  |
| --- | --- |
| ***Table 10.e.5: Deposits to be Made for Naina’s Snacks Corner*** | |
| ***Type of Deposit*** | ***Amount*** |
| *Security deposit for the rented premises* | *Rs. 2,000* |
| *Security deposit for gas cylinder* | *Rs. 500* |
| ***Total*** | ***Rs. 2,500*** |

* *Shilpa now considers the licenses that need to be obtained by Naina to run her business and the amount she needs to spend on acquiring the same. She notes the information in the following table:*

|  |  |
| --- | --- |
| ***Table 10.e.6: Licenses to be Obtained for Naina’s Snacks Corner*** | |
| ***Type of License*** | ***Amount*** |
| *No license* | *Rs. 0* |
|  |  |
| ***Total*** | ***Rs. 0*** |

* *Shilpa also wants to consider the amount Naina would be spending on electrification of the rented premises and making water supply arrangements, renovations, and other modifications.*

*Naina paid Rs. 100 to the electrician for wiring in the rented premises. She paid another Rs. 50 for putting a water tap in her shop. She bought wall paint worth Rs. 500 for painting the room. She also bought wall paintings for the room worth Rs. 50. Naina also spent Rs. 30 on getting the fan in the shop repaired.*

| ***Table 10.e.7: Cost for Setting up Amenities in Naina’s Snacks Corner*** | | |
| --- | --- | --- |
| ***Amenities*** | ***Cost Incurred*** | ***Total*** |
| ***Electrification Charges*** | *Rs. 100 + Rs. 30* | *Rs. 130* |
| ***Charges for Water Facility*** | *Rs. 50* | *Rs. 50* |
| ***Amount spent on Renovation / Modification / Maintenance*** | *Rs. 500* | *Rs. 500* |
| ***Others*** | *Rs. 50* | *Rs. 50* |
| ***Total*** |  | *Rs. 730* |

* *Shilpa now looks at the trainings that Naina would have to go through to be able to provide the goods and services to her customers. She revisits the earlier tools to find out the trainings that Naina requires. She notes the information in the following table:*
* ***The trainings required by the entrepreneur can be sourced from Table 4.e.7 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’***

| ***Table 10.e.8: Trainings to be Undertaken by the Entrepreneur*** | | |
| --- | --- | --- |
| ***S.No*** | ***Type of Training Required*** | ***Amount*** |
| *1.* | *Skill upgradation in making samosa* | *Rs. 250* |
|  | ***Total*** | ***Rs. 250*** |

* *After estimating the amount to be spent on equipment, security deposits, licenses and training, Shilpa now decides to calculate the amount of fixed capital required in the business. She uses the following format for the same:*

| ***Table 10.e.9: Estimating Fixed Capital for Naina’s Snacks Corner*** | | |
| --- | --- | --- |
| ***Particulars*** | ***Source*** | ***Amount*** |
| *Amount to be spent on equipment* | *Table 10.e.4* | *Rs. 4,080* |
| *Amount to be spent on security deposits* | *Table 10.e.5* | *Rs. 2,500* |
| *Amount to be spent on licenses* | *Table 10.e.6* | *Rs. 0* |
| *Amount to be spent on amenities* | *Table 10.e.7* | *Rs. 730* |
| *Amount to be spent on trainings* | *Table 10.e.8* | *Rs. 250* |
| ***Fixed Capital Required in the Business*** |  | ***Rs. 7,560*** |

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

* *Having estimated fixed capital in previous tool, Naina now wants to estimate the working capital required in her business and seeks Shilpa’s help for the same.*

*Shilpa recollects the working capital formula she had studied in the TEAM module. She writes it as under:*

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

*For making the calculations easier, she decides to reorder the formula in the following way:*

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

*Based on the formula mentioned above, Shilpa decides to break the calculation into three parts:*

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

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

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

***Part A: Calculation of Total Cash Outflow***

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

* *Payments towards fixed cost*
* *Payment for purchase of raw materials*
* *Last period’s accounts payable to be paid in this period*
* *Shilpa now decides to calculate the fixed cost for Naina’s business for a period of 12 months*
* ***The annual fixed cost incurred by the business can be sourced from Table 5.e.4 in Tool 5 – ‘Estimate Costs of the Business’***

|  |  |
| --- | --- |
| ***Table 11.e.1: Estimation of Fixed Costs in Naina’s Snacks Corner*** | |
| ***Costs*** | ***Monthly Estimate*** |
| *Money paid to the workers* | *Rs. 1,000* |
| *Transportation* | *Rs. 100* |
| *Money withdrawn for personal purposes* | *Rs. 3,000* |
| *Rent* | *Rs. 800* |
| *Fuel* | *Rs. 700* |
| *Washing Powder* | *Rs. 50* |
| ***Total*** | ***Rs. 5,650*** |

*Shilpa also remembered that Naina decided to take some equipment on rent. She looks through her notes on fixed capital estimation and takes out the following information:*

* ***The list of rented equipment can be sourced from Table 10.e.3 from Tool 10 – ‘Estimate Fixed Capital of a Business’***
* ***The per month rent of hired equipment can be sourced from Table 10.e.2 from Tool 10 – ‘Estimate Fixed Capital of a Business’***

|  |  |
| --- | --- |
| ***Table 11.e.2: Estimating Rent for Equipment for Naina’s Snacks Corner*** | |
| ***Rented Equipment*** | ***Rent per Month*** |
| *Table 10.e.3* | *Table 10.e.2* |
| *Gas Cylinder* | *Rs. 100* |
| ***Total rent for equipment*** | ***Rs. 100*** |

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

|  |  |  |
| --- | --- | --- |
| ***Table 11.e.3: Estimating Total Fixed Cost payments for Naina’s Snacks Corner*** | | |
| ***Particulars*** |  | ***Amount per Month*** |
| *Fixed cost calculated earlier* | *Total from Table 11.e.1* | *Rs. 5,650* |
| *Rent for equipment* | *Total from Table 11.e.2* | *Rs. 100* |
| ***Total payments of fixed costs per Month*** | | ***Rs. 5,750*** |

* *Now that Shilpa has calculated fixed costs incurred per month by the business, she decides to calculate raw material cost for the business. Based on available information, she re-write the quantity of raw-material to be purchased every month*
* ***The amount of raw-material required by the business month-wise can be sourced from Table 8.e.10 in Tool 8 – ‘Create Inventory Plan for the Business’***

| ***Table 11.e.4: Raw Material Required per Month in Naina’s Snacks Corner*** | | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Unit*** | ***Jan*** | ***Feb*** | ***Mar*** | ***Apr*** | ***May*** | ***Jun*** | ***Jul*** | ***Aug*** | ***Sep*** | ***Oct*** | ***Nov*** | ***Dec*** |
| *Biscuits* | *Nos.* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* | *1572* |
| *Chillies* | *Gms* | *560* | *560* | *560* | *432.5* | *432.5* | *432.5* | *432.5* | *432.5* | *432.5* | *560* | *560* | *560* |
| *Cold-drinks* | *Bottles* | *0* | *0* | *0* | *864* | *864* | *864* | *864* | *864* | *864* | *0* | *0* | *0* |
| *Flour* | *Kg* | *38.2* | *38.2* | *38.2* | *25.5* | *25.5* | *25.5* | *25.5* | *25.5* | *25.5* | *38.2* | *38.2* | *38.2* |
| *Gram Flour* | *Kg* | *27* | *27* | *27* | *18* | *18* | *18* | *18* | *18* | *18* | *27* | *27* | *27* |
| *Lemon* | *Nos.* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* | *177* |
| *Milk* | *Litres* | *91.5* | *91.5* | *91.5* | *61* | *61* | *61* | *61* | *61* | *61* | *91.5* | *91.5* | *91.5* |
| *Oil* | *Litres* | *46.1* | *46.1* | *46.1* | *30.7* | *30.7* | *30.7* | *30.7* | *30.7* | *30.7* | *46.1* | *46.1* | *46.1* |
| *Onion* | *Kg* | *31* | *31* | *31* | *21.3* | *21.3* | *21.3* | *21.3* | *21.3* | *21.3* | *31* | *31* | *31* |
| *Potato* | *Kg* | *59.8* | *59.8* | *59.8* | *39.9* | *39.9* | *39.9* | *39.9* | *39.9* | *39.9* | *59.8* | *59.8* | *59.8* |
| *Puffed rice* | *Kg* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* |
| *Spices* | *Gms* | *1277.5* | *1277.5* | *1277.5* | *970* | *970* | *970* | *970* | *970* | *970* | *1277.5* | *1277.5* | *1277.5* |
| *Sugar* | *Kg* | *7.3* | *7.3* | *7.3* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *7.3* | *7.3* | *7.3* |
| *Tea Leaves* | *Kg* | *7.3* | *7.3* | *7.3* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *4.9* | *7.3* | *7.3* | *7.3* |

* *Shilpa recollects writing raw material costs earlier. She looks at her notes and re-writes the information in the table as under:*
* ***The rates of raw-material required by the business can be sourced from Table 5.e.8 in Tool 5 – ‘Estimate Costs of the Business’***

| ***Table 11.e.5: Re-writing Raw Material Cost for Naina’s Snacks Corner*** | |
| --- | --- |
| ***List of Raw Material*** | ***Average Cost per Unit*** |
| *Milk* | *Rs. 34 per litre* |
| *Sugar* | *Rs. 30 per kg* |
| *Tea Leaves* | *Rs. 150 per kg* |
| *Flour* | *Rs. 25 per kg* |
| *Potatoes* | *Rs. 10 per kg* |
| *Oil* | *Rs. 100 per litre* |
| *Chillies* | *Rs. 60 per kg or Rs. 0.06 per gm* |
| *Spices* | *Rs. 50 per kg or Rs. 0.05 per gm* |
| *Gram Flour* | *Rs. 60 per kg* |
| *Onion* | *Rs. 15 per kg* |
| *Cold-drinks* | *Rs. 8 per bottle* |
| *Biscuits* | *Rs. 0.75 per biscuit* |
| *Puffed rice* | *Rs. 30 per kg* |
| *Lemon* | *Re. 0.4 per lemon* |
| ***Total*** |  |

