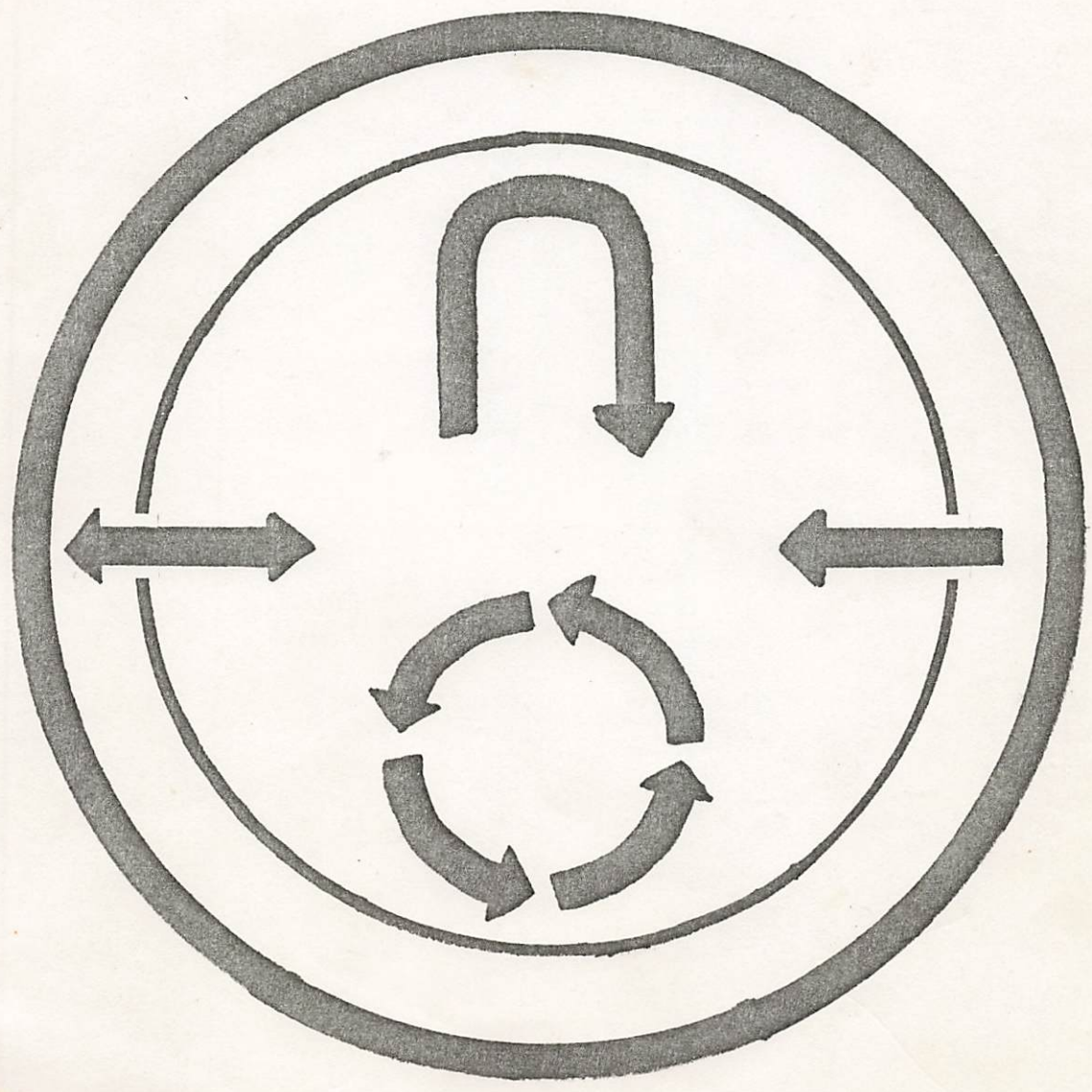


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# THE COMMERCE MANUAL



ICA 7-77

## INTRODUCTION

This manual was prepared for use of ICA staff involved in the economic development of a Global Social Demonstration Project. Its aim is to provide practical, performance-oriented guidelines for the successful development of local commerce and small industry.

This manual is a first offering of its type. In order that it may evolve into the most effective tool possible, your critical comments are welcomed. Address Social Demonstration Post, ICA, 4750 No. Sheridan Road, Chicago, Il. 60640, USA.

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THE FIVE PRINCIPLES

ANALYTICAL  
MODEL

In evaluating the basic economic needs of a community, an analytic model, simple and easy to use, is necessary. A set of five principles were developed to aid in thinking about reversing the economic trends in any community caught in the subsistence cycle. These principles are elements in altering the balance of monetary flow, to make more money available to the local residents, and therefore are primarily articulated in monetary concepts. They do not represent the full range of necessary economic activity, but provide a convenient analytic model.

I.  
TREAT  
COMMUNITY AS  
ISOLATED  
UNIT

The first principle is that for considerations of analysis and model-building, each local unit must be located initially as if it were an isolated economic unit in itself. This means evaluating its Gross Economic Product, its total income and expenditures, and attempting to discern how to regulate its relations with the larger society. It means discerning its capacity for self-sustenance and how its reliance upon external dependence might be reduced. It means that one examines how use of local resources might be expanded, and how new uses might be developed for currently untapped or under-utilized resources. It requires a careful analysis of the in-and-out flow for the community as a whole.

II.  
GENERATE  
INWARD  
CASH  
FLOW

The second principle is that it is beneficial to generate as large a cash flow into the community as possible. Thus it is necessary to analyze how "export sales"--sales of locally produced goods beyond the community--might be increased; and how services might be sold beyond the community's borders to realize income for the village. Local workers might increase wages earned from employers from outside the village while spending their earnings locally. Lastly, it will be necessary to attract capital from beyond the borders of the community to allow rapid development to happen.

III.  
KEEP  
MONEY  
IN THE  
COMMUNITY

The third principle is to keep the money attracted into the community within it for as long as possible. This means reducing the cost of goods that must be imported into the community as much as possible. It means reducing the reliance on services purchased from sources outside the community, making such services available within the locale whenever possible. It means reducing capital expenditures from outside whenever possible. It means reducing capital expenditures from outside whenever possible, relying instead upon local labor and materials. Lastly, it means reducing dependence upon external credit sources, replacing them with locally controlled and focused services, if possible.

IV.  
CIRCULATE  
MONEY  
RAPIDLY

The fourth principle is to circulate the money that is within the community as rapidly as possible, hopefully turning it over as many as nine times before it is spent outside the community, thus allowing more of the residents to participate in the wealth the community does have. This also means expanding the cash in circulation, calling forth any monies sitting idle in storage or hiding for investment in the community's development through savings plans that make capital available for loans and investments. It means assuring that the goods residents require and desire are readily available locally. It means providing necessary services locally.

V.  
RELATE  
TO THE  
LARGER  
ECONOMY

The last principle is that the community, while considered analytically as an isolated unit, is in fact related intimately to the larger economy. Those relations must be forged to be as beneficial as possible. Research into potential markets for products of new industries must be done. National and regional services that are available to the village must be fully utilized; often programs are available that go begging for lack of applicants. The community must be tied into national and regional road and transportation networks that open expanded markets and cheaper supply sources to the community. This will allow the employment of flexible and far ranging marketing contacts for securing the best prices for local products at the most advantageous sales moment.

GENERAL INTENTS FOR ECONOMIC DEVELOPMENT

ECONOMIC  
AIMS  
OF  
GLOBAL  
SOCIAL  
DEMONSTRATION

The aim of the Human Development Projects is to create in two years a noticeably upgraded income for each community. Each community will be released from the servitude attendant to being in a subsistence economy. Family incomes will triple. Every person will have full and significant engagement within the development of the community, and remunerative employment will be available for all who desire it. The projects will create the circular and cumulative effect, the positive reinforcing dynamic of continuous development, that will allow each locale to enjoy a self-sustaining economy.

FOUR  
TYPICAL  
STRATEGIES

A summary of programs created by the first twenty-four projects in the network of Global Social Demonstrations indicates that there has emerged four basic strategies in economic development for local communities. These four strategies are to upgrade agriculture, to develop industry, to expand commerce, and to initiate the economic infrastructure that manages capital and provides the skills necessary for the other strategies to succeed. This manual will be specifically related to the third and fourth arenas of expanding commerce and creating infrastructures within the local community.

EXPANDING COMMERCE

The third arena within which surpluses can be built to enable a community to move beyond the subsistence level is the expansion of its commerce. This arena takes on even more significance as surpluses are created in agriculture and industry, and the community has the possibility of capturing these additional resources and circulating them more rapidly for its own use. Providing effective handling of supplies and inputs and of products after they have left the farm or shop supplier will increase the community's earnings in the province of commerce. However, a traditional emphasis on individualistic purchasing and marketing has allowed economic resources to be unnecessarily drained from most villages and urban communities as well. This is a contradiction which can best be overcome by increased cooperative effort.

Coordinating wholesale purchasing and creating bulk purchasing mechanisms for other goods can dramatically reduce the costs of imports and thereby the cash outflow from the community. This would enable low cost acquisition of the basic commodities that are impractical to produce within the community. With a lower cost of basic commodities, the individual will have more money to spend on a broader array of goods necessitating an expansion of the variety and quality of retail merchandise available. Increased profit margins in agriculture may be realized by reducing the cost of seed, fertilizer, pesticides and other imports. By reducing the costs of raw materials, supplies, and necessary equipment, marginal industries can more quickly begin returning a profit on their initial investment.

Supplying locally the services necessary to accelerate productivity will both reduce the community's external dependency and reduce cash outflows by paying the costs of such services to local residents. Such monies are then retained in the community, to be spent in turn for the goods and services required by the families of those resident workers. Repair and maintenance centers, capable of caring for and fixing all the equipment and appliances used in the community will save both down-time and money. The pooling of tools and equipment for farm, construction and business enterprises will enable the whole community to have access to machinery none could afford individually. The establishment of a communications system, both within the community and linking the local to the regional, national, and international networks, will give the local citizen access to external markets, as well as put him in touch with global events. The establishment of transportation systems will allow a higher mobility among the local people, allowing a much freer exchange of goods and ideas both within the community and with neighboring towns or urban settings.

COOPERATIVE  
COMMERCE

I.  
INITIATES  
COORDINATED  
PURCHASING

II.  
PROVIDING  
LOCAL  
SERVICES

III.  
EXTENDING  
RETAIL  
BUSINESS

Extending the scope of retail business in the locale will accelerate the circulation of money within the community while expanding the available goods. In many communities there is no comprehensive retail outlet which therefore, requires the establishment of a community store, usually cooperatively owned and thus providing goods at the lowest possible price. The encouragement and establishing of as many other new businesses as may be profitable to sustain will provide more goods, foods, eating places and services than were previously available, allowing residents to spend their cash locally. The care and necessary physical renovation of the business facilities will encourage residents to shop locally as well as increasing their confidence in locally purchased goods and generating pride in their community. Business managers' associations will both encourage progressive action among retailers and assure one another of the services and advice that will allow marginal businesses to become successful.

IV.  
COOPERATIVE  
MARKETING  
VENTURE

While import costs can be reduced by coordinated buying, export prices can be increased through a cooperative marketing venture. Aggressive action in this arena can establish secured sales for local products, enabling profitable production schedules with acceptable overhead costs. Such action can go a long way to guaranteeing the feasibility of new efforts and their contribution to a community's economic development. Similarly, by combining the outputs of all the forms of cottage industries or other producers of similar items, the power is created to bargain for the highest export prices available, and the flexibility to sell at the most advantageous market conditions becomes possible. Such cooperative efforts require a warehousing system for collecting the individually produced goods into a common supply. Further, a freight-forwarding system will have to be created or expanded to get products to the most advantageous market. Through such a scheme the local business manager is given access to the larger economy.

CREATING INFRASTRUCTURES

REQUIRED  
INFRA-  
STRUCTURES

The creation of an expanded and integrated agricultural-industrial-commercial economy at the local level carries with it the necessity of creating the economic infrastructures that will allow that economy to function smoothly. The immediacy of a subsistence economy requires a minimum of local management skills and available capital and invests in production and the larger economy. However, if the local economy is to progress, it must claim control of these functions itself, developing the necessary capital and acquiring the managerial "know-how" to control the mechanisms of development, and thereby to master its own destiny.

I.  
LAUNCHING  
CAPITAL  
ACQUISITION

The acquisition of capital is a requirement for launching the new programs and industries called for by economic development. By and large this initial capital must be attracted from outside the community, though eventually it will be replaced through the reinvestment of surpluses and encouraged programs of savings. Outright grants and gifts of equipment and supplies is one of several ways initial capital will be secured; these grants may come from either private sources--individuals and corporations--or from larger governmental-unit aid programs. Cash investments will be secured from big business and smaller sources to underwrite new ventures, either in locating appropriate segments of existing industrial enterprises in the village or in supporting an otherwise local establishment. When applicable, especially in cooperative ventures, long term start-up loans will be secured, to be repaid out of earnings. Operating capital will be secured through extended credit terms and other vehicles such as letters of credit.

II.  
CREDIT  
UNION  
ESTABLISHMENT

The establishment of a credit union will make low-cost credit available to those seeking to expand their productivity at the same time that it ensures the creation of a savings fund within the community. Such a venture will enable the people of the village to maximally participate in their own economic development for it will be their own money, pooled within the community, which can be used to finance local projects instead of lying idle or at the discretion of some loan officer in another location. The credit unions will offer short term loans to members at low interest rates and with minimal collateral. Tied to any loan policy will be a program of enforced savings so as to build up the capital at the service of the union, and thereby, of the village. A credit advisory service will be maintained to assist local residents in their planning and to determine their capacity for loan service. A management team will oversee the accrual of capital, both from outside sources and the compilation of savings, and direct its investment in local development.

III.  
EXTEND  
MANAGEMENT  
SERVICES

The extension of management services across the community will help to reduce the costs of waste, ineffective use of resources, and business failure. A management consultancy service would make available to all businesses in the community the skills of persons trained in management processes to spot potential trouble spots and propose corrective action. Accounting services will be available, to be used on a pooled basis, to provide an accurate picture of the more complex finances of expanding businesses. A secretarial pool will be created to enable accurate record-keeping and the communications so essential to dealing with the larger economic units and networks beyond local community. Access to other professional and technical advice will be created that will make available services usually restricted to large towns or developed communities.

Commerce Task Force

During the 1977 Global Research Assembly representatives of each of the 24 Human Development Projects were interviewed to determine the current level of commerce and to anticipate the needs for expanding commerce. Realizing that the age of the projects as well as the environment varied widely, some general observations can be made.

The basic understanding of commercial concepts, particularly savings, credit, loans and investment, is relatively low. Management skills, especially simple concepts of cash flow, business operations and record keeping are a strong need. Over two thirds of the projects indicated expertise in commerce to be one of the key blocks to future development.

Almost every project reported some retail operations in the community. The great majority of these had a very low level of volume or variety. Most rural projects handled small amounts of foodstuffs or snack-type foods. Consumer dry goods and household products are generally purchased outside of the community. Only four of the twenty-four projects had local savings institutions on site. Some level of credit was generally available to retailers from the suppliers but consumer sales are mainly on a cash basis.

By reviewing the 24 consultation documents seven key commercial structures were generally in demand across the projects. These are a retail-cooperative store buying coop, marketing coop, credit union, equipment pool, repair service and transport service. Assuming that every project would have a structure or the dynamic in operation to fulfill commerce, there has been less than 25% actuation in this arena. Sixty percent of the projects had some form of commerce guild in operation. In the arena of practical blocks to commerce 15 responses indicated expertise as the block, 9 indicated market outlets; 8 indicated facilities, 4 pointed to transportation, 3 to capital funds and 2 to operating structures. Again the need for expertise was quite evident.

With this rather broad screen of the current state and existing need of project commerce the task force approached its practical work. A heavy emphasis was placed on simplified and imaginal means for presenting the basic concepts of business and commerce. Finally, the task force appreciated two insights by project interviewees. "We have more wisdom than we realize, so don't hesitate to venture into economics." "Think minimally . . . see what you need, get it going, then expand." The next four pages summarize the results of the survey.

STATE OF COMMERCE RELATIVE TO ECONOMIC PRINCIPLES

I.

Money  
Brought  
Into  
Community

Money is brought into the community through development (grants, government funds, in-kind), loans, salaries, government subsidy (Vista salaries, foodstamps, welfare checks), local enterprises selling outside the community (worm farm, poultry, fishing industry, printing), and cultural events (festival, pow-wow, rodeo, dances).

II.

Money  
Circulated  
In  
Community

Money is circulated within the community through social means (dances, pre-school, Youth Corps), through industry (box factory, sewing industry, nutrition factory), through commerce (stores, bakery, laundromat), and through agriculture (farm products sold in local stores).

III.

Money  
Held  
In  
Community

Money is held within the community through such means as banks, locally grown food sold in local stores, village treasury, credit unions, producing locally what was previously purchased outside the community, employing local people in local enterprises, family gardens, and training local people for community needs to avoid hiring outside the community.

IV.

Economy  
Related  
To  
Regional/  
National

The local economy is related to the regional/national economy through such means as marketing and selling locally produced products outside the community (limestone, copra, fish, crafts, ropes, boxes, foodstuffs), advertising outside the community (newsletter, newspaper advertisements), through development of funding (grants, government funds, in-kind), and through purchase of items outside the community.

ICA  
Global Research Assembly  
Task Force J: Local commerce

COMMERCIAL ACTIVITY SURVEY

CHICAGO  
July, 1977

Global Social Demonstration	Credit is available		Bulk o consumer purchase made		7 basic commercial enterprises active?						
	to consumer	from supplier	in community	outside community	retail	buying co-op	marketing co-op	savings loan	equipt. pool	repair service	freight transpt
Majuro	✓		✓		✓	✓	✓			✓	
Oyubari	✓	✓	✓		✓			✓			✓
Oombulgurri	✓	✓	✓		✓	✓		✓		✓	✓
Kwangyung II				✓	✓	✓			✓	✓	
Sudtonggan	✓	✓		✓	✓			✓	✓		
Hai Ou				✓	✓	✓					
Nam Wai	✓	✓		✓	✓						
Kelapa Dua		✓		✓	✓						
Sungai Lui	✓	✓		✓	✓				✓		
Maliwada	✓	✓	✓		✓						
Kwangware	✓	✓	✓		✓	✓	✓				
El Bayad				✓							
Shantumbu											
Termine	✓	✓	✓		✓						
Kreuzberg Ost	✓	✓	✓		✓	✓		✓			
Ijede				✓	✓	✓					
Isle of Dogs				✓	✓						
Cano Negro		✓		✓							
Ivy City		✓		✓		✓			✓		
Lorne Del'Acadie	✓	✓	✓		✓			✓			
Fifth City		✓		✓	✓	✓			✓		
Delta Pace				✓	✓						✓
Inyan Wakagapi		✓		✓	✓				✓		
Vogar	✓	✓		✓	✓						

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Commercial Blocks

Insights into Stimulating Commerce

Business Project	Transportation	Markets	Expertise	Facilities	Structures	Capital
Majuro			✓			
Oyubari						
Oombulguri	✓		✓			✓
Kwangyung II		✓	✓			
Sudtonggan			✓	✓		
Hai Ou			✓	✓		
Nam Wai				✓		
Kelapa Dua	✓	✓		✓		
Sungai Lui	✓		✓			
Maliwada		✓				
Kawangware						
El Bayad		✓	✓		✓	
Shantambu						
Termine			✓			
Kreuzberg Ost		✓	✓			
Ijede	✓			✓	✓	
Isle of Dogs		✓	✓			
Cano Negro				✓		
Ivy City				✓		
Lorne De l'Acadie				✓		✓
5th City		✓	✓	✓		✓
Delta Pace			✓			
Inyan Wakagakpi			✓	✓		
Vogar			✓	✓		

1. Communication - get a translator, learn the lang. communicate via calendar, sign lang., & symbols
2. Find out what they think they need.
3. Always have a shadow; don't do it for them.
4. Get cooperation from authorities.
5. Advertise.
6. Have cost-sales analysis in detail.
7. Buy in bulk to lower cost.
8. Establish external relations, support, and advice immediately.
9. Create sign or indicator visible to the community before breaking ground.
10. Be clear on what's required for managing a store.
11. Build employees into your projections and have a way to pay them.
12. Use volunteer labor and service. It builds community understanding that it's theirs.
13. If sales can't pay employees, get other avenues. Don't fall into the trap of individual ownership.
14. Use coop models and consolidate small businesses.
15. Carefully screen existing commerce.
16. Start to serve the local market first.
17. Train through formal and informal job training.
18. Use imaginal education methods.
19. Think Minimally! ...what you need, get going, then expand.
20. Use community commerce that is complimentary to common values.
21. Use available structures and vacant commercial space.
22. We have more wisdom than we realize. Don't hesitate to venture into the economic.
23. Exploit the local market enterprise.
24. Have them work. Don't give the impression that you've come to solve their problems.
25. Create industries that employ many.
26. Once you are rolling, keep the same people.
27. Use all the cash in the community.
28. Create inter-transactions of industries in community for mutual support.
29. Bring in money; keep it in; circulate it.
30. Use welfare funds but plan to get rid of it.
31. When they shake their heads "no, its impossible" show them.
32. Deal with the block of how people decide to use their time.
33. Pocket calculators are key for operating with small knowledge of figures.

