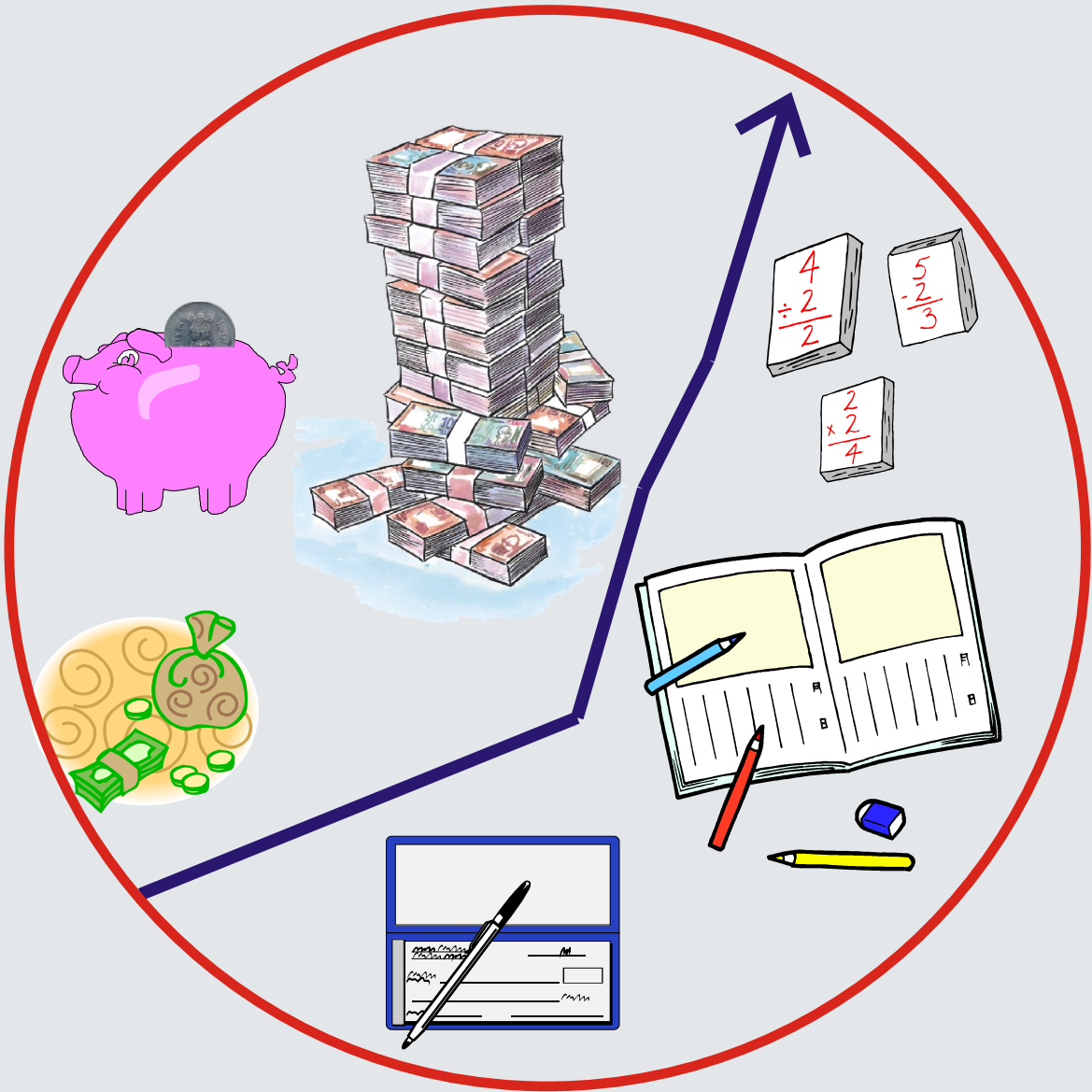


# MODULE - IV



## Basic Accounting

*Manage Expand & Succeed*



## **Women Understand**

- Understand and record daily incomes and expenses, track them on monthly basis.

## **Women Practice**

- Calculate their profits
- Know working Capital
- Know their Net Worth.



