

MODULE - II



Business Cycle

Manage Expand & Succeed



Women ,

- *Understand* What is a Business Cycle?
 - ☞ For Manufacturing
 - ☞ For Trading
 - ☞ For Service
- *Know*, Components of Business Startup
 - ☞ Capital, Place, Manpower, Machine and Material.
- *Realize*, Importance of Each Component of the Business Cycle.



ACTIVITIES



3



METHODS



Dialogue
Game
Visuals
Story



TOOLS



Posters,
Flip Chart(s)
Game,(Snake & Ladder)



TIME



2 Hours

**Visual & Dialogue**

1. The participants need to be firstly asked:
 - a. How they do their business?
The answer generally would be Purchase & Sell
 - b. The trainer needs to check on, whether the participants miss out with Stock-in Trade
If yes,
 - c. Trainer needs to firstly explain the importance of Stock-in Trade in the Business Cycle.

2. Thereafter the trainer needs to discuss all the components of **Business Cycle** namely:
 - a. **Manufacture Goods Or Purchase Goods** (in case of Trading):
 - i. In case of Manufacturing
 1. Purchase of Raw Material &
 2. Manufacturing Process
 - ii. In case of Trading
 1. Purchase of Merchandise
 - b. **Stock-in-Trade**
 - c. **Sale**
 - d. **Earn Profit**
 - i. Spend
 - ii. Save
 - iii. Reinvest in Business

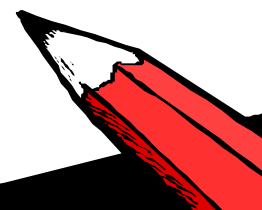


e. **In case of Service Sector**

- i. Render Service to Customer
- ii. Receive Fees
- iii. Pay for Expense
- iv. Earn Profit

Tip for Service Sector

In case of Service Sector the importance of upgrading skills/knowledge needs to be explained while debating the business cycle for service sector, to ensure that the service provider is able to provide quality service





Business Cycle:

For a given business activity, Business cycle is a continues process which begins with conversion of raw materials to finished goods(in case of manufacturing activity), gets stocked at a given place, is sold in the market which gives surplus/profit. A part of these profits are spent for personal use, part is saved for future and a part of profit is reinvested in business.

In case of service sector the business cycle would include, a service provided by the service provider as per the requirement of the customer for which the customer pays a price. The price shall be determined on the basis of the time spent on the given assignment and the skills involved.

Stock-in-Trade:

The output of the manufacturing process namely, (saleable finished products) or the purchased products for trading activity (purchased in bulk) are stored in a Storehouse before sale. Since the stored goods, "Ready for Sale", have a marketable value (which include cost of raw material plus conversion cost and cost of storing) they are called Stock-in-trade.

Sale:

In a given business transaction, when person delivers his/her product (a part of stock-in-trade) in exchange of a given price (which includes the cost of the product and profit margin) at the market place is said to be sale.