ECONOMIC UNDERSTANDING

HDP	Understanding of Savings	Practical Skills	Needs for Commercial Expansion	Comm. Guild
MAJ	little or no savings	trading, fishing, retail, sawmill	Training in currency and cash economy	*
OYB	bank, credit union, high level save	strong and diverse		
OOMB	savings bank is available	minimal skills--90% illiteracy	imaginal on-the job training	*
KW	savings-village treas.; loans-short			*
SUDT	begin understand savings concept	rope making, rock cutting, furniture carpentry, fishing, shipyard, farm'g	bookkeeping, accounting, basic business skills	*
HO	some savings going on	rice growing, carpentry, building	mgmt. & bus. skills farming	
NW	banking available in near-by towns	construction	basic mgmt. & recordkeeping	
KD	lack understanding of savings/ loan/ payment	low level of commerce	record keeping	
SL	No common pattern due to low income	rubber tree, agriculture	commerce, accounting, typing, bookkeeping, mechanical	*
MAL	110 village accounts; savings	blacksmith, carpenters, ropemaking, basketweaving, goldsmith	management curriculum for elderly, bus. mgmt, acct., eval.	*
KAW	basic understanding of savings	handicraft, agriculture, construct material industry	budgeting, bookkeeping, mgment	*
EB	by wealthy landowners only	stone cutting, <sup>little knowledge of</sup> supporting commerce	basic skills & bus. trning	*
SHANT				
T	saving by investing in additions to buildings	70% have farms	cash registers; bookkeeping	*
KO	savings is present; elderly <sup>not use</sup> banks	electronics, tailoring, construct. mechanics, tool making	display, mkting, advertising	*
I	banking, thrift/credit society no real concept of savings	farming	cooperative ventures	
ISLE D.	paid in cash/ buy in cash, don't see savings as investment	moderate literacy	commercial expertise	
CNI	No image of savings	elementary skills, use of hand tool	bus. skills, updated ag. skills	*
IC	understand savings in theory but how do you save on welfare?	consumer comparative knowledge	business common sense	*
LORN	some savings accounts, not understand investing	carpentry, retailing, lumbering, sawmill, hairdressing & style	expansion & centralizing comm.	
5C	understand savings but image is how do you save on welfare?	40-60% know how to buy, sell, trade and survive	economic principles, mkting, adv. mgmt, image bus. for comm.	*
DP	banking is done in Cleveland	worm farm	expertise in commerce	*
IW	small understanding of savings, 10 of 600 have checking accounts	transport skills, horse training, handicrafts, welding, carpentry	budgeting and store training cafe	
V	not much savings	farming, logging, carpentry, fishermen, electrician	management skills, training skills for women	

## INTRODUCTION

The Commerce task force approached its assignment from several perspectives. First, there was a felt need to strongly reinforce our five economic principles. Second, a survey of the HDP consult documents indicated that nine basic dynamics, which could be translated into operating structures or enterprises, are required to actuate commerce. These enterprises are a businessmen's association<sup>1</sup>, a retail co-op store<sup>2</sup>, cooperative buying<sup>3</sup>, cooperative marketing<sup>4</sup>, equipment pool<sup>5</sup>, repair service<sup>6</sup>, transport service<sup>7</sup>, credit union<sup>8</sup>, and an overall legal entity<sup>9</sup> to maintain community ownership (referred to for identification purposes only as "The Community Company"). Third, there's a real need to provide practical aids for quick start-up of commercial ventures. Finally, the task force experienced a strong demand to present the basic theory of commerce and business imaginably and simply so that the community residents could grasp the concepts and operating procedures.

The following pages contain these materials: an actuation timeline to complete commerce in one year with the accompanying implementary steps; a detailed checklist of business start-up; descriptive briefs on eight community enterprises; a series of components of business operations including management, accounting, merchandising, and monitoring; curriculum to present the five economic principles to the community; business start-up, business operations, cash flow, and accounting guidelines. There is also a final section on back-up materials and a recommended commerce library list.

ICA GRA Commerce T/F		ONE YEAR TIME LINE				FOR ACTUATING C	
Inten	FOCUSING THE LOCAL ECONOMY					CREATING THE 1	
Task	Month 1	2	3	4	5	6	
Bus. Men's Assn.	1. Survey Comm. Oper. 2. Recruitment Drive 3. Meeting Format 4. Organizing Meeting		2. Initiate Local Buying Campaign		1. Publish Advertising Flyer		
Buyer Coop	1. Survey Goods Sold 1. Cost Research	1. Enlist Shop Owners 2. Organizing Meeting 3. Initial Purchasing 3. Determine Prod. Price	1. Survey ag. & indus. goods purchas. needs 1. Cost Research 2. Define Oper. Proced. 3. Hire Purchase Agent	1. Initial Ag/ Ind. Purchases 3. Monitor Price			
New Bus.			Begin New Business				
Coop Store	1. Survey Goods Bought	4. Define Organizational Form & Operating Proced.	3. Select Store Site 3. Hire Store Manager 3. Cost Research 4. Acquire Initial Cap.	1. Purchase Start-up Invent. 2. Grand Opening	2. Monthly Statement	2. Monthly Statement	
Credit Union		3. Investigate Legal/ Financial Requirements		1. Define Savings/Loan Policies 3. Appt. Dir./Mgr.	1. Promotional Campaign 2. Open For Business	1. First Statement	
New Bus.						Begin New Business	
Cnty. Co.		3. Investigate Legal Requirements		1. Define Obj., Operating Policies, Acct. Proc. 3. Appt. Dir./Mgr.	4. Incorporate Entity	4. Secure Capital Funding	
New Bus.							
Mkt. Coop	1. Initiate Market Research	1. Define Operating Procedures 2. Hire Sales Manager	1. Develop Promotional Materials 2. Designate Business Office			1. Negotiate Sales Contract	
Equipment Pool				3. Inventory Village Equipment	4. Describe Operating Policies	1. Appoint Equipment Coordinator	
Repair/Maint Serv.					1. Define Maintenance Needs	1. Describe Operat Policies 2. Establish worki space 2. Desig. Skill. Nor	
Frgt. Transport Co.				3. Survey Existing Transport	1. Determine Vehicle Needs 1. Define Operating Policies	2. Provide Garage Facilities 2. Designate Fleet	

TY COMMERCE		*Number in box indicates week				JULY 1977 CHICAGO
G FORMS		BUILDING THE EXTERNAL MARKETS				
7	8	9	10	11	12	
	1. Sponsor Shop Owners' Training Event				1. Sponsor Merchant Fair Day	
3. Monitoring System-Pricing Reviews		1. Arrange Pick-up Service	3. Monitoring System--Pricing Reviews			
2. Monthly Statement	2. Monthly Statement	2. Monthly Statement	2. Monthly Statement	2. Monthly Statement	2. Monthly Statement	
1. Monthly Statement	1. Monthly Statement	1. Monthly Statement	1. Monthly Statement	1. Monthly Statement	1. Monthly Statement	
3. Issue First Loan		1. Monthly Statement	1. Monthly Statement	1. Monthly Statement	2. Semi-Annual Meeting	
	Begin New Business					
		1. Arrange Goods Delivery	1. Review Contracts	1. Review Contracts	1. Review Contracts	
1. Arrange Maintenance Service	1. Establish Training Methods		1. Establish Storage Facility 2. Secure Necessary Equipment 3. Provide Equip. Loans			
1. Secure Necessary Tools 3. Provide Training Programs						
4. Acquire Vehicles 4. Arrange Maintenance Service	4. Provide Licensed Operators	1. First Service Provided				

B2

Tasks	Implementary Steps
I.  Businessmen's Association	<ol style="list-style-type: none"><li>1. <u>Survey Commercial Operations</u> - Carry out an inclusive survey of the community's existing commercial operations.</li><li>2. <u>Recruitment Drive</u> - Arrange a community-wide recruitment drive of businessmen to gather together.</li><li>3. <u>Create Meeting Format</u> - Create a meeting format for the businessmen's meeting.</li><li>4. <u>Initiate Organizing Meeting</u> - Hold the first meeting of the total community's businessmen and organize them as an entity.</li><li>5. <u>Initiate Local Buying Campaign</u> - Create an event that initiates purchasing goods locally.</li><li>6. <u>Publish advertizing flyer</u> - Create and distribute a flyer advertizing locally available products for consumer purchase.</li><li>7. <u>Sponsor Shop Owners' Training Event</u> - Initiate a commercial skills training event for community shop owners.</li><li>8. <u>Sponsor Merchant Fair Day</u> - Sponsor a community fair displaying local commercial products.</li></ol>
II.  Buyers' Co-op	<ol style="list-style-type: none"><li>1. <u>Survey goods sold</u> - Survey inclusively the goods that are commercially sold in the community.</li><li>2. <u>Cost Research</u> - Research the costs of commercial products locally sold and the comparative price advantage of bulk purchase in light of local turnover.</li><li>3. <u>Enlist Shop Owners</u> - Invite community shop owners to meet together toward organizing a means of purchasing that reduces product cost to shop owners and consumers.</li><li>4. <u>Organizing Meeting</u> - Hold a meeting of local shop owners to organize them as a buyers' co-op.</li><li>5. <u>Initial Purchasing</u> - Purchase initial commerce products cooperatively in bulk form to be distributed to participating local shop owners for consumer sales.</li><li>6. <u>Determine Product Prices</u> - Corporately determine the cost of products to be sold in light of bulk purchasing costs.</li></ol>

Tasks	Implemetary Steps
<p>III.            Co-op Store</p>	<ol style="list-style-type: none"> <li>7. <u>Survey Agricultural and Industrial Goods</u> - Survey the inclusive agricultural and industrially used goods in the community.</li> <li>8. <u>Cost Research</u> - Research the costs of agricultural and industrial products locally used, and the comparative price advantage of bulk purchase in light of local turnover.</li> <li>9. <u>Define Operating Procedure</u> - Establish a concensus on the procedures of operating the agricultural/industrial goods purchasing system.</li> <li>10. <u>Hire Purchasing Agent</u> - Hire a person to act as the buyer for the cooperative buying system.</li> <li>11. <u>Monitoring System</u> - Create a system for monitoring the cost and sale prices of products.</li> <li>12. <u>Initial Agricultural/Industrial Purchases</u> - Begin purchase of agricultural/industrial products in bulk to be distributed to local participating farmers and industries.</li> <li>13. <u>Arrange Pick-up Service</u> - Create a plan for delivery of products purchased through cooperative buying.</li> </ol> <ol style="list-style-type: none"> <li>1. <u>Survey Goods</u> - Make a survey of consumer goods bought by the residents of the community, whether purchased inside or outside of the community.</li> <li>2. <u>Define Organizational Form and Operating Procedures</u> - Determine the legal form of the organization and establish a system of operating procedures and reporting guidelines for the organization.</li> <li>3. <u>Select Store Site</u> - Select and obtain the use of a local building or space in which to house the store.</li> <li>4. <u>Hire Store Manager</u> - Hire a local person to manage the store.</li> <li>5. <u>Acquire Initial Capital</u> - Secure capital funding to purchase the start-up inventory and provide the initial operating funds.</li> <li>6. <u>Purchase Start-up Inventory</u> - Purchase the start-up inventory to stock the shelves.</li> </ol>

Tasks	Implemtery Steps
IV.  Credit Union	<p>7. <u>Hold Grand Opening</u> - Arrange and advertise the grand opening of the store. <u>Publish</u></p> <p>8. <u>Monthly Financial Statement</u> - Publish a month-end financial statement on current condition and cash flow.</p> <p>1. <u>Investigate Legal/Financial Requirements</u> - Investigate local laws relative to formation of credit unions and determine appropriate legal form of the organization.</p> <p>2. <u>Define Savings/Loan Policies</u> - Establish a consensus for the operating policies in regard to savings and loans made through the credit union.</p> <p>3. <u>Appoint Directors and Manager</u> - Choose a local board of directors and hire someone to manage the day to day operations. <u>Design</u></p> <p>4. <u>Promotional Campaign</u> - Design and disseminate promotional materials to inform every resident of the community of the savings and loan possibilities of the union and enlist decisions to participate.</p> <p>5. <u>Open For Business</u> - Open doors for initial depositors and loans.</p> <p>6. <u>Publish Monthly Statement</u> - Publish a month end financial statement of net condition and cash flow of the credit union.</p>
V.  LEV	<p>1. <u>Investigate Legal Requirements</u> - Compils a dossier on the local legal and fiscal requirements for operating and/or incorporating a local economic vehicle.</p> <p>2. <u>Define Objectives/Policies/Accounting Procedures</u> - Establish a community consensus on the operating guidelines, accounting procedures and the purpose and intent of the LEV.</p> <p>3. <u>Appoint Directors and Manager(s)</u> - Appoint and/or elect a group of directors to administer the LEV and a manager to operate the LEV.</p> <p>4. <u>Incorporate the Entity</u> - Legally incorporate the LEV with the appropriate government office.</p>

Tasks	Implemetary Steps
VI.  Marketing Co-op	<ol style="list-style-type: none"><li>5. <u>Secure Capital Funding</u> - Secure the financial instruments to provide the capital resources for LEV.</li><li>6. <u>Issue First Loan</u> - Negotiate the first capital loan to a community enterprise, business, or industry.</li><li>7. <u>Publish Monthly Statement</u> - Publish a month-end financial statement of the previous month's activity.</li><li>8. <u>Hold Semi-Annual Meeting</u> - Held a semi-annual meeting to report to the community at large on the financial condition and operating forms.</li></ol> <ol style="list-style-type: none"><li>1. <u>Initiate Market Research</u> - Begin market research to develop new markets for existing products or stimulating new products for agriculture and industry.</li><li>2. <u>Define Operating Procedures</u> - Establish a consensus on the operating procedures for the co-op.</li><li>3. <u>Hire Sales Manager</u> - Hire a manager to find the markets and negotiate the contracts for goods exports.</li><li>4. <u>Develop Promotional Materials</u> - Create and publish the promotional materials to develop new community business.</li><li>5. <u>Designate Business Office</u> - Provide a location for a business office for the co-op.</li><li>6. <u>Negotiate Sales Contract</u> - Secure a negotiated contract for a community product.</li><li>7. <u>Arrange Goods Delivery</u> - Organize the transportation for shipping the goods to the buyer.</li><li>8. <u>Review Sales Contracts</u> - Regularly review contractual committments and new possibilities.</li></ol>
VII.  Equipment Pool	<ol style="list-style-type: none"><li>1. <u>Inventory Village Equipment</u> - Make a list of power tools and other equipment now present in the community by location and owner, including availability for inclusion in the equipment pool.</li></ol>

Tasks

Implementary Steps

VIII.

Repair  
 Maintenance  
 Service

2. Describe Operating Policy - Determine operating policies including rental charge, if any, for equipment, responsibility for care and return, priorities of use, replacement of worn-out equipment, insurance and other appropriate operating concerns.
3. Appoint Equipment Coordinator - Designate a local person to take responsibility for the operations of the equipment pool.
4. Arrange Maintenance Service - Make a plan for routine inspection of equipment, including periodic service, overhauls, and repairs as appropriate.
5. Establish Training Methods - Provide training programs so that equipment loaned or leased may be operated effectively and safely.
6. Establish Storage Facility - Establish a centrally located facility including garage, lot, and/or tool shed to securely house equipment in the pool.
7. Secure Necessary Equipment - Plan to buy, in-kind or otherwise obtain equipment needed by the pool.
8. Loan Equipment - Begin to operate the equipment pool by making tools available to villagers as requested in accordance with operating policies.
1. Define Maintenance Needs - Examine the needs of the community relative to appropriateness and character of a community repair service facility.
2. Describe Operational Policies - Determine operating policies of the facility including do-it-yourself possibilities and hired services, including financial considerations.
3. Establish Working Space - Locate an appropriate space for the service center based upon needs and policies decided.
4. Designate Skilled Workmen - Hire or train workmen skilled in mechanics appropriate to the repair and maintenance services to be performed.
5. Secure Necessary Tools - Buy, in-kind or otherwise provide tools and other equipment necessary to effect repairs and maintenance services.

Tasks	Implementary Steps
<p>IX. Freight/ Transport Company</p>	<p>6. <u>Provide Training Programs</u> - Local people will be trained by the skilled workmen to provide an expanding and continuing pool of skilled mechanics.</p> <p>1. <u>Survey Existing Transport</u> - Survey existing cartage, drayage, ambulance service, jitney service, and vehicles in the community as a basis for consolidation or establishment of a freight/transport company as appropriate.</p> <p>2. <u>Determine Vehicle Needs</u> = Determine the kind of services and consequently, vehicles needed for a freight/transport company.</p> <p>3. <u>Define Operating Policies</u> - Determine kinds of transport services to be initiated and formulate a set of operating procedures and policies from which to operate.</p> <p>4. <u>Provide Garage Facilities</u> - Obtain a garage and/or parking lot suitable for garaging, maintaining, and securing the vehicle fleet.</p> <p>5. <u>Designate Fleet Manager</u> - Select a local resident to manage the freight/transport company.</p> <p>6. <u>Acquire Vehicle(s)</u> - Based on kinds of operations planned, buy, in-kind or otherwise attain necessary vehicles for the fleet.</p> <p>7. <u>Arrange Maintenance Service</u> - In accordance with operating plans and procedures, make a maintenance service plan utilizing repair and maintenance service or otherwise, as appropriate.</p> <p>8. <u>Provide Licensed Operators</u> - Engage licensed vehicle drivers and/or train local people to be licensed operators as necessary.</p> <p>9. <u>Provide First Service</u> - As a signal of the service in being, provide the first service to the community.</p>

D E F I N I T I O N	A community owned company which supplies all HDP initiated services to the community.
P U R P O S E	To assure that the services initiated by the project are created, owned, monitored, and directed by every person over age 13 in the community.
E L E M E N T S	Community Assembly ...Economic Commission...Social Commission... Secretariat...Guilds...Stakes...Service Entities...Evidence of Ownership (some type of Share etc.)
G U I D E L I N E S	<ol style="list-style-type: none"><li>1. All services initiated by HDP are part of the Community Company!</li><li>2. All citizens over 13 are members.</li><li>3. Membership may be paid for in cash or service.</li><li>4. Membership fee is minimal.</li><li>5. Assembly meets Quarterly</li><li>6. Commissions meet at least monthly</li><li>7. Secretariat, Guilds, &amp; Stakes meet at least weekly.</li><li>8. Operate out of consensus.</li></ol>
H D P A C T I V E	

D E F I N I T I O N	A STORE with goods stocked, and priced to be competitive with extra village sales operations, which employs local residents.
P U R P O S E	To provide a wide variety of goods to community households in medium to small quantities which satisfy the needs of the residents of the community and sold at a price that will keep cash flowing in the community.
E L E M E N T S	Facility...Furnishings/fixtures...inventory...capital ... Training...employees...located to best serve community and
G U I D E L I N E S	<ol style="list-style-type: none"><li>1. Stake calling to identify items village buys.</li><li>2. Start with low inventory on new items.</li><li>3. Timeline on deliveries and purchasing trips.</li><li>4. Fixed hours of business.</li><li>5. Publish pricelist with effective dates,</li><li>6. Announce new Items that will be sold.</li><li>7. Mark down to liquidate old merchandise.</li><li>8. Attractive Decor.</li><li>9. Adequate Security</li><li>10. Extend no credit initially (if ever)</li><li>11. Maintenance (preventative)</li><li>12. Assign Spare time.</li><li>13. Create committment to be there.</li></ol>
HDP A C T I V E	

D E F I N I T I O N	Agent for purchasing and distributing Bulk items.
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P U R P O S E	To purchase at bulk or wholesale rates goods and materials which the community uses in large quantity (such as seeds, feed, Fertilizers) in order to lower community production costs.
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E L E M E N T S	Contracts...Catalogues of suppliers...personal contacts with suppliers...Storage (Warehousing) Market trips...Buying expertise
--------------------------------------	--

G U I D E L I N E S	<ol style="list-style-type: none"> <li>1. Purchases through its own aegis, sells through the Retail Service.</li> <li>2. Know Market:             <ol style="list-style-type: none"> <li>a. availability of goods (supply)</li> <li>b. Seasonal fluctuation.</li> </ol> </li> <li>3. Alternate sources of supply.</li> <li>4. Knowledge of supply sources             <ol style="list-style-type: none"> <li>a. Personal contacts</li> <li>b. reliability of supplier to deliver (or even to be able to have the material available to sell when you need it).</li> </ol> </li> <li>5. Coordinate delivery to minimize costs.</li> <li>6. order from a relatively "local supplier" to avoid unreasonable delay in delivery of the product to you.</li> </ol>
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H D P  A C T I V E	(This section is currently blank)
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ICA  
GRA '77  
Commerce T/F.

ENTERPRISE BRIEF  
MARKETING SERVICE

CHICAGO  
07-10-77

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Agent for the marketing of Goods produced by the community (i.e. Agriculture, Industry, Handicraft).

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To provide the expertise to get the best possible returns for those who produce the goods.

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Market Research...Warehousing...Pick up & Delivery...local contracts production contracts...start up capital.

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1. Seasonal Fluctuation
2. Figuring into the price/costs:
  - a. Transportation
  - b. Warehousing.
3. Establish quality committment
4. Establish quantity committments with
  - a. Producer.
5. locate bulk purchasers
6. Push for pick-up by buyer vs. delivery to buyer.
7. Establish regular pickup schedule for products of the community...
8. Crating and packaging.

