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International Perspectives in
Youth Entrepreneurship Training

Online Programme - Module 2
FINANCE



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A big welcome to you. This is the second of five modules on the IPYET 2011 Online programme. The first module set the tone for the discussions we will have during these sessions and the residential programme. Module 2 takes us further up the chain on entrepreneurship training by exploring some of the critical elements during an example workshop. While the basics of *what a business is, why start your own business, types of enterprises, etc.* are the bedrock of a solid entrepreneurship training, it is not a lost fact that teaching young people bookkeeping, costing, finance, and numbers in general is a daunting challenge. This very often goes beyond being a “leaner challenge” to that of a great challenge to many trainers themselves.

Are all entrepreneurship trainers good at costing, bookkeeping, or finance? Definitely not! Are they expected to be? Well, most learners may say yes, and a lot of trainers may agree, but the bottom line is that, you don't need to know everything! This however doesn't help many trainers as the burden lies on them to teach every aspect of the entrepreneurship programme. The result therefore, very often, is a rush through the course, or avoiding it completely to the detriment of the young entrepreneur and the programme at large.

Numbers, the Great Challenge?

Who wouldn't say yes? I know I would, and so will many more young people than you can imagine. The challenges come in several forms. Consider the following case module:

Teaching Bookkeeping to the Unemployed

I was given a task to run a 3 day introductory course for those who were unemployed and were thinking of training to be bookkeepers and later on developing their careers to become future accountants. I had 10 people on the course.

The first day was really a fact finding mission as all I knew was that the individuals were unemployed. During the first hour I realized I had a mix bunch of 3 people who had done bookkeeping in school, 2 people who used to be self employed 4 others said they loved working with figures, and one man just said he was made redundant but was told by a friend that accountants got paid a lot of money so he just wanted to know how much he could earn after the course. I had to remind him it was a taster course and he could not expect to become a bookkeeper after 3 days! Then to day 2 and 3.

The main challenges were that some did not even know how to use a calculator and it was a bit of a challenge trying to teach basic principles of double entry. Fortunately half of the group understood it but the other half seemed really perplexed. I even resorted to telling them this joke about the reason we have debits and credits. “There was a man called Pacoli, who was sitting in his garden one day by a pond, he was trying to figure out a word for money going in and money going out, he saw two frogs jumping up and down and he thought that the one jumping up was saying ‘Debit Debit’ and the other jumping out was saying ‘Credit Credit’ well they seemed to enjoy this joke.

I then got them to do a lot of simple practical tasks on double entry and by the 3rd day I was quite impressed that only 2 had given up on it! On the last day of the course, 6 of the participants wanted to do a longer bookkeeping course and one of the others said if he was in business he would just pay an accountant to do the work for him!

- Adapted from a blog post written by: Genny Jones

The case capsule above as illustrated from an adaptation of Genny Jones' blog post¹ depicts several portions of the typical situations many trainers face. The circumstances here may however be relatively different to yours – you train more than 10 people at a time (mostly); they are mostly young and have had no business experience before; they are generally not looking forward to becoming accountants right after your training; and you normally have far less than 3 days to teach costing, bookkeeping, and financial management together. However, several similarities exist – many young people you train may not have calculators, far less know how to use them; very few participants will say they “love working with figures”; and expectations are very high.

Key Questions

By the time you finish the online discussions on this module, you should have explored various thoughts and questions:

1. How important is proper record keeping to the young entrepreneur?
2. How important is proper product and service costing to the young entrepreneur?
3. How important is proper management of finances to a business?
4. What are the key elements in delivering a bookkeeping training?
5. What challenges do learners face in understanding the topic?
6. What challenges do facilitators face in delivering the topic?
7. What methods can be employed to improve delivery by facilitators and understanding of learners?
8. What are the sources of business finance?
9. What is the importance of financial prudence to the youth enterprise?

How this module is organised

There are two sub-modules. Each sub-module can be organised as a stand-alone course.

Module 2.1: Bookkeeping for Youth Entrepreneurs explores the traditional concepts of bookkeeping. The importance of “books” to a business are explored. The focus of the discussions however stresses on what elements need to be touched on during training, the challenges faced by both the learner and the facilitator in this area, and approaches to better delivery and learning of the topic. A key area of discussion will be the “**participatory approaches**” needed to ensure effectiveness of the facilitator and the training programme.