 **ACTIVITIES**



4

 **METHODS**



Display & Calculation  
Dialogue & Display  
Game  
Practice

 **TOOLS**



Posters  
Flip Chart(s)  
Game  
Format(s) of financial  
Statement  
Fake Notes  
Example

 **TIME**



2 Hours



## ACTIVITY-1 Income Expense Statement



### Display & Calculation of Example

1. Firstly the participants should be given an example of a service sector activity, say tailoring. The participants are firstly explained how to complete the Income and Expense Statement & Cash Balance Statement as per the example for five day on a statement of seven days. Participants are asked to account the incomes and expenses on "Cash Basis". Thereafter the participants are asked to fill up the balance two days as per the example explained to the participants. The income / expense & cash statements are provided for all the seven days. However during the training session the trainer shall display and explain the figures for the first five days only. Thereafter the trainer shall provide only the figures for each income/expense item, which the trainees shall fill in the blank in the given format.
2. Secondly, Analysis of the Income & Expense Statement and Cash Balance Statement of the e.g. shall be carried out, which is explained here under:
  - a. How Interest Payments shall reduce the profitability of the business activity of an entrepreneur. (Refer Expense statement of both service & trading/manufacture sector)
  - b. If profitability in one's own business exists one should not go for earning daily wages. (Refer Income Statement of Service Sector, where the lady goes to earn wages instead of carrying on her own business where she is earning more than daily wages)
  - c. If the entrepreneur spends more in the beginning of the week, it becomes difficult for him/her to repay the debt at time, which would increase the debt burden. (Refer cash statement of trading/manufacture)



## In case of Service Sector :

### Daily Income Tracking Sheet

Type of Income	No	Day 1 Monday	No	Day 2 Tuesday	No	Day3 Wednesday	No	Day 4 Thursday	No	Day 5 Friday	No	Day 6 Saturday	No	Day 7 Sunday	No (1WEEK)	TOTAL
Tailoring Income	5	250	6	300	7	350	10	500	10	500	6	300	2	100	46	2300
Wages		200		200											0	400
Other Incomes	5	450	6	500	7	350	10	500	10	500	6	300	2	100	46	2700
Total Income																

### Daily Expense Tracking Sheet

Types of Expense	Day 1 Monday	Day 2 Tuesday	Day3 Wednesday	Day 4 Thursday	Day 5 Friday	Day 6 Saturday	Day 7 Sunday	TOTAL (1WEEK)
Debt Interest Payment Money Lender	250	250						
Bank's	175	175						
Business Spending Purchase of Astar, Sticking			500					500
Pins, Strings Labour	0	0	300	0	0	0	0	300
Transportation	5	5	5	5	5	5	5	35
Electricity	10	10	10	10	10	10	10	70
Rent	15	15	15	15	15	15	15	105
Selling Expense	0	0	0	0	0	0	0	0
Repairing of Machine	75	75						
Total Business Expense	280	30	830	30	30	280	30	1510



## Cash Statement

Types of Expense	Day 1	Day 2	Day3	Day 4	Day 5	Day 6	Day 7
	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
<b>Opening Balance</b>	250	370	790	260	680	1100	1070
<b>Add: Income</b>	450	500	350	500	500	300	100
<b>Less: Expense</b>	280	30	830	30	30	280	30
<b>Less Compulsory Savings</b>	50	50	50	50	50	50	50
<b>Closing Balance</b>	370	790	260	680	1100	1070	1090

Thereafter, the method to track weekly statement into monthly statement is displayed to the participants.

## MONTHLY INCOME AND EXPENSES TRACKING SHEET

Particulars	No	Wk1	NO	Wk2	No	Wk3	No	Wk4	No	One Month
<b>Total Income</b>		2700								
<b>Less:</b>										
<b>Business Expenses</b>		1510								
<b>NET PROFIT</b>		1190								



Similarly an example of trading/manufacturing activity shall be separately taken up, to consider the effect of stock.

### In case of Trading/Manufacturing Sector :

Types of Expense	Day 1 Monday	Day 2 Tuesday	Day3 Wednesday	Day 4 Thursday	Day 5 Friday	Day 6 Saturday	Day 7 Sunday	TOTAL (1WEEK)
Sales Income	1100	950	1400	1077	973	1500	2000	9000
Wages	0							
Other Incomes								
<b>Total Income</b>	1100	950	1400	1077	973	1500	2000	9000

### Daily Expense Tracking Sheet

Types of Expense	Day 1 Monday	Day 2 Tuesday	Day3 Wednesday	Day 4 Thursday	Day 5 Friday	Day 6 Saturday	Day 7 Sunday	TOTAL (1WEEK)
<i>Debt Interest Payment</i>								
Money Lender	150	150	150	150	150	150	150	1050
Bank's						75		75
Business Spending								0
Purchase of Goods			7000					7000
Labour	10		20					30
Transportation			50					50
Electricity								0
Rent	25	25	25	25	25	25	25	175
Selling Expense						300		300
								0
<b>Total Business Expense</b>	185	175	7245	175	175	550	175	8680