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\*services in this HDP may be example to replicate

D E F I N I T I O N	Co-operative saving and lending service which invests the depositors money in interest bearing projects.
P U R P O S E	To provide a financial service which is owned and operated by the community which can provide quick, low red tape limited purpose loans (in principle) to every community resident
E L E M E N T S	Legal forms...rules and regulations...accounting... investments borrowers....profit formula...investments
G U I D E L I N E S	<ol style="list-style-type: none"><li>1. Obtain a consensus of potential members.</li><li>2. Set-up all rules in advance.</li><li>3. Obtain local forms, rules and regulations.</li><li>4. An informal credit pool can be set up almost anywhere.</li><li>5. The advantages of the local forms are: wider cash pool, insurance, accountability.</li><li>6. Many of the legal forms limit loans to "personal".</li><li>7. Keeping the loans less than the value invested avoids cause of most failures: inability to collect outstanding loans.</li><li>8. Keeping the credit pool separate from the store or other entities provides accountability and sometimes a tax advantage.</li><li>9. Use legal looking documents for even the informal pool to symbolize discipline.</li><li>10. Use a regular contribution plan (like a payroll deduction).</li><li>11. Establish in advance the limit of loans, payment rules, interest and loan rates.</li><li>12. provide adequately for the security of the deposits- use a commercial bank wherever possible.</li><li>13. The first year, the interest on deposit rate is probably going to be zero.</li></ol>
H D P A C T I V E	

ICA  
GRA '77  
Commerce T/F

ENTERPRISE BRIEF  
REPAIR SERVICE

CHICAGO  
07-10-77

D E F I N I T I O N	a multipurpose service which has trained repair personnell and appropriate equipment to repair most equipment in the community.
P U R P O S E	To put community and personal equipment back into use as soon as possible.
E L E M E N T S	Tools...Manuals on repair...equipment manuals...expertise...first aid kit... supplies...equipment enough to build replacement parts or rebuild parts on site as opposed to sending for parts and waiting for several months. (Welder, grinders,metal saws and drill press.)
G U I D E L I N E S	1.Set up a bench with a hand vise and small hand equipment and supplies. 2.Put name tag symbols on all tools and equipment.
H D P A C T I V E	

\*services in this HDP may be example to replicate

314

D E F I N I T I O N	A service, located in the community which maintains an inventory of major equipment
P U R P O S E	To provide easy access to tools which residents need occasionally, but cannot afford to buy individually.
E L E M E N T S	Building...Equipment...Office equipment...accounting books...loan records... reservation book...fee schedule
G U I D E L I N E S	<ol style="list-style-type: none"><li>1.Repair equipment for every type of breakdown</li><li>2.Easy to repair equipment</li><li>3.Fire safety precautions</li><li>4. safe equipment with proper guards in place and necessary aids(such as goggles for a grinder) should be loaned with the equipment.</li><li>5.Community workdays that borrow equipment can use equipment for no fee.</li><li>6. publish rental fees.</li><li>7. keep accurate records as to location of all loaned equipment.</li><li>8. determine how equipment which is returned broken or not be returned will be dealt with in a consistent manner.</li><li>9. Put name tag symbols on all tools and equipment.</li></ol>
HDP A C T I V E	

\*services in this HDP may be example to replicate K15

ICA GRA '77 Commerce T/F	ENTERPRISE BRIEF TRANSPORTATION AND FREIGHT SERVICE	CHICAGO 07-10-77
D E F I N I T I O N	A service which maintains the personnell and equipment necessary to transport major bulk items (especially to and from neighboring markets)	
P U R P O S E	To move msterials and citizens from village to market centers.	
E L E M E N T S	Trucks...Bus...Crop wagons...Emergency vehicle (rquiped to double as ambulance)	
G U I D E L I N E S	<ol style="list-style-type: none"> <li>1. Assure you have capacity to move the crop to market.</li> <li>2. Drivers</li> <li>3. Liscensing</li> <li>4. Insurance</li> <li>5. Maintenance (preventative)</li> </ol>	
H D P A C T I V E		

\*services in this HDP may be example to replicate B16

COMMON STEPS IN COMMERCIAL IMPLEMENTATION

I.

Feasibility

1. What? Check the buying habits of the community (what they use, what they pay for; also, what services, tools, or equipment they need occasionally).
2. Volume? Check how much and how frequently these things are needed and purchased.
3. Price Levels? Check the prices people pay for these things.
4. Cost of Goods? Find out the wholesale prices or factory or farm FOB prices for goods.
5. Cost of Operations? Estimate your own total costs of operating the business.
  - a. Facility and equipment (depreciation or rent)
  - b. Utilities (light, water, heat)
  - c. Personnel
  - d. Maintenance and repair
  - e. Other services and supplies
  - f. Fees and licenses
  - g. Anything else we forgot
6. Demand or Usage Estimate? Guess the volume of your goods and services that your customers would buy at each of 4 different price levels.
7. Revenue Estimate? Figure out how much revenue you would get for each of these volumes at its price level.
8. Cost Estimate? Figure out your total cost (cost of goods plus cost of operations).
9. Surplus on Sales Estimate? Subtract your cost estimate from your revenue estimate for each of the 4 price levels.
10. Financial Feasibility? Plot on a piece of paper the surplus on sales versus each price level. Draw a curve (throw a stone) through the plotted points (as close as possible). Find the highest point of the curve. This is your price for best surplus.
11. Financing Proposal? Write a paper on your revenue estimate, your cost estimates, your surplus on sales estimates, and your financial feasibility. This paper is your proposal to obtain financing. Show how much financing your own people will provide.

II.

Set-up

1. Consult with community leaders.
2. Determine organization style and get licensing.
3. Lease or buy space.
4. Acquire start-up capital.
5. Get necessary equipment.
6. Provide management and other personnel.
7. Decide credit policy.
8. Open bank account.
9. Determine payroll model.
10. Determine prices for services.
11. Provide necessary utilities.
12. Provide insurance.
13. Build a security model.

III.

Initiation

1. Establish operating hours.
2. Establish personnel policies.
3. Grand opening.
4. Implement bookkeeping and accounting.
5. Implement security.
6. Meet first payroll.
7. Advertise/publicize commercial activities.

IV.

Operations

1. Prepare regular financial statements.
2. Evaluate customer satisfaction.
3. Keep bank receipts on file and bank account balanced.
4. Develop equipment maintenance schedule.

5. Update projection of volume of business(sales).
6. Maintain regular cleaning schedule.
7. Develop effective record keeping and records controls.
8. Develop on-going employee training program.
9. Take inventory on regular basis.

V.

Control

1. Develop a schedule of cash flow.
2. Observe turnover by item.
3. Maintain profit and loss statement.
4. Keep a balance sheet. Check inventory against cash receipts.
5. Create quality control checklist and schedule.
6. Review performance and health of personnel.

VI.

Expansion

1. Are current operations profitable:
2. If so, is there sufficient demand to continue successful operations on a larger scale?
3. If not, is there reasonable expectation that increased activity will result in profits?
4. Is purchasing power in village sufficient to support expanded activity?
5. Is there reasonable expectation that outsiders will use expanded services?
6. Have local residents expressed desire for expanded services?
7. Is there space available for expansion?
8. Is capital available from retained earnings or otherwise to enable expansion?
9. Are people available or trainable for expanded activity?

## RETAIL STORE IMPLEMENTATION

## I.

## Feasibility

1. Estimate Volume: Item by item estimates. Seasonal variations. Brand preference. Response to special sales and advertising. Merchandising capacity (How much can a store of the proposed size hold and move?)
2. Costs: What discounts will supplier give us, and how fast do we have to pay him in order to qualify for discounts? What does it cost us to grant credit to our customers? Advertising. Packaging. Signs and displays. Inventory storage and stock-handling costs. Leakage, breakage, and spoilage costs. Warranty from our suppliers. Our cost of warranty to our customers.
3. Revenue: By item or product line. By type of customer. By season of the year.
4. Profits: By item or product line. By type of customer. By season of the year.
5. Financial Evaluation: Should some items be dropped? Should some costs be increased, or some prices lowered, to get additional volumes with more profit? Can the business generate and retain enough cash to meet the peak cash demand?

## II.

## Set-up

1. Locate wholesale suppliers.
2. Negotiate credit terms.
3. Provide opening inventory.
4. Provide for emergency deliveries.
5. Mark prices or post pricelist.

## III.

## Initiation

1. Stock shelves.
2. Provide "cash register" change.

## IV.

## Operations

1. Based upon previous weeks or month's sales, pull together data to determine which items are selling and at what rate; then project volume of sales for upcoming months. This data should be recorded and filed for future reference, as well

as used to determine the current quantity and frequency to order from supplier.

2. Inventory should be taken on a regular(weekly) basis and cross-checked with the sales for that week; then filed.
3. Records of sales, accounting, type of clientele and other influencing factors(weather, local activities) are to be recorded and kept on file for future reference, particularly for purposes of placing orders.
4. Store layout and design should be modified and improved upon at regular intervals. Items that do not sell well should be identified and times designated for sales in order to clear-out slow moving stock.

V.

Control

1. Review daily discrepancies in inventory and sales and look for patterns.
2. Review quality of suppliers' goods and delivery service.
3. Evaluate success of promotion and advertising.
4. Evaluate change in buying habits.
5. Analyze and refine bookkeeping and records.

VI.

Expansion

1. Are there retail groups of products not now sold, such as hardware, fuel oil, etc., that might be profitably stocked and sold?
2. Do expanded product line possibilities come as suggestions by a limited segment of the community or a broad segment.
3. Have markets opened through population growth or increased personal income that would increase store traffic?
4. Will expansion result in greater quantity buying and lower unit cost advantages?
5. Will overhead items such as rent, utilities, indirect labor, etc., increase out of proportion to programmed revenue expansion?
6. Will expanded inventories turnover as rapidly as before or will there be some chance for aging/spoilage?

## ENTERPRISE IMPLEMENTATION CHECKLIST

## COOP BUY AND SELL IMPLEMENTATION

I.  
Feasibility

1. Volume: Is our warehouse space going to be adequate: too much; too little: Is our delivery capacity going to be adequate: too much; too little? Do we have a consensus with our customer prospects which will cause them to enter sales contracts with us?
2. Costs: Shop around among several sources of supply for the best prices, delivery schedules, and purchase contract sales and conditions. Will our supplier warehouse for us, and at what cost to us. Seasonal variations in supplier's prices. Leakage and spoilage estimates. What will it cost us to grant credit to our customers? Does purchase contract with supplier assure our costs? Will we have to pay to pick up from supplier? To deliver to customers?
3. Revenue: By item. By season of the year.
4. Profit: By item. By season of the year. Hold a reasonably low profit margin; this is a wholesale operation aimed at high volume.
5. Financial Evaluation: Should our facilities cost more to minimize leakage and spoilage (rat proofing, waterproofing, sealed containers)? Should our contract terms and conditions, either for purchase from supplier to reduce our costs, or for sales to our customers to expand our volume while increasing our costs, be relaxed to win more profits? Can the business generate and retain enough cash to meet the peak cash demands?

## II.

## Set-up

1. Negotiate contracts.
2. Negotiate credit/delivery terms.
3. Provide appropriate storage facilities.
4. Provide delivery equipment.
5. Identify and sell to retail customers.

III.

Initiation

1. Provide shop owners with list of supplies available and the delivery schedule.
2. Arrange and establish transportation.
3. Make initial purchase.
4. Make initial sale and delivery.

IV.

Operations

1. Evaluate storage controls and security to avoid theft and minimize leakage and spoilage.
2. Arrange for clearance of products that may begin to deteriorate or are not selling well.
3. Collect credit (if any) from all borrowers on consistent basis. Limits on credit are to be clearly defined and explained.
4. Inventory of warehouse regularly (weekly) with allowance made for leakage and spoilage.

V.

Control

1. Analyze causes, types and amounts of spoilage and leakage and determine measures that can be taken to reduce them.
2. Evaluate delivery routes and what refinements might be made.
3. Weigh, count, or measure all receipts and all deliveries.
4. Review and up-date record-keeping. Use this data to evaluate changes in cost from supplier.
5. Analyze warehouse security.
6. Review insurance policy on stored goods.

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VI.

Expansion

1. Are current retail customers in a financially healthy condition to support the projected wholesale activity?
2. Can additional retail markets, perhaps in adjacent villages be identified as potential new customers?
3. Will expansion result in a more aged inventory with added spoilage/shrinkage possibilities?
4. Can existing warehouse, delivery equipment, etc. accommodate contemplated expansion?
5. Are expanded commodities projected subject to wide price fluctuation, thus building in an inventory loss possibly on a down market?

CREDIT UNION IMPLEMENTATION

I.

Feasibility

1. Volume: We are in the business of renting money from our depositors and loaning some of that money to our borrowers at higher rates. Estimate the savings level and the savings potential of the community. Make a conservative estimate of deposits and of the time deposits may remain in the Credit Union accounts. Survey the interest rates charged to local borrowers by other financial institutions (banks or money lenders). Watch for different rates for secured or unsecured loans. Make an exaggerated estimate of the amount of cash the people of the community will want to borrow from us, and of the amount of time they take to repay these loans. Allow plenty of loss in these estimates because of bad debts which will reduce our volume of loans.
2. Costs: Estimate all start-up costs and make sure they are added to your operating costs. What interest might you pay to your depositors? The higher this rate goes, the higher the rates you must charge to your borrowers. What is the cost of special security equipment (safes and strong boxes), of special security services, of banking services we used? We must keep a reserve of cash in your accounts to cover withdrawals to be made by our depositors. Estimate the peak rate of withdrawals. The reserve cash may not be loaned out and its interest is cost.
3. Profits. These will be what we earn on our loans, less what interest we will pay our depositors, less our operating costs. Try for reasonable profit because this is a service to promote community savings.
4. Financial Evaluation. How can we build up our cash reserves out of profits so that we can expand our volume of loans with constant, or reduced, deposits?

II.

Set-up

1. Review with nearest qualified council.

2. Establish and publish by-laws.
3. Determine collection policies.
4. Determine criteria for loans.
5. Establish interest rates--depositors and borrowers.
6. Provide loan contract, deposit slips, passbooks, and other necessary forms.

III.

Initiation

1. Accept initial deposit.
2. Make initial loan.
3. Publish insurance and insurance limits statement.
4. Establish style of precision in handling of cash, receipts or passbooks, and record keeping.

IV.

Operations

1. Explore possibility of low-risk loans to local business or community projects.
2. Make thorough credit checks on all potential borrowers.
3. Enforce strict criteria for qualifying for loans.
4. Audit cash daily and maintain stringent bank procedures when dealing in large sums of cash.

V.

Control

1. Maintain consistent daily cash audit.
2. Enforce rigid collection procedures.
3. Determine loss rate and build cash reserve fund to cover it.
4. Review security procedures and insurance policies.

VI.  
Expansion

1. Is local commercial/industrial activity financially sound?
2. Are there loan possibilities in the local situation which if made would open up greater community economic growth on a profitable basis?
3. Are accumulated profits in the Credit Union sufficient to make additional loans and still maintain adequate reserves?
4. Would a community campaign for more depositor participation or greater savings by current members develop more funds for loans?
5. Is affiliation with a regional Credit Union which would open up additional capital for the community possible?
6. Investigate the possibility of expansion into neighboring villages.

EQUIPMENT POOL IMPLEMENTATION

I.

Feasibility

1. Volume: Prioritize equipment needs by demand for use of each type of equipment. Estimate how much use each piece of equipment will get. Test customer prospects' reaction to different suggested rental rates.
2. Costs: Estimate useful life of each type of equipment. How long will it last, given the usage we found in our volume study, under the severity of the work it will do. Estimate periodic depreciation costs as the price we must pay for the equipment new, divided by its useful life. Estimate frequency and amounts of maintenance and repair costs. Estimate operator costs. Decide who will pay for fuel for equipment. We must pay the cost of frequent physical inventory to avoid losing equipment. Decide whether we will deliver and pick up equipment, or whether customers will deliver and return equipment, paying rent for transit time.
3. Revenue: Maintenance, repair, and delivery time (if we deliver) cannot produce revenue. Estimate revenue by item x time on rent. Estimate seasonal revenue.
4. Profits: Try for reasonably low profit margins. Our equipment rentals become costs in our customer's business.
5. Financial Evaluation: Can we repay all our debts in a reasonably short time? Can we stop our debt from building up during our first year of operation?

II.

Set-up

1. Create and use symbol on each tool.
2. Determine security deposit model.
3. Provide equipment accountability model.
4. Provide preventive maintenance schedule.

III.

Initiation

1. Post rental schedules and rules.
2. Loan out first equipment.

IV.

Operations

1. Frequent rotating inventory of all tools and equipment.
2. Periodic testing of running machinery to guarantee functioning.
3. Inspection of all equipment upon return from user to verify condition.
4. Maintain records on names of borrowers, length of time used and date returned.

V.

Control

1. Enforce policy of taking daily closing inventory.
2. Make periodic inventory of tools that are loaned out.
3. Review equipment pool procedures. Is the operation breaking even?
4. Collect accounts payable for rent.

VI.

Expansion

1. Review financial performance of each line of equipment (light hand tools, heavy hand tools, light power tools, heavy power equipment) to find out which ones add to surplus; which ones lose. Find out why. If you find a line which is overused and keeps customers waiting so long that they need to lease equipment from your competitors or suffer significant financial or social damage, you have found an opportunity for expansion.
2. Be smart about expansion. If some equipment can have its function modified by attachments, accessories

or minor rework, do a feasibility exercise on this basis. Otherwise, do feasibility exercise on new or used additional equipment.

3. Sell equipment which does not pay its way.
4. See your accountant for your balance of retained earnings or deficit. You may not be able to obtain any more loans if your retained earnings are dropping sharply. You will not get any if your deficit is increasing.

REPAIR SHOP IMPLEMENTATION

I.

Feasibility

1. Volume: Scout (survey) the essential repair needs of the community. Prioritize repair demand. Get good estimates of the frequency, type of failure, and time for repair procedures commonly encountered. Start small.
2. Costs: Estimate the quantity and cost of: equipment, tools, vital parts and supplies; needed by the shop. Estimate our labor costs. Will we use part-time labor, or full time labor, and how much of each? Depreciation costs will depend on the frequency and severity of use of tools and equipment. Will we repair our own tools and equipment, or must we buy some repair services outside?
3. Revenue: Estimate each job and review our prices with the customer before work starts. Our price will be:  
Labor Time X (our prices for labor + our operating costs allocated to each unit of labor we sell)  
+ our retail prices for the parts used in the repair.
4. Profits: Hold a reasonably high profit margin to enable us to implement more lines of repair work.
5. Financial Evaluation: Can we repay all debt in a short time, replace our worn out tools and equipment, and implement more lines of repair work?

II.

Set-up

1. Provide necessary supplies
2. Provide necessary shop task
3. Decide policy regarding customs use of facility

III.

Initiation

1. Accept first machinery for repair
2. Indicate scope of operations and procedures

IV.

Operations

1. Keep records of all repair work done
2. Explore potential for expanding services
  - A. To nearby communities for a fee
  - B. To potential projects in community
3. Maintain Safety Discipline

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ENTERPRISE IMPLEMENTATION CHECKLIST

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V.

Control

1. Evaluate repair jobs performed to date and determine profit margin.
2. Review inventories for previous month to determine any inconsistencies (tools as well as parts)
3. Update and review safety record.
4. Evaluate defective work returned for further services

VI.

Expansion

- (Please refer to common steps in Commercial Implementation)
1. Look for vital repair needs in community not being met by your shop.
  2. Look for repair demand in neighboring communities, first for services you already offer, then for new service opportunities.
  3. If a line of repair is not earning a surplus, consider a price increase. Do feasibility exercise to find the best price. If price adjustment will not work, consider selling any equipment which works only on that service.
  4. Do adequate public relations work in the community before the community learns that you have considered sale or termination.
  5. See your accountant for your retained earnings or deficit balance. You may not qualify for more loans if your retained earnings have dropped sharply.

TRANSPORTATION COMPANY IMPLEMENTATION

I.

Feasibility

1. Volume: Survey the most travelled routes and determine the volume of traffic on them. Determine the nature of loads carried and proportions (passenger or freight), the numbers and types of vehicles, and the direction of flow of traffic at different times of day.
2. Costs: Investigate what optimum size of vehicle is desired in relation to cost (3 vans or one full sized bus?). Estimate depreciation based on what size of loads will be carried and the condition of the roads. Estimate maintenance and repair. Obtain liability insurance on people, vehicles, and goods.
3. Revenue: Fee for use of vehicle may be determined by weight or volume x distance carried. Empty capacity does not produce revenue. Maintenance and repair time does not produce revenue.
4. Profits: Start with reasonably high profit margin per load or trip.
5. Financial Evaluation: Can we repay debt of business costs before we replace the vehicle?

II.

Set-up

1. Assure fuel and vital services availability.
2. Determine vehicle paint color and symbol.
3. Decide parameters of operations.
4. Determine maintenance schedule.

III.

Initiation

1. Post schedule of service and prices.
2. Haul initial load of goods.

IV.

Operations

1. Schedule maintenance and regular tune-ups.
2. Frequently replaced parts kept in stock.

V.

Control

1. Maintain detailed records on weight and volume per trip and distance carried, gas mileage, and conditions of routes used. Compare these with the cost of maintenance and parts that have been used to determine how fast the vehicle is depreciating.
2. Is the fee charged for use enough to break even considering operating costs?
3. Drop prices occasionally to test volume response and its effect on profits.

VI.

Expansion

1. Review financial performance of each type of vehicle or carrier and find out: which ones add to surplus, which ones lose.
2. Brainstorm with your staff, and with the Commerce Guild, the vital transportation needs which are not being met by your company.
3. Before doing anything **else**: brainstorm ways that existing vehicles or carriers may be adapted to meet these needs. Look first at those which operate at a loss.
4. If a vehicle or carrier operates at a loss, and it cannot be adapted for alternate use, you must consider increasing the price charged for its service to your customers. Do a feasibility exercise on higher prices. If price adjustment will not win, consider stopping the service and selling the vehicle or carrier. This will need some community consensus. Public relations work is needed before the community is approached on price adjustment or termination of service. See your accountant for

your balance of retained earnings or deficit. Before you may even consider additional financing, you need to see that your cash flow will pay down your existing debt and provide a surplus to retire additional debt.

5. If needs for vital services cannot be met by the equipment you now have, do the feasibility exercise on how to meet these needs.