Module 2.2: Financial Management for Youth Entrepreneurs speaks largely for itself. Two key topics – Finance, and Management – come together in a lovely symbiosis to find itself placed at the heart of every business. Sources of finance and the attributes of each are explored. Participants are challenged further to explore newer and more innovative avenues

¹ <http://www.accountantcircle.co.uk/NewsBlogsEvents/AccountingBusinessBlogs/tabid/595/EntryId/82/Teaching-bookkeeping-to-the-unemployed.aspx>

of business financing to introduce their potential youth entrepreneurs to. Emerging concepts of “social lending” or “social investments”, “venture capital funding”, may be discussed. The planning, organizing, leading, controlling, and reporting of resultant funds of the youth enterprise are then discussed. Issues on financial systems and procedures including control mechanisms, separation of personal (or family) and business finances, and financial statements and reports are discussed.

Your moderator for both discussions, Naomy Lintini, with her vast experience on this theme has structured a series of discussion pointers during the online sessions. Her discussion brief should be patiently and meticulously read and digested by every IPYET participant before the online discussions begin.

General Recommended Readings:

E-How, *How to Teach Bookkeeping* http://www.ehow.com/how_4422362_teach-bookkeeping.html accessed 12 February 2011

International Finance Corporation (IFC) SME Toolkit <http://www.smetoolkit.org>

Lomax, P.S., and Agnew, P.L. (1930). *Problems of teaching bookkeeping: a classroom manual of practical helps for teachers of this subject in public and private secondary schools, and in teacher-training institutions*. New York, Prentice-Hall

Money Instructor.com, *Accounting Lesson Plan: Record Keeping and the Accounting Process*.

<http://www.moneyinstructor.com/lesson/accountingprocesslp.asp> assessed 15/02/2011

Walker, A.L., Roach, J.K. & Hanna, J.M. (1981), *How to use adding and calculating machines*.

Module 2.1: Book Keeping For Youth Entrepreneurs

A discussion paper by
Naomy Lintini

Welcome to this session on the "importance of bookkeeping for youth entrepreneurs". As you may know, entrepreneurship is about "the practice of enterprise", in other words, the act of running a business. Bookkeeping is the cornerstone of the practice of enterprise.

Objective:

To enable participants discuss the importance of record keeping and how best the topic can be delivered to youth entrepreneurs.

Introduction

In this topic we will discuss the "key elements in bookkeeping training delivery", and how facilitators can encourage youth entrepreneurs to keep proper books of accounts in their enterprises. We will also discuss the challenges that facilitators face in delivering the topic of bookkeeping to youth entrepreneurs. The session will cover some of the participatory training methods that encourage learning among the youth. I invite you to discuss your various experiences and to share some innovative training approaches that help delivery of book keeping training to youth entrepreneurs in an engaging manner.

Food for thought: *"What do you consider as key success factors in delivery bookkeeping training to youth entrepreneurs?"*

Session Outline

1. Definitions and key elements in book keeping training
2. Facilitation considerations and Facilitators Preparedness
3. Challenges in delivering Book Keeping Training

Key Elements and Definitions in Book Keeping Training

Introduction

Bookkeeping training deals with the preliminary processes that entrepreneurs must undertake to ensure that business records are well documented. The business records are supposed to help a youth entrepreneur to assess whether his or her business is performing well or not. Book keeping therefore helps youth entrepreneurs to make better decisions in their businesses.

A good facilitator must ensure that youth entrepreneurs understand and assimilate the key elements in book keeping. The secret to achieving this lies in “demystifying” the subject in order to help the youth overcome their phobia for “maths”

Definitions and Key Elements in Bookkeeping

What is Bookkeeping?

Book Keeping is the process of recording business transactions in a systematic manner. For youth entrepreneurs to achieve this, they need to use proper accounting books and documents. Book keeping is mainly concerned with documenting how “**money comes in and goes out of the business**”. It involves collection and recording of financial information in order to maintain reliable business records for “**preparation of financial statements**”. An overview of a simple record keeping system that youth entrepreneurs can use is given in fig 1 below.