* *Based on information mentioned above, Shilpa calculates the month-wise spent on raw material for Naina’s business. She does so by multiplying the quantity in table 11.e.4 and rates in table 11.e.5*

| ***Table 11.e.6: Calculating Cost of Raw Material to be Purchased by Naina’s Snacks Corner*** | | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Unit*** | ***Jan*** | ***Feb*** | ***Mar*** | ***Apr*** | ***May*** | ***Jun*** | ***Jul*** | ***Aug*** | ***Sep*** | ***Oct*** | ***Nov*** | ***Dec*** |
| *Biscuits* | *Rs.* | *1,179* | *1,179* | *1,179* | *1,179* | *1,179* | *1,179* | *1,179* | *1,179* | *1,179* | *1,179* | *1,179* | *1,179* |
| *Chillies* | *Rs.* | *34* | *34* | *34* | *26* | *26* | *26* | *26* | *26* | *26* | *34* | *34* | *34* |
| *Cold-drinks* | *Rs.* | *-* | *-* | *-* | *6,912* | *6,912* | *6,912* | *6,912* | *6,912* | *6,912* | *-* | *-* | *-* |
| *Flour* | *Rs.* | *955* | *955* | *955* | *638* | *638* | *638* | *638* | *638* | *638* | *955* | *955* | *955* |
| *Gram Flour* | *Rs.* | *1,620* | *1,620* | *1,620* | *1,080* | *1,080* | *1,080* | *1,080* | *1,080* | *1,080* | *1,620* | *1,620* | *1,620* |
| *Lemon* | *Rs.* | *71* | *71* | *71* | *71* | *71* | *71* | *71* | *71* | *71* | *71* | *71* | *71* |
| *Milk* | *Rs.* | *3,111* | *3,111* | *3,111* | *2,074* | *2,074* | *2,074* | *2,074* | *2,074* | *2,074* | *3,111* | *3,111* | *3,111* |
| *Oil* | *Rs.* | *4,610* | *4,610* | *4,610* | *3,070* | *3,070* | *3,070* | *3,070* | *3,070* | *3,070* | *4,610* | *4,610* | *4,610* |
| *Onion* | *Rs.* | *465* | *465* | *465* | *320* | *320* | *320* | *320* | *320* | *320* | *465* | *465* | *465* |
| *Potato* | *Rs.* | *598* | *598* | *598* | *399* | *399* | *399* | *399* | *399* | *399* | *598* | *598* | *598* |
| *Puffed rice* | *Rs.* | *1,065* | *1,065* | *1,065* | *1,065* | *1,065* | *1,065* | *1,065* | *1,065* | *1,065* | *1,065* | *1,065* | *1,065* |
| *Spices* | *Rs.* | *64* | *64* | *64* | *49* | *49* | *49* | *49* | *49* | *49* | *64* | *64* | *64* |
| *Sugar* | *Rs.* | *219* | *219* | *219* | *147* | *147* | *147* | *147* | *147* | *147* | *219* | *219* | *219* |
| *Tea Leaves* | *Rs.* | *1,095* | *1,095* | *1,095* | *735* | *735* | *735* | *735* | *735* | *735* | *1,095* | *1,095* | *1,095* |
| ***Total*** | *Rs.* | ***15,085*** | ***15,085*** | ***15,085*** | ***17,763*** | ***17,763*** | ***17,763*** | ***17,763*** | ***17,763*** | ***17,763*** | ***15,085*** | ***15,085*** | ***15,085*** |

* *Shilpa realises that she now needs to calculate the last period’s accounts payable to be paid in the current month. For this, she needs to first look at the credit policy of the suppliers. She recalls writing it in Tool 8. She takes information from there and writes it in the following table:*
* ***The terms of credit of suppliers can be sourced from Table 8.e.11 from Tool 8 – ‘‘Create Inventory Plan for the Business’***

|  |  |  |
| --- | --- | --- |
| ***Table 11.e.7: Credit Terms by Suppliers to Naina’s Snacks Corner*** | | |
| ***Raw Material*** | ***For how long will the business give credit?*** | ***What percentage of raw material will be on credit?*** |
| *Biscuits* | *0 days* |  |
| *Chillies* | *0 days* |  |
| *Cold-drinks* | *20 days* | *70%* |
| *Flour* | *0 days* |  |
| *Gram Flour* | *0 days* |  |
| *Lemon* | *0 days* |  |
| *Milk* | *7 days* | *60%* |
| *Oil* | *0 days* |  |
| *Onion* | *0 days* |  |
| *Potato* | *0 days* |  |
| *Puffed rice* | *0 days* |  |
| *Spices* | *0 days* |  |
| *Sugar* | *0 days* |  |
| *Tea Leaves* | *0 days* |  |

* *Shilpa thinks and comes to a conclusion that to calculate working capital, she must take worse-case scenario for Naina’s business. The worst case for Naina’s business will be when she has to pay for her raw-material upfront, with no credit period at all. This means, Naina will always need to have the cash required to pay for her raw-material purchases.*

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

* *Shilpa has now calculated all three components required to calculate total cash outflow for Naina’s business. She prepares the following table to calculate the same:*

| ***Table 11.e.8: Month-wise Total Cash Outflow for Naina’s Snacks Corner*** | | | | |
| --- | --- | --- | --- | --- |
| ***Month*** | ***Fixed Costs Paid During the Month*** | ***Raw Material Cost paid in Cash*** | ***Last period’s accounts payable to be paid in the current month*** | ***Total Cash Outflow*** |
|  | ***11.e.3*** | ***11.e.6*** |  |  |
|  | ***A*** | ***B*** | ***C*** | ***D = A + B + C*** |
| *Jan* | *5,750* | *15,085* | *0* | *20,835* |
| *Feb* | *5,750* | *15,085* | *0* | *20,835* |
| *Mar* | *5,750* | *15,085* | *0* | *20,835* |
| *Apr* | *5,750* | *17,763* | *0* | *23,513* |
| *May* | *5,750* | *17,763* | *0* | *23,513* |
| *Jun* | *5,750* | *17,763* | *0* | *23,513* |
| *Jul* | *5,750* | *17,763* | *0* | *23,513* |
| *Aug* | *5,750* | *17,763* | *0* | *23,513* |
| *Sep* | *5,750* | *17,763* | *0* | *23,513* |
| *Oct* | *5,750* | *15,085* | *0* | *20,835* |
| *Nov* | *5,750* | *15,085* | *0* | *20,835* |
| *Dec* | *5,750* | *15,085* | *0* | *20,835* |

***Part B: Calculation of Total Cash Inflow***

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

* *Cash Sales*
* *Last period’s accounts receivable to be collected in this period*
* *Other Income for the business*
* *As the first step under Part B, Shilpa decides to calculate monthly revenue for Naina’s business. She looks at the sales plan prepared earlier and decides to re-write information in the following table:*
* ***The sales quantity per month for each sales method can be sourced from Table 8.e.2 in Tool 8 – ‘Create Inventory Plan for the Business’***

| ***Table 11.e.9: Sales Volume for Products Sold in Naina’s Snacks Corner*** | | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Unit*** | ***Jan*** | ***Feb*** | ***Mar*** | ***Apr*** | ***May*** | ***Jun*** | ***Jul*** | ***Aug*** | ***Sep*** | ***Oct*** | ***Nov*** | ***Dec*** |
| *Tea* | *Cups* | *1,830* | *1,830* | *1,830* | *1,220* | *1,220* | *1,220* | *1,220* | *1,220* | *1,220* | *1,830* | *1,830* | *1,830* |
| *Samosa* | *Nos.* | *612* | *612* | *612* | *408* | *408* | *408* | *408* | *408* | *408* | *612* | *612* | *612* |
| *Pakoda* | *Plates* | *540* | *540* | *540* | *360* | *360* | *360* | *360* | *360* | *360* | *540* | *540* | *540* |
| *Cold-drinks* | *Bottles* |  |  |  | *900* | *900* | *900* | *900* | *900* | *900* |  |  |  |
| *Biscuits* | *Nos.* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* |
| *Muri* | *Kg* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* |

* *Shilpa now decides to re-write the price of each product / service as estimate in Tool 9*
* ***The prices of product / service can be sourced from Table 9.e.5 in Tool 9 – ‘Set Price for Products / Services’***

| ***Table 11.e.10: Final Price of Products / Services to be Sold in Naina’s Snacks Corner*** | |
| --- | --- |
| ***Products / Services*** | ***Prices in Naina’s Snacks Corner*** |
| *Tea* | *Rs. 5 per cup* |
| *Samosa* | *Rs. 6 per piece* |
| *Pakoda* | *Rs. 10 per plate* |
| *Cold-drinks* | *Rs. 10 per bottle* |
| *Biscuits* | *Rs. 1 per biscuit* |
| *Muri* | *Rs. 3 per 50 gm (i.e. Rs. 60 per kg)* |

* *Based on information in the tables above, Shilpa now calculates the month-wise revenue for Naina’s business. She does so by multiplying the quantity in table 11.e.9 and prices in table 11.e.10*

| ***Table 11.e.11: Revenue Earned per Month by Naina’s Snacks Corner (in Rs.)*** | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Jan*** | ***Feb*** | ***Mar*** | ***Apr*** | ***May*** | ***Jun*** | ***Jul*** | ***Aug*** | ***Sep*** | ***Oct*** | ***Nov*** | ***Dec*** |
| *Tea* | *9,150* | *9,150* | *9,150* | *6,100* | *6,100* | *6,100* | *6,100* | *6,100* | *6,100* | *9,150* | *9,150* | *9,150* |
| *Samosa* | *3,672* | *3,672* | *3,672* | *2,448* | *2,448* | *2,448* | *2,448* | *2,448* | *2,448* | *3,672* | *3,672* | *3,672* |
| *Pakoda* | *5,400* | *5,400* | *5,400* | *3,600* | *3,600* | *3,600* | *3,600* | *3,600* | *3,600* | *5,400* | *5,400* | *5,400* |
| *Cold-drinks* | *-* | *-* | *-* | *9,000* | *9,000* | *9,000* | *9,000* | *9,000* | *9,000* | *-* | *-* | *-* |
| *Biscuits* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* |
| *Muri* | *2,130* | *2,130* | *2,130* | *2,130* | *2,130* | *2,130* | *2,130* | *2,130* | *2,130* | *2,130* | *2,130* | *2,130* |
| ***Total*** | *22,052* | *22,052* | *22,052* | *24,978* | *24,978* | *24,978* | *24,978* | *24,978* | *24,978* | *22,052* | *22,052* | *22,052* |

* *After calculating total sales from the business, Shilpa wants to calculate the amount of cash sales generated by the business. She first checks if Naina has a policy for giving credit to her customers. In case she does, Shilpa needs to look at the terms set in the credit policy*
* ***Refer to Table 5.e.6 in Tool 5 – ‘Create Sales Plan for the Business’ to check if the business has a policy of giving credit. If the business doesn’t have a policy to give credit to customers, move to calculation of other income for the business***
* *Since Naina has decided to give credit, Shilpa now needs to estimate the cash sales and last period’s accounts receivable to be collected in the current month. She refers to the policy in Tool 5 and re-writes the information as under:*
* ***Refer to Table 7.e.6 in Tool 7 – ‘Create Sales Plan for the Business’ to check the amount of revenue the entrepreneur plans to give out on credit***

|  |  |  |
| --- | --- | --- |
| ***Table 11.e.12: Credit Terms for Naina’s Snacks Corner*** | | |
|  |  | ***Directly to consumers – own outlet*** |
| ***For how long will the business give credit?*** | ***A*** | *10 days* |
| ***What percentage of monthly revenue will be on credit?*** | ***B*** | *20% of total monthly revenue* |
| ***What percentage of monthly revenue will be in cash?*** | ***100-B*** | *80% of total monthly revenue* |

*Like she did while calculating total cash outflow for the business, Shilpa wants to consider the most unfavourable terms for calculation of working capital. She looks at the credit policy mentioned above and writes the most unfavourable terms in the following table:*

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

|  |  |  |
| --- | --- | --- |
| ***Table 11.e.13: Most Unfavourable Credit Terms for Naina’s Snacks Corner*** | | |
| *For how long will the business give credit?* | *A* | *10 days* |
| *What percentage of monthly revenue will be on credit?* | *B* | *20% of total monthly revenue* |
| *What percentage of monthly revenue will be in cash?* | *C* | *80% of total monthly revenue* |