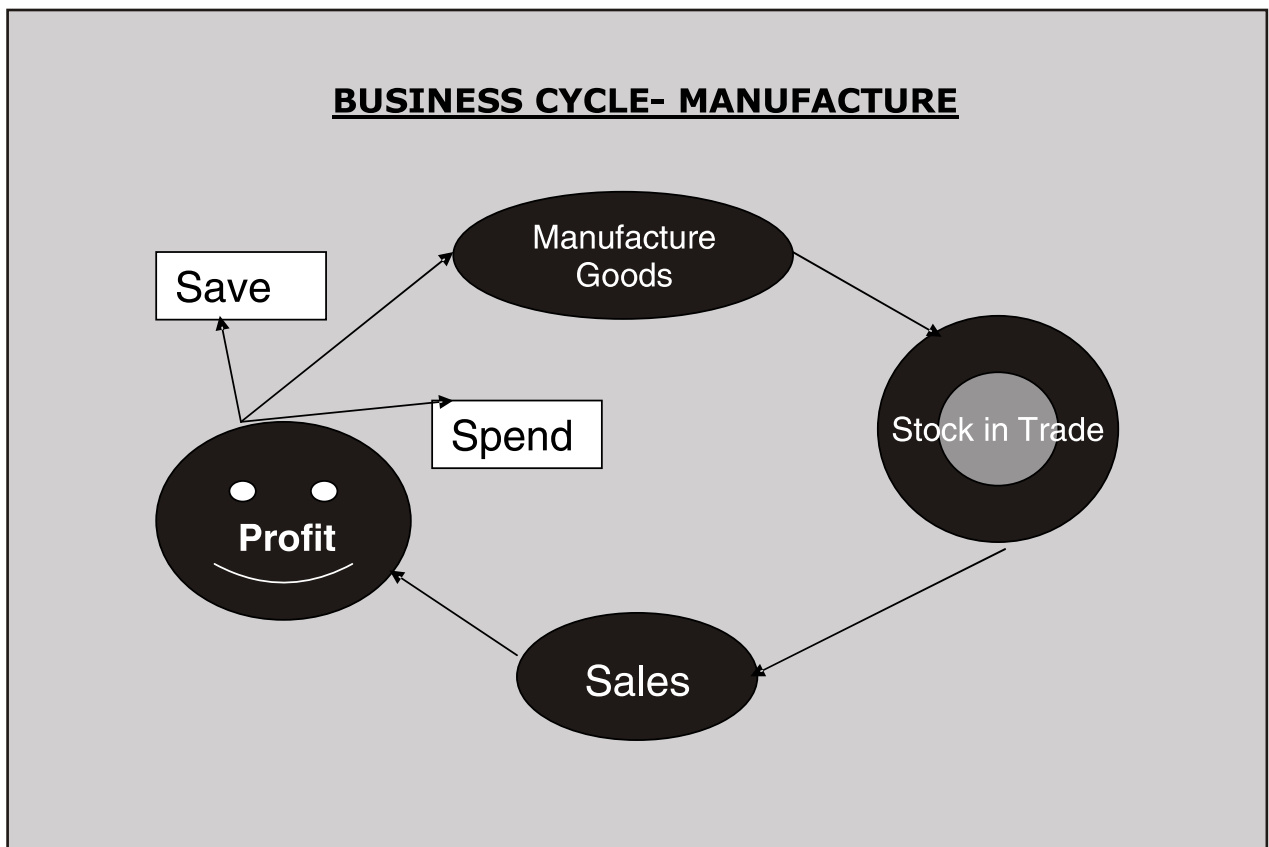
Profit:

The difference between the Cost of product and the sales value derived from the business transactions during a given period is said to be "Profit". {(Cost of product means cost of raw material plus cost of conversion). (Sales value should include cost of product plus profit margin)} In case of service, the value for service less the cost involved to provide the service. Cost could include electricity, machine repairing, rent of work place etc...



Manufacture:

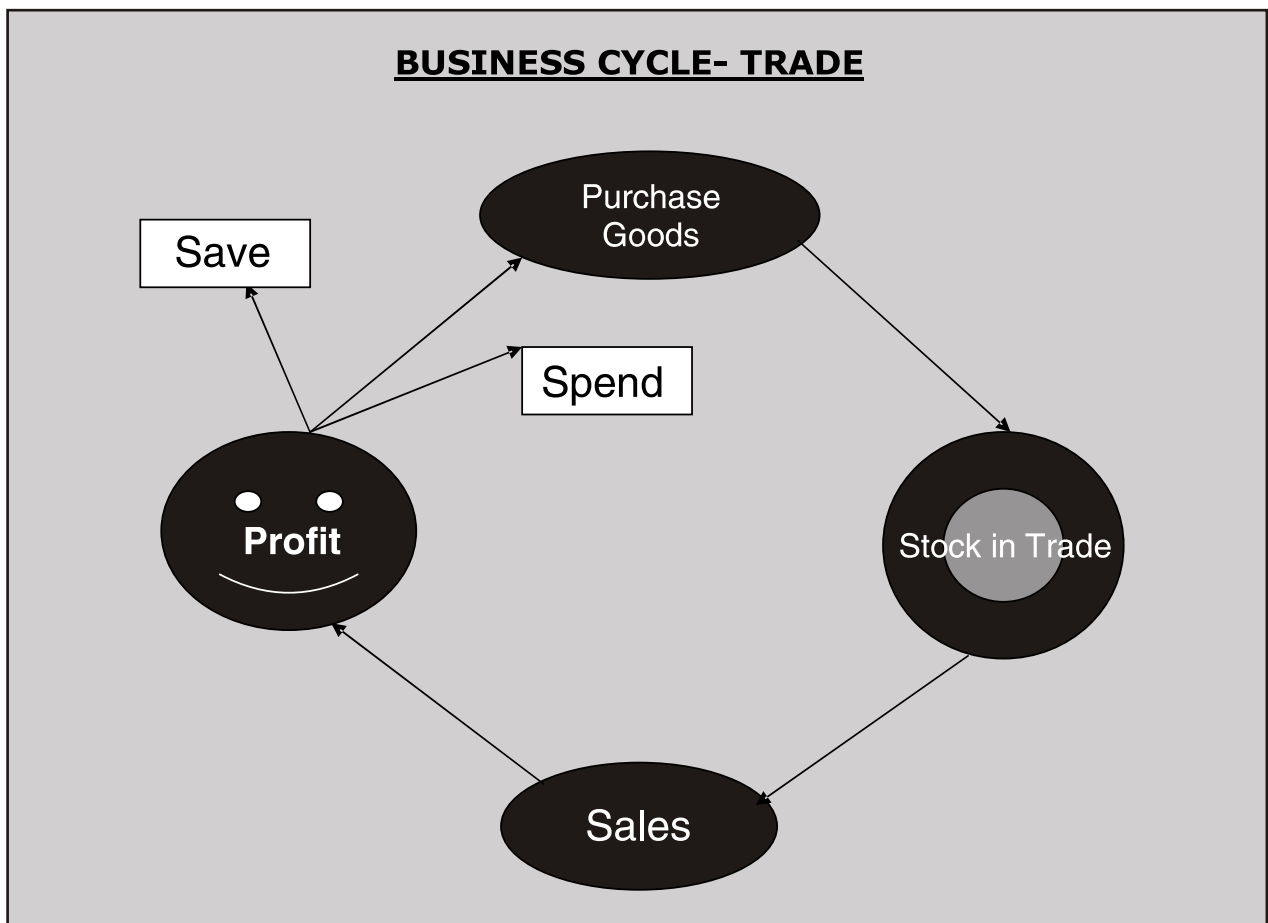
A process of converting raw materials into finished product.





Trading:

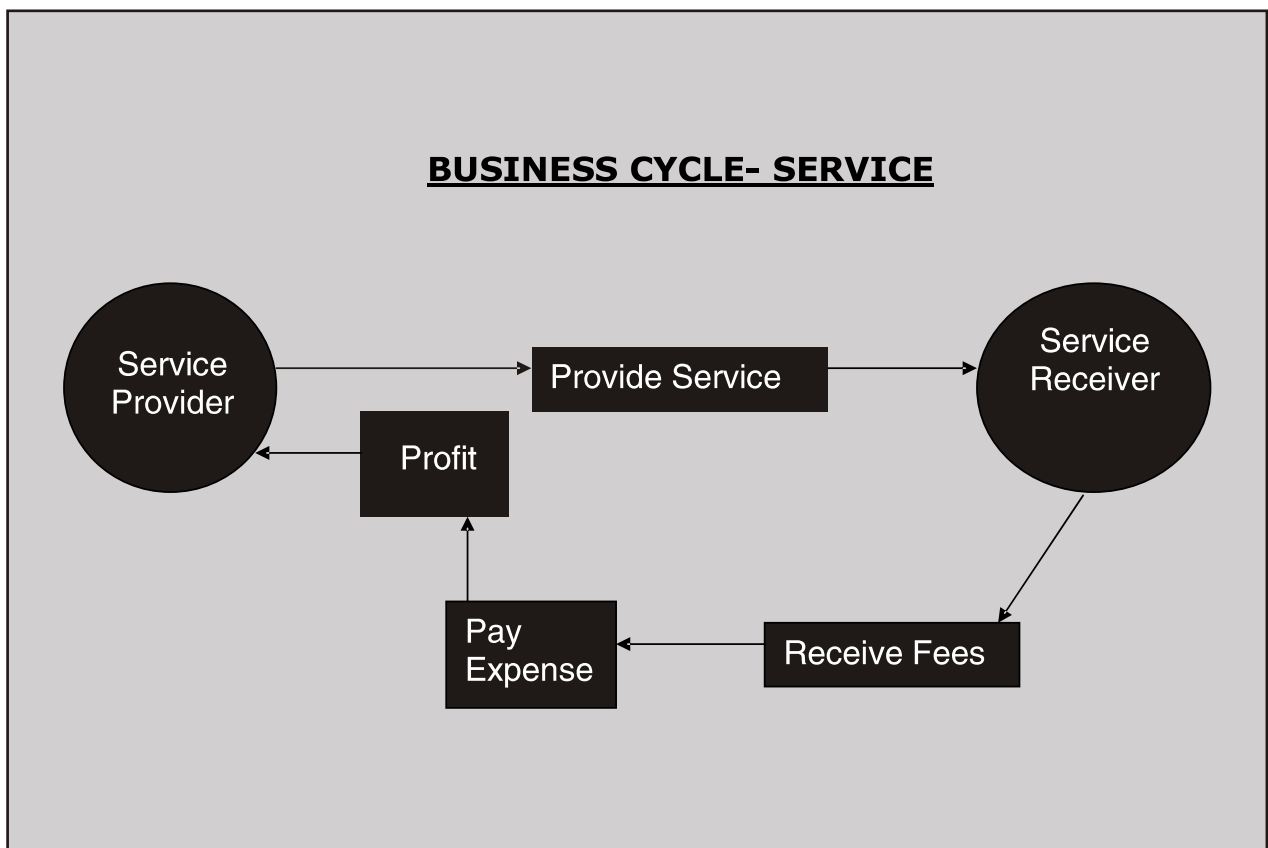
The process would include purchase and Sale of Goods





Service:

Any activity which requires special skills and time to deliver the output, wherein, if necessary the raw material is provided by the customer is called a Service.



Service provider can save and also utilize the profits to enhance her skills.

ACTIVITY-2



Game & Dialogue Components to start a Manufacturing Unit

1. The participants are to be divided into four/five teams.
2. Thereafter the participants need to be asked to select five essential components to start a manufacturing unit from seven to eight components depicted on 7 posters on 7, A4 size sheets. (Flip chart Nos. 1 to 7.)

Essential Components for startup are:

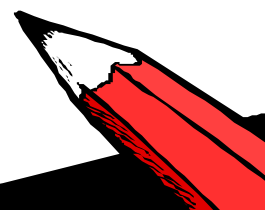
- > Seed Capital
- > Plant and Machinery
- > Place of Work
- > Manpower
- > Raw Material

3. Thereafter the trainer shall facilitate the participants to discuss "Importance of each of the components in their business"

Tips of Importance of each component

In case of

Capital	:	Interest Cost
Place of Work	:	Rent
Manpower	:	Salary & Wages
Plant & Machinery	:	Depreciation & Repairs
Raw Material	:	Cost Price of Raw Material plus Cost of Transport



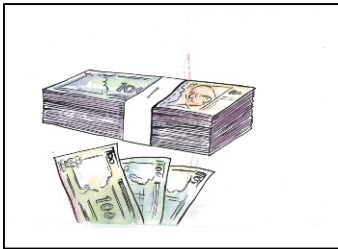
FLIP CHART : 1 TO 7



Work Place



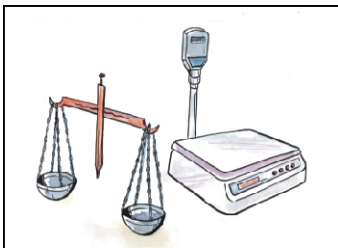
Raw Material



Seed Capital



Payment for Feast



Machines



Man Power



Buying Chocolates

ACTIVITY-3



Game & Dialogue

Game of snakes and ladders is to be played with the participants to explain the importance attached to each component of the business cycle.