Key Elements of Bookkeeping training

For youth entrepreneurs to understand and assimilate the topic of bookkeeping, certain key elements and concepts must be covered. These include:-

Definition and importance of bookkeeping

This session should be aimed at assisting participants to get an overview of the topic and how it relates to their day to day business activities. The session should create the tone for the rest of the book keeping training. A role play or case study which participants can relate with makes a very good introduction to this topic.

How to generate source documents and books of first entry

This session should assist participants understand why business transactions must be documented and how the process of documentation should be done. The importance of generating these documents must be clearly appreciated by participants.

How to maintain a cash/record book

A cash/record book is the heart of any enterprise. This session should be the core element in any book keeping training. Facilitators must ensure that participants leave the training room with a good understanding of what a cash/record book is and the skill of how to fill in a cash/record book. Participants must clearly understand the link between the various books of first entry such as receipt books and the cash/record book.

These three elements can be considered as the key learning points in bookkeeping training. The facilitators must therefore identify and track specific learning outcomes for each of the three sessions.

Question: *Are there any other topics not mentioned above that you consider key to a basic book keeping training?*

Simple Record Keeping System

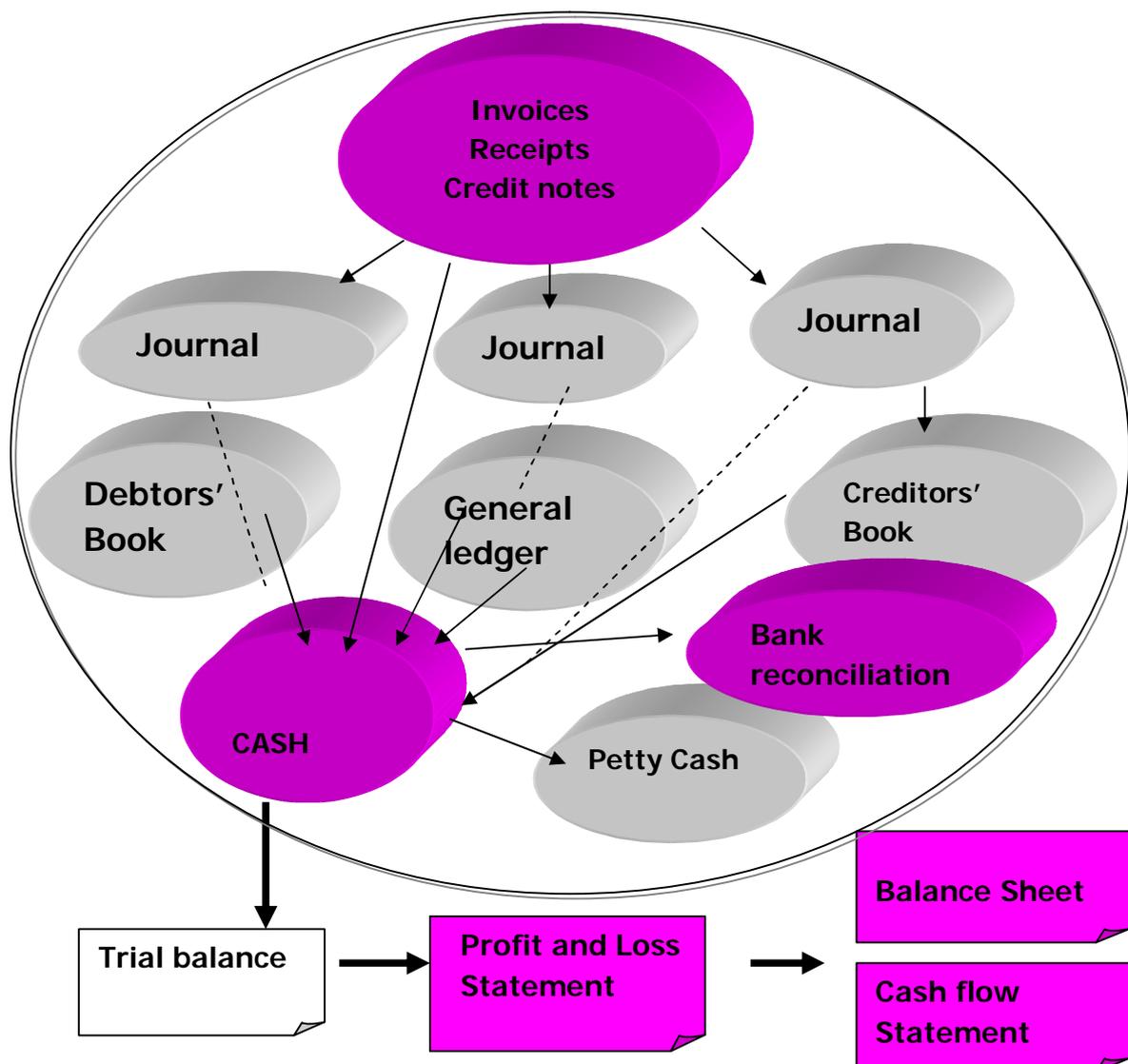


Fig 1: Simple Book Keeping System

4. Record Keeping Definitions

One of the first facilitation considerations in delivering bookkeeping training is to demystify the topic by clarifying key terms. Some of the main definitions that youth entrepreneurs must understand are listed below.

Transaction

A transaction is a single business activity in which an exchange of cash for a product or a service happens. An example of a transaction is when a customer pays money in exchange for a chair or a customer pays money in exchange for a haircut.

Source Documents

These are documents in which the transactions of an enterprise are first entered or recorded in a systematic manner. Examples of source documents include receipt books and payment vouchers. Source documents are the only proof that a business transaction took place.

Books of first Entry

These are the basic books of accounting in which all t transactions arising from source documents are first recorded. The type of book to use depends on which transaction has taken place. For example if cash sale has occurred then a receipt is raised and the transaction is recorded in the sales day book.

Cash Book/Record Book