CATEGORY	DESCRIPTION	HOW FINANCED
PROPRIETORSHIP	Individual ownership (usually skilled) acting as the owner-manager. Usually a small business, but not necessarily.	Owner's own or borrowed capital.
PARTNERSHIP	Similar to proprietorship, but the actions of any one partner obligates the others.	Same as proprietorship.
CORPORATION	Legal entity, chartered by government to engage in a specific line of business.	Sale of capital stock (shares) either privately or through public offering; borrowing from banks or from the public through sale of bonds.
HOLDING COMPANY	One company owning two or more businesses. Generally a fairly large operation.	Same as a corporation.
COMMUNITY-OWNED BUSINESS	Generally a corporation with funds advanced by public subscription or subscribed by individuals.	Can be a co-op with earnings distributed to members. Members vote on policies, rates charged and managing personnel. <u>NOTE: BUSINESS ENTITIES SPECIFIC TO NATIONS OTHER THAN THE U.S. NEED TO BE RESEARCHED RELATIVE TO LOCAL PRACTICES, LAWS, ETC.</u>

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MANAGEMENT	PURCHASING	PRODUCTION	MARKETING	FINANCING
<p>What legal form will best meet the plans and objectives of the business?</p> <p>What government regulations affect the business? Taxes?</p> <p>How should work be divided? What does an organizational chart look like?</p> <p>What people do we need to talk to for advice?</p> <p>What site will best fit present needs &amp; future plans?</p> <p>What management design could most readily be turned over to local man?</p> <p>What kinds of insurance required? Costs?</p>	<p>Who are the potential suppliers?</p> <p>Where are they located?</p> <p>How long will it take to get delivery?</p> <p>Cost of transportation?</p> <p>What kind of inventory controls will the business need?</p>	<p>What natural resources does the business require?</p> <p>Where are they located and how much will it cost to acquire them?</p> <p>What machinery and equipment will be needed? Costs? Availability? Ability to maintain and repair?</p> <p>What human resources are available? Wage levels? Training requirements?</p> <p>Where can we obtain other necessary skills?</p> <p>What kind of order processing system will be needed?</p>	<p>What is the nature of the product or service?</p> <p>What is the intended price?</p> <p>What is the proven demand for the product or service?</p> <p>What is the competition doing?</p> <p>How, and to whom, will the product or service be delivered?</p> <p>Cost and timing of delivery?</p> <p>What forms of public relations and advertising will be required?</p>	<p>How much money will be needed for start-up? How much for working capital?</p> <p>What will be the source of these funds?</p> <p>What kind of information will potential lenders and/or investors require?</p> <p>What is our 6-month, 1-year, 2-year forecast of income &amp; expense?</p> <p>Where are potential financial trouble spots?</p> <p>Can we hire a reliable person who understands bookkeeping?</p>
ORGANIZATION ANALYSIS	PURCHASING POLICIES & PROCEDURES	QUALITY CONTROL & STAFFING <b>BI</b>	MERCHANDISING TECHNIQUES	PRO FORMAS & BOOKKEEPING

# LOCATING COMMERCIAL FACILITY

SPACE	FEATURES	SITE	NEGOTIATIONS
USES	UTILITY ACCESS	ZONING/LEGALITIES	BUY - LEASE - BUILD - INKIND
DISPLAY WORK STORAGE OFFICE <span style="font-size: 2em; vertical-align: middle;">}</span> SUFFICIENT APPROPRIATE	SEWAGE WATER LIGHTING PHONE GARBAGE MAIL	CHECK ZONING PREVIOUS USES FOLKLORE ABOUT PROPERTY	INVENTORY OF COMMUNITY PROPERTY & FACILITIES WEIGH ADVANTAGES OF BUYING/LEASING
LAYOUT	EQUIPMENT	CUSTOMER CONVENIENCE	OCCUPANCY SPEED
CONVENIENCE EFFICIENCY SEPARATION OF PUBLIC/PRIVATE	HEATING REFRIGERATION LOADING DOCKS BUILT-IN EQUIPMENT/FURNITURE	PROXIMITY TO COMMUNITY NODES	TIME FRAME
FUTURE USEAGE	SECURITY	ACCESS	COST FACTORS
ROOM FOR EXPANSION	DOORS WINDOWS LOCKS	SHIPPING TRANSPORTATION	INITIAL & REMODELING MAINTENANCE
REMODELING	AESTHETICS	NEARBY USEAGE	FUTURE FLEXIBILITY
PLAN COST TIME EFFORT MATERIALS	NATURAL LIGHTING WALL COVERINGS FLOOR MATERIAL SANITATION	NOISE CONGESTION ODORS	ROOM FOR EXPANSION LENGTH OF LEASE CHANGE OF USEAGE

THE ROLE OF MANAGEMENT

What is a manager?

The manager of a business is like the leader of an orchestra. He stands at the center of the enterprise and orchestrates the many differing activities into a whole that is pleasing to the community, to the employees and to himself. In order for him to become a good conductor of the business he needs to know what roles he has to play.

The manager of a business is many people. He is an Educator, an Executive, a Guard, an Accountant, a Personnel Man, a Salesman and a Buyer.

The manager is an Educator. He knows about Community Relations, the Commerce Guild, and Consumer Education. He is a community employee, so he works with the Secretariat and the Economic Commission to educate the Stakes and the Community Assembly as to the needs, breakthroughs, opportunities and problems of his business. As a member of the Commerce Guild, he works with the other managers and employees to make all the community's businesses more profitable and of greater benefit. He also educates his customers, particularly in the area of credit, offering it to good risks if the Community Assembly permits credit. However, the decision to sell goods or services now for payment later is a big one, for he knows that once the service is performed or the goods in the customer's hands there is no way to get it back if it is not paid for. A safer method which also begins to teach the proper use of credit is Lay-Away, wherein the customer has the goods set aside now, pays for them in small, regular installments and picks them up when they are paid for.

The manager is an Executive. He knows about Finance, Coordination, and Public Relations. Financing means seeing that the business has all the money it needs to get started and that it makes enough money to keep going. Coordination means seeing that all the activities of the business are planned and carried out harmoniously and on time. Public Relations means seeing that the business has a good reputation for products, prices and service.

The manager is a Guard. He knows about Safety, Security and Protection. Safety means keeping the building and equipment in good condition in order to avoid injury to employees and customers. Security means keeping the business insured against risks like fire, vandalism and theft. Protection means keeping the money in a safe place, discouraging shoplifting by arranging the fixtures so as to eliminate 'blind spots', and making the employees conscious of preventing petty theft.

The manager is an Accountant. He knows about Bookkeeping, Records and Analysis. Bookkeeping means recording who the money comes from and who it goes to by writing down the date, name and amount in each case. Records means keeping special sheets or books to summarize the bookkeeping entries for things like cash sales, credit sales, unit sales, collections, purchases,

rent and salaries. Analysis means using the information in the records to help you make judgements about the present condition of the business and its future needs.

The manager is a Personnel Man. He knows about Training, Supervision and Evaluation. Training means hiring people and teaching them how to sell and display merchandise, or make things or fix things, how to make change and fill out charge or cash slips, and teach them the customs, courtesies and services of the business. Supervision means seeing to it that all work gets done on time, counseling with the employees to improve their work, and creating harmonious working relationships. Evaluation means deciding when each employee is ready for greater responsibility.

The manager is a Salesman. He knows about Pricing, Promotion, and Expansion. Prices means making sure that his prices are fair - low enough to be the best in the community, but high enough to pay the business's suppliers and other costs and leave a profit. Promotion means displaying goods attractively advertising the goods and occasionally offering the goods at extra-low prices for a short time. Expansion means thinking up new ways to get more people to patronize the business, such as special sales, new types of goods or services, or opening a new service like a cafe next door or out in front creating a shady rest area with benches.

The manager is a Buyer. He knows about Forecasting, Supplier Research and Negotiating. Forecasting means using the business' sales and inventory records to see how much merchandise of each type has been sold and how much is on hand and deciding how much will be needed. Supplier Research means using market trips, catalogs and experience with present suppliers to decide who are presently the best suppliers. Negotiating means getting the best combination of price, quality and fast delivery when placing orders.

A manager is an Educator who knows about Community Relations, the Commerce Guild and Consumer Education.

A manager is an Executive who knows about Finance, Coordination and Public Relations.

A manager is a Guard who knows about Safety, Security and Protection.

A manager is an Accountant who knows about Bookkeeping, Records and Analysis.

A manager is a Personnel Man who knows about Training, Supervision and Evaluation.

A manager is a Salesman who knows about Pricing, Promotion and Expansion.

A manager is a Buyer who knows about Forecasting, Supplier Research and Negotiating.

These are the roles of a manager. No wonder managers like their job!

## MANAGEMENT OPERATING PROCEDURES

A MANAGER IS...	HE KNOWS ABOUT...		
AN EDUCATOR	COMMUNITY RELATIONS	COMMERCE GUILD	CONSUMER EDUCATION
AN EXECUTIVE	FINANCE	COORDINATION	PUBLIC RELATIONS
A GUARD	SAFETY	SECURITY	PROTECTION
AN ACCOUNTANT	BOOKKEEPING	RECORDS	ANALYSIS
A PERSONNEL MAN	TRAINING	SUPERVISION	EVALUATION
A SALESMAN	PRICING	PROMOTION	EXPANSION
A BUYER	FORECASTING	SUPPLIER RESEARCH	NEGOTIATING

QUESTION	SYMBOL
STRUCTURE	Name, address, officers or partners, organization chart.
VISION	Nature of business, detailed statement of purpose of loan, copy of comprehensive plan.
AUTHORIZATION OF APPLICANTS	Resumé of applicant or officers, background, experience, financial statement.
POSSIBILITY OF SUCCESS	<p>Project statement of income and expense including debt service and a balance sheet &amp; cash flow schedule. Projected operating statement will show:</p> <ul style="list-style-type: none"> <li>. Predicted sales volume and expansion rate</li> <li>. Cost to produce or purchase goods to be sold</li> <li>. Fixed monthly operating expense, including rent utilities, insurance, interest</li> <li>. Controllable monthly operating expense, such as advertising, salaries and bookkeeping services</li> <li>. Net monthly profit (amount left after subtracting cost of goods and expenses from sales, but before taxes)</li> </ul> <p>Background for making realistic projections: If they exist, the businessman should consult trade associations, trade publications, suppliers, non-competitors in the same business elsewhere, and other sources to determine appropriate standards of efficiency for his type and size of business.</p> <p>Expense of setting up shop:</p> <ul style="list-style-type: none"> <li>. Down payment on the purchase or deposit on the lease for business premises</li> <li>. Any necessary fixture or remodeling costs</li> <li>. Purchase or lease of needed equipment</li> <li>. Initial inventory purchase</li> <li>. Telephone and utility installation fees</li> <li>. Office supply costs</li> <li>. Taxes and license fees</li> <li>. Professional services (legal and accounting)</li> </ul>
ADDITIONAL SECURITY	<ul style="list-style-type: none"> <li>. Property and casualty insurance on business</li> <li>. Life insurance on owner or chief executive</li> <li>. Security agreement on equipment, fixtures or mortgage on land and building</li> </ul>

CHART OF LOAN TYPES

CATEGORY	TYPE OF LOAN	PURPOSE OF LOAN	NECESSARY COLLATERAL	SOUND DEBT SERVICING PRACTICES
<p>SHORT TERM LOAN (One year or less)</p> <p>Often most difficult to obtain due to risk</p>	<p>Operating Loan (Agricultural)</p>	<p>Short term for crop year</p>	<p>The crop, its potential value</p>	<p>Bank will expect the loan to be repaid when the product is sold (even if you intend to borrow again in two weeks for the next crop or cycle).</p>
	<p>Working Capital Loan (Manufacturing)</p>	<p>Financing inventory, materials, labor</p>	<p>The product (evidence of accounts receivable, future cash)</p>	
<p>INTERMEDIATE TERM LOAN (One-Ten Years)</p>	<p>Farm machinery or livestock facilities (Agricultural)</p>	<p>Needed to produce product</p> <p>Example: Simple tool to replace labor or decrease cost of product</p>	<p>The equipment or machinery itself. (This loan usually requires front money at least equal to expected depreciation during first year.)</p>	<p>Make plans to retire some of the debt each year. This is very important in order to establish a good loan history to enable future borrowing.</p>
	<p>Manufacturing equipment</p>			
<p>LONG TERM LOAN (Ten years or more)</p>	<p>Capital Improvement Loan  (Agricultural land purchase, or machinery with long life expectancy)</p>	<p>Purchase of land or factory site  (Building, dam, bridge, home)</p>	<p>Mortgage on land or building</p>	<p>Payment is usually scheduled over the life of the loan, 30-40 years. Payments need to be made on time; if payments prove too large, renegotiate mortgage for lower payments, longer terms.</p>

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CATEGORY	TYPE/Form	PURPOSE/USE	COLLATERAL
Grants	Government grants Foundations Individuals Industry	Capital Improvement or operating funds per stipulation.	None (obligation to use for purpose intended)
Special development funds	. Rural development funds usually guaranteed loans by host gov't  . Coops -- national system for transfer of funds urban to rural	Wide range of community development projects	Often municipal obligations - long term
Sale of bonds	1st mortgage sinking funds debentures	Long term capital improvements - refinancing short-term debt	Assets of corporations  Good will of corporation
Sale of stock	Preferred stock Common stock	Furnish initial or expansion capital for enterprise	Stock represents owner- ship - upon liquidation owners have last claim on assets
Leasing of equipment	Contract with equipment manufacturer or dealer	Means of getting into production without an investment in total value of equipment	Lien on leased equipment by lessor

OTHER FINANCIAL SOURCES  
 (continued)

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CATEGORY	TYPE / FORM	PURPOSE	COLLATERAL
Sales contract	Formal contract for sale of product and use of customer furnished equipment	Assured outlet for products Assured manufacturing Equipment from customer	Lien on equipment furnished
Vendor financing	Formal contract	Supplier of material provides equipment that uses his material	Lien on equipment furnished
Venture capital	Loans Letters of credit	Usually intermediate term financing of operations	Sometimes social conscience of lender
Local credit union	Note payable instruments	Intermediate and short term operations	Assets of enterprise
Others: World bank Ex/Imp't bank USAID OPICS			

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PROPERTY MANAGEMENT

Property Management involves the acquisition, financing, and operating management of the land and other fixed assets of a business enterprise. Considerations in this arena include:

1. Availability of vacant or improved land at the Social Demonstration site
2. Adequacy for intended business purpose
3. Possibility of leasing rather than purchasing
4. Possibility of community or private sector donation
5. The legal aspects of ownership of the assets
6. Realistic rates of depreciation and/or depletion
7. Upkeep and repair

HOW MUCH TO KNOW ABOUT COSTS?

ESSENTIALS

Everything you need, you will have to pay for. You must already have a good idea of what is essential to operate this business. If you do not, stop here and do more homework. Your market research will tell you what your customer will expect from the enterprise and about what your customer may be willing to pay for these expectations. Start figuring the cost of the essentials first.

OVERHEAD

Everything you acquire to operate the enterprise will, in time, wear out, become old fashioned, break, get lost, or spoil. Move the goods which you sell through your enterprise as rapidly as possible in order to cut the cost of obsolescence, loss, or spoilage. Maintain your equipment in good working order and save up cash reserves to replace it with better equipment when you need it. Be ready to pay to educate your employees in new methods and techniques, also be ready to pay for someone to do their work while they are away for education. These are some of your costs, as well.

SUPPLIES

The cost of what you use or sell will depend on its quality and on your supplier's decision on his prices for it. Shop around for the quality you need at a price you can afford to pay. You really need two or three sources of supply because one may not be able to deliver when you need the goods. Sometimes, you may find seasonal bargains. You must decide how much to take and to warehouse until you are ready to sell it. Do not overstock. A secondary source of parts for your essential equipment, and even for your workforce, will help you keep on operating in an emergency.

TRACKING

Costs will change, usually up, sometimes down. If you want them to go anywhere but up, you have to originate the action well before the cost change. Watch your suppliers to know what costs they can, or cannot, control in their own operations. Keep the pressure on them. If you can find out the raw materials, feeds, fertilizers, and tools they use, and if you can keep track of these price trends, you will know when your suppliers' costs may go up, and by how much. Negotiate from the strength of your knowledge of their business.

CONTINGENCIES

Some costs you may know for sure, momentarily. Some costs you may guess with some confidence. Some costs are extremely doubtful. Find out, to your own satisfaction, how much control you can really exert over your costs. In business, if something can go wrong, it usually will. Live with these contingencies. Use them in your estimates of total cost, apply no contingency if you are sure of your cost. Apply a small contingency consistent with your confidence, or a large contingency consistent with your doubt, to the rest.

CONTROL

Cut your losses. Raise your prices at the outset of a cost increase you cannot control. Then fight to get your costs back down before you lower your prices. If you must sell at a loss to clear inventory, be ready in advance to phase price cuts so that your customers will pay you for some of your costs of deteriorating or obsolete stock before you throw the rest away. The cost of the residual loss is part of your total cost of operations.

EXAMPLE OF TOTAL COST AT KITCO (This does not tell you when you need the money)

One month supply of stores is 15 tonnes

For which we pay \$ 8000 wholesale cost at source, after discounts

And we pay \$ 750 for shipping to our wharf

And we pay \$ 100 spoiled

And we pay \$ 150 to deliver to our store and customers

And we pay \$ 1000 for sales salaries, store upkeep,  
equipment replacement savings account,  
and to advertise our sales

For one month \$ 10000 is our total cost (actual)

$\frac{2000}{8000} = 25\%$  , so increase the cost of the individual goods by 25% to get the base cost to use in fixing the selling price.

BUT WAIT! By the time we sell the goods our costs will have changed due to inflation and a fluxuating market -- so add 3%.

Now this is adequate only if cash flow allows payments on time. If this is not the case there will be other costs. For instance, if we miss payments on 1/10 of our purchases we lose discounts and may incur finance charges -- add  $\frac{1}{2}\%$  for each 1/10 we miss.

So to get the total cost, increase the cost of individual goods by  $25 + 3 + \frac{1}{2}$  or  $28\frac{1}{2}\%$  which is multiplying by 1.285 .

Personnel Checklist:

1. Job descriptions to include basic requirements of each task, experience and training required, performance expected.
2. Types of training - job-related and other - that will be required or made available to employee by the business.
3. Description of the polity structure of the business with reference to channels for grievance, advancement criteria, etc.
4. Performance incentives, their scope and application.
5. Defined conditions for termination of an employee's services.
6. Compensation policies in cases of illness, accident, vacation, family death.
7. Will employee be hired on contractual basis? If so, definition of contract.
8. Fringe benefits offered as standard condition of employment.
9. The company's relationship to trade unions and to employee members.
10. System of job evaluation with respect to performance, and accountability structure for quality and type of work performed.

Note: Research and consideration of local custom is important here.

Outline for Continuous Employee Development:

The purpose of this outline is to identify developmental activities for the training of a labor force in any business.

1. Orientation:
  - A. HDP story and symbols
  - B. Business venture story, global and imaginal, related to
    - a. Product or service offered by the business
    - b. Need the business is out to fill
    - c. Personnel policies
2. Job Training:
  - A. Classroom Training, used only where on-the-job training is inappropriate. Usually focusses on academic or theoretical prerequisites to practical training.
  - B. On-the-Job Training, applied before, during and after classroom training. A highly effective way to learn the human requirements, practical skills and style needed for competent performance.
3. External Education Opportunities: Necessary to obtain recognized credentials and to create local expertise.
4. Vocational Expansion: Every employee needs to be encouraged to learn other jobs from beginning to end. This increases his motivity and his ability to handle needs as they arise. Such training also creates a worker pool for replication.

Consultant Replacement Training Guidelines:

1. All employees should be given continuous training from time of initial hiring.
2. Provide opportunities for employees to acquire outside training, such as scheduling a Social Methods School.
3. Record your activities daily in order to ascertain the specific things your replacement will need to know how to do. It might be wise to schedule such reflective time for the last 15 minutes of each work day.

(Contd)

4. From daily activities data, define and detail the skills and data your replacement will require.
5. Identify 4 to 6 possible replacements, but don't be closed to a new person emerging later on.
6. Create a training timeline that systematically imparts your skills and data in a measureable manner.
7. Design tasks for potential replacement - tasks of increasing difficulty - until the trainee is doing the whole job with your role that of supervisor/consultant.

Payroll policies and procedures should be tailored to local customs. Payroll records should be sufficiently detailed to meet government regulations as well as company needs. Payroll policies should include:

1. Establishment of a complete compensation package (including wage and salary scales, commission or bonus plans, benefit programs, i.e.: insurance, pension)
2. Frequency of payroll periods (daily, weekly, bimonthly, etc) and method of payment (cash or check) consistent with local custom.
3. Probationary periods. Termination benefits.
4. Required payroll records:
  - A. In a very small company, it may be sufficient to use the checkbook as a payroll record by recording the following minimum information on each paycheck stub:
    - a. Employee's name, gov't identification number if required
    - b. Gross pay, including annotation as to how it was computed, such as Hourly Rate X Hours Worked, Commission % X Commissionable Salesm etc.
    - c. Deductions, itemized by type and amount
    - d. Net pay
  - B. If payment is by cash rather than check, a worksheet may be used to itemize gross-to-net by employee, and one check can be written for the total pay of all employees. This check can be cashed at the bank to provide the cash payout. The cash to be paid to each employee should be balanced out with the total cash payment shown on the earnings worksheet, and each employee should sign for the cash received.
  - C. More formal payroll records would include:
    - a. A Payroll Register, itemizing the gross-to-net pay by employee. A check is issued for each net pay and recorded by check number in the Payroll Register.
    - b. Time cards or time sheets by employee showing hours worked and supervisor approval.
    - c. Employee Earnings Record showing the gross-to-net pay itemization for the employee for each payroll period.
    - d. Employee Personnel Folder containing employment application, hiring approval, authorized rate of pay, deductions and other information authorized by the employee or required by the company or government.
5. Payroll records should be reconciled with payroll out of each employee's records, payroll journal, etc.

ARENA

Negotiations,  
Agreements,  
Contracts in  
general

HIGHLIGHTS

These arrangements work to protect both the buyer and the seller. Each is aware of his own needs and his own risks. For example, in negotiating to purchase goods from your supplier in larger quantities; he will want to sell you a very large quantity, he will quote a favorable price or discount, and he may offer to serve as your warehouse, making deliveries every month or sixty days, provided that you buy the full quantity. You will be tempted to enter this agreement. However, if your customers stop using these goods before you have bought the whole quantity, you will continue to bear the cost of that whole quantity. To avoid this risk of over-commitment, you may want to agree on a lesser quantity at a somewhat higher price. Do not overstock and do not over commit in your negotiations.

The agreement will be the result of your negotiations. The supplier will agree to the essential terms and conditions on which you insist; you will agree to the essential terms and agreements on which he insists. Make sure that nothing essential has been left out, and that both of you understand all the terms and conditions.

The contract is the means for formalizing the agreement in a way that the community will enforce. The basic elements in the formalization of a contract are:

1. A community with the power to enforce the terms and conditions or to enforce adequate compensation to one party if the other violates the contract. This community may be a nation or state using laws of commerce. If adequate laws do not exist, it may be a trading association with the power to discipline its members. It may be simply the whole body of buyers and sellers within a region who have, by custom and tradition, memorized their own rules of trade.