## TRACKING CASH BALANCE

Types of Expense	Day 1 Monday	Day 2 Tuesday	Day3 Wednesday	Day 4 Thursday	Day 5 Friday	Day 6 Saturday	Day 7 Sunday
Opening Balance	2500	2905	3392	37	804	1467	107
Add: Income	1100	950	1400	1077	973	1500	2000
Loan			2600				
Less: Expense	185	175	7245	175	175	550	175
Repayment of Loan						2000	600
Less Compulsory Savings	10	10	10	10	10	10	10
Less: Withdrawal	500	278	100	125	125	300	
Closing Balance	2905	3392	37	804	1467	107	1322

## MONTHLY INCOME AND EXPENSES TRACKING SHEET






Particulars	Wk1	Wk2	Wk3	Wk4	One Month
Sales & Other Income	9000				
Less: Opening Stock	275				
Add: Closing Stock	300				
Total Income	9025				
Less:					
<b>EXPENSES</b>					
Debt (Interest) Payments					
Business Expenses	8680				
<b>NET PROFIT</b>	345				

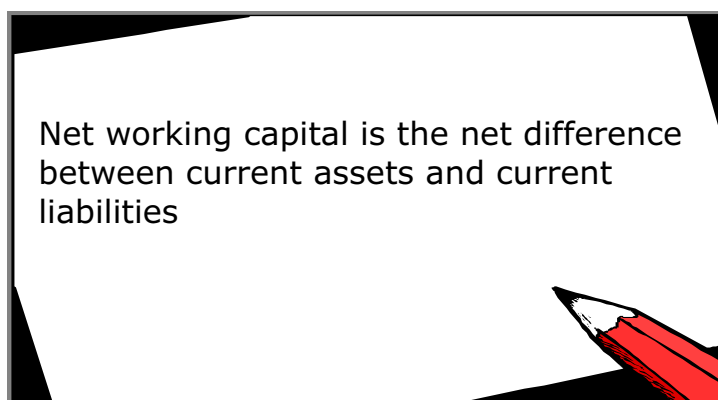
## ACTIVITY-2 Working Capital



### Dialogue & Display Example

1. Firstly a poster (as shown below) should be displayed to the women participants and trainer shall explain each component of Working Capital.

<b>COMPONENTS OF WORKING CAPITAL</b>	
<b>Current Assets</b>	
Cash & Bank	
Debtors	Selling on credit 
Stock on Hand	
Total (A)	
<b>Current Liabilities</b>	
Creditors	Supplier coming for recovery 
<b>Interest &amp; outstanding Instalment</b>	
Other short term Liability	
Total (B)	
<b>Net Working Capital is A-B</b>	



2. Thereafter the participants need to be divided into groups, and should be asked to calculate working capital for a given business situation stating:
  - a. Fake notes for cash balance, say Rs.475/-
  - b. Hypothetical value of stock of some articles Rs.755/-
  - c. Hypothetical amount to be recovered from their customers,(Debtors) Rs.955/-
  - d. Hypothetical amount of how much they need to pay to their supplier,(Creditors) Rs.1345/-
  - e. The amount of interest payable and installment for the current month (Other Short Term Liability) Rs.345/-.
  - f. Find out the Net Working Capital. The trainer shall provide help to the participants in finding out They are asked to determine the net working capital.
  - g. After all the groups have calculated, the trainer can provide the solution on a Flip Chart.
  
3. To make it easier to understand debtor and creditor and personal drawings, an illustration can also be provided which is as under:
  - a. Tailoring Machine is an asset on which you stitch a dress, which you can sell and earn income, but if you use the machine to stitch for personal purpose (consume it) you will never earn any income from it.
  - b. If Ms. A sells 5 dresses of Rs.550/- to Ms.B on credit of 2 days, Rs.550/- is an Asset to Ms.A and a Liability to Ms. B.

## ACTIVITY-3 Positive Working Capital



### Game

The participants are then asked to play a game of snakes and ladders to deduce the importance of positive working capital, The explanation of positive working capital is given in the box below:

- a. If working capital is rotated more number of times chances of earning more profit increase.
- b. Provide inputs on valuing non-moving stock can reduce the rotation of money and affect the working capital cycle and lastly profit of the enterprise.
- c. Provide inputs on how money should be collected immediately on due date, for fast rotation of money and increase profits.
- d. Make payments to your creditors so that, they give credit whenever needed plus one can negotiate a good price and good quality for the purchased goods.

The participants are asked to play a game of snakes and ladders to deduce the importance of positive working capital which has 5 landmarks as under:

1. Rotate working capital more number of times,  
-> Up the ladder
2. Piling of Non-Moving Stock  
-> Snake takes you down
3. Pay to creditors on time,  
-> Up the ladder
4. Don't Recover money on time,  
-> Snake takes you down
5. Pay installments and interest on time  
-> Up the ladder, if not, increase expenses, hence snake takes you down.