A cash book is a simple record in which an entrepreneur records all payments made and income received. The cash book helps the entrepreneur to organize business finances in a professional manner. The cash/record book acts as a reference document in the process of running a business.

Task:

There are many other definitions that need to be clarified in order to demystify the topic of Book keeping. Can you identify at least five more terms that must be clarified for young people.

Facilitation Considerations and Facilitators Preparedness

In delivering the bookkeeping concepts itemized above, a facilitator must consider the following factors.

Simplicity and sequential training delivery

The aim of training is to ensure that learning takes place and knowledge of bookkeeping concepts and basic skills are assimilated. To achieve this effectively, the bookkeeping content must be delivered in simple everyday language and not in accounting jargon. The content must be broken into small digestible units which must be delivered in sequential manner, whilst ensuring that the individual units build on each other.

Visualizing and contextualizing the Book Keeping content

The content must be delivered in an easy to understand manner. Participants must visualize the bookkeeping process. The facilitator is encouraged for example, to put some content into pictures and diagrams. Arrows must be used to show the processes and the relationship between elements. Fig 1 above is a good example how a facilitator can help participants visualize training content.

Case studies and examples can help participants to contextualize the application of bookkeeping concepts. Facilitators are encouraged to use a single case study or some practical examples to help the participants understand how the concepts are applied.

Question:

Which other training methods will you employ in delivering a book keeping session to youth entrepreneurs?

Facilitators' Preparedness

Preparation is the key factor in successful delivery of bookkeeping training. This preparation is a process that must start far ahead of the actual training delivery and must include among other things the following:-

- Facilitators must have good facilitation skills and knowledge of principles of adult learning
- Facilitators must have a good knowledge and understanding of the bookkeeping topic.
- Facilitator must be familiar with participatory training methods.
- Facilitator must have a profile of the participants before the training
- Facilitator must pitch the training to the level of the participants

Challenges in delivering Book Keeping Training

There are a number of challenges that can face a facilitator in a book keeping training situation. Some challenges arise out of poor preparation on the side of the facilitator while others arise from factors beyond the facilitators' control. Whatever the source of the challenge, the facilitators must endeavour to address the challenges.