2. Witnesses from the community which will enforce the contract.

3. A statement, before these witnesses, that both the buyer and the seller will abide by the terms and conditions to which they have agreed. If the law or custom is to write the contract, this will be done and the two parties, plus the witnesses, will sign the contract document. If the law or custom is not to write the contract, the buyer and the seller will recite the terms and conditions to each other and to the witnesses, along with their pledge to abide by the contract.

## ARENA

## HIGHLIGHTS

Building or  
business site  
leases

The location should be the best you can find for your business purposes. You will want a good location, accessible to pedestrian and vehicular traffic, in a spot which your customers can find easily. You will want it to be safe and easy to maintain. Its owner will want minimum responsibility for its safety and maintenance, along with a rent suitable to its location and accessibility. If you are not fully satisfied that all your desires will be met, including a reasonable rent, do not go to contract. But, if you need a location immediately to open a profitable business venture, you may consider negotiating a short term lease with the owner.

Be sure that your terms and conditions cover all the uses to which you put both the building and the grounds. Be sure that they are specific about the date you may have full use of the facility and about the physical condition the owner will have it in on that date. The owner should be just as specific about the date and physical condition when you leave the facility at the end of the lease.

Equipment  
leases

Be specific about price, time of use, physical condition and maintenance of equipment; also about where the lessor will deliver it to you, and where you will return it to him. Your contract should state that you need not pay the lessor for any time during which the equipment is inoperable because of breakdown or defects.

Purchase  
Goods  
Warranty

Negotiate for a warranty that the supplier will replace defective goods at his expense, and will deliver the replacements to your place of business, or that he will refund the full purchase price plus shipping costs of defective goods you may return to him. The supplier may, instead, provide a warranty of service, repair, or replacement of his goods at your place of business. You may wish to provide some warranty on goods you sell to your customers. If you do so, you must have the training, tools, and parts to do this in your business as a part of your cost; or, you must have your supplier's warranty that repair or replacement will be done at his cost.

ARENA

HIGHLIGHTS

Labor contracts

You may contract with people to do work for you for a period of time, Specify their tasks, the quality you require, and the basis for the wages you will pay them. These people may become ill or be injured on the job. Specify how you will care for them as a part of your cost. Be sure to limit your liability.

Impact of contracts on costs

The best contracts move your costs from the doubtful zone into the confident zone. Good, hard, complete, and specific contracts should reduce your cost. Soft or incomplete, contracts may increase your costs. No contract will make your costs certain or absolutely sure.

THE ESTABLISHMENT AND USE OF CREDIT

Commerce Task Force

1. Small loans which are easily repaid are a way to gain "loan history" for a new business.
2. Go after the lowest interest rate (simple interest rate) possible.
3. Be ready to use the money when you get it.
4. Don't underestimate the amount needed or the time required to repay a loan. Try to defer repayment for several months until the business is up and running.
5. Repay the loan within the agreed time, preferably earlier, in order to establish a good loan history.
6. If you cannot make a loan payment, go to the lender as soon as you learn of this and explain the problem. Present an affirmative, alternative model and/or ask his advice.
7. It is easier to get a loan for equipment, because it is tangible collateral that the lender can repossess and sell in the event of a default. Seed, labor and material (short term) loans are more difficult, but necessary if one is to pay off the equipment loan.

CREDIT POLICY AND PROCEDURES

COMMERCE TASK FORCE

POLICY

Determine local commercial practices and follow in so far as practical and enabling. Too liberal a credit policy may cause acute working capital shortage, collection costs, or bad debt losses. Too conservative a policy may curtail sales to an unnecessary extent. Stay close to your customers.

PROCEDURES

1. Ask potential (new) customers for credit references when they seek credit on account.
2. Wait for results of credit check before issuing credit.
3. Extend modest credit if reference check is favorable.
4. Increase credit as requested based upon payment Performance of customer.
5. Refuse additional credit to past-due debtors unless unusual circumstances are present and more credit is warranted.

ICA

July, 1977

GRA

CUSTOMER RETURNS

Chicago

COMMERCE TASK FORCE

POLICY

The intention is to ship material to customers in quantity and quality specified. Reasonable requests to return material unsatisfactory to the customer will be honored. Replacement of what the customer purchased is our primary means of restitution. Cash will be given if customer paid cash and insists. Credit will be given if he has an open, unpaid account, or permits a credit balance in his account pending future orders.

PROCEDURES

1. Merchandise re-placed will be processed through Inventory Out Sheet. (See Invoicing)
2. The office copy of the invoice will be priced out and charged to expense account "Returns and Allowances", an over-head expense account.
3. A credit memorandum will be prepared giving credit to the customer for the value of the merchandise returned and posted to his account receivable.
4. If material is without value, dispose of it (or authorize customer to do so after our inspection or satisfaction.
5. If material has some value, add to Kardex inventory sheet and value it as appraised.
6. When sold again, such invoiced amount will become part of Sales and offset in part the "write-off" to Returns and Allowances.

There are two types of insurance to consider in setting up a business.

1. Payroll Insurance: What is done about this is determined by government regulation, local custom, union contracts and customary practice within the industry. In the USA, typical forms of payroll insurance are:

- FICA
- Unemployment Compensation
- Workmen's Compensation
- Retirement Plans
- Pensions
- Dental
- Medical
- Life
- Long Term Disability

2. General Business Insurance: Purchased by a business to minimize the risk of financial loss due to the unforeseen. The question of exposure versus cost needs to be raised in connection with each type. Typical types are:

- Fire
- Casualty
- Hail
- Robbery/Theft
- Blanket Bond (employee dishonesty)
- Flood
- Glass Breakage
- Business Interruption
- Liability - Auto
  - General
  - Umbrella
- Flight

Taxes paid to the government are a form of control of business operations as well as a source of public funds. The degree of time spent on accurate and timely payment of taxes is determined by the potential for savings and the penalties for error or late filings.

The most typical forms of taxes are:

1. Income taxes on business profits
2. Sales taxes on purchases (collectible from the purchaser)
3. Real Estate and Personal Property Taxes on company-owned property

Careful investigation should be made of customary tax procedures and practices within the nation and community. Oftentimes such investigation should begin with local business associations and other businessmen, to determine the most appropriate entree to government agencies in order to receive equal treatment within established tax policies there.

A.  
To begin  
Receipts  
records:

1. Decide which accounts(categories) receipts will fall into.  
(see chart of accounts for possibilities)
2. If the enterprise sells goods also include an "inventory" column and a "cost of goods sold" column.
3. Write one account title at the top of each column.

B.  
Whenever  
money is  
received:

1. Write the date of the receipt in the date column.
2. Write a description of the goods sold, or if the receipt is from some other source, write name of source in the description column.
3. Write the amount of the receipt in the cash column.
4. If the receipt is from a sale of goods, write the amount in the sales column. Write the cost of the goods in the "inventory" and the "cost of goods sold" columns.
5. If the receipt is not from sales write the amount in the appropriate account column.

C.  
When a  
summary is  
needed:  
(at end of  
week or  
month)

1. Total each column
2. Draw a double line under line under every summary entry so that it is not confused with the individual entries.
3. To prove the totals, add the totals of the account columns not including the "inventory" and "cost of goods" columns. This total will equal the total of the cash column if there are not errors.

D.  
Changing to  
a new  
record sheet

1. Follow the instruction under "when a summary is needed".
2. Enter the totals from each column in the top of each column on the new page.

DATE	DESCRIPTION	MONEY IN		WHAT MONEY COMES IN FROM (BY CATEGORY)				
		CASH	SALES	INVENTORY	COST OF GOODS SOLD	LOAN	OTHER RECEIPTS	
5/3/77	BREAD							
5/3/77	LETTUCE AND TOMATOES							
5/5/77	BIG BANK	50						
5/6/77	BREAD					500		
5/6/77	BREAD							
5/10/77	ONIONS, TOMATOES, BREAD							
5/30/77	BREAD							
		526	26				500	

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## HOW TO USE PAYMENTS PAGE

## A.

To Begin  
Payment  
Records

1. Decide which accounts (categories) payments will fall into.  
(see chart of accounts for possibilities)
2. Write one account title at the top of each column.
3. Write "opening balance" and amount on first line in the description column.

## B.

Whenever  
money  
is paid  
out

1. Write the date of the payment in the date column.
2. Write the name of whom you paid in the description column.
3. Write the amount of the payment in the cash column.
4. Write the amount of the payment in the account column.  
(if the payment is for several things split the amount into the appropriate columns)

## C.

When a  
summary  
is needed  
(at the end  
of the week  
or month)

1. Total each column.
2. Draw a double line under every summary entry so that it is not confused with the individual entries.
3. To prove the totals, add the totals of the account columns together. If there are no errors this total will equal the total of the cash columns.
4. To compute new cash balance add the total of the cash column from the receipts page to the opening balance (the most recent balance forward) and subtract the total of the cash column from the payments page. Write "balance forward" and this new amount in the description column on the line below the column totals.

## D.

Changing to  
a new  
record sheet

1. Follow the instructions under C 1-3.
2. Enter the totals from each column at the top of each column on the new page.

ICA  
GRA

July, 1977  
Chicago

Commerce Task Force J

### PAYMENTS

DATE	DESCRIPTION	MONEY OUT		WHAT MONEY GOES FOR (BY CATEGORY)				
		CASH	INVENTORY	WAGES	UTILITIES	RENT	INTEREST	LOAN
5/1/77	OPENING BALANCE \$5000.00							
5/2/77	DEMAVEN PRODUCE	50 -	50 -					
5/2/77	BETTER BREADS, INC.	27 -	27 -					
5/5/77	WANTMORE REALTY	100 -				100 -		
5/15/77	JOHN JONES	50 -		50 -				
5/17/77	DEMAVEN PRODUCE	39 -	39 -					
5/19/77	BETTER BREADS, INC.	23 -	23 -					
5/30/77	JOHN JONES	50 -		50 -				
		339 -	139 -	100 -		100 -		
	BALANCE FORWARD \$5187.00							

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A.

To begin  
Receivables

1. When the decision is made to extend credit to a customer put the customers name on the top of the page.
2. There will be a separate page for each customer.

B.

When a customer charges

1. Write the date in the date column.
2. Write a description of the goods sold in the description column.
3. Write the amount charged in the "owe" column.
4. Add the new amount to the amount in the "due" column.

C.

When a customer pays

1. Write the date in the date column.
2. Write a description or "on account" in the description column.
3. Write the amount paid in the "pay" column.
4. Subtract the new amount to get amount in the "due" column.



## HOW TO USE THE FINANCIAL REPORT PAGE

### FINANCIAL REPORT

#### INCOME STATEMENT

SALES (TOTAL OF SALES COLUMN) \_\_\_\_\_

LESS: COST OF GOODS SOLD (TOTAL OF COST OF GOODS SOLD COLUMN) \_\_\_\_\_

GROSS PROFIT (SALES MINUS COST OF GOODS SOLD) \_\_\_\_\_

LESS: OPERATING EXPENSES:

WAGES (TOTAL OF WAGES COLUMN) \_\_\_\_\_

UTILITIES (TOTAL OF UTILITIES COLUMN) \_\_\_\_\_

RENT (TOTAL OF RENT COLUMN) \_\_\_\_\_

INTEREST ON LOAN (TOTAL OF INTEREST COLUMN) \_\_\_\_\_

TOTAL OPERATING EXPENSE (TOTAL OF WAGES, UTILITIES, ETC. \_\_\_\_\_

NET INCOME (GROSS PROFIT MINUS OPERATING EXPENSE) \_\_\_\_\_

#### BALANCE SHEET

##### ASSETS

CASH (CASH IN BANK PLUS CASH RECEIPTS MINUS CASH PAYMENTS) \_\_\_\_\_

INVENTORY (INVENTORY PAYMENTS MINUS INVENTORY RECEIPTS) \_\_\_\_\_

ACCOUNTS RECEIVABLE (TOTAL OF BALANCES DUE) \_\_\_\_\_

TOTAL ASSETS (CASH PLUS INVENTORY PLUS RECEIVABLES) \_\_\_\_\_

##### LIABILITIES

LOANS (LOAN FUND RECEIPTS MINUS LOAN PAYMENTS) \_\_\_\_\_

ACCOUNTS PAYABLE (TOTAL UNPAID INVOICES) \_\_\_\_\_

OWNERS EQUITY (TOTAL ASSETS MINUS LOANS MINUS ACCOUNTS PAYABLE) \_\_\_\_\_

TOTAL LIABILITIES + OWNERS EQUITY \_\_\_\_\_

**FINANCIAL REPORT**

INCOME STATEMENT

SALES		
LESS: COST OF GOODS SOLD		
GROSS PROFIT		
LESS: OPERATING EXPENSES:		
WAGES		
UTILITIES		
RENT		
INTEREST ON LOAN		
TOTAL OPERATING EXPENSE		
NET INCOME		

BALANCE SHEET

ASSETS		
CASH		
INVENTORY		
ACCOUNTS RECEIVABLE		
TOTAL ASSETS		
LIABILITIES		
LOANS		
ACCOUNTS PAYABLE		
OWNERS EQUITY		
TOTAL LIABILITIES + OWNERS EQUITY		

POLICY

A periodic projection of cash sources and uses should be made to determine cash excesses and deficiencies. (See Cash Flow Design for sample format and Cash Flow Projection - Information Sources and Projections.) Frequency of projection is dependent upon the anticipated magnitude of excesses and deficiencies and upon the frequency of major purchases. As a general rule, the larger the magnitude of cash required the more frequent the projection; once a month should be the maximum interval in any case.

Cash excesses should be invested in safe, short-term mechanisms such as savings accounts, certificates of deposit or treasury bills with withdrawal time pegged to when cash will be needed. If banking service is available to you, select one for your checking account which also offers savings and money service as well as a line of credit for short-term borrowing.

Cash deficiencies should be financed by short-term loans if payments cannot be postponed until additional cash comes in.

Cash excess or deficiency should be based on estimated cash balance per bank records, not company records. The estimated cash balance per bank records may be determined as follows:

Cash Excess (Deficiency) per Cash Flow Design	\$XX
Add: Estimated maximum amount of checks released which are always in transit to vendors and bank	XX
	<hr/>
Cash Excess (Deficiency) per bank records	\$XX

PROCEDURES (See Cash Flow Design Format)

1. Enter the bank balance on the first line of the first period column.
2. Enter all projected cash income by source in each period column. (See the Information Sources and Projections chart).
3. Enter all projected cash disbursements.
4. Add the beginning balance to the cash income total and subtract the cash disbursements total to arrive at the period cash excess (or deficiency).
5. Transfer the period excess or deficiency to the beginning balance line of the next period column.
6. Continue period by period to arrive at the cash excess or deficiency for each period.

			January		February		Ma
			Projec'd	Actual	Projec'd	Actual	Pr
CASH	BALANCE	BROUGHT FORWARD					
	COLLEC- TIONS	ACCOUNTS RECEIV					
		NOTES RECEIVABLE					
		MISCELLANEOUS					
	CASH SALES						
	OTHER CASH INCOME						
	TOTAL						
CASH	PAYABLES	ACCOUNTS PAYABLE					
		NOTES PAYABLE					
		MISCELLANEOUS					
	PURCHASES FOR CASH						
DISBURSE	OPERATING EXPENSES						
	TOTAL						
CASH EXCESS (DEFICIENCY)							

	\$				
		1st Month	2nd Month	3rd Month	4th Month
1. Your Investment	\$				
2. Less Start-Up Costs					
3. Remainder (*)	\$				
4. Beginning Cash	\$				
Plus: Cash Sales					
Collections of A/R's					
Loans and other cash income					
5. Total Available Cash	\$				
6. Total Expenses	\$				
#5 less #6	\$				
Less Owner's Withdrawals					
7. Balance	\$				
Less payments due on fixed (term) payment loans					
Other loan payments					
8. Ending Cash (**)	\$				

(\*) This figure represents the beginning cash for the first month.  
 (\*\*) The ending cash for one period is the beginning cash for the next month.  
 (\*\*\*) This column must agree with projected income statement.

\*\*\*TYPICAL EXPENSES

- |                              |                        |
|------------------------------|------------------------|
| Purchase of Inventory        | Rent                   |
| Employee Wages - Gross       | Telephone              |
| Payroll Taxes - etc.         | Utilities              |
| Outside Services             | Insurance              |
| Office Supplies              | Real Estate Taxes      |
| Repairs & Maintenance        | Interest on Term Loans |
| Advertising                  | Other Expenses         |
| Car, Delivery, & Travel Exp. |                        |
| Acct'g, Legal Services       |                        |

COMMERCE CURRICULUM: BUSINESS OPERATIONS  
CASH FLOW PLANNING  
INFORMATION SOURCES AND PROJECTIONS - INCOME

STATEMENT ELEMENT	INDUSTRY			INFORMATION SOURCE	PROJECTION
	M F G	W H S E	R E T L		
Balance brought forward	X	X	X	Bank statement - make a cut-off point & include all receipts and disbursements in cash flow statements beyond that point	Enter ending balance from each period column in the first line of the following period column.
Accounts receivable	X	X		Accounts receivable ledger	Keep collection history on major customers - all rest normal average-project collections for each period on calculated expectation.
Notes receivable	X	X		Notes receivable ledger	Project cash receipts with reference to terms of notes (those maturing in a given period)
Miscellaneous	X	X	X	Cash receipts book - Management anticipations	Project any cash receipts that appear likely such as sale of assets, cash grants, collection of bad debts.
Sales for cash	X	X	X	Cash sales deposits	Manufacturing less likely if cash bas. customary project on basis of deliv'g projections.-- Wholesale: consider impact of lrge shipment of new goods Retail: Anticipate pay-days, shopping habits.

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**COMMERCE CURRICULUM: BUSINESS OPERATIONS**  
**CASH FLOW PLANNING**  
**INFORMATION SOURCES AND PROJECTIONS - DISBURSEMENTS**

STATEMENT ELEMENT	INDUSTRY			INFORMATION SOURCE	PROJECTION
	M F G	W H S E	R E T L		
Accounts payable	X	X	X	Unpaid invoice file Purchase order binder Projected purchases	Determine operating current payables plus time phased payables projected for each statement period
Notes payable	X	X	X	Notes payable ledger	List notes payable for each period based on due dates and arrangements
Miscellaneous	X	X	X	Management planning	Project unusual or infrequent cash disbursements such as purchase of capital assets, loans to customers contributions.
Purchases for cash	X	X	X	Check register history Petty cash fund	Based on historical habits and current expectations project cash payouts for purchases.
Operating expense	X	X	X	Payroll records Cash disbursement records	Project based on payroll and historical operating expense records

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#### POLICY

1. Dual approval and check signers should be required for all payments.
2. Check signing should be performed by individuals different than the person who does the purchasing.
3. Bank reconciliations should be prepared by someone other than the persons who sign checks and make cash deposits.

#### PROCEDURES

1. Check receipt of goods for correct description, for damage, for quantity and note whether count is within agreed tolerance.
2. When applicable, prepare claims against suppliers, mail, and attach copy to purchase order copy.
3. Check incoming invoice against the purchase order for price, discount, and payment terms.
4. Attach unloading or receiving ticket and a copy of the purchase order to the check request.
5. Pay for all purchases with serially numbered checks.
6. Set up a priority system for payments based on understandings with vendors.
7. File paid invoices in a Paid Invoice file alphabetically by vendor and attach receiving slips. Mark check number and date paid on invoice.
8. File unpaid invoices in an Unpaid Invoice file by supplier and date due.
9. Provide check signers with filled out checks based on payment schedule and summary sheet stating cash flow situation.
10. Reconcile bank statements as soon as received.

## POLICY

All goods, including both cash and credit sales, shall be invoiced. All invoices will be collected in accordance with credit arrangements.

## PROCEDURES - WHOLESALING AND MANUFACTURING

1. List on the Inventory Out Sheet (See Inventory Control) the following with respect to each movement or shipment:
  - a - Customer name and address
  - b - Date order filled
  - c - Description of items
  - d - Quantity of each item
  - e - How shipped to customer

(Note: Copy to customer for packing slip.)

2. Send Inventory Out Sheet to the office where it is priced out.
3. An invoice, sequentially numbered is prepared including the Out Sheet data above plus:
  - a - Price per each unit
  - b - Extension (quantity times price)
  - c - Taxes if applicable
  - d - Freight charge (unless averaged as an overhead expense - see Pricing)
  - e - Total invoiced amount
  - f - Shipment terms
  - g - Payment terms
4. One copy of the invoice in number sequence is filed in an invoice file or binder.
5. One copy is in the Sales Journal and is posted to the customer account. The original is mailed to the customer.
6. Send statement to each customer at the end of each month, aged with reference to the invoice dates:
  - 0 - 30 days (current)
  - 31 - 60 days
  - 61 - 90 days
  - 91 - over
7. Review aging based upon arrangements with customers. (See Credit Policy)

## POLICY

All receipts of cash (currency or checks) are to be deposited thus creating "foot prints" for each such transaction. Cash required for Petty Cash transactions are to be withdrawn by check.

## PRECEDURES

1. Post each cash receipt in the Cash Receipts Journal immediately as received.
2. Hold receipts in safe-keeping until others are accumulated (end of each day, bi-weekly, weekly as activity dictates).
3. Prepare deposit slip, listing receipts in the same sequence as posted in the Cash Receipts Journal.
4. Each deposit slip should bear the following information:
  - a - Bank name
  - b - Date of deposit
  - c - Name of each customer opposite the amount
  - d - Amounts received
  - e - Date of invoice customer is paying
5. Amounts on deposit slip should be added on machine and tape kept with a copy of the deposit slip.
6. Original deposit slip plus cash receipts are to be taken to the bank and a receipt obtained. Checks being deposited should bear a restrictive endorsement "For deposit only"
7. Post the receipts to customer's Account receivable as appropriate.
8. Add the deposit to the checking account balance.

ASSETS: What the business itself owns.