### Dialogue & Display Example

1. Firstly, The Net worth statement is explained to the participants with the help of the tables shown below. Table A includes the assets, whereas Table B depicts the Liabilities and Table C denotes Net Worth. In the simplest way if one has to explain it is:

**“Table A” Minus “Table B” = “Table C” (i.e. Net Worth)**

**Table A**

Sr.No	ASSETS	AMOUNT
1	<b>CASH</b> Under the mattress Cash on Hand Piggy Bank	250 500 50
2	<b>BANK BALANCE</b> SAVINGS BANK Personal Husband	3580 1682 4560 2560
3	<b>INVESTMENT</b> Bank fixed Deposit (family) Pension Plan (family) Insurance Policy (2 nos.) (family)	17500 25000 20000
4	<b>REAL ESTATE /PROPERTY</b> House (Family stay) Shop	52000 38000
5	<b>Jewelry</b>	25000
6	<b>Business Equipment</b>	5620
7	<b>Receivable (one month)</b>	750
	<b>Total Assets</b>	<b>197052</b>



**Table B**

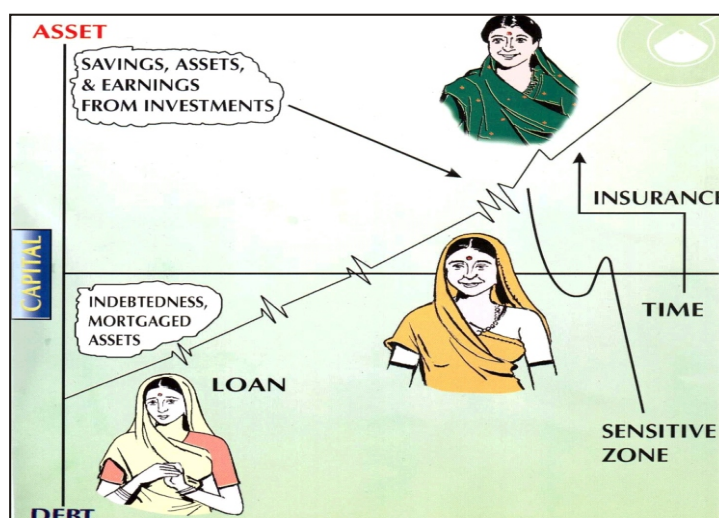
Sr. No.	<b>LIABILITIES</b>	AMOUNT
1	<b>LOAN FROM RELATIVES</b>	5500
2	<b>LOAN FROM MONEY LENDER</b> (amount payable is including Interest)	--
3	<b>MORTGAGES</b> HOUSE LOAN (incl. Interest Payable)	35000
4	<b>BUSINESS LOAN</b> (against Fixed deposits)	15000
5	Payable to Suppliers for goods	--
	<b>Total LIABILITIES</b>	<b>55500</b>

**Table C**

NET WORTH	AMOUNT
TOTAL ASSETS - TOTAL LIABILITIES	197052 - 55500
<b>NET WORTH</b>	<b>141552</b>



2. Lastly the participants are explained the impact of positive and negative net worth by describing some situation. Say...
- If a person wants to take a business loan and the person has negative net worth, it would be a tough nut to crack for getting the loan.
  - Negative Net Worth means person has outstanding loans or creditors to whom he/she is yet to re-pay. The person needs to repay the loan as soon as possible otherwise he/she shall be in a vicious debt trap.
  - A positive net worth means the person has productive assets on hand which can provide impetus to increasing income.
  - It would be easier for the loan seeker to get a loan if he/she has positive net worth.
  - In case of micro-entrepreneur Positive Net Worth gives better social status.
  - One can argue that Positive Net Worth indicates that the person has surplus assets for investments.





## Definitions

### **Net Worth**

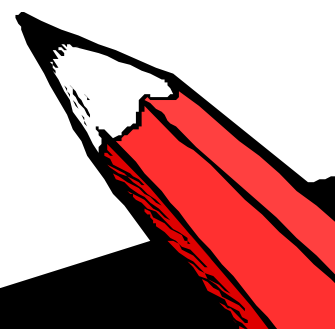
*It is defined as the difference between Total Assets Less Outside Liabilities (long term or current liabilities).*

### **Asset**

*Asset means any immovable or moveable property which has economic realizable value in the market place owned by any entity.*

### **Liability**

*Liability is an obligation financial or otherwise which is repayable within a stipulated time period.*





## Learning Points



Sales Minus  
Business Expenses = Profit  
(Business Expense includes  
Interest on business debt)



Opening Cash  
Add : Sales  
Add : Other Income  
Add : Borrowing  
Less : Business Expense  
Less : Repayment of Loans  
Less : Compulsory Savings  
Less Withdrawals = Closing Cash Balance



Current Assets

Less Current Liabilities = Working Capital.



Total Assets  
Less Outside Liabilities = Net Worth