Challenge of achieving participatory training within limited time allocation

It is always tempting for facilitators to *'lecture their way through the whole book keeping session'* without allowing participants to get actively involved in the session. This challenge facilitator's face is that there is usually limited time allocated to book keeping sessions. Some ways of addressing this challenge can include:-

- Preparing a time bound session plan to guide delivery of the content in a specified time
- Giving the workshop material to participants in advance, so that the content is not totally new to them at the start of the training
- Giving participants some 'home work' to that some activities are done outside formal session time
- Focusing training delivery to the key learning outcomes that must achieved by end of the session.

Challenge of delivering bookkeeping training to participants of different education levels

Another common challenge among facilitators is how to effectively deliver same content to participants at different levels of understanding. In such a situation, the facilitator is torn between trying to make the *'slow learners'* understand the content and to keeping the *'quick minds'* from getting bored. Some ways of addressing this challenge include:-

- Facilitator should be part of the participant selection process so that he/she can put the participants in more homogeneous groups.
- Facilitator should divide class into *'discussion/learning'* sub groups in which each sub group has an almost equal number of the less educated and the more educated.
- Facilitator should use participants with higher levels of understanding a *'peer educators'* within the sessions.
- Facilitator must **visualize** most of the training content and engage participants in **exercises** that they can relate to.

Question:

What challenges have you faced in delivering bookkeeping training to youth entrepreneurs and how did you address the challenges

Further Reading

ILO SIYB, (1997) Record – Keeping

<http://www.bookkeeping-course.com>, (2011) Book Keeping course

<http://www.articlesbase.com/outsourcing-articles>, (2008) Importance of Bookkeeping

Module 2.2: Financial Management for Youth Entrepreneurs

A discussion paper by
Naomy Lintini

Welcome to this session on financial management for youth entrepreneurs.

Objectives:

To enable participants discuss:-

- The importance of good financial management among youth enterprises
- Effective methods of delivering financial management training to youth entrepreneurs.

Introduction

As we may all be aware, any youth running a business enterprise requires accurate financial information to help them make good business decisions. This session will discuss **the key elements** that must be covered in financial management training and how facilitators can **simplify delivery of this topic** to youth entrepreneurs. The session will also discuss the relationship between the record keeping process and the preparation of financial statements.

Participants are invited to share their various **experiences and the challenges** they face in delivering this topic and in facilitating learning among youth entrepreneurs.

Food for thought:

Why should youth entrepreneur learn about managing business finances?

Session Outline

1. Key elements in financial management and the link to bookkeeping
 - Business financing and Sources of finance
 - Financial Statements
 - Financial Prudence
2. Facilitation considerations and participatory training methods

Key Elements in Financial Management and Link to Bookkeeping

Introduction

Financial management is about understanding the basic financial processes in an enterprise and using available information to determine finances requires to start a business and to develop financial statements that can assist the youth entrepreneur to make **effective business decisions**.

For youth entrepreneurs to effectively use financial information, they to know at least three basic concepts, namely; process of business financing, bookkeeping, and development of the **three basic financial statements**.

The role of the facilitator in this learning process is to **motivate the youth to learn, understand, and assimilate**. One key element of motivation is assisting the youth achieve a **strong sense of self esteem**; facilitators must seek ways of building this as they deliver financial management training to the youth.

Business Financing

Financial management in an enterprise starts with the process of sorting out the **input of finances** in the enterprise. Youth entrepreneurs need to understand the importance of first determining how much business finance an enterprise requires and for what purpose. This is followed by determining where the business financing will come from.

Facilitators must ensure that this component of financial management is adequately addressed as it forms the basis for the effective start up of any enterprise. Figure 1 below can assist facilitators to effectively summarize this session.

Table 1: Required Capital and Method of Financing (Example)

ITEM	Cost (\$)
A. INVESTMENTS	
1. Requires Fixed Investments	
Building (Business Structure)	50,000
Equipment and Tools	20,000
Furniture and Fittings	10,000
Subtotal	80,000
3. Required Working Capital	
Initial stock/Raw Material Purchases	10,000
Initial Labor Costs	5,000
Initial Marketing and promotion Costs	3,000
Other pre operation costs	5,000
Subtotal	23,000
Total Required Investments	103,000
B. METHOD OF FINANCING	
Owners Contribution (Equity)	20,000
Venture Capital	50,000
Long Term Bank Loan (<i>for Equipment</i>)	30,000
Short Term Loan (<i>contribution towards working capital</i>)	3,000
Total Financing	103,000

Facilitators must ensure that participants comprehend for what purpose finances are required in an enterprise and how these finances are to be sourced. Youth entrepreneurs must appreciate that means of financing must always match (equal) required capital.