LIABILITIES: The claims on the assets of both creditors and owners. Creditors' claims are debts (LIABILITIES). The owner's claim is his investment in the business (NET WORTH).

CURRENT ASSETS: Cash or to be converted into cash within the next 12 months.

CASH: Money on hand, in the bank

ACCOUNTS RECEIVABLE: What the customers owe the business for merchandise or services they bought

INVENTORY: Merchandise on hand:  
1) ready to be sold  
2) in some stage of production  
3) raw material

CURRENT LIABILITIES: Debts to be paid within the next 12 months.

NOTES PAYABLE: IOU Bank or Trade creditors

ACCOUNTS PAYABLE: IOU Trade & Suppliers

INCOME TAXES: IOU Government

FIXED ASSETS: Used in the operation of the business; not intended for resale.

REAL ESTATE: Land and buildings used by the business, Listed at original cost.

LEASEHOLD IMPROVEMENTS: Permanent installations--remodeling or refurbishing of the premises.

MACHINERY, EQUIPMENT, VEHICLES: Used by the business. Listed at original cost.

Less Accumulated Depreciation: These assets (except land) lose value thru wear, tear and age. This loss of value is a business expense; accumulated depr. is the running total of this loss.

LONG TERM LIABILITIES: Debts to be paid beyond the next 12 months.

MORTGAGE: On property

NET WORTH: Owner's (or stockholders') claim on the assets of the business; his investment; his equity in the business.

For Proprietorship or Partnership:  
MR. OWNER, CAPITAL: Owner's original investment + any reinvested profits.

For Corporation:  
CAPITAL STOCK: Value assigned to the original stock issue. If the stock sold for more than the assigned value, the excess will show as: PAID IN SURPLUS.

RETAINED EARNINGS: Profits reinvested in the business AFTER dividends.

BALANCE SHEET EQUATION:  
ASSETS = LIABILITIES + NET WORTH

EARNINGS STATEMENT: Also called Profit & Loss Statement, Statement of Income & Expense.  
The results of the business operation during a period of time.

SALESless COST OF SALESequals GROSS PROFITless EXPENSESequals PROFIT (OR LOSS) BEFORE TAXESless INCOME TAXESequals NET PROFIT (OR LOSS)

THIS IS WHAT'S LEFT FOR: Debt Repayment

Withdrawal by Owner

Dividends to Stockholders

Reinvestment in the Business

RECONCILEMENT  
OF NET WORTH

NET WORTH RECONCILIATION: Shows how your net worth increased or decreased during the period covered in the Earnings Statement.

NET WORTH AT THE BEGINNING OF THE PERIOD \$ \_\_\_\_\_

ADD: NET EARNINGS (or subtract net loss) \$ \_\_\_\_\_

OTHER ADDITIONS: (if any) \$ \_\_\_\_\_

for example: More capital invested by owner  
(if a proprietorship) or more stock  
sold (if a corporation)

LESS: DIVIDENDS OR WITHDRAWALS \$ \_\_\_\_\_

NET WORTH AS SHOWN ON BALANCE SHEET \$ \_\_\_\_\_

Goods must be costed in such a way that all elements of cost are included in the Cost Base. Desired profit may then be added to cost to establish selling price. Typical elements of cost are indicated below:

DIRECT COSTS

Manufacturing

Direct Labor - Wages of those actually at work processing or converting raw material

Direct Material - Cost of material actually going into and a part of finished product

Wholesaling - Retailing

Invoiced cost of merchandise plus:

Freight In  
Customs Charges  
Taxes on Items  
Letter of Credit Fees

INDIRECT COSTS

Manufacturing, Wholesaling, Retailing

Fixed - Management Payroll  
Insurance  
Depreciation on Plant and Equipment  
Utilities

Variable - Other Payroll (Indirect Labor)  
Fringe Benefits  
Repairs/Maintenance  
Shrinkage  
Bad Debts  
Returns and Allowances  
Communications  
Freight Out  
Administrative Expense  
Selling Expense  
Other

(See Base Cost Elements - Source of Information and Application)

To recover Indirect Costs as a percentage add-on to Direct Cost requires a calculation of Activity Volume for the determination period. For example, in Manufacturing, if the

PRICING  
(Continued)

anticipation is to make 2000 wooden boxes the next month, Direct Cost may be estimated from payroll and material input knowlege at:

Direct Labor	\$2000			
Direct Material	<u>1500</u>			
Sub-total	\$ <u>3500</u>	=	\$1.75	per box
If estimated Indirect Costs are:	<u>1500</u>		<u>.75</u>	" " - 43%
Then, Total Cost is	\$5000		\$2.50	" "
Profit Addition (say)			<u>.25</u>	" " - 10%
Selling Price is			\$2.75	per box

If only 1000 boxes are produced (and sold) during a month, and indirect costs remain virtually the same, only \$750 of the \$1500 will have been recovered (1000 @ 75¢) in indirect cost, and the estimated profit of \$250 (1000 @ 25¢) will be \$500 short of break-even for the period. On the other hand, any production (and sale) beyond 2000 boxes for the month will over absorb indirect costs and increase profit and/or enable a reduction in price in the future.

In Wholesaling and Retailing the same need exists to estimate the activity (cost of the goods to be sold - by item and total) Indirect costs may then be added as a percentage of the invoiced cost (from vendor), and profit added to arrive at selling price.

Knowlege of costs, cost control, and activity projection are key to successful (profitable) pricing.

BASE COST ELEMENTS

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 Chicago

SOURCE OF INFORMATION AND APPLICATION

COST ELEMENT	SOURCE OF INFORMATION	APPLICATION
<p><u>Manufacturing</u></p> <p>Direct Labor</p> <p>Direct Material</p>	<p>Payroll Records</p> <p>Invoices Purchase orders</p>	<p>Determine unit (item) cost by dividing direct wages paid by units produced (per day, week, month)</p> <p>Determine cost of materials in each unit (board feet of lumber, qts. of paint, pounds of bananas, etc.) - include a reasonable provision for product in-process spoilages.</p>
<p><u>Wholesaling/ Retailing</u></p> <p>Invoice and cost of goods to be sold</p>	<p>Invoices Purchase orders Kardex records</p>	<p>Direct cost from vendor plus freight-in, etc. (see Pricing). May want to average costs from same vendor (different shipments) or from different vendors (same item).</p>
<p><u>Manufacturing Wholesaling Retailing</u></p> <p>Indirect costs:</p> <p>Indirect labor</p> <p>Fixed and variable costs</p>	<p>Payroll records</p> <p>Expense accounts by nature</p>	<p>These expenses should be determined by historical facts (review of book-keeping accounts and/or by forecasting, probably for a period not less than one month). They are to be applied at a standard rate as a percentage of direct cost based on estimated activity.</p>

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### PCLICY

Every effort should be made to improvize or make-do without purchasing. In-Kind effort should also preceed purchasing.

When purchasing is necessary and desirable, exhaust possibilities for local procurement before going "outside".

### PROCEDURES

1. Establish a sequentially numbered purchase order system.
2. Specify clearly precise product description, quantity (with over/under quantity tolerance), size, packaging, price, delivery terms, and payment terms.  
(Significant omissions or vagueness may result in disputes and other difficulties including monetary loss.)
3. Indicate also on purchase order "No Substitutes" if substitutions are unacceptable.
4. Limit number of items carried in inventory, and buy those in volumn sufficient for optimum price and delivery.
5. Buy items not sold in quantity only on a pre-sold (cash with order) basis.
6. Determine order quantities on basis of Order Review procedures. (See Inventory Control.)

#### PURPOSE

Maintain the proper levels of stock in order to:

1. Provide good customer service
2. Reduce obsolescence and slow-moving stock which would result in write-downs or write-offs.
3. Maintain good inventory turnover and cash flow.

#### POLICY

1. Physical storeroom controls should be established to minimize risks associated with theft, pilforage, and spoilage of product, including
  - . security such as locks, counters, and lock-up cages for expensive items
  - . access rules for only specified personnel
2. Inventory should be cycled through the store, warehouse, or plant so that older stock is sold or processed first (FIFO). This may require dating the goods and/or moving old inventory to the front of shelves when restocking.
3. Each month a physical inventory count should be taken, costed and compared to perpetual records. These counts should be made without perpetual records in hand. Variances may be reconciled by recounts or affirmed as true.
4. All items at variance (gains or losses) should be costed out and charged (or credited) to an expense account, Inventory Loss/Gain. Note that gains may result from under-invoicing by venders together with inaccurate receiving records or from shorting customers on shipments.

#### PROCEDURES - RETAIL, WHOLESALE, MANUFACTURING

##### Receiving

1. Inspect goods upon receipt for compliance with the terms on the purchase order
2. Count the received goods and verify to the shipping document of the vender.
3. Sign and date the packing slip or purchase order copy to verify receipt of the shipment.

PROCEDURES - RETAIL STOCK

Order Review (See Stock Check Worksheet form)

1. A stock review of shelf and storeroom stock should be performed to develop order recommendations.
2. An order review cycle should be established. This cycle represents how often you order based upon shipments for all or the specific goods being reviewed.
3. The objective of the order review is to determine the quantity to order to last until the shipment arrives plus the time until the next order review is performed.
4. Count the inventory and prepare the inventory review worksheet.
  - a - Enter the item number, item description and vendor
  - b - Enter the quantity in the beginning inventory from the last order review worksheet. ("Ending" on last worksheet)
  - c - Enter receipts since the last review from receiving reports.
  - d - Enter the present inventory count ("Ending").
  - e - Add the beginning inventory and receipts minus the ending inventory to arrive at the sales since the last review.
  - f - Average Sales Per Week is "Sales" above divided by the number of weeks since the last review.
  - g - Compare the Average Sales Per Week with recent history (last two reviews)
  - h - Multiply the average weekly sales by the number of weeks until this order will be received plus the number of weeks until the next review to arrive at the projected sales.
  - i - Enter any receipts expected before the shipment for this order is due to arrive.
  - j - Calculate the net order required by subtracting receipts expected from the projected sales.

PROCEDURES - RETAIL STOCK (continued)

Order Review (continued)

4. k - Calculate the net order requirements for all items and determine if the total order size is reasonable both in quantity and money amount. If it is too large, each item should be reduced proportionately.
- l - If price breaks are available for certain item quantities, this should also be considered before placing the order.

PROCEDURES - WHOLESALE STOCK (With Perpetual Records)

1. Perpetual records should be maintained for each item which show beginning inventory plus purchases minus shipments. See Item Kardex Record.
2. Quantities on the kardex records are posted in "Cum" quantities, and the only time additions are made is when an "On Order" or "On Hand" position is calculated.
3. Post quantities ordered from copies of purchase orders.
4. Post quantities received from packing list copies.
5. Prepare an inventory Out Sheet for items issued (or sold). Indicate customer, date, description, quantities and shipping means. Post to the perpetual record as an Issue. Send Out Sheet to bookkeeper for preparation of invoice.
6. Perform the order review in the same manner as that performed in Retail, using the perpetual inventory record figures rather than stock check count for the ending inventory.
7. The On Hand quantity is compared to the monthly physical inventory count to calculate pickup or shrinkage.

PROCEDURES - MANUFACTURING

1. Perpetual records should be maintained for high value items, and Issues represent raw materials transferred from the Storeroom to the Production Department.
2. Low value items, such as nails and fasteners, and supply items should be ordered in quantity and stock checked monthly.

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Commerce Task Force

STOCK CHECK WORKSHEET

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Vendor item no.	Item description Vendor Name	Begin Inv'y	Receipts	End Inv'y	Sales	Sales Per Week			Projected Sales	Int. Exp. Receipts	Order Quantity
						This Period	1st Prior	2nd Prior			

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## ITEM KARDEX RECORD

DESCRIPTION \_\_\_\_\_ TERMS \_\_\_\_\_

VENDORS: \_\_\_\_\_ DISTRIBUTION CHANNEL \_\_\_\_\_

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

TRANSPORT \_\_\_\_\_

DATE	CUM QUANTITIES *				
	① ORDERED	② RECEIVED	③ ISSUED	① - ② ON ORDER	② - ③ ON HAND

\* CUMMED ON AN ANNUAL BASIS

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INTENT: TO DETERMINE VOLUME AND TYPES OF GOODS AND SERVICES,  
LOCAL AND EXTRA-LOCAL CONSUMER UNITS MIGHT BUY  
LOCALLY, IF AVAILABLE

SAMPLE QUESTIONS

1. HOW MUCH OF WHAT DO THEY CURRENTLY BUY?
2. WHAT CHANGES IN BUYING HABITS ARE OCCURRING?
3. WHAT PRICES ARE PEOPLE WILLING TO PAY?
4. WHERE ARE PURCHASES MADE? (LOCALLY, EXTRA-LOCALLY)
5. WHAT DO THEY MAKE SPECIAL TRIPS TO GET?
6. WHAT DO THEY WANT TO BUY, BUT CAN'T? WHY?
7. WHAT ARE THE SOURCES OF INCOME? HOW STABLE?
8. WHAT IMPROVEMENTS IN SERVICES ARE DESIRABLE?  
(QUALITY, GUARANTY, DELIVERY, REPAIR, ETC.)

Intent:

To identify volume potential for goods and services produced in the community for the community and other markets.

SAMPLE QUESTIONS

(for community marketing)

1. What cash goods or services does the community produce, sell/ trade, purchase and consume?
2. What changes are occurring?
3. Who purchases? At what prices? How often? From whom? How far do they travel to purchase?
4. What are the sources of income? How stable?
5. What do they want to buy, but can't? Why?

(for other/ export marketing)

1. What natural or human marketable resources exist in the community? List all used and unused? (for example, unused marketable resources in Ijeda are medicinal plants and unemployed tailors)
2. What markets exist for these resources? What goods and services can be generated from them?
3. Where are markets located?
4. Identify competition and strengths/weaknesses?
5. What do buyers want?
6. How much will they pay?
7. What improvements in goods and services are desirable? (quality, price, delivery, guaranty)

# CONDUCTING MARKET RESEARCH

PRINCIPLES	ACTION
DISTINGUISH BETWEEN LOCAL & EXTRA-LOCAL CONSUMERS	IDENTIFY LOCAL CONSUMER UNITS: HOUSEHOLDS, BUSINESSES, AND AGENCIES  IDENTIFY EXTRA-LOCAL CONSUMER UNITS: HOUSEHOLDS, BUSINESSES, AGENCIES, & VISITORS
BRING MONEY INTO COMMUNITY	FIND OUT WHAT EXTRA-LOCAL CONSUMER UNITS ARE BUYING ELSEWHERE THAT THEY MIGHT BUY FROM THE COMMUNITY
KEEP MONEY INSIDE COMMUNITY	FIND OUT WHAT LOCAL CONSUMER UNITS ARE BUYING ELSEWHERE THAT THEY MIGHT BUY WITHIN THE COMMUNITY
RE-CIRCULATE MONEY FASTER WITHIN COMMUNITY	DETERMINE WHAT FACTORS: QUALITY OF GOODS AND SERVICES, PRICES, EXTRA SERVICES, ETC. WOULD ENCOURAGE PEOPLE TO SPEND FASTER
DETERMINE TYPE + QUANTITY OF GOODS + SERVICES TO BE OFFERED	SUMMARIZE POTENTIAL VOLUME OF EACH TYPE OF GOOD OR SERVICE AND POTENTIAL TOTAL CASH VOLUME.

# CONDUCTING MARKET RESEARCH

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Chicago

CONSUMER UNIT	HOW TO FIND SOURCES	METHOD
HOUSEHOLDS	PHYSICAL INVENTORY TAX ROLLS VOTER LIST UTILITIES CUSTOMERS	VISIT SAMPLE OF HOUSEHOLDS ASK QUESTIONS WATCH
BUSINESSES OR AGENCIES	PHYSICAL INVENTORY DIRECTORIES	TALK WITH PURCHASING AGENTS TALK WITH MARKETING AGENTS
EXISTING ENTERPRISES	PHYSICAL INVENTORY	TALK WITH MANAGER OBSERVE BUYING HABITS, VOLUME, + PRICES
NEARBY COMMUNITIES	PHYSICAL INVENTORY TAX ROLLS VOTER LIST UTILITIES CUSTOMERS DIRECTORS	DETERMINE WHAT SERVICES THEY HAVE WHICH OUR COMMUNITY DOES NOT HAVE DETERMINE WHAT THEY SELL TO OUR COMMUNITY
VISITORS	TRANSPORTATION NODES HOTELS	ASK WHAT THEY'VE PURCHASED OBSERVE WHAT THEY PURCHASE
BULK PURCHASERS	WHOLESALE DIRECTORIES	TALK WITH PURCHASING AGENT DETERMINE NEEDS
PREVIOUS MARKET STUDIES	LIBRARIES TRADE ASSOCIATIONS GOVERNMENT AGENCIES	STUDY REPORTS CHECK FOR APPLICABILITY

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# MARKETING / SALES GUIDELINES

<p>CONTEXTUAL STATEMENT</p>	<p>STRATEGIC MARKETING IS A CONTINUOUS PROCESS. IT ENTAILS GENERATING AN INITIAL, POSITIVE BUSINESS CLIMATE IN THE COMMUNITY, PLANNING AND PERFORMING MERCHANDISING AND SALES CAMPAIGNS, RECORDING AND EVALUATING THE RESULTS, AND MODIFYING STRATEGIES. MARKETING PRESUPPOSES THAT QUALITY PRODUCTS, COMPETITIVE PRICING, AND CUSTOMER SERVICE ARE PROVIDED.</p>
<p>EARLY CONSIDERATIONS</p>	<p>DEVELOPING LOGO AND STYLE REFLECTING THE THRUST OF THE BUSINESS IS A NECESSARY FIRST STEP. LOCATING AND ENGAGING CATALYTIC OR INFLUENTIAL CUSTOMERS IS AN EARLY STRATEGIC PLOY.</p>
<p>MERCHANDISING</p>	<p>IF THE CUSTOMER IS AWARE OF HIS NEED FOR A GOOD OR SERVICE, HE TYPICALLY COMES TO THE PLACE OF BUSINESS TO EXAMINE THE MERCHANDISE AND NEGOTIATE PURCHASE. WE REFER TO SALES IN THIS SITUATION AS MERCHANDISING. EXAMPLES ARE THE RETAIL STORE, THE REPAIR SHOP, THE EQUIPMENT POOL, AND THE TRANSPORTATION COMPANY.</p>
<p>ACTIVE SALES</p>	<p>IF THE CUSTOMER IS NOT AWARE OF HIS NEED FOR OR THE AVAILABILITY OF A PRODUCT OR SERVICE, THE SELLER MUST SEEK HIM OUT TO CONVINCE HIM OR INFORM HIM. WE REFER TO SALES IN THIS SITUATION AS ACTIVE SELLING. EXAMPLES ARE THE MARKETING CO-OP AND THE NEW CREDIT UNION. IN SOME ENTERPRISES (ESPECIALLY NEW ONES FOR WHICH CUSTOMERS MUST BE INITIALLY SOLICITED), BOTH TECHNIQUES MAY BE COMBINED</p>

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# MARKETING / SALES GUIDELINES

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PROMOTION	MERCHANDISING	ACTIVE SELLING	CUSTOMER SERVICE
IDENTIFY PROMOTION TARGETS	LAYOUT / DISPLAY / PACKAGING	IDENTIFYING CUSTOMERS	DELIVERIES
IMMEDIATE VOLUME LONG-TERM CONSUMERS LOCAL / EXTRALOCAL HOUSEHOLDS / BUSINESSES / AGENCIES	PACKAGING PRODUCT ARRANGEMENT COMPETITIVE PRICING	LOCAL / EXTRALOCAL HOUSEHOLDS / BUSINESSES / AGENCIES PRODUCT-SPECIFIC CUSTOMER CATALYTIC / INFLUENTIAL CUSTOMERS GRID GEOGRAPHY	
ANALYZE PROMOTION TECHNIQUES	SALES TRAINING	DESIGN CIRCUITS	ADVICE
WHO WILL IT REACH WHAT IS THE IMPACT WHAT IS THE COST	PRODUCT USAGE STYLE CLOSING DEALS	PRIORITIZE CUSTOMERS FORCES ANALYSIS CIRCUIT TERMS + ROUTES SOFTENING UP - MAILING + PHONING APPOINTMENTS	PRODUCT USAGE PRODUCT MAINTENANCE PRODUCT PERFORMANCE
USE PROMOTION TECHNIQUES	PAYMENT FACILITY	TRAINING + MATERIALS	GUARANTEE
CONTACTS DEADLINES FORMATS EVENTS	CASH REGISTER	CONTEXT SALES FORCE SALES PRESENTATION SALES MATERIALS TRAVEL ARRANGEMENTS	RETURN REPAIR
PREPARE PROMOTIONAL MATERIAL	RECORD - KEEPING	RECORD - KEEPING	CREDIT
FORMAT DESIGN CONTENT PRODUCTION	INVENTORY	CUSTOMER CONTACTS + RESPONSE FOLLOWUP WARBOARD TRACKING CHART	ESTABLISHING RECOGNIZING RECORD-KEEPING COLLECTIONS

~~Commerce T/F~~

A Guardrail System is designed so that a regular series of reports and happenings occur which hold the business accountable to its stated objectives. These reports and events are necessary in order to keep the business operations within the previously established limits determined by the management and board of directors.

Failure to stay accountable to established objectives is the single major cause of business failure,

In this manual, reports and events are called "Messages."

Where the "Monitor" is listed as "Global Centrum," this is a recommendation only. It is still too early in the HDP program for certainty in this arena.