* *Having calculated total sales and identified most unfavourable terms of lending to the customers, Shilpa now decides to calculate the month-wise cash sales and the last period’s accounts receivable to be collected in the current month. She uses the following format to do so:*
* ***If the number of days of credit, as mentioned in Table 11.e.13, is between 1 and 15, then the credit recovery will start from the current month***
* ***If the number of days of credit, as mentioned in Table 11.e.13, is between 16 and 45, then the credit recovery will start from the second month***
* ***If the number of days of credit, as mentioned in Table 11.e.13, is more than 46, then the credit recovery will start from the third month***

| ***Table 11.e.14: Estimation of Cash Sales and Period and Amount of Collection of Credit Sales for Naina’s Snacks Corner*** | | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| ***Month*** | ***Total Sales*** | ***Cash Sales*** | ***Credit Sales*** | ***Collection of Credit Sales***  ***(Consider credit period mentioned in Table 11.e.13 in Row A)*** | | |
|  | ***Table 11.e.11*** | ***Table 11.e.13 (Row C)*** |  | ***Current Month: Less than or equal to 15 days*** | ***Second Month: More than 16 but less than or equal to 45 days*** | ***Third Month: More than 46 days*** |
|  | ***A*** | ***B*** | ***C = A - B*** | ***D (consider column C)*** | ***E (consider column C)*** | ***F (consider column C)*** |
| *Jan* | *22,052* | *17,642* | *4,410* | *4,410* |  |  |
| *Feb* | *22,052* | *17,642* | *4,410* | *4,410* |  |  |
| *Mar* | *22,052* | *17,642* | *4,410* | *4,410* |  |  |
| *Apr* | *24,978* | *19,982* | *4,996* | *4,996* |  |  |
| *May* | *24,978* | *19,982* | *4,996* | *4,996* |  |  |
| *Jun* | *24,978* | *19,982* | *4,996* | *4,996* |  |  |
| *Jul* | *24,978* | *19,982* | *4,996* | *4,996* |  |  |
| *Aug* | *24,978* | *19,982* | *4,996* | *4,996* |  |  |
| *Sep* | *24,978* | *19,982* | *4,996* | *4,996* |  |  |
| *Oct* | *22,052* | *17,642* | *4,410* | *4,410* |  |  |
| *Nov* | *22,052* | *17,642* | *4,410* | *4,410* |  |  |
| *Dec* | *22,052* | *17,642* | *4,410* | *4,410* |  |  |

* *Shilpa now wants to calculate other income for Naina’s business to be able to arrive at the total cash inflow per month. Shilpa recollects that the other income is the amount that the business earns from sources which are not a part of its routine operations. She thinks about such sources and realises interest income and commission received are two such sources. She decides to prepare the following table and think about the income she might earn from these sources*

|  |  |
| --- | --- |
| ***Table 11.e.15: Estimating Other Income earned by Naina’s Snacks Corner*** | |
| ***Type of Income*** | ***Earnings per Month*** |
| *Interest received* | *Rs. 0* |
| *Commission received* | *Rs. 0* |
| *Any other income \_\_\_\_\_\_\_\_\_\_\_\_\_\_* | *Rs. 0* |
| ***Total*** | ***Rs. 0*** |

* *Now that Shilpa has calculated all three components required to calculate total cash inflow per month for the business, she decides to prepare the following table:*

| ***Table 11.e.16: Month-wise Cash Inflow for Naina’s Snacks Corner*** | | | | |
| --- | --- | --- | --- | --- |
| ***Month*** | ***Cash Sales*** | ***Last period’s accounts receivable to be collected in this period*** | ***Other Income*** | ***Total Cash Inflow*** |
|  | ***Table 11.e.14 (Column B)*** | ***Table 11.e.14 (Columns D to F)*** | ***Table 11.e.15*** |  |
|  | ***A*** | ***B*** | ***C*** | ***D = A + B + C*** |
| *Jan* | *17,642* | *4,410* | *0* | *22,052* |
| *Feb* | *17,642* | *4,410* | *0* | *22,052* |
| *Mar* | *17,642* | *4,410* | *0* | *22,052* |
| *Apr* | *19,982* | *4,996* | *0* | *24,978* |
| *May* | *19,982* | *4,996* | *0* | *24,978* |
| *Jun* | *19,982* | *4,996* | *0* | *24,978* |
| *Jul* | *19,982* | *4,996* | *0* | *24,978* |
| *Aug* | *19,982* | *4,996* | *0* | *24,978* |
| *Sep* | *19,982* | *4,996* | *0* | *24,978* |
| *Oct* | *17,642* | *4,410* | *0* | *22,052* |
| *Nov* | *17,642* | *4,410* | *0* | *22,052* |
| *Dec* | *17,642* | *4,410* | *0* | *22,052* |

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

* *To estimate the opening cash balance in the business, Shilpa first decides to calculate the cash surplus / deficit per month from business operations. For this, she considers total cash inflows and outflows calculated earlier in the tool*

| ***Table 11.e.17: Calculating Cash Surplus / Deficit Per Month for Naina’s Snacks Corner*** | | | |
| --- | --- | --- | --- |
| ***Month*** | ***Cash Inflow*** | ***Cash Outflow*** | ***Cash Surplus*** |
|  | ***Table 11.e.16 (Column D)*** | ***Table 11.e.8 (Column D)*** |  |
|  | ***A*** | ***B*** | ***C = A - B*** |
| *Jan* | *22,052* | *20,835* | *1,217* |
| *Feb* | *22,052* | *20,835* | *1,217* |
| *Mar* | *22,052* | *20,835* | *1,217* |
| *Apr* | *24,978* | *23,513* | *1,465* |
| *May* | *24,978* | *23,513* | *1,465* |
| *Jun* | *24,978* | *23,513* | *1,465* |
| *Jul* | *24,978* | *23,513* | *1,465* |
| *Aug* | *24,978* | *23,513* | *1,465* |
| *Sep* | *24,978* | *23,513* | *1,465* |
| *Oct* | *22,052* | *20,835* | *1,217* |
| *Nov* | *22,052* | *20,835* | *1,217* |
| *Dec* | *22,052* | *20,835* | *1,217* |

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

*She performs the calculations in the table below:*

* ***In case of an existing business, the first month in column A in the following table will report the existing cash balance in the business. For example, if Naina would have been running her business earlier as well and had Rs. 1000 in her business on Dec 31, then the value under column A in Table 10.e.13 for Jan will be Rs. 1000***
* ***Closing balance of current month will become opening balance of next month, i.e., closing balance for Jan will become the opening balance for Feb, and so on***

| ***Table 11.e.18: Calculating Opening Balance for Naina’s Snacks Corner*** | | | |
| --- | --- | --- | --- |
| ***Month*** | ***Opening Balance*** | ***Cash Surplus / Deficit*** | ***Closing Balance*** |
|  |  | ***Table 11.e.17 (Column C)*** |  |
|  | ***A*** | ***B*** | ***C = A + B*** |
| *Jan* | *0* | *1,217* | *1,217* |
| *Feb* | *1,217* | *1,217* | *2,434* |
| *Mar* | *2,434* | *1,217* | *3,651* |
| *Apr* | *3,651* | *1,465* | *5,116* |
| *May* | *5,116* | *1,465* | *6,581* |
| *Jun* | *6,581* | *1,465* | *8,046* |
| *Jul* | *8,046* | *1,465* | *9,511* |
| *Aug* | *9,511* | *1,465* | *10,976* |
| *Sep* | *10,976* | *1,465* | *12,441* |
| *Oct* | *12,441* | *1,217* | *13,658* |
| *Nov* | *13,658* | *1,217* | *14,875* |
| *Dec* | *14,875* | *1,217* | *16,092* |

* *The next step is to write the negative closing balances in the table below. Since there is no negative cash balance in the table above, Shilpa realises that Naina doesn’t need a working capital loan for her business.*

| ***Table 11.e.19: Working Capital Required for Naina’s Snacks Corner*** | |
| --- | --- |
| ***Month*** | ***Closing Balance*** |
|  | ***Table 11.e.18 (Column C)*** |
| *Jan* |  |
| *Feb* |  |
| *Mar* |  |
| *Apr* |  |
| *May* |  |
| *Jun* |  |
| *Jul* |  |
| *Aug* |  |
| *Sep* |  |
| *Oct* |  |
| *Nov* |  |
| *Dec* |  |
| ***Minimum Amount = Working Capital Required during the Year*** |  |

* *If the closing balance in table 11.e.19 is negative, the lowest of these negative balances will be taken as the working capital requirement for the year. If all closing balances are positive, the entrepreneur will still have to provide a cushion and provide for a working capital margin.*
* *Since Naina’s business doesn’t require working capital loan in her business, the working capital margin* *in this case can be 15-days of outflow of the month with the highest cash outflow. Shilpa refers to Table 11.e.8 above and looks for the highest cash outflow. She observes that the highest amount of cash outflow is Rs. 23,513. She decides to take half the amount of this outflow as the working capital margin to meet her cash requirements. Hence, the working capital margin for Naina’s Snacks Corner will be Rs. 11,756*
* *Shilpa now wants to plan the capital requirement for Naina’s business. The total capital required for Naina’s business can be calculated as under:*

| ***Table 11.e.20: Calculating Total Capital Requirement for Naina’s Snacks Corner*** | | | |
| --- | --- | --- | --- |
| ***Particulars*** | ***Source*** |  | ***Amount*** |
| *Fixed Capital Required in the Business* | *Table 10.e.9* | *A* | *Rs. 7,560* |
| *Funds Required for meeting Working Capital needs in the first year* | *Tool 11* | *B* | *Rs. 11,756* |
| ***Total Capital Required in the Business*** |  | ***C = A + B*** | ***Rs. 19,316*** |

* *Shilpa assesses the capital that Naina can contribute. On discussing with Naina, she comes to a conclusion that Naina can contribute Rs. 4,000 as capital. The remaining amount will have to be taken as a loan*

| ***Table 11.e.21: Estimating the Amount of Loan for Naina’s Snacks Corner*** | | |
| --- | --- | --- |
| ***Particulars*** |  | ***Amount*** |
| *Total Fixed Capital Required in the Business* | *A (Table 11.20)* | *Rs. 19,316* |
| *Total Contribution by Owner(s)* | *B* | *Rs. 4,000* |
| *Loan Amount Required* | *C = A - B* | *Rs. 15,316* |
| *Duration of Loan* | *D* | *3 years* |
| *Interest % (worst-case)* | *E* | *20% per annum* |
| *Total amount to be repaid after completion of loan duration* | *F = C x [(1 + E)^D]* | *Rs. 26,466* |
| *Total interest amount to be repaid* | *G = F - C* | *Rs. 11,150* |
| *Loan repayment for one year* | *H = C / D* | *Rs. 5,105* |
| *Interest repayment for one year* | *I = G / D* | *Rs. 3,716* |

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

* *Shilpa and Naina have now selected the products for Naina’s Snacks Corner, estimated its revenue, cost, and profits, prepared sales and inventory plan, set price, and estimated fixed and working capital needs of the business.*

*Shilpa now suggests that they prepare a business plan for Naina’s business. She refers to the business plan format she learnt in the TEAM module and tries to see the components that they have dealt with in the previous tools. She reproduces the format as under and provides references to tools to fill the business plan*