Importance of Each Component of Business Cycle:

1. Purchase of Raw Material: **(4 R's)**
 - a. Right Quantity: If the quantity is more than required chance of spoilage increase which is a loss to the micro-enterprise.
 - b. Right Quality: Quality of the finished product is directly dependent on the quality of raw material. Hence one needs to ensure that the quality of raw material is constantly maintained and is good to ensure good quality output.
 - c. Right Price: The price of the raw material also has direct relationship with the cost of the finished product. If the price paid for the raw material is more than the market price, the cost of the finished product also increases which shall affect profit optimization of the micro-enterprise.
 - d. Right Storage: The storage facility for the raw material should be safe and needs to be a clean place. The possibility of spoilage increase in the case of unsafe or unclean place. Say for e.g. if rats are moving in the storehouse of a micro-enterprise of grains, the probability of spoilage is quite high.
 - e. Purchase of Finished Goods (in case of Trading)
Similar to purchase of raw material, when an enterprise purchases finished goods, it needs to ensure the 4 R's.
2. Secondly, one should not manufacture/buy goods more than the anticipated sales.
3. Thirdly, the options to reduce piled up inventories should be discussed with the participants. In case of huge piled inventories the hidden interest cost and rent needs to be explained to the participants.

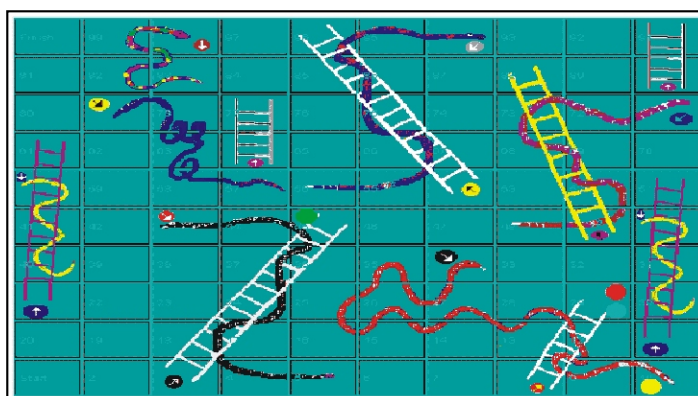


4. In case of sales,
 - a. The pros and cons of credit sales
 - b. selling at market price which may be more or less than cost.

5. Last but not the least, in case of Profits, the importance of utilizing profits for business, rather than spending. Secondly ensure a part of the net profit to be saved separately.

6. Details of the game "Snakes and Ladder". On tossing the dice, if you receive:
 - a. Buy the right quality and quantity of Stock
→ *Up the ladder*
 - b. Store the goods at shabby place
→ *Snake shall take you down*
 - c. Quantity of Work-in-process is More than required
→ *Snake shall take you down*
 - d. Sell Non-moving Stock at below market price
→ *Up the ladder*
 - e. Sell on credit, and collect the money on due date
→ *Up the ladder*
→ *If, not, bad debts , Snake shall take you down*
 - f. Use Profits for household
→ *Snake shall take you down*
→ *If used for business, up the ladder*

6. The sample board of Snakes and ladders is as below:





Learning Points



Profits have three branches, spending, saving and investing in business. The more you invest in your business, the more you expand.



For a business start up, each component has a cost to it. Lower the cost, better it is for the growth of the business.



Stock is an important component of the business cycle, and profitability of any business depends on how one takes care of quality, quantity, price and storage facility of stock. Last but not the least, wastages in stock can turn your bottom line red.



If one does not recover the dues of sale on credit within due date, chances of bad debt increase which leads to loss in business.



Using profits for developing skills and bringing innovation is an investment and not an expense.