<u>ARENA OF ACCOUNTABILITY</u>	<u>MONITOR</u>	<u>MESSAGE</u>
Ownership Structure	Global Centrum	Local Participation Regular Board Meetings
Legal Compliance (work rules, patents, environmental protection)	Global Centrum	Stated Business Objectives Written Management Plan
Security	Global Centrum	Property & Personal Security Policies
Planning	Local Board Global Centrum	Annual Plan 5-Year Plan
Local Man Involvement	Global Centrum	Monthly Board Meetings
Consensed Policy	Global Centrum	Approval of New Stock- holders or Members

<u>ARENA OF ACCOUNTABILITY</u>	<u>MONITOR</u>	<u>MESSAGE</u>
Sales Volume	Manager	Bimonthly Condition Report
Number of Stock Items on the Shelves relative to Total Items	Manager	Bimonthly Condition Report
% Increase/Decrease in Sales over Previous Period	Manager	Bimonthly Condition Report
% Increase/Decrease in Sales Over Previous Year	Manager	Bimonthly Condition Report
Receipts Up To Date	Manager	Monthly Report
Shipments Inspection	Manager	Reject Rate Report Monthly
Inventory Turnover	Global Centrum	Monthly Operations Report
Dollars of Inventory On Hand	Global Centrum	Monthly Operations Report
Dollars On Order	Global Centrum	Monthly Operations Report
Sales Volume	Global Centrum	Monthly Operations Report
% of Items in Stock	Global Centrum	Monthly Operations Report
Stock Reviewed on Schedule	Manager	Monthly Condition Report
Purchase Orders Written On Schedule	Manager	Monthly Condition Report

ARENA OF ACCOUNTABILITY

MONITOR

MESSAGE

Reject Rate

Manager

Weekly  
Factory Managers Report

Production

Manager

Factory Managers Report

Shipments

Manager

Factory Managers Report

Inventory Turnover by  
Classification

Manager

Monthly Factory Managers  
Report

Employee Turnover

Manager

Monthly Factory Managers  
Report

<u>ARENA OF ACCOUNTABILITY</u>	<u>MONITOR</u>	<u>MESSAGE</u>
Net Sales in Dollars & %i/d	Manager Global Centrum	Weekly Operating Statement
Physical Inventory in Dolars & % i/d	"	"
Selling Expense (Payroll) & %i/d	"	"
Net Sales & %i/d	"	Monthly Operating Statement
Customer Contacts & %i/d	"	"
Average Size Transaction & %i/d	"	"
Cost of Goods & %i/d	"	"
Transportation Costs & %i/d	"	"
Markdowns & %i/d	"	"
Stock Turnover & %i/d	"	"
Selling Expense & %i/d	"	"
Sales Promotion & %i/d	"	"
Gross Margin & %i/d	"	"
Profit(Loss) & %i/d	"	"

Note: "%i/d" means % of increase or decrease

ARENA OF ACCOUNTABILITY

MONITOR

MESSAGE

Company Performance

Management  
Ownership  
Global Centrum

Monthly Balance Sheet  
Monthly Earnings Statement  
with ratios calculated

Status of Accounts  
Receivable & Accounts Payable

"

Aging Reports Monthly of  
each A/R and A/P with  
terms extended to each

Cash Position

"

Cash Disbursements Report  
Monthly  
Cash Flow Projection for  
next three months  
Actual results with  
comparisons to projec-  
tions

Inventory

"

Quarterly Physical Inven-  
tory by dollars per  
classification

The following section contains a series of five checklists which can be used by HDP business managers, consultants, etc., to discern the effectiveness of local business operations. The checklists are not all-inclusive, but are designed to raise additional questions. The questions may not be applicable in all situations, especially if they imply a need for efficiency when effectiveness is required.

CHECKLIST QUESTIONS	YES	NO	COMMENTS
<p>Have the business plans and objectives been identified?</p> <p>Does the structure for the operation conform with these objectives?</p> <p>Have all legal requirements been met?            Written bylaws?            Written board meeting minutes?</p> <p>Environmental regulations?            Government product standards?            Patent laws?            Taxes?</p> <p>Are there good organization structures that are clearly understood?</p> <p>Is there an on-the-job training program?</p> <p>Is there a 5-year, annual and quarterly business battleplan?</p> <p>Is there a weekly and monthly planning meeting?</p>			

CHECKLIST QUESTIONS	YES	NO	COMMENTS
<p><b>Product Selection:</b></p> <p>Has the market potential been determined?</p> <p>Has product acceptability been researched?</p> <p>Have product specifications been developed?</p> <p>Have lower &amp; upper cost limits been established?</p>			
<p><b>Product Packaging:</b></p> <p>Has package sales import potential been considered if applicable?</p> <p>Does it meet climate conditions?</p> <p>Have utility and serviceability standards been established?</p> <p>Have lower &amp; upper cost limits been established?</p>			
<p><b>Needs Projection:</b></p> <p>Has a market survey been completed?</p> <p>Have needs projection guidelines been established?</p> <p>Have changing market conditions been considered?</p> <p>Have historical records been used in projections?</p>			
<p><b>Sources of supply:</b></p> <p>Has the source location survey been completed?</p> <p>Has distance been considered?</p> <p>Have secondary sources been considered?</p> <p>Have secondary sources been established?</p>			

CHECKLIST QUESTIONS	YES	NO	COMMENTS
<p>Ordering Time:</p> <p>Are order writing procedures adequate?</p> <p>Has a stock cushion factor been determined to cover fluctuations in demand and lead time to receive item?</p> <p>Has order lead time been established?</p> <p>Has in transit time been established?</p>			
<p>Inventory Control:</p> <p>Is an inventory record system in use?</p> <p>Is there a stock count and review schedule?</p> <p>Has a liquidation policy been established for slow-moving items?</p> <p>Have established emergency ordering procedures been established?</p> <p>Have inventory limits been established?</p> <p>Are inventory goals being met?</p>			

CHECKLIST QUESTIONS	YES	NO	COMMENTS
<p><b>People:</b></p> <p>Is there a balanced workforce? Among Functions? Among Departments?</p> <p>Have the causes of absenteeism been determined? Considered?</p> <p>All all employees backed by another trained employee?</p> <p>Is an adequate employee communications system in place and functioning?</p> <p>Is the employee turnover rate normal?</p> <p>Have safety rules been established?</p> <p>Are all safety rules being observed?</p>			
<p><b>Material:</b></p> <p>Is there an adequate inventory of raw material?</p> <p>Has all material inventory been quality checked?</p> <p>Is the material being properly stored? Security? Protection from elements? Easy access?</p> <p>Is communication current with Purchasing Department? Unusual item use? Rate of use?</p> <p>Are all inventory records current? Disbursements? Receipts? Inventory count adjustments?</p>			
<p><b>Processing Methods:</b></p> <p>Have any process and workcenter changes been made? If yes, have the following been considered? (Cont'd next page)</p>			

CHECKLIST QUESTIONS	YES	NO	COMMENTS
<p>Raw Material Specifications?            Production Standards?            Quality Standards?            Inspection Procedures?            Tooling Requirements?            All key people informed?</p> <p>Is there a program to improve the methods if appropriate?</p> <p>Are there major deficiencies causing misuse of            Personnel?            Equipment?            Product?</p>			
<p>Equipment:</p> <p>Is machine downtime excessive?</p> <p>Have reasons been identified?</p> <p>Are spare parts available?</p> <p>Is a preventive maintenance program being followed?</p> <p>Are people trained to maintain equipment?</p> <p>Are equipment operations &amp; maintenance manuals in use for all equipment? (including blueprints &amp; electrical circuit designs)</p> <p>Are there adequate tools?</p> <p>Are lubricating instructions followed?</p>			
<p>Facilities:</p> <p>Is a fire prevention plan in effect?</p> <p>Is good housekeeping apparent?</p> <p>Is insurance coverage adequate?</p>			

CHECKLIST QUESTIONS	YES	NO	COMMENTS
<p><b>Markets &amp; Distribution:</b></p> <p>Have all target markets been considered?</p> <p>Have all means of transport been arranged?</p> <p>Have all trade restrictions been identified?</p> <p>Are the trade restrictions within the nation written? Unwritten?</p> <p>Has distance to markets been considered? In setting inventories? Pricing?</p> <p>Has a delivery schedule been set up for perishables? Non-perishables?</p> <p>Has an adequate replenishment plan for perishables been devised?</p> <p>Has the overall transportation time been considered?</p>			
<p><b>Packaging:</b></p> <p>Is the product package adequate for shipping? Storage?</p> <p>Is the package suitable for the consumer? Appropriate in size? Easily handled? Safe?</p> <p>Is the delivery schedule and timetable realistic for the production and method of transport?</p>			
<p><b>Pricing:</b></p> <p>Is the price of the product competitive?</p> <p>Are the prices reasonable for the market?</p> <p>Is the price high enough to cover expense and make a reasonable profit?</p>			
<p><b>Growth:</b></p> <p>Are there any restrictions on expansion?</p> <p>Physical?</p> <p>Capital?</p> <p>Legal?</p>			

CHECKLIST QUESTIONS	YES	NO	COMMENTS
<p>Is there potential for market to expand?</p> <p>Is there an expansion plan?</p>			
<p>Advertising &amp; Promotion:</p> <p>Have local advertising forms been identified? Utilized?</p> <p>Is there an advertising budget?</p> <p>Has the form of advertising been considered when the market expands?</p> <p>Is merchandise adequately displayed?</p> <p>Are sales materials available to salespeople? Being utilized?</p> <p>Are sales quotas established for all product lines?</p> <p>Are sales samples in good condition?</p> <p>Is there adequate selling space?</p>			
<p>Product line:</p> <p>Does the merchandise mix minimize risk?          .Appropriate prices?          .Appropriate place?          .Appropriate packaging?</p> <p>Are product specification sheets available?          Complete? In use?</p>			

CHECKLIST QUESTIONS	YES	NO	COMMENTS
<p>Statement Analysis:</p> <p>Is the working capital adequate? (Current Assets less Current Liabilities)</p> <p>Is the Current Ratio adequate? (Current Assets ÷ Current Liabilities)</p> <p>Is the Debt/Worth Ratio reasonable? Properly capitalized?</p> <p>Is the accounts receivable turnover time reasonable? (Sales ÷ Accts Rec X number of days in period 360 = number of days)</p> <p>Is the Accounts Payable turnover time reasonable?</p> <p>Is the inventory turnover time reasonable? (cost of goods ÷ inventory X number of days in the period = number of days)</p> <p>Any unpaid accounts payable over 90 days past due? Names &amp; amounts?</p> <p>Has all depreciation of fixed assets been calculated and expensed?</p> <p>Are there any accounts receivable over 60 days old? Names &amp; amounts?</p> <p>Have all taxes been calculated and expensed?</p> <p>Is a cost accounting system in effect? (i.e.: standard % of markup includes all expenses)</p> <p>Have absorption losses, price fluctuations, pilferage, theft, been considered in the cost accounting system?</p> <p>Has the ending inventory been adjusted as each physical inventory is taken?</p> <p>Has the actual performance (Earnings Statement) been compared to the cash flow projection, proforma income statement and balance sheet?</p>			

Commerce Task Force

CHECKLIST QUESTIONS	YES	NO	COMMENTS
<p>What are the required future expenditures for fixed assets (equipment, buildings, land, etc) for the next year? Next 5?</p> <p>Has adequate insurance on fixed assets, hazard insurance on the building, and all other forms been considered and purchased? (Report expiration dates of policies in comments)</p> <p>Have average industry ratios and performance results for this type of business been procured and weighed? (Source (USA): Robert Morris Associates, Statement Studies, Industry or Government Publications)</p>			

COURSE DESCRIPTION

Course title	Starting a Commercial Enterprize
Audience	Commerce guildsman, local businessmen and Auxiliary.
Existential Aim	Releasing the Auxiliary and Guild to move on Commerce by actually doing feasibility plan for needed local enterprize.
Rational objective	(see next page)
Course outline	I. Contextual lecture II. Role playing-start up considerations III. Income workshop-field trip IV. Expense workshop-field trip V. Financial analysis workshop-field trip VI. Flipchart: Implementing the commercial enterprize VII. Implementaries Workshop
Course materials	Income worksheet Capital needs worksheet Annual operating statement worksheet
Modular approach	The various course sections can be done at different times or combined according to scheduling convenience.

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COMMERCE CURRICULUM  
BUSINESS START-UP

RATIONAL OBJECTIVES

July, 1977  
Chicago

General	Basis for deciding whether to start an enterprise Procedures for starting an enterprise
Customers	Deciding what goods/services to offer Estimating total sales volume Choosing forms of advertizing Choosing credit policies
Facility	Determining availability of appropriate facilities Estimating initial and annual facilities and utilities costs Evaluating options
Equipment	Determining availability of equipment Estimating initial, replacement and maintenance costs Evaluating options
Suppliers	Availability of stable sources of supplies & merchandise Estimating unit and annual volume cost of supplies, including delivery cost Evaluating options
Personnel	Availability of suitable employees Estimating annual costs of wages, benefits, hiring and training costs Establishing hiring procedures
Funding	Availability and annual cost of capital Estimating total capital needs to fund fixed and current assets, capitalization costs and initial operation costs Evaluating options
Legal	Determining operationally effective and tax efficient form of business Estimating legal costs (incorporations, licenses, taxes)

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COMMERCE CURRICULUM  
 BUSINESS START-UP  
 STARTING A BUSINESS - CONTEXTUAL LECTURE

July, 1977  
 Chicago

Global Economic Context	Impacting local Economy	Cooperative Commercial Effort	Starting Commercial Enterprise
Economic Triangles	Economic Self Sufficiency	Distribution Triangle	Business Components
Analytic screen Resources Production Distribution	Local Econ. Contradictions Reduced production Lack of engagement Slow leaky commerce Peak at the pain	Walk through exchange mechanism triangle Goods Services Credit	Buying Selling Finance Personnel
Local Economy	Village Resources	Commercial Enterprizes	Business Phases
Ground triangles Inter-relations within community	Natural(in this village) Human Technological Exploding possibility	7 basic enterprizes store repair shop credit union equip't pool bulk purch'g bulk mark'g garage company	Feasibility Set up Operations Expansion
Regional Economic	Five Social Principles	Community Involvement	Start up Considerations
Nearby community Market center Gov't center Bulk buyers/sellers	Delimited geography All the problems All the people Depth human problem Symbol Key	Mass impact Symbols Community Consensus Stakes Fairs Town Meeting	Market research Cost factor Capitalization Implementaries
Global Inter-relations	Five Economic Principles	Guild	Learn by Doing
Economic interchanges Political controls Cultural exchange Globe in every town	Isolate the local economy Bring money in Retain it longer Circulate it faster Tie in to larger economics	pioneers Forging the new Servants to the community Catalyzing the community One great vocation	Lectures Workshops Field trips A real enterprize

ROLE PLAYING:  
START-UP CONSIDERATIONS

**INTENT:** To get financing and to have a successful enterprise it is necessary to have a specific business plan, including market research, financial analysis and implementation steps. The skit seeks to underscore the difficulties when one does not have such a plan.

**TWO ACTORS:** Prospective businessman and banker.

Actors get on stage and exchange greetings. Business man indicates his desire to start a business and requests a loan. Banker asks a series of questions, to which the prospective businessman expresses his profound ignorance (in ways to arouse audience hilarity).

Types of questions banker might ask:

- How much do you need?
- Can you demonstrate that you can pay me back?
- What kinds of merchandise will you carry?
- What are your estimated annual sales? Expense? Profit?
- Who are your customers?
- Do you have a facility located? Rent?
- Who will supply you with goods? Delivery costs?
- What equipment do you need? Cost?
- Who will work for you? Wages?
- What types of insurance do you plan for? Cost?
- Have you arranged for licenses and permits?
- Will you give credit?
- How high will you allow your receivables to get?

(This skit should not last over 10 minutes. You may want to do an art-form conversation following it.)

BUSINESS START-UP

IN COME WORKSHOP - FIELDTRIP

PROCEDURES

1. Based on 5 economic principles, brainstorm and list types of goods/services local and extra-local people, businesses and agencies buy elsewhere, that they might buy locally.
  - \* 2. Design questionnaire to elicit information on amounts they buy and how much they might pay.
  - \* 3. Discuss sample of households, businesses and agencies to visit to get data
  4. Send teams on field trip to get data from:
    - a. local households
    - b. local businesses and agencies
    - c. nearby community
    - d. bulk purchases if any
  5. Return to workshop, reflect on data, Make choices concerning goods/services to be offered, Fill out worksheet
- \* refer to "Conducting Market Research"

- EXPENSE WORKSHOP - FIELDTRIP

PROCEDURES:

1. Using "Locating Commercial Facility Screen", brainstorm:
  - a. site requirements
  - b. space needs
  - c. features required, including utilities
  - d. possible sites in community
2. Discuss alternatives of inkinding, borrowing, renting, buying facility
3. Brainstorm needed equipment, supplies, telephone, and merchandise, estimate amounts needed initially and per month, and sources for obtaining these.
4. Send teams into the field to get data
  - a. facilities(see 1 & 2 above)
  - b. suppliers(see 3 above)
  - c. legal-visit gov't office or attorney to get data on legal forms of business, licenses, taxes, zoning, etc.
5. Return to workshop, reflect and fill in appropriate data on capital needs. Make decisions concerning facilities, equipment, supplies, and suppliers to be used. Fill out appropriate parts of capital needs worksheet.
6. Discuss job descriptions, job qualifications, required training, wages and benefits, and hiring procedures (see SBM ' 76, page C26)  
Fill out wages and benefits on capital needs worksheet.

## FINANCIAL ANALYSIS WORKSHOP - FIELD TRIP

### PROCEDURES

1. Finish filling out 3 worksheets: income, capital needs, and annual operating statement. (Note: This will require estimating the cost of interest).
2. Examine the Annual Operating Statement.  
Will the business be profitable?  
What changes could be made to increase profitability?
3. Examine the Capital Needs Worksheet.  
How much capital do you need?
4. Discuss sources of capital (See SBH '76, pages B-2, B-3, B-4, B-6, and B-7).
5. Field Trip to banker or other source of capital.

### IMPLEMENTARIES WORKSHOPS

From this point until the business opens, regular workshops would be held to brainstorm implementaries, timeline them, and make assignments. (Implementaries Checklists are presented in the "Starting Local Business" section of this manual.)



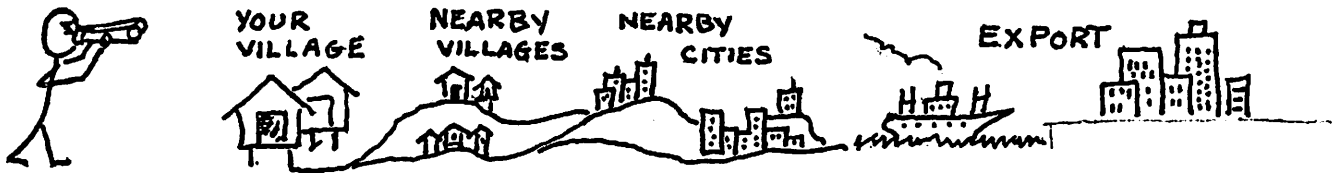
Estimated Monthly Expenses		Start-up Cash Needed (1.5times column 1)	Comments
Item	Amount		
Advertising			from income worksheet
Communications			Estimate telephone, postage
Delivery Expense			from income worksheet
Insurance			visit an agency
Interest			estimate
Legal & other professional fees			estimate, very minor
Maintenance			from expense field trip
Miscellaneous			estimate
Rent			from expense field trip
Salaries and wages			from expense field trip
Supplies			"
Taxes			"
Utilities			"
Starting costs-to be paid once (Do <u>Not</u> Multiply by 1.5)			Leave column 2 blank
Fixtures & equipment, cost/installation			from expenses field tri
Decorating & Remodeling			"
Opening inventory			from income worksheet
Deposits with public utilities			from expense field trip
Legal & other professional fees			"
Licenses & permits			"
Advertising & promotion for opening			from income worksheet
Accounts receivable		XXXXXXXX	no credit
Cash			for unexpected expense
Other			estimate
TOTAL ESTIMATED START-UP CAPITAL NEEDS			add up column 2

Item	Annual Amount	Multiply all income worksheet and expense worksheet figures x 12
		Profit-Increase Considerations
Gross retail sales		Go back and recheck your unit retail prices. Some can probably be increased and still be competitive. This will increase your gross sales and gross profit.
- Cost of goods sold		
= Gross profit		
- Expenses		
advertising		Re-evaluate and reduce if possible
communications		" " " " "
delivery		What other ways can goods be delivered? You may have overlooked a cheaper method.
insurance		Can you reduce coverages? Take another look.
interest		If you can fund your business without a loan, this item is zero.
legal fees		Get your guardians involved
maintenance		Is there anything you are paying for that you could do yourself?
misc.		Rent? Are there adequate buildings that rent for less? Will present landlord agree to make rent a % of sales until % payment is equal to his present demand?
rent		
salaries/wages		Can you operate with fewer full-time employees? Can full-time and part-time salaries be reduced and still be adequate for your community?
supplies		
taxes		Do you have the most tax efficient business form? (i.e.:co-op, corporation, partnership, etc.)
utilities		Do other locations have lower utility expense?
TOTAL EXPENSE		
= profit before loan pay back		Divide total start-up capital needs by the number of years you estimate your loan will be. This is your annual loan payback. Can you reduce this?
- loan pay back		
= net profit		

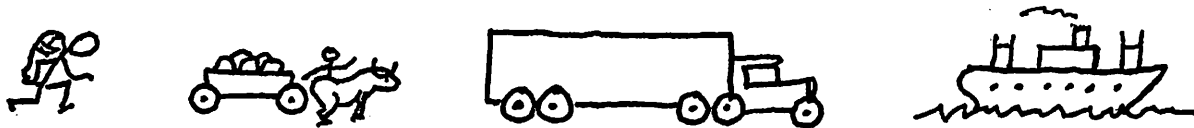
In addition, the costs of replacing worn out equipment and spoiled materials must be estimated and ways to pay them anticipated. The former are referred to as depletion and may be tax deductible.