***Part A: Summary of Business Operations***

|  |  |
| --- | --- |
| ***Table 12.e.1: Basic Details of the Business*** | |
| *Name of the Owner*  *(if multiple owners, write all the name)* | *To be obtained from the entrepreneur* |
| *Number of Workers / Employees* | *To be discussed with the entrepreneur* |
| *Interested Business* | *To be obtained from the entrepreneur* |
| *Contact Information* | *To be obtained from the entrepreneur* |
| *Owner’s Relationship to the SHG* | *To be obtained from the entrepreneur* |
| *Name of the Self Help Group* | *To be obtained from the entrepreneur* |
| *Name of the Village Organisation* | *To be obtained from the entrepreneur* |
| *Name of the Cluster Level Federation* | *To be obtained from the entrepreneur* |
| *Name of the Business* | *To be obtained from the entrepreneur* |
| *Location and Address of the Business* | *To be obtained from the entrepreneur* |
| *Address of the Owner(s)* | *To be obtained from the entrepreneur* |
| *Gram Panchayat, Block* | *To be obtained from the entrepreneur* |
| *Aadhar Number (of any one member)* | *To be obtained from the entrepreneur* |
| *Nature of Business* | * *Seasonal* * *Perennial* |
| *Type of Business* | * *Production* * *Trading* * *Service* * *Mixed* |
| *Major Products / Service* | *Table 12.e.4* |

|  |  |  |
| --- | --- | --- |
| ***Table 12.e.2: Summary of Financial Statements*** | | |
|  | *Year 1* | *Year 3* |
| *Revenue* | *Table 12.e.12* | *Table 12.e.12* |
| *Gross Profit* | *Table 12.e.12* | *Table 12.e.12* |
| *Net Profit* | *Table 12.e.12* | *Table 12.e.12* |
| *Net Profitability* | *Table 12.e.12* | *Table 12.e.12* |

| ***Table 12.e.3: Summary of Business Parameters*** | |
| --- | --- |
| *Ownership Structure* | *To be discussed with the entrepreneur* |
| *Number of Owners* | *To be obtained from the entrepreneur* |
| *Total Owners’ Equity* | *To be discussed with the entrepreneur* |
| *Fixed Capital Required* | *Table 11.e.20* |
| *Working Capital Required* | *Table 11.e.20* |
| *Loan required* | *Table 11.e.21* |
| *Interest Rate* | *Table 11.e.21* |
| *Loan Repayment Period* | *Table 11.e.21* |

***Part B: Understanding Objective of the Business***

|  |  |
| --- | --- |
| ***Table 12.e.4: Objective of the Business*** | |
| *Entrepreneur’s Expected Income (Profit + Wages) from the Business (monthly/yearly)* | *Table 5.e.1 from Tool 5 – ‘Estimate Costs of the Business’* |
| *Main Products/ Services* | |
| 1. *Table 4.e.9 from Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’* | |
|  | |
|  | |
|  | |
|  | |

***Part C: Customer Segmentation***

|  |  |  |  |
| --- | --- | --- | --- |
| ***Table 12.e.5: Understanding Customers*** | | | |
| ***S. No*** | ***Customer Segment*** | ***Size Of Segment*** | ***Products For The Segment*** |
|  | ***A*** | ***B*** | ***C*** |
|  | *Table 3.e.2 from Tool 3 – ‘Estimate Revenue of the Business’* | *Table 3.e.2 from Tool 3 – ‘Estimate Revenue of the Business’* | *Table 3.e.3 from Tool 3 – ‘Estimate Revenue of the Business’* |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

***Part D: Capital Overview***

| ***Table 12.e.6: Fixed Capital Required by the Business*** | | | |
| --- | --- | --- | --- |
| ***Fixed Assets*** | ***No Of Units*** | ***Per Unit Cost*** | ***Total Cost Per Asset*** |
| *A. Fixed Assets* |  |  |  |
| *Table 10.e.4 from Tool 10 – ‘Estimate Fixed Capital Needs of the Business’* |  |  |  |
|  |  |  |  |
|  |  |  |  |
| *B. Other Assets* |  |  |  |
| *Table 10.e.5, Table 10.e.6, and Table 10.e.7 from Tool 10 – ‘Estimate Fixed Capital Needs of the Business’* |  |  |  |
|  |  |  |  |
|  |  |  |  |
| *C. Working Capital Margin* |  |  |  |
| *Table 11.e.19 from Tool 11 – ‘Estimate Working Capital Needs of the Business’* |  |  |  |
| *Total* |  |  |  |

|  |  |
| --- | --- |
| ***Table 12.e.7: Working Capital Required by the Business per Year*** | |
| *Working Capital Required for the Year* | *Table 11.e.19 from Tool 11 – ‘Estimate Working Capital Needs of the Business’* |

|  |  |
| --- | --- |
| ***Table 12.e.8: Capital Required by the Business*** | |
| *Fixed Capital Required by the Business* | *Table 11.e.20* |
| *Working Capital Required by the Business* | *Table 11.e.20* |
| *Total Capital Required by the Business* | *Table 11.e.20* |

|  |  |
| --- | --- |
| ***Table 12.e.9: Source of Capital*** | |
| ***Particulars*** | ***Amount*** |
| *Investment by Owners* | *Table 11.e.21* |
| *Loan Required* | *Table 11.e.21* |
| *Subsidy, Grants, if any* | *Source:*  *Amount:* |

***Part E: Sales Plan and Credit Policy of the Business***

| ***Table 12.e.10: Sales Volume for Products Sold in the Business*** | | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Unit*** | ***Jan*** | ***Feb*** | ***Mar*** | ***Apr*** | ***May*** | ***Jun*** | ***Jul*** | ***Aug*** | ***Sep*** | ***Oct*** | ***Nov*** | ***Dec*** |
| *Table 8.e.2 from Tool 8 – ‘Create Inventory Plan for the Business’* | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| ***Table 12.e.11: Credit Policy of the Business*** | | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | ***Directly to consumers –door to door sales*** | ***Directly to consumers – own outlet*** | ***Selling to retailers or shops*** | ***Selling to wholesalers*** | ***Selling directly to institutions or other businesses*** | ***Selling through exhibitions / fairs*** |
| *Table 7.e.6 from Tool 5 – ‘Create Sales Plan of the Business’* | | | | | | |
| ***Who will the business give credit to?*** |  |  |  |  |  |  |
| ***For how long will the business give credit?*** |  |  |  |  |  |  |
| ***What percentage of monthly revenue will be on credit?*** |  |  |  |  |  |  |
| ***Will there be periods in a year when no credit is given or extra credit is given?*** |  |  |  |  |  |  |

***Part F: Projected Financial Statements of the Business***

*The entire section needs to be calculated*

| ***Table 12.e.12: Projected Profit and Loss Statement for the Business*** | | | | |
| --- | --- | --- | --- | --- |
| ***Particulars*** | | ***Year 1*** | ***Year 2*** | ***Year 3*** |
|  | |  |  |  |
| *Revenue* | *Total Revenue* | *Table 9.e.5* | *Calculate* | *Calculate* |
| *Direct Costs* | *Cost of raw material* | *Table 5.e.8* | *Calculate* | *Calculate* |
| *Cost of transportation* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Amount withdrawn by owner for personal use* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Wages paid to labour* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Maintenance of fixed asset* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Cost of Fuel* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Other Cost* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Total Direct Cost* |  |  |  |
| ***Gross Profit (Total Revenue – Total Direct Cost)*** |  |  |  |
| ***Gross Profitability (Gross Profit / Revenue)*** |  |  |  |
| *Indirect Costs* | *Cost of transporting finished goods* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Salary* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Cost of rent* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Rent of equipment* | *Table 11.e.2* |  |  |
| *Cost of electricity* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Cost of water* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Cost of posters / pamphlets* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Interest paid on loan* | *Table 11.e.21* | *Table 11.e.21* | *Table 11.e.21* |
| *Depreciation* | *Calculate* | *Calculate* | *Calculate* |
| *Total Indirect Cost* |  |  |  |
| ***Net Profit (Gross Profit – Total Indirect Cost)*** |  |  |  |
| ***Net Profitability (Net Profit / Revenue)*** |  |  |  |

| ***Table 12.e.13: Projected Cash Flow Statement for the Business*** | | | | |
| --- | --- | --- | --- | --- |
| ***Particulars*** | | ***Year 1*** | ***Year 2*** | ***Year 3*** |
|  | |  |  |  |
|  | *Opening Balance* |  | *Closing Balance* | *Closing Balance* |
| *Cash Inflows* | *Cash invested in the business by owners* | *Table 12.e.9* | *Calculate* | *Calculate* |
| *Cash from loans taken* | *Table 12.e.9* | *Calculate* | *Calculate* |
| *Cash sales* | *Table 11.e.16* | *Calculate* | *Calculate* |
| *Amount paid by debtors* | *Table 11.e.16* | *Calculate* | *Calculate* |
| *Interest amount received* | *Table 11.e.15* | *Calculate* | *Calculate* |
| *Rent received* | *Table 11.e.15* | *Calculate* | *Calculate* |
| *Total Inflow* |  |  |  |
| *Cash Outflows* | *Cash paid for raw material* | *Table 11.e.8* | *Calculate* | *Calculate* |
| *Cash paid towards rent* | *Table 5.e.4 and 11.e.2* | *Calculate* | *Calculate* |
| *Cash paid towards electricity* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Cash paid towards water bill* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Cash paid for transportation* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Cash paid for fuel* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Amount withdrawn by owner for personal use* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Cash paid towards wages* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Cash paid towards salary* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Other costs* | *Table 5.e.4* |  |  |
| *Cash paid for posters / pamphlets* | *Table 5.e.4* | *Calculate* | *Calculate* |
| *Interest paid on loan* | *Table 11.e.21* | *Table 11.e.21* | *Table 11.e.21* |
| *Security deposit paid* | *Table 9.e.9* | *Calculate* | *Calculate* |
| *Cash paid for purchase fixed assets* | *Table 9.e.9* | *Calculate* | *Calculate* |
| *Loan amount repaid* | *Table 11.e.21* | *Table 11.e.21* | *Table 11.e.21* |
| *Amount paid to creditors* | *Table 11.e.8* | *Calculate* | *Calculate* |
| *Total Outflow* |  |  |  |
|  | *Closing Cash Balance (Opening Balance + Total Cash Inflow – Total Cash Outflow)* |  |  |  |