Task:

Can you identify three types of loans that an enterprise can get from the Bank

A **case study** which requests participants to calculate (**exercise**) required capital and method of financing is the most practical approach to delivering this session. Facilitators must assist youth entrepreneurs to **discuss** the challenges, advantages and disadvantages of financing a business with a loan.

Financial Prudence

It is common knowledge that the practice of enterprise is risky and has uncertainties. This is why it is important that the youth exercise financial prudence in managing of business finances. Financial prudence is defined as the process of exercising **caution, frugality and discipline** in the application and utilization of business resources.

In applying the principle of prudence in financial management, youth entrepreneurs need to strike a balance between the financial needs of the business and how to finance these needs. Facilitators must encourage youth to exercise frugality and discipline in the following financial areas:-

- Extending credit facilities to customers
- Drawings by owners from the business
- Borrowing for business purposes
- Controlling business cash flows

One of the main challenges that youth entrepreneurs face in managing business finances is on how to apply funds for conflicting demands (including personal financial demands).

Question:

Why should youth entrepreneurs separate business finances from personal (family) finances?

Financial statements

Financial statements are the main tools for financial management in an enterprise. A facilitator must ensure that youth entrepreneurs understand the purpose of these financial statements before they go about teaching how to come up with these statements.

- **The Profit & Loss Statement**

The profit and loss statement measures the **financial performance** of the business by answering the questions: *Is my business a profitable venture? Does it make money?* This statement gives the youth entrepreneur a summary of the total revenues less expenses, financing costs and taxes over a period of time.

- **The Balance Sheet**

The Balance sheet measures the **financial position** of the enterprise and answers the questions: *What does my enterprise own, How much does it owe? How healthy is my enterprise.* The balance sheet shows the youth entrepreneur the financial position of a company at a given point in time.

- **The Cash Flow Statement**

The Cash Flow Statement assess whether the enterprise **generates enough cash** to finance its daily operations and growth. It answers the questions: *How much cash come into my enterprise? Where did it come from? Where did it go? How much is remaining.* The cash flow statement shows the entrepreneur the net movement of cash through the business over a period of time.

Task:

Which two profit/loss positions does a Profit/Loss Statement give?

In delivering such sessions, facilitators must use a learner focused approach to training which encourages creativity and reflection by participants. The questions above help the youth entrepreneurs to **reflect** on their business and to **desire** to seek answers to the questions.

The link to bookkeeping

In a simplified finance management system, the cash/record book can be used to generate a historical profit and loss statement and a balance sheet. In this case, the cash/record book becomes the link between bookkeeping and this topic. This is because the cash/record book is made up of information extracted from the different books under the bookkeeping system.

Facilitation considerations and participatory training methods

For the facilitator, a **case study** (preferably the same one used in book keeping) is an effective way of generating a discussion among participants. The case study must involve the four stages:-

- Reading and understanding the case
- Analysing and interpreting the case
- Drawing lessons from the case
- Relating the case to own situations

It is the role of the facilitator to assist the participants to go through the four stages.

In financial management training, the facilitator must ensure that **learning and skill acquisition** has taken place because it is the basic skills that youth entrepreneurs will require to apply the knowledge in their businesses. Financial management training must therefore always engage participants in **exercises and assignments** that help to develop skills for immediate application.

Question:

What challenges do youth entrepreneurs face in maintaining financial discipline?

Experience sharing and **discussion** among participants also help to remove fear and anxiety among participants about the topic.

Further Reading

Artill, P. and Mc Laney, E. (2001). *Accounting and Finance for Non Specialists*, 3rd Edition. Pearson Education Limited

Dyson, J, R. (2001). *Accounting for Non Financial Students*. 5th Edition. Prentice Hall.

Pretty, J; Guijt, I; Scoones, I and Thompson, J. (1995). *A trainers Guide to Participatory Learning and Action*. IIED London



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