| ***Table 12.e.14: Projected Balance Sheet for the Business*** | | | | |
| --- | --- | --- | --- | --- |
| ***Particulars*** | | ***Year 1*** | ***Year 2*** | ***Year 3*** |
|  | |  |  |  |
| *Assets* | *Opening Balance of Fixed Assets* | *0* | *Closing Balance* | *Closing Balance* |
| *(+) Fixed assets purchased during the period* | *Table 10.e.4* |  |  |
| *(-) Fixed assets sold during the period* | *0* |  |  |
| *(-) Depreciation during the year* | *Table 12.e.15* |  |  |
| *Closing Balance of Fixed Assets* |  |  |  |
|  |  |  |  |
| *Opening Accounts Receivables* | *0* | *Closing Balance* | *Closing Balance* |
| *(+) Credit sales during the period* | *Table 11.e.16* |  |  |
| *(-) Amount paid by debtors* | *Table 11.e.16* |  |  |
| *Closing Accounts Receivables* |  |  |  |
|  |  |  |  |
| *Opening Balance of Security Deposits* | *0* | *Closing Balance* | *Closing Balance* |
| *(+) Security deposit paid during the period* | *Table 9.e.9* |  |  |
| *(-) Security deposit returned* | *0* |  |  |
| *Closing Balance of Security Deposits* |  |  |  |
|  |  |  |  |
| *Closing Cash Balance* | *Table 12.e.13* | *Closing Balance* | *Closing Balance* |
|  | *Total Assets (Sum of closing balances of all assets)* |  |  |  |
|  |  |  |  |  |
| *Liabilities* | *Opening Accounts Payables* | *0* | *Closing Balance* | *Closing Balance* |
| *(+) Credit Purchases* | *Table 11.e.8* |  |  |
| *(-) Amount repaid to suppliers* | *Table 11.e.8* |  |  |
| *Closing Accounts Payables* |  |  |  |
|  |  |  |  |
| *Opening Loan Balance* | *0* | *Closing Balance* | *Closing Balance* |
| *(+) New loans taken* | *Table 11.e.21* |  |  |
| *(-) Loans repaid* | *0* |  |  |
| *Closing Loan Balance* |  |  |  |
|  |  |  |  |  |
| *Owner’s Equity* | *Opening Balance of Owner’s Equity* | *0* | *Closing Balance* | *Closing Balance* |
| *(+) Cash added in the business during the period* | *Table 11.e.21* |  |  |
| *(-) Capital withdrawn* | *0* |  |  |
| *Closing Balance of Owner’s Equity* |  |  |  |
|  |  |  |  |
| *Opening Balance of Retained Earnings* | *0* | *Closing Balance* | *Closing Balance* |
| *(+) Net profit for the period* | *Table 12.e.12* |  |  |
| *Closing Balance of Retained Earnings* |  |  |  |
|  | *Total Liabilities (Sum of closing balances of liabilities and owner’s equity head)* |  |  |  |

* *Shilpa goes through the business plan above, and realizes that she needs to calculate the projected financial statements for three years. She goes the available information from the previous tools and calculates the financial statements for the first year.*
* *Shilpa first decides to calculate depreciation as under:*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| ***Table 12.e.15: Calculation of Annual Depreciation*** | | | | | | | |
|  |  | ***Asset 1*** | ***Asset 2*** | ***Asset 3*** | ***Asset 4*** | ***Asset 5*** | ***Asset 6*** |
|  | ***Table 10.e.4*** | ***Utensils*** |  |  |  |  |  |
| *Purchase of fixed asset* | *A* | *Rs. 4,080* |  |  |  |  |  |
| *Useful life of the asset* | *B* | *10 years* |  |  |  |  |  |
| *Depreciation per year* | *C = A / B* | *Rs. 408* |  |  |  |  |  |
| *Number of years depreciation charged so far* | *D* | *0* |  |  |  |  |  |

* *As she planned, Shilpa now calculates Profit and Loss Statement, Cash Flow Statement, and Balance Sheet for the first year from the information available from the previous tools*

| ***Table 12.e.16: Projected Profit and Loss Statement for the Business for Naina’s Snacks Corner*** | | |
| --- | --- | --- |
| ***Particulars*** | | ***Year 1*** |
|  | |  |
| *Revenue* | *Total Revenue* | *282,180* |
| *Direct Costs* | *Cost of raw material* | *195,562* |
| *Cost of transportation* | *1,200* |
| *Amount withdrawn by owner for personal use* | *36,000* |
| *Wages paid to labour* | *12,000* |
| *Maintenance of fixed asset* | *-* |
| *Cost of Fuel* | *8,400* |
| *Other Cost* | *600* |
| *Total Direct Cost* | *253,762* |
| ***Gross Profit (Total Revenue – Total Direct Cost)*** | ***28,418*** |
| ***Gross Profitability (Gross Profit / Revenue)*** | ***10.1%*** |
| *Indirect Costs* | *Cost of transporting finished goods* | *-* |
| *Salary* | *-* |
| *Cost of rent* | *9,600* |
| *Rent of equipment* | *1,200* |
| *Cost of electricity* | *-* |
| *Cost of water* | *-* |
| *Cost of posters / pamphlets* | *-* |
| *Interest paid on loan* | *3,716* |
| *Depreciation* | *408* |
| *Total Indirect Cost* | *14,924* |
| ***Net Profit (Gross Profit – Total Indirect Cost)*** | ***13,494*** |
| ***Net Profitability (Net Profit / Revenue)*** | ***4.8%*** |

| ***Table 12.e.17: Projected Cash Flow Statement for the Business*** | | |
| --- | --- | --- |
| ***Particulars*** | | ***Year 1*** |
|  | |  |
|  | *Opening Balance* | *0* |
| *Cash Inflows* | *Cash invested in the business by owners* | *4,000* |
| *Cash from loans taken* | *15,316* |
| *Cash sales* | *225,744* |
| *Amount paid by debtors* | *56,436* |
| *Interest amount received* | *-* |
| *Rent received* | *-* |
| *Total Inflow* | ***301,496*** |
| *Cash Outflows* | *Cash paid for raw material* | *195,562* |
| *Cash paid towards rent* | *10,800* |
| *Cash paid towards electricity* | *-* |
| *Cash paid towards water bill* | *-* |
| *Cash paid for transportation* | *1,200* |
| *Cash paid for fuel* | *8,400* |
| *Amount withdrawn by owner for personal use* | *36,000* |
| *Cash paid towards wages* | *12,000* |
| *Cash paid towards salary* | *-* |
| *Other costs* | *600* |
| *Cash paid for posters / pamphlets* | *-* |
| *Interest paid on loan* | *3,716* |
| *Security deposit paid* | *2,500* |
| *Cash paid for purchase fixed assets* | *5,060* |
| *Loan amount repaid* | *5,105* |
| *Amount paid to creditors* | *-* |
| *Total Outflow* | ***280,943*** |
|  | *Closing Cash Balance (Opening Balance + Total Cash Inflow – Total Cash Outflow)* | ***20,553*** |

| ***Table 12.e.18: Projected Balance Sheet for the Business*** | | |
| --- | --- | --- |
| ***Particulars*** | | ***Year 1*** |
|  | |  |
| *Assets* | *Opening Balance of Fixed Assets* | *-* |
| *(+) Fixed assets purchased during the period* |  |
| *(-) Fixed assets sold during the period* | *5,060* |
| *(-) Depreciation during the year* | *(408)* |
| *Closing Balance of Fixed Assets* | ***4,652*** |
|  |  |
| *Opening Accounts Receivables* | *-* |
| *(+) Credit sales during the period* | *56,436* |
| *(-) Amount paid by debtors* | *(56,436)* |
| *Closing Accounts Receivables* | ***-*** |
|  |  |
| *Opening Balance of Security Deposits* | *-* |
| *(+) Security deposit paid during the period* | *2,500* |
| *(-) Security deposit returned* | *-* |
| *Closing Balance of Security Deposits* | ***2,500*** |
|  |  |
| *Closing Cash Balance* | ***30,058*** |
|  | *Total Assets (Sum of closing balances of all assets)* | ***27,705*** |
|  |  |  |
| *Liabilities* | *Opening Accounts Payables* | *-* |
| *(+) Credit Purchases* | *-* |
| *(-) Amount repaid to suppliers* | *-* |
| *Closing Accounts Payables* | ***-*** |
|  |  |
| *Opening Loan Balance* | *-* |
| *(+) New loans taken* | *15,316* |
| *(-) Loans repaid* | *5,105* |
| *Closing Loan Balance* | ***10,211*** |
|  |  |  |
| *Owner’s Equity* | *Opening Balance of Owner’s Equity* | *-* |
| *(+) Cash added in the business during the period* | *4,000* |
| *(-) Capital withdrawn* | *-* |
| *Closing Balance of Owner’s Equity* | ***4,000*** |
|  |  |
| *Opening Balance of Retained Earnings* | *-* |
| *(+) Net profit for the period* | *13,494* |
| *Closing Balance of Retained Earnings* | ***13,494*** |
|  | *Total Liabilities (Sum of closing balances of liabilities and owner’s equity head)* | ***27,705*** |

* *To calculate projections for second and third year, Shilpa and Naina decide to increase revenue by 15%. They decided to be conservative and add a 2% increment to costs, i.e., Shilpa and Naina decided to raise costs by 17% (15% + 2%)*
* ***As a convention, whatever increment the CRP-EP and the entrepreneur decide to take to calculate revenue for years 2 and 3, add an extra 2% to the increment to get the increment for costs***

*The projected statements for Naina’s Snacks Corner are as under:*

| ***Table 12.e.19: Projected Profit and Loss Statement for Naina’s Snacks Corner*** | | | | |
| --- | --- | --- | --- | --- |
| ***Particulars*** | | ***Year 1*** | ***Year 2*** | ***Year 3*** |
|  | |  |  |  |
| *Revenue* | *Total Revenue* | *282,180* | *324,507* | *373,183* |
| *Direct Costs* | *Cost of raw material* | *195,562* | *228,808* | *267,705* |
| *Cost of transportation* | *1,200* | *1,404* | *1,643* |
| *Amount withdrawn by owner for personal use* | *36,000* | *42,120* | *49,280* |
| *Wages paid to labour* | *12,000* | *14,040* | *16,427* |
| *Maintenance of fixed asset* | *-* | *-* | *-* |
| *Cost of Fuel* | *8,400* | *9,828* | *11,499* |
| *Other Cost* | *600* | *702* | *821* |
| *Total Direct Cost* | *253,762* | *296,902* | *347,375* |
| ***Gross Profit (Total Revenue – Total Direct Cost)*** | ***28,418*** | ***27,605*** | ***25,808*** |
| ***Gross Profitability (Gross Profit / Revenue)*** | ***10.1%*** | ***8.5%*** | ***6.9%*** |
| *Indirect Costs* | *Cost of transporting finished goods* | *-* | *-* | *-* |
| *Salary* | *-* | *-* | *-* |
| *Cost of rent* | *9,600* | *11,232* | *13,141* |
| *Rent of equipment* | *1,200* | *1,404* | *1,643* |
| *Cost of electricity* | *-* | *-* | *-* |
| *Cost of water* | *-* | *-* | *-* |
| *Cost of posters / pamphlets* | *-* | *-* | *-* |
| *Interest paid on loan* | *3,716* | *3,716* | *3,716* |
| *Depreciation* | *408* | *408* | *408* |
| *Total Indirect Cost* | *14,924* | *16,760* | *18,908* |
| ***Net Profit (Gross Profit – Total Indirect Cost)*** | ***13,494*** | ***10,845*** | ***6,900*** |
| ***Net Profitability (Net Profit / Revenue)*** | ***4.8%*** | ***3.3%*** | ***1.8%*** |

| ***Table 12.e.20: Projected Cash Flow Statement for Naina’s Snacks Corner*** | | | | |
| --- | --- | --- | --- | --- |
| ***Particulars*** | | ***Year 1*** | ***Year 2*** | ***Year 3*** |
|  | |  |  |  |
|  | *Opening Balance* | *0* | *20,553* | *26,701* |
| *Cash Inflows* | *Cash invested in the business by owners* | *4,000* | *-* | *-* |
| *Cash from loans taken* | *15,316* | *-* | *-* |
| *Cash sales* | *225,744* | *259,606* | *298,546* |
| *Amount paid by debtors* | *56,436* | *64,901* | *74,637* |
| *Interest amount received* | *-* | *-* | *-* |
| *Rent received* | *-* | *-* | *-* |
| ***Total Inflow*** | ***301,496*** | ***345,060*** | ***399,885*** |
| *Cash Outflows* | *Cash paid for raw material* | *195,562* | *228,808* | *267,705* |
| *Cash paid towards rent* | *10,800* | *12,636* | *14,784* |
| *Cash paid towards electricity* | *-* | *-* | *-* |
| *Cash paid towards water bill* | *-* | *-* | *-* |
| *Cash paid for transportation* | *1,200* | *1,404* | *1,643* |
| *Cash paid for fuel* | *8,400* | *9,828* | *11,499* |
| *Amount withdrawn by owner for personal use* | *36,000* | *42,120* | *49,280* |
| *Cash paid towards wages* | *12,000* | *14,040* | *16,427* |
| *Cash paid towards salary* | *-* | *-* | *-* |
| *Other costs* | *600* | *702* | *821* |
| *Cash paid for posters / pamphlets* | *-* | *-* | *-* |
| *Interest paid on loan* | *3,716* | *3,716* | *3,716* |
| *Security deposit paid* | *2,500* | *-* | *-* |
| *Cash paid for purchase fixed assets* | *5,060* | *-* | *-* |
| *Loan amount repaid* | *5,105* | *5,105* | *5,106* |
| *Amount paid to creditors* | *-* | *-* | *-* |
| ***Total Outflow*** | ***280,943*** | ***318,359*** | ***370,981*** |
|  | ***Closing Cash Balance (Opening Balance + Total Cash Inflow – Total Cash Outflow)*** | ***20,553*** | ***26,701*** | ***28,904*** |

| ***Table 12.e.14: Projected Balance Sheet for Naina’s Snacks Corner*** | | | | |
| --- | --- | --- | --- | --- |
| ***Particulars*** | | ***Year 1*** | ***Year 2*** | ***Year 3*** |
|  | |  |  |  |
| *Assets* | *Opening Balance of Fixed Assets* | *-* | *4,652* | *4,244* |
| *(+) Fixed assets purchased during the period* |  |  |  |
| *(-) Fixed assets sold during the period* | *5,060* |  |  |
| *(-) Depreciation during the year* | *(408)* | *(408)* | *(408)* |
| *Closing Balance of Fixed Assets* | ***4,652*** | ***4,244*** | ***3,836*** |
|  |  |  |  |
| *Opening Accounts Receivables* | *-* | *-* |  |
| *(+) Credit sales during the period* | *56,436* | *64,901* | *74,637* |
| *(-) Amount paid by debtors* | *(56,436)* | *(64,901)* | *(74,637)* |
| *Closing Accounts Receivables* | ***-*** | ***-*** | ***-*** |
|  |  |  |  |
| *Opening Balance of Security Deposits* | *-* | *2,500* | *2,500* |
| *(+) Security deposit paid during the period* | *2,500* | *-* | *-* |
| *(-) Security deposit returned* | *-* | *-* | *-* |
| *Closing Balance of Security Deposits* | ***2,500*** | ***2,500*** | ***2,500*** |
|  |  |  |  |
| *Closing Cash Balance* | ***20,553*** | ***26,701*** | ***28,904*** |
|  | *Total Assets (Sum of closing balances of all assets)* | ***27,705*** | ***33,445*** | ***35,240*** |
|  |  |  |  |  |
| *Liabilities* | *Opening Accounts Payables* | *-* | *-* | *-* |
| *(+) Credit Purchases* | *-* | *-* | *-* |
| *(-) Amount repaid to suppliers* | *-* | *-* | *-* |
| *Closing Accounts Payables* | ***-*** | ***-*** | ***-*** |
|  |  |  |  |
| *Opening Loan Balance* | *-* | *10,211* | *5,106* |
| *(+) New loans taken* | *15,316* | *-* | *-* |
| *(-) Loans repaid* | *(5,105)* | *(5,105)* | *(5,106)* |
| *Closing Loan Balance* | ***10,211*** | ***5,106*** | ***-*** |
|  |  |  |  |  |
| *Owner’s Equity* | *Opening Balance of Owner’s Equity* | *-* | *4,000* | *4,000* |
| *(+) Cash added in the business during the period* | *4,000* | *-* | *-* |
| *(-) Capital withdrawn* | *-* | *-* | *-* |
| *Closing Balance of Owner’s Equity* | ***4,000*** | ***4,000*** | ***4,000*** |
|  |  |  |  |
| *Opening Balance of Retained Earnings* | *-* | *13,494* | *24,339* |
| *(+) Net profit for the period* | *13,494* | *10,845* | *6,900* |
| *Closing Balance of Retained Earnings* | ***13,494*** | ***24,339*** | ***31,240*** |
|  | *Total Liabilities (Sum of closing balances of liabilities and owner’s equity head)* | ***27,705*** | ***33,445*** | ***35,240*** |

* *Now that Shilpa has calculated and prepared Part F of the business plan, she moves on to writing Parts A-E. She completes her discussions with Naina and re-visits the tools she prepared earlier to write the following information in the business plan*

***Part A: Summary of Business Operations***

|  |  |
| --- | --- |
| ***Table 12.e.1: Basic Details of the Business*** | |
| *Name of the Owner*  *(if multiple owners, write all the name)* | *Naina* |
| *Number of Workers / Employees* | *02* |
| *Interested Business* | *Snacks Corner* |
| *Contact Information* | *9811929383* |
| *Owner’s Relationship to the SHG* | *Member* |
| *Name of the Self Help Group* | *Ganga SHG* |
| *Name of the Village Organisation* | *Narayan VO* |
| *Name of the Cluster Level Federation* | *Kheni Cluster* |
| *Name of the Business* | *Naina Snacks Corner* |
| *Location and Address of the Business* | *Near bada bazaar bus stand* |
| *Address of the Owner(s)* | *H No. 12, Bada Nagar* |
| *Gram Panchayat, Block* |  |
| *Aadhar Number (of any one member)* | *1234 5678 4321* |
| *Nature of Business* | * *Seasonal* * *Perennial* |
| *Type of Business* | * *Production* * *Trading* * *Service* * *Mixed* |
| *Major Products / Service* | *Tea, Samosa, Pakoda, Cold-drinks, Biscuits, Muri* |

|  |  |  |
| --- | --- | --- |
| ***Table 12.e.2: Summary of Financial Statements*** | | |
|  | *Year 1* | *Year 3* |
| *Revenue* | *Rs. 282,180* | *Rs. 373,183* |
| *Gross Profit* | *Rs. 28,418* | Rs. *25,808* |
| *Net Profit* | *Rs. 13,494* | *Rs. 6,900* |
| *Net Profitability* | *4.8%* | *1.8%* |

| ***Table 12.e.3: Summary of Business Parameters*** | |
| --- | --- |
| *Ownership Structure* | *Sole Proprietorship* |
| *Number of Owners* | *01* |
| *Total Owners’ Equity* | *Rs. 4,000* |
| *Fixed Capital Required* | *Rs. 19,316* |
| *Working Capital Required* | *Rs. 0* |
| *Loan required* | *Rs. 15,316* |
| *Interest Rate* | *20%* |
| *Loan Repayment Period* | *3 years* |

***Part B: Understanding Objective of the Business***

|  |  |
| --- | --- |
| ***Table 12.e.4: Objective of the Business*** | |
| *Entrepreneur’s Expected Income (Profit + Wages) from the Business (monthly/yearly)* | *Rs. 3,000 per month* |
| *Main Products/ Services* | |
| 1. *Tea* | |
| 1. *Samosa* | |
| 1. *Pakoda* | |
| 1. *Cold-drinks* | |
| 1. *Biscuits* | |
| 1. *Muri* | |

***Part C: Customer Segmentation***

|  |  |  |  |
| --- | --- | --- | --- |
| ***Table 12.e.5: Understanding Customers*** | | | |
| ***S. No*** | ***Customer Segment*** | ***Size Of Segment*** | ***Products For The Segment*** |
|  | ***A*** | ***B*** | ***C*** |
| *1* | *Persons waiting for the bus* | *Rs. 1,44,000 per year* | *Tea, Samosa, Pakoda, Cold-drinks, Biscuits, Muri* |
| *2* | *Labourers from the nearby construction site* | *Rs. 72,000 per year* | *Tea, Biscuits, Muri* |
| *3* | *Students returning from school / college* | *Rs. 15,600 per year* | *Samosa, Pakoda, Cold-drinks* |
| *4* | *Middle aged men* | *Rs. 36,000 per year* | *Tea, Samosa, Pakoda, Muri* |

***Part D: Capital Overview***

| ***Table 12.e.6: Fixed Capital Required by the Business*** | | | |
| --- | --- | --- | --- |
| ***Fixed Assets*** | ***No Of Units*** | ***Per Unit Cost*** | ***Total Cost Per Asset*** |
| ***A. Fixed Assets*** |  |  |  |
| *1 lt. vessel* | *2* | *Rs. 400* | *Rs. 800* |
| *Cups to serve tea* | *12* | *Rs. 30* | *Rs. 360* |
| *Vessels to store tea / sugar* | *2* | *Rs. 50* | *Rs. 100* |
| *Gas stove* | *1* | *Rs. 300* | *Rs. 300* |
| *Plates to serve* | *12* | *Rs. 20* | *Rs. 240* |
| *Spoons* | *24* | *Rs. 10* | *Rs. 240* |
| *Spoon to fry* | *1* | *Rs. 50* | *Rs. 50* |
| *Wok* | *1* | *Rs. 500* | *Rs. 500* |
| *Rolling pin* | *1* | *Rs. 50* | *Rs. 50* |
| *Chakla* | *1* | *Rs. 150* | *Rs. 150* |
| *Knife to cut vegetables* | *2* | *Rs. 40* | *Rs. 80* |
| *500 ml vessel* | *2* | *Rs. 200* | *Rs. 400* |
| *Tarpoulin for shade* | *1* | *Rs. 200* | *Rs. 200* |
| *Floor mats to sit* | *6* | *Rs. 70* | *Rs. 420* |
| *Basket to cover samosas and pakodas* | *2* | *Rs. 40* | *Rs. 80* |
| *Air-tight container for biscuits* | *2* | *Rs. 80* | *Rs. 160* |
|  |  |  |  |
| ***B. Other Assets*** |  |  |  |
| *Security deposit for the rented premises* |  |  | *Rs. 2,500* |
| *Electrification Charges* |  |  | *Rs. 130* |
| *Charges for Water Facility* |  |  | *Rs. 50* |
| *Amount spent on Renovation / Modification / Maintenance* |  |  | *Rs. 500* |
| *Other charges* |  |  | *Rs. 50* |
| *Training charges* |  |  | *Rs. 250* |
|  |  |  |  |
| *C. Working Capital Margin* |  |  | *Rs. 11,756* |
| *Total* |  |  | *Rs. 19,316* |

|  |  |
| --- | --- |
| ***Table 12.e.7: Working Capital Required by the Business per Year*** | |
| *Working Capital Required for the Year* | *Rs. 0* |

|  |  |
| --- | --- |
| ***Table 12.e.8: Capital Required by the Business*** | |
| *Fixed Capital Required by the Business* | *Rs. 19,316* |
| *Working Capital Required by the Business* | *Rs. 0* |
| *Total Capital Required by the Business* | *Rs. 19,316* |

|  |  |
| --- | --- |
| ***Table 12.e.9: Source of Capital*** | |
| ***Particulars*** | ***Amount*** |
| *Investment by Owners* | *Rs. 4,000* |
| *Loan Required* | *Source: Bank*  *Amount: Rs. 15,316* |
| *Subsidy, Grants, if any* | *Source: NIL*  *Amount: NIL* |

***Part E: Sales Plan and Credit Policy of the Business***

| ***Table 12.e.10: Sales Volume for Products Sold in the Business*** | | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Items*** | ***Unit*** | ***Jan*** | ***Feb*** | ***Mar*** | ***Apr*** | ***May*** | ***Jun*** | ***Jul*** | ***Aug*** | ***Sep*** | ***Oct*** | ***Nov*** | ***Dec*** |
| *Tea* | *Cups* | *1,830* | *1,830* | *1,830* | *1,220* | *1,220* | *1,220* | *1,220* | *1,220* | *1,220* | *1,830* | *1,830* | *1,830* |
| *Samosa* | *Nos.* | *612* | *612* | *612* | *408* | *408* | *408* | *408* | *408* | *408* | *612* | *612* | *612* |
| *Pakoda* | *Plates* | *540* | *540* | *540* | *360* | *360* | *360* | *360* | *360* | *360* | *540* | *540* | *540* |
| *Cold-drinks* | *Bottles* |  |  |  | *900* | *900* | *900* | *900* | *900* | *900* |  |  |  |
| *Biscuits* | *Nos.* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* | *1,700* |
| *Muri* | *Kg* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* | *35.5* |

| ***Table 12.e.11: Credit Policy of the Business*** | |
| --- | --- |
|  | ***Directly to consumers – own outlet*** |
| ***Who will the business give credit to?*** | *The business will give credit to customers who live within 2 km of Naina’s house* |
| ***For how long will the business give credit?*** | *The credit will be given for a period of maximum of 10 days from the date of sale* |
| ***What percentage of monthly revenue will be on credit?*** | *A maximum of 20% of the monthly revenue can be given on credit, i.e. if Naina’s monthly revenue if Rs. 100, she will give a maximum credit of Rs. 20 to her customers* |
| ***Will there be periods in a year when no credit is given or extra credit is given?*** | *No credit will be given during festivals (particularly during Holi and Diwali)* |

# **Tool 13: Create Posters / Leaflets for the Business: Instructions for Using the Tool**

* *Naina is planning to set up a snacks corner near a bus stand in her village. Naina makes tea and snacks, and also sells biscuits and cold drinks. She had previously sought Shilpa’s help – an enterprise consultant in her village to prepare the business plan. Naina now wants to develop marketing communication for her business and seeks Shilpa’s help for the same.*
* *As the first step, Shilpa suggests that they decide the customer groups to target. She lists down the customer groups decided earlier to analyse which consumer group to target. Shilpa sought Naina’s opinion to assess the groups to be targeted for communication*
* ***The target customer groups can be sourced from Table 2.e.3 in Tool 2 – ‘Select the Right Product / Service for the Business’***

|  |  |  |
| --- | --- | --- |
| ***Table 13.e.1: Understanding Need for Communication*** | | |
| ***Target Customers*** | ***Why Should the customer group be targeted?*** | ***Should the communication be targeted at this customer group right now?*** |
| *Persons waiting for the bus* | *To attract persons who are waiting for the bus* | *No* |
| *Labourers from the nearby construction site* | *To generate awareness amongst labourers from nearby construction site* | *No* |
| *Students returning from school / college* | *To attract students returning from school/college* | *Yes* |
| *Middle aged men* | *To generate awareness amongst middle-aged men in the village* | *No* |

* *After deciding on the target group / groups for communications, Shilpa considered it important to write the objective of the marketing communication. This will help them focus on the main message of the communication*

|  |
| --- |
| ***Table 13.e.2: Deciding Objective of Marketing Communication*** |
| *To increase the footfall of school/college students who want snacks after classes* |

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

|  |  |
| --- | --- |
| ***Table 13.e.3: Listing Needs of Target Customers*** | |
| ***Target Customers*** | ***Customer Needs*** |
| *School/college students* | * *Ready-to-eat snacks* * *Cold drinks* |

* *Shilpa now combines needs of all target customer groups at one place and also writes other products / services that the business provides*
* ***Look at the final list of products / services from Table 4.e.9 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’ and compare it with the customer needs in Table 13.e.3. The products sold by the business that are not essential needs of the customer category (from table 13.e.3), will be mentioned in ‘Other Products / Services Provided by the Business’***

|  |  |
| --- | --- |
| ***Table 13.e.4: Consolidating Needs of Target Customers and Mentioning Other Needs Satisfied by Naina’s Tea and Snacks Corner*** | |
| ***All Needs of Target Customer Groups*** | ***Other Products / Services Provided by the Business*** |
| * *Ready-to-eat snacks* * *Cold drinks* | * *Tea* * *Biscuits* * *Muri* |

* *Shilpa decides to check if her competitors satisfy the needs of the customers and if they satisfy the need better than Naina*
* ***‘Analysis of Existing Competition on Quality Parameters’ can be sourced from Tool 9 – ‘Set Price for Products / Services’***

| ***Table 13.e.5: Analysis of Existing Competition on Quality Parameters*** | |
| --- | --- |
| ***Quality Standards*** | ***How does the Entrepreneur Fair with respect to her Competitors (Better / Same / Worse)*** |
| *Functionality* | *Same - Better* |
| *Safety* | *Better* |
| *Attractiveness* | *Same - Worse* |

* *Shilpa now wants to determine the message which is most likely to meet the objective of the communication, as stated in Table 13.e.2. She notes down the points to be put in the message in the following table in consultation with Naina.*
* *Shilpa considers communicating those messages in which the competitors fare worse or same compared to Naina’s business. In her business, Naina’s competitors fare same or worse with respect to attractiveness. Hence, Shilpa suggested that Naina bases her message conveying the attractiveness of her business proposition. However, Shilpa can also choose to include points conveying functionality and safety aspects of the business as well.*
* ***Look at quality standards mentioned in table 4.e.2 in Tool 4 – ‘Set Quality Standards for the Business, Define Product / Service Delivery Process, and Assess Capabilities of the Entrepreneur’ and identify the key points to be included in the message for communication***

|  |
| --- |
| ***Table 13.e.6: Deciding Points to be put in the Communication*** |
| ***Objective***  *To increase the footfall of school/college students who want snacks after classes*  ***What message(s) will meet the objective:***   * *Cold drinks* * *Hot snacks* * *Quick service* * *Shade to stand in* * *Place to wash* * *Place to sit* |

* *After deciding on the points to be included in the message, Shilpa has to decide the medium of communication. She recalls the various media available to communicate the message, such as demos, leaflets, posters, getting satisfied customers to recommend Naina’s business, getting locally influential person(s) to recommend Naina’s products and services, and getting articles published in local newspapers.*
* *Shilpa prepares the following table to understand the relevance, cost, and reach for each medium for college girls. Based on the three parameters, Shilpa and Naina make an assessment of the communication medium to be used.*

| ***Table 13.e.7: Analysing Appropriateness of Communication Medium for the Target Segment*** | | | | |
| --- | --- | --- | --- | --- |
|  | ***Relevance***  ***(Yes / No)*** | ***Reach***  ***(High / Medium / Low)*** | ***Cost***  ***(High / Medium / Low)*** | ***Should this medium be chosen?*** |
| *Signboard* | *Yes* | *Low* | *Medium depending on size and material used* | *Yes* |
| *Demo* | *No* | *Low* | *Free tea / snacks to customers (High)* | *No* |
| *Leaflet* | *Yes* | *High* | *Re. 1 per leaflet (Low)* | *Yes* |
| *Poster* | *Yes* | *Medium* | *Rs. 50 per poster (Medium)* | *Yes* |
| *Getting satisfied customers to refer us to others* | *Yes* | *Medium* | *Discount to customers who recommend Naina’s business (Medium)* | *No* |
| *Getting locally influential person to recommend product* | *No* | *Medium* | *Donation or token money to be paid for recommending (High)* | *No* |
| *Advertisement in newspapers* | *No* | *High* | *Rs. 25 per word (High)* | *No* |

*She discusses with Naina and based on costs, reach, and relevance of each communication media, they decide on communication media for their message. They feel the following media will be appropriate to communicate the message:*

* *Signboard*
* *Leaflets*
* *Posters*
* *Since Naina and Shilpa have decided to use signboard, posters, and leaflets for communication, Shilpa feels it is essential note important details that are necessary to include in the poster / leaflet, which will eventually lead to meeting the communication objective, i.e., increasing footfall of college students.*

*Shilpa, in consultation with Naina, notes down the information in the table below:*

| ***Table 13.e.8: Important Details to be Included in the Poster / Leaflet*** | |
| --- | --- |
| *Important Message* | * *Cold drinks* * *Hot snacks* * *Quick service* * *Shade to stand in* * *Place to wash* * *Place to sit* |
| *Call to Action (What we want the customer to do)* | *Come to the shop in groups* |
| *Mention items / details required by law* | *-* |
| *Address of the Business / Contact details of the Entrepreneur* | *Naina’s Tea and Snacks Corner,*  *Near Bus Stand, Main Road*  *Phone: 9834567822* |

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

*Based on the above information, Shilpa designs a poster to be put up in the nearby institutions. She also designs leaflets which can be distributed to the students*

# **Tool 14: Keep Records of the Business: Instructions for Using the Tool**

* *Naina has set-up her tea and snacks corner based on the inputs provided to her by the enterprise consultant in her village, Shilpa. Now that her business is operational, Shilpa suggests that Naina understands how to maintain records for her business transactions which will help her in preparing financial statements and analysing business performance.*
* *Shilpa lists down all records that a business can maintain and chooses from amongst them, those that are applicable for Naina’s business.*

|  |  |
| --- | --- |
| ***Table 14.e.1: List of Records to be Maintained for Naina’s Tea and Snacks Corner*** | |
| ***Records*** | ***Applicability for the Entrepreneur’s Business*** |
| *Business Profile Sheet* | *Yes* |
| *Capital and Assets Register* | *Yes* |
| *Day Book* | *Yes* |
| *Performance Tracking Sheet* | *Yes* |

* *Shilpa now wants to orient Naina on the different books of records to be maintained for her business to make her understand the importance of maintaining them regularly. She uses the following points to orient her:*

| ***Table 14.e.2: Orientation to be Imparted to Naina*** | | | |
| --- | --- | --- | --- |
| ***Records*** | ***Usefulness*** | ***Frequency*** | ***Person Responsible*** |
| *Business Profile Sheet* | *The purpose is to record the basic details of the business, such as name, location, type, capital invested etc.* | *One-time* | *Name of CRP-EP* |
| *Capital and Assets Register* | *The purpose is to record changes in what business owns (assets) and what it owes others (liabilities)* | *As and when capital transactions take place* | *Name of CRP-EP* ***OR*** *Name of the Entrepreneur* |
| *Day Book* | *The purpose is to record daily transactions of business including income and expenditure* | *Daily* | *Name of the Entrepreneur* |
| *Performance Tracking Sheet* | *The purpose is to consolidate information from all registers mentioned above at one place for a particular period* | *After a fixed period* | *Name of CRP-EP* |

* *Shilpa takes out the Business Profile Sheet and with the help of Naina, fills in the required information in the sheet. A sample of Business Profile Sheet is attached at the end of the tool.*
* *Shilpa introduces Naina to the format of the Capital and Assets Register. She fills in the details of the first few capital transactions undertaken by the business. The transactions include:*
* *Purchase of fixed assets, as under:*
  + - *1 lt. vessel Rs. 800*
    - *Cups to serve tea Rs. 180*
    - *Vessels to store tea / sugar Rs. 100*
    - *Gas stove Rs. 300*
    - *Plates to serve Rs. 120*
    - *Spoons Rs. 120*
    - *Spoon to fry Rs. 50*
    - *Wok Rs. 500*
    - *Rolling pin Rs. 50*
    - *Chakla Rs. 150*
    - *Knife to cut vegetables Rs. 40*
    - *500 ml vessel Rs. 200*
    - *Tarpaulin for shade Rs. 200*
    - *Basket to cover samosas and pakodas Rs. 40*
    - *Air-tight container for biscuits Rs. 80*
* *Security deposit for rented premises and cylinder Rs. 2,500*

| ***Table 14.e.3: Format of Capital Register*** | |
| --- | --- |
| ***Particulars*** | ***Time period*** |
| ***(11 Oct 2018 – 18 Oct 2018)*** |
| *Purchase of fixed assets* | *Rs. 2,930* |
| *Sale of fixed asset* |  |
| *Security deposit paid* | *Rs. 2,500* |
| *Security deposit returned* |  |
| *Capital withdrawal (in case an owner resigns)* |  |

* *Now, Shilpa wants to decide the fields Naina should have in her Day-Book. Based on the nature of the business, Shilpa selects the following fields to be mentioned in Naina’s Day-Book*

| ***Table 14.e.4: Choosing Fields for Day-Book*** | |
| --- | --- |
| ***Fields*** | ***Applicability*** |
| *Date* | *🗸* |
| *Cash Sales* | *🗸* |
| *Credit Sales* | *🗸* |
| *Raw Material Purchased in Cash* |  |
| *Raw Material Purchased in Credit* |  |
| *Amount Received from Debtors* | *🗸* |
| *Cash Added to the Business* | *🗸* |
| *Amount Paid to Creditors* |  |
| *Advance Paid to Suppliers* |  |
| *Transportation Expense* | *🗸* |
| *Wages* | *🗸* |
| *Other Expenses* | *🗸* |
| *Cash Withdrawal by the Owner for Personal Use* | *🗸* |
| *Loan Taken* | *🗸* |
| *Loan Amount Repaid* | *🗸* |
| *Interest Amount Paid* | *🗸* |
| *Electricity / Fuel Expense* | *🗸* |
| *Repair and Maintenance* |  |
| *Rent* | *🗸* |

* *After selecting the fields, Shilpa prepares the Day-Book format for Naina and fills the first few transactions for her as an example*
* *11 Oct 2018: Spent Rs. 500 on setting up amenities for business*
* *11 Oct 2018: Purchased 5 kg sugar worth Rs. 150 in cash*
* *12 Oct 2018: Purchased 10 lt. milk worth Rs. 340 in cash*
* *12 Oct 2018: Purchased 20 bottles of cold drinks worth Rs. 160 in cash*
* *12 Oct 2018: Paid rent for the shop of Rs. 800*
* *13 Oct 2018: Took out Rs. 200 from the business to pay her daughter’s tuition fee*
* *13 Oct 2018: Sold tea worth Rs. 20*
* *13 Oct 2018: Sold snacks worth Rs. 40*

*After the end of the exercise, Naina was confident of maintaining the Day-Book regularly by herself*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Table 14.e.5: Day-Book to be Maintained in Naina’s Tea and Snacks Corner*** | | | | | | | | | | | | | | | |
| ***Date*** | ***Cash Sales*** | ***Credit Sales*** | ***Raw Material Purchased in Cash*** | ***Amount Received from Debtors*** | ***Cash Added to the Business*** | ***Cash Added to the Business*** | ***Wages*** | ***Transportation Expense*** | ***Other Expenses*** | ***Cash Withdrawal by the Owner for Personal Use*** | ***Loan Taken*** | ***Loan Amount Repaid*** | ***Interest Amount Paid*** | ***Electricity / Fuel Expense*** | ***Rent*** |
| *11 Oct 17* |  |  | *150* |  |  |  |  |  | *500* |  |  |  |  |  |  |
| *12 Oct 17* |  |  | *340 + 160* |  |  |  |  |  |  |  |  |  |  |  | *800* |
| *13 Oct 17* | *20 + 40* |  |  |  |  |  |  |  |  | *200* |  |  |  |  |  |

* ***Shilpa visited Naina’s business for the next 3-4 days to check if she was updating the day-book regularly***
* *Lastly, Naina decides to explain the PTS sheet to the entrepreneur. Even though it is Naina’s responsibility to fill the sheet, she decides to orient the entrepreneur on the same. Based on the records filled above, Naina fills the PTS sheet as under*

| ***Table 14.e.6: Format of PTS Sheet*** | |
| --- | --- |
| ***PT Sheet for period (11 Oct 2018 – 13 Oct 2018)*** | |
| ***Particulars*** | ***Amount*** |
| *Cash Sales* | *Rs. 60* |
| *Credit Sales* | *Rs.* |
| *Raw Material Purchased in Cash* | *Rs. 650* |
| *Raw Material Purchased in Credit* | *Rs.* |
| *Amount Received from Debtors* | *Rs.* |
| *Cash Added to the Business* | *Rs.* |
| *Amount Paid to Creditors* | *Rs.* |
| *Advance Paid to Suppliers* | *Rs.* |
| *Transportation Expense* | *Rs.* |
| *Wages* | *Rs.* |
| *Other Expenses* | *Rs. 500* |
| *Cash Withdrawal by the Owner for Personal Use* | *Rs. 200* |
| *Loan Taken* | *Rs.* |
| *Loan Amount Repaid* | *Rs.* |
| *Interest Amount Paid* | *Rs.* |
| *Electricity / Fuel Expense* | *Rs.* |
| *Repair and Maintenance* | *Rs.* |
| *Rent* | *Rs. 800* |
| *Purchase of fixed assets* | *Rs. 2,930* |
| *Sale of fixed asset* | *Rs.* |
| *Security deposit paid* | *Rs. 2,500* |
| *Security deposit returned* | *Rs.* |
| *Capital withdrawal (in case an owner resigns)* | *Rs.* |

Template of the Business Profile Sheet

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | Name of the business | | | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_­­\_\_\_ | | | | | | | | | | | | | | | | |
|  | | | | | | | | | | | | | | | | | | | | |
| 2 | When did you start the business *(date / month / year)* | | | | | \_\_\_\_\_\_\_ /\_\_\_\_\_\_\_\_\_\_ /\_\_\_\_\_\_\_\_\_ | | | | | | | | | | | | | | |
|  | | | | | | | | | | | | | | | | | | | | |
| 3 | Who owns the business? *(tick any one option)* | | | | | | | | | | | | | | | | | | | |
|  | a | Single owner | | | | ⬜ | | | | | | | | Male / Female | | | | | | |
| b | Group business, how many people are there in the group | | | | ⬜ | | | | | | | | Male \_\_\_\_\_\_ / Female \_\_\_\_\_\_ | | | | | | |
|  | | | | | | | | | | | | | | | | | | | | |
| 4 | Mention details of the entrepreneur(s) involved in the business | | | | | | | | | | | | | | | | | | | |
|  | Name of the entrepreneur | | Date of Birth | | Annual Family Income | | | Education | | | Aadhar Card | | NREGA card | | Religion | | | Caste | | SECC TIN |
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| 5 | Mention the CBO details of the entrepreneur(s) involved in the business | | | | | | | | | | | | | | | | | | | |
|  | Name of the entrepreneur | | Name of SHG | | | | Name of VO | | | | | Name of CLF | | | Name of GP | | | | Name of village | |
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| 6 | Mention details of trainings attended by entrepreneur(s) | | | | | | | | | | | | | | | | | | | |
|  | Name of Entrepreneur | | GOT | | | | | | | EDP | | | | | | | Skill Training | | | |
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| 7 | Date of Viability Check | | | | |  | | | | | | | | | | | | | | |
| 8 | Date of Business Plan Preparation | | | | |  | | | | | | | | | | | | | | |
|  | | | | | | | | | | | | | | | | | | | | |
| 9 | Mention details of the place of the business | | | | | | | | | | | | | | | | | | | |
|  | a | Name of the village **OR** town | | | |  | | | | | | | | | | | | | | |
| b | Name of the block | | | |  | | | | | | | | | | | | | | |
| c | Name of the district | | | |  | | | | | | | | | | | | | | |
|  | | | | | | | | | | | | | | | | | | | | |
| 12 | Mention bank details of the business | | | | | | | | | | | | | | | | | | | |
|  | Name of the Bank | | | | | | | | Branch | | | | | | | Account No. | | | | |
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| 13 | How do you sell your product OR service OR goods (trading)? *(you can select more than one option, if applicable)* | | | | | | |
|  | a | From a fixed shop OR building | | ⬜ | | | |
|  |  | *In the main market* | | *In the smaller market (other than the main market)* | | *Is the only business in the area* |
| *National Highway* | ⬜ | | ⬜ | | ⬜ |
| *State Highway OR Major Road* | ⬜ | | ⬜ | | ⬜ |
| *Village Road* | ⬜ | | ⬜ | | ⬜ |
| *Lane* | ⬜ | | ⬜ | | ⬜ |
| b | From a movable shop | | ⬜ | | | |
|  |  | *In the main market* | | *In the smaller market (other than the main market)* | | *Is the only business in the area* |
| *National Highway* | ⬜ | | ⬜ | | ⬜ |
| *State Highway OR Major Road* | ⬜ | | ⬜ | | ⬜ |
| *Village Road* | ⬜ | | ⬜ | | ⬜ |
| *Lane* | ⬜ | | ⬜ | | ⬜ |
| c | Sell directly to bulk buyer | | ⬜ | | | |
| d | Sell in haat / mela / exhibition | | ⬜ | | | |
|  | | | | | | | |
| 14 | How many competitors does your business have? | | | | |  | |

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| --- | --- | --- | --- | --- |
| 15 | Give details of the fixed assets (machinery, equipment, building, utensils, furniture, livestock, etc.) purchased for the business | | | |
|  | Date of Purchase | Name of the Asset | Number | Total Cost (Rs.) |
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|  |  |  |  |
| Total | | |  |
| 16 | How much capital did the owner(s) invest in the business? *(if the owner’s contribution is in kind, please write its money value)* | | | |
|  | Owner’s Name | | Amount | |
|  |  | |  | |
|  |  | |  | |
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|  | | | | |
| 17 | Grant received by the business, if any | |  | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 18 | Write the details of the loans taken | | | | | |
|  | Source | When did you take the loan (month / year) | Loan amount taken (Rs.) | For how many months is the loan taken | Balance amount to be repaid | Subsidy Received  (Rs.) |
| Community Enterprise Fund (CEF) ⬜ |  |  |  |  |  |
| Bank ⬜  Bank and Branch Name  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  SHG ⬜  Informal Sources ⬜ |  |  |  |  |  |
| Bank ⬜  Bank and Branch Name  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  SHG ⬜  Informal Sources ⬜ |  |  |  |  |  |