IMPLEMENTING THE COMMERCIAL ENTERPRISE

1. Search for your market.



2. Find out how you can deliver products to those markets.



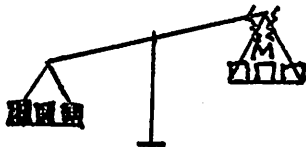
3. Find out how to trade outside your village



4. Know your costs.



5. Set your selling prices for surplus on sales.



6. See your next bills coming and keep enough cash to pay them.

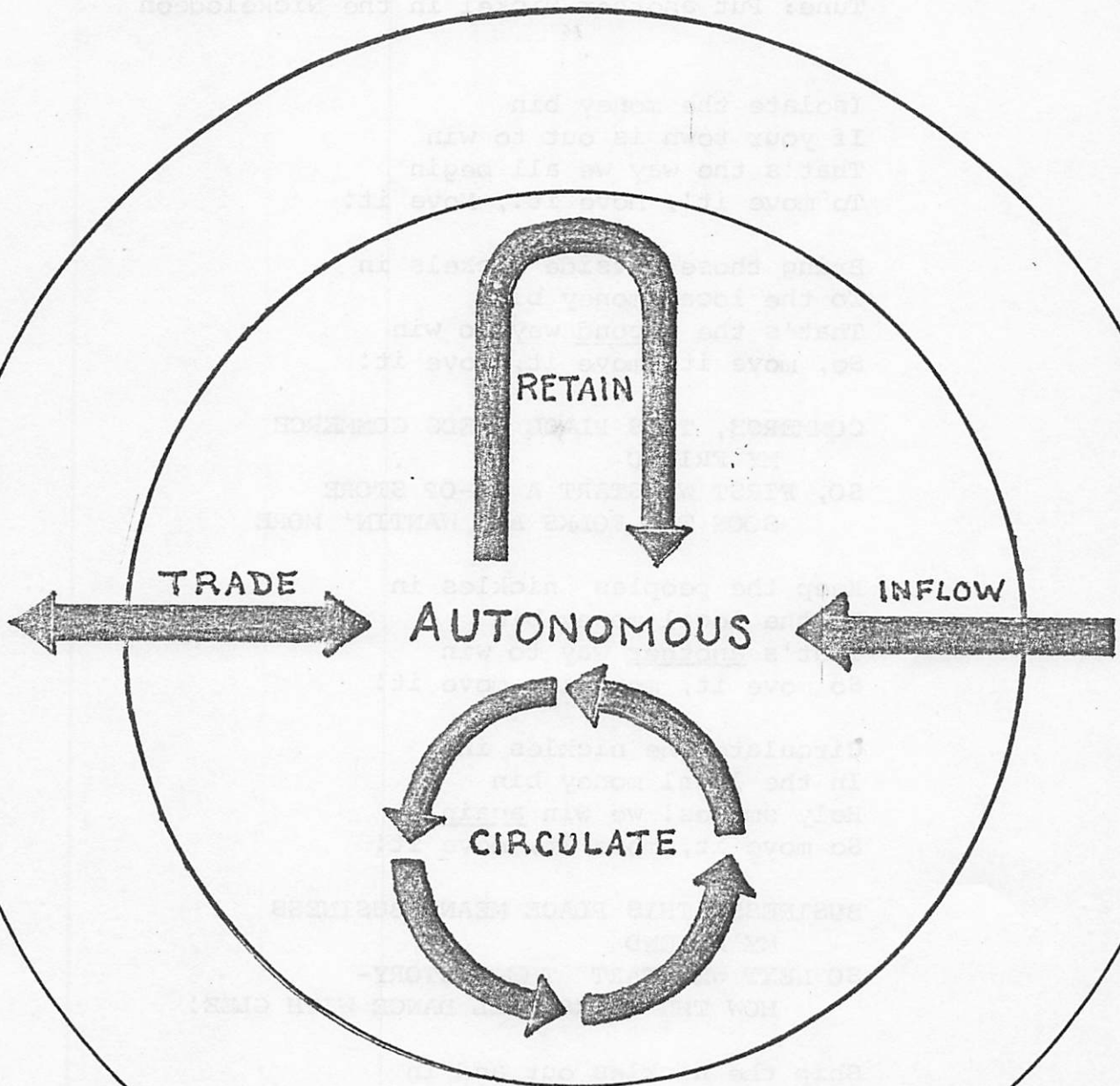


7. Save enough to expand your business.



	EXISTENTIAL AIM: To experience their ability to manipulate the economic system within their community			RATIONAL OBJECTIVE: To identify how one's own behavior can effect economic change	
ECONOMIC PRINCIPLE	COMMUNITY AS AUTONOMOUS ENTITY	GENERAL INWARD CASH FLOW	KEEP MONEY IN THE COMMUNITY	CIRCULATE MONEY RAPIDLY	RELATE TO THE LARGER ECONOMY
EXISTENTIAL AIM	To begin operating out of an image of "community economics".	To become aware of the infinite possibility of new capital in this community.	To be conscious of where local people are spending their money.	To experience that one's consumption & production habits do affect neighbors and the entire community.	To experience their role in relationship to the rest of the world.
RATIONAL OBJECTIVE	To identify the economic resources, services, capabilities, consumer habits; and capital of community.	To identify the sources of capital that are here and that might come into the community.	To begin to locate alternative LOCAL ways to get funds, goods, & services that are needed.	To name and create patterns of interactive transactions within the community.	To see the avenues of radiation outward & to create new avenues of marketing, distrib., & capital inflow.
CONTEXT	OVERALL CONTEXT (PRINCIPLES)	OVERALL CONTEXT (PRINCIPLES)	OVERALL CONTEXT (PRINCIPLES)	OVERALL CONTEXT (PRINCIPLES)	OVERALL CONTEXT (PRINCIPLES)
ACTIVITY	<p>WORKSHOP/CONVERSATION</p> <p>What are the natural resources in the community? What kinds of skills or things do people make in the community? What skills and services are available? What businesses exist in the community? What types of necessities are not available in the community? What raw materials are "imported" into community? What resources are not being utilized? Is there credit/savings/banking service in comm.?</p>	<p>IMAGE SPIN</p> <p>Instances of cash flowing into a community: Show slides on spin stories such as: Purina -- Kwang Yung Il Gov't Grants -- pig &amp; chicken industry in Oomb Private Sector -- investment in 5th Cty Shopping Center</p> <p>WORKSHOP/ CONVERSATION</p> <p>What sources were used for capital to start existing businesses? What are possible sources for new capital in the arenas of: Gov't Grants/Loans Private Grants/Loans Private Business Sector</p>	<p>WORKSHOP/ CONVERSATION</p> <p>How do you save money? Where do you save money? What do people do with money they don't need immediately? What would people be willing to invest in in the community? What services/goods could be easily produced within the community?</p> <p>MONEY-FLOW GAME (See next page)</p>	<p>WORKSHOP/CONVERSATION</p> <p>How does money circulate within the community? (Who buys what from whom within community?) Create dependence chains and time sequence of priorities. What are the skills in the community that could be useful locally? Brainstorm other resources that could be used commercially.</p>	<p>WORKSHOP/CONVERSATION</p> <p>What are the wholesale suppliers in the area used by community? What might make them reduce their prices? What goods and services that are needed are not currently available in the surrounding area? What are possible outside markets for suggested goods and skills of the community? What things might the gov't. provide that the community hasn't taken advantage of?</p>
SYMBOL CREATION	<p>SYMBOL CREATION:</p> <p>Product: a pictorial image surrounding the "principle" symbol to depict elements of comm. econ. Catalytic Question: What is the chief economic activity of the community?</p>	<p>SYMBOL CREATION:</p> <p>Catalytic Question: What pictures would depict cash inflow into this community?</p>	<p>SYMBOL CREATION:</p> <p>Catalytic Question: What pictures would depict current or future reinvestment in community enterprises?</p>	<p>SYMBOL CREATION:</p> <p>Catalytic Question: What pictures depict chains of money flow within the community?</p>	<p>SYMBOL CREATION:</p> <p>Catalytic Question: What are goods and services that are or can be marketed outside the community?</p>

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THE MONEY BIN

Tune: Put another Nickel in the Nickelodeon

Isolate the money bin  
If your town is out to win  
That's the way we all begin  
To move it!, Move it!, Move it!

Bring those outside nickels in  
To the local money bin  
That's the second way to win  
So, move it, move it, move it!

COMMERCE, THIS PLACE NEEDS COMMERCE  
MY FRIEND  
SO, FIRST WE START A CO-OP STORE  
SOON THE FOLKS ARE WANTIN' MORE

Keep the peoples nickles in  
In the local money bin  
That's another way to win  
So move it, move it, move it!

Circulate the nickles in  
In the local money bin  
Holy smokes! we win again  
So move it, move it, move it!

BUSINESS, THIS PLACE MEANS BUSINESS  
MY FRIEND  
SO NEXT WE START THE FACTORY-  
HOW THE FOLKS WILL DANCE WITH GLEE!

Ship the nickles out and in  
That's the final way to win  
Long as we get 12 for 10  
We move it, move it, move it!

**OBJECT:** To show how fast money goes out of the community.

**TOOLS:** Pieces of paper representing local currency

**HOW IT WORKS:**

Choose three or four people to be farmers who receive the cash as payment for selling crops outside the community. Have enough other persons participate so that each can represent one of the places people can spend money in the community. Each farmer chooses where he might normally spend his money. Each receiver of the money chooses how and where he might normally spend the money received.

**REFLECTIVE CONVERSATION:**

What has happened to the money?

What kind of things did people have to spend money on outside the community?

How does this inform you about what businesses or services the community needs within in order to retain more money?

ICA

COMMERCE CURRICULUM: BUSINESS OPERATIONS

July 1977

GRA

IMAGINAL CURRICULUM: THE STORE GAME

Chicago

Commerce Task Force

CONSTRUCTING THE GAME BOARD

The Pieces 1 1/2" squares

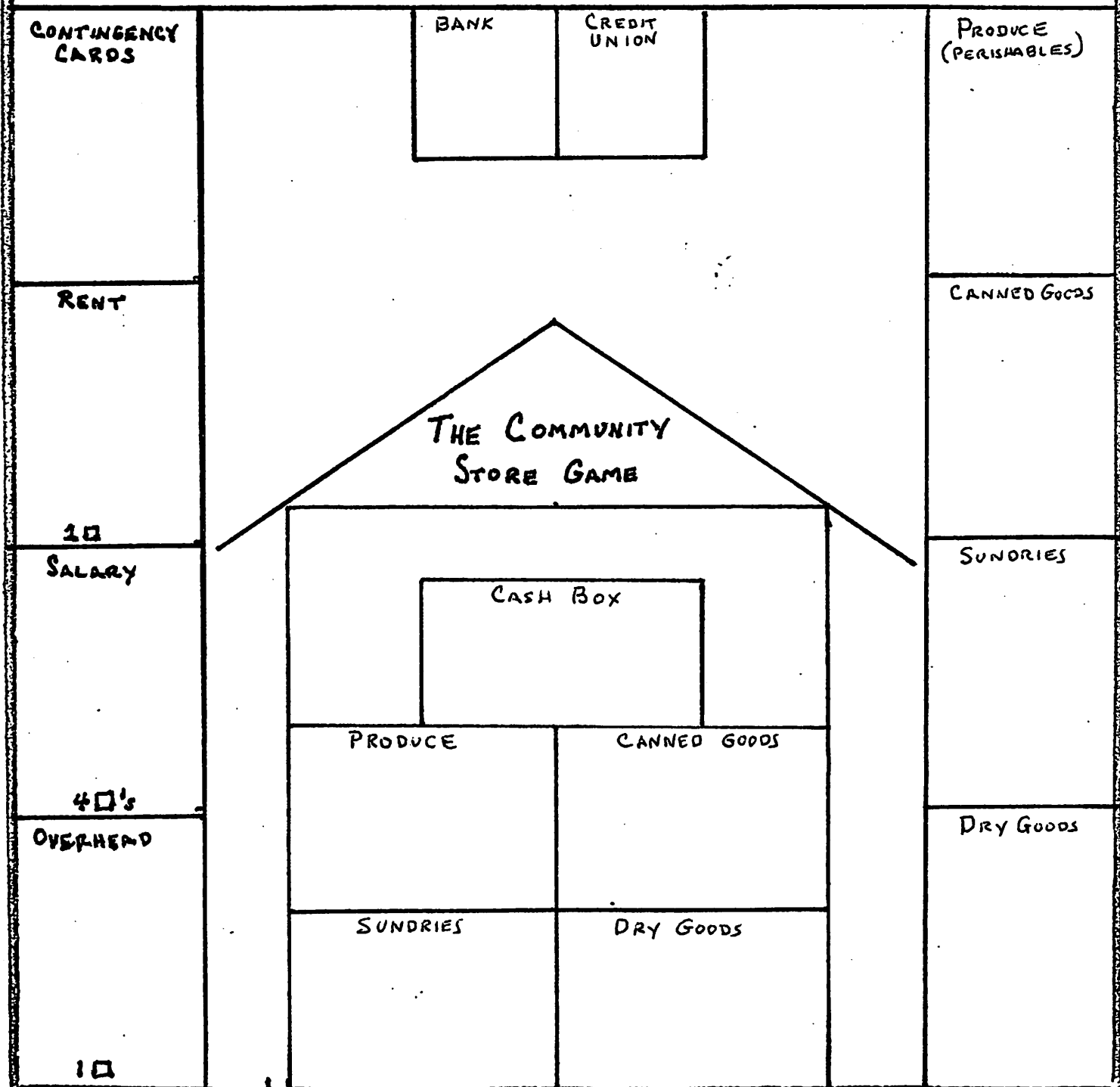
Green Squares for the currency- 300

Four other color squares for the merchandise- 125 each color

One die with legible dots

The Contingency Cards 2" x 2" squares preferably in another color

THE BOARD can be drawn on any piece of poster board material it is 24" x 24"



THE STORE GAME

This game is designed to teach the topics indicated by titles below.

INSTRUCTIONS

CAPITALIZATION:

To capitalize his business, the storekeeper can borrow 20, 40, or 60  $\square$ 's from the bank, which must be repaid at the end of 12 months. He must pay monthly interest of one  $\square$  per twenty  $\square$ 's borrowed.

STOCKING MERCHANDISE:

The storekeeper stocks his store by purchasing merchandise from wholesalers at a cost of one  $\square$  for each 2 items.

CONSUMER INCOME:

The other players are consumers. They receive 8  $\square$ 's initially and 4  $\square$ 's at the beginning of each monthly term.

CONSUMER PURCHASES:

To purchase merchandise, a consumer rolls a die and buys 1 item for each dot shown. Each item costs 1  $\square$ . He must purchase 1 "produce" each month and if he rolls 2 or more, must also purchase 1 "canned good". He may choose the other items from any of the 4 groups. If the store is out of produce or canned goods, he must purchase these items outside the community and may, then only, purchase his entire throw there.

MONTHLY BUSINESS EXPENSES:

After each player has made his purchases, the storekeeper must pay his monthly expenses: rent, overhead, salaries, and interest.

RESTOCKING:

Anticipating next month's sales, the storekeeper restocks as before. (He cannot restock during the month).

BOOKKEEPING

The storekeeper must record all purchases on his "record sheet". (Consumers should also do this).

BUSINESS CONTINGENCIES:

After these transactions occur for 6 months, the "contingency cards" are introduced. Before paying his monthly expenses, the storekeeper selects a card from the deck and follows its instructions.

LOAN REPAYMENT

After 12 months, the storekeeper must repay his loan and purchase enough stock to have 6 items of each type. If he can do so, he wins; otherwise his business has failed.

(FOR SECOND AND SUCCEEDING GAMES, SEE NEXT PAGE)

The second time the game is played, the same rules apply, but with several additions.

#### SECOND GAME

##### START-UP COSTS:

Initially, the storekeeper must pay 12  $\square$ 's for startup costs, as well as purchasing merchandise.

##### MONEY FROM OUTSIDE COMMUNITY:

Beginning with the 7th month, a resident of another community becomes the sixth consumer.

##### PRODUCT SPOILAGE:

Also beginning with the 7th month, the storekeeper is required to throw away all unsold produce due to spoilage, just before he restocks.

#### THIRD GAME

##### ESTABLISHING CREDIT UNION:

The third game has the same rules as the second. In addition, the consumers have an opportunity at the beginning of the game to establish a credit union by placing  $\square$ 's in the credit union (6  $\square$ 's minimum; each  $\square$  deposited becomes 5  $\square$ 's in the credit union).

##### BORROWING FROM THE CREDIT UNION:

The store keeper can then borrow up to 5 times the number of  $\square$ 's in the credit union, instead of borrowing from the bank. He must pay monthly interest to the credit union of 1  $\square$  per 30  $\square$ 's borrowed.

##### CREDIT UNION DIVIDENDS:

At the beginning of the 7th month, each credit union member receives a dividend of 1  $\square$  for each  $\square$  initially contributed. They must spend this dividend during this turn in addition to the number shown by the dots on the die.

##### THE BANK

All money for salaries and contingency cards comes from the bank. All money paid for stocking merchandise and contingency cards goes to the bank. An existing or additional player is named the banker to manage these transactions.

Instructions: The "storekeeper" uses this ledger to record his "monthly" sales and expenditures. Each round constitutes a month, thus as a consumer completes his turn, record the amount that the consumer spent in the store. (equals the number thrown on the dice). After the five players have played, the store keeper tallys the income for the month and then pays his bills and restocks his store entering all numbers in appropriate spaces. Profit (loss) equals income minus expenditures.

Month		1	2	3	4	5	6	7	8	9	10	11	12	Did the Storekeeper Win?
		Item												
I N C O M E	Consumer # 1													Can you pay back the note to the lender?  Yes ___ No ___
	# 2													
	# 3													
	# 4													
	# 5													
	resident from next community (not in 1st game)													
TOTAL INCOME														If you can, you have done better than half the people who start businesses!
E X P E N D I T U R E S	Rent													
	Bank interest													
	Labor Salaries													
	Overhead													
	Wholesaler #1													
# 2														
# 3														
# 4														
Total Expenditures														
This month profit plus last month														

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## Chance Cards (Positively weighted)

## Written on card

## Area of Short Course

- \* Grocer in the next community has a fire. his customers come to you and buy any produce or canned goods you have left this month.
- \* A competitor goes out of business. You can buy his stock:  
20 Produce / 15 Dry Goods/ 20 Sundries for 15 □ 's. Now only!
- SPECIAL you can buy 30 canned goods for 10 □ 's. If you wish. This month only!
- \* SPECIAL! You can buy 28 Dry Goods for 7 □ 's . If you wish. This month only!
- \* Your Cash box has 5 □ 's too much this month! (get 5 □ 's from the bank)
- (Save until you need) A peddler came to store to sell fresh produce during the month.
- \* A Tour Bus comes to the village. They buy up to 10 items (depending on your stock)
- \* Each consumer gets 1 extra □ bonus with their pay this month.(therefore each buys one more item than dots rolled)

This factor would be very hard to figure and should not be read as a trend to increase the amount of stock purchases.

To tie up a great deal of cash at the end of the year when the loan must be paid back would not be helpful, but at the 1st...

" " " " " "

Where do you think it came from?  
Did some one get cheated?  
Did you miscalculate?

Such an ongoing arrangement would be of benefit to everyone especially if the peddler lived in the local village!

Hard to plan for.

The more money in the village, the better all the economy will be.

For the first game, use only those contingency cards indicated by an asterick.

Chance Cards (Negatively weighted)

Written on card	Area of Short Course
<p>You cannot get delivery of Produce this month due to strike. However, your competitors cannot get it either. Your consumers cannot shop outside the community. Reduce their buying i dot from that shown.</p> <p>Your Competitor in the next town runs his Annual Sale. Your customers go reducing their own cash by 3 □'s (each player puts 3 □'s off board)</p> <p>* Your refrigerator went out over the weekend. Replace all produce.</p> <p>Your Advertisement is misprinted. You must sell your produce at 2 items for 1 □ .</p> <p>A drought has caused your supplier to raise the price of produce to 1 each this month. You must charge 2 □'s to the consumer.</p> <p>* When you count your cash box, you find 5 □'s short. (Put 5 □'s into bank).</p> <p>* A Thief broke into your store and stole all your canned goods...Re-Stock.</p> <p>* A fire started in the trash bin. Nothing was burned, but it all smells. Sell all merchandise at <math>\frac{1}{2}</math> price this month.</p> <p>Your roof leaked and damaged your dry goods...sell at <math>\frac{1}{2}</math> price this month and pay 5 □'s to repair roof.</p> <p>Your nephew is out of work. To please your wife, hire him for the month .(Put 4 additional □'s into the salary box this month.)</p>	<p>Contingency over which you have no control. You cannot stock too much produce or it will go bad.</p> <p>Competition must be paid attention to</p> <p>Contingency... not overstocking perishables</p> <p>Make sure you check what the paper prints before it is printed.</p> <p>Variables in pricing must be handled as soon as you know about them. prices do not remain constant.</p> <p>Careful handling of change is very important or it could ruin the business.</p> <p>Security and locking the store might have helped, What else could you have done?</p> <p>Importance of at least getting back what you paid for the merchandise.</p> <p>Preventive maintenance is important.</p> <p>There are many problems with family and store ownership...What are some other possible problems?</p>
<p>For the first game, use only those contingency cards indicated by an asterick.</p>	

**Context:** The occasion of establishing a commercial enterprise or an industry is, perhaps, the best opportunity for practical training. It will provide a chance to give many short courses and lessons related to "things that can be seen and touched". However, It is necessary that the Trek Team keep in mind this objective as they implement the enterprises.

### DESIGNING THE ENTERPRISE

**The event:** is the planning session for store layout. (We assume that this will be the first enterprise started, however, if it is not, this plan is easily modified.

**The Preparation:** Once a location has been located for the enterprise, a strike force will measure it and create a floor plan if one does not exist. These are available for the work.

**The Activity:** Wherever possible, the workshop should actually take place at the site of the enterprise in order to keep the actual size in mind.

This exercise assumes that the decision has already been made regarding the merchandise content of the store by appropriate market research.

- 1). Rehearse what the store will handle as determined by the research. About how much space will be required for each product?
- 2). Where would you put each type of product?

Consider:

- + Will there be a storage room, or will all merchandise be on the floor?
- + Which items will people be looking for most often?
- + How would we place them to draw people past other items so that they see "the whole store"
- + What would be the items which might need special display?
- + Which are the impulse items which might go near the counter?
- + Which are the shopliftable items which should go behind the counter

- 3). Draw up the plan so that all can see where things go as the store is stocked.

## SETTING UP THE STORE

The event: takes place after the shelves and fixtures have been installed and the majority of the stock has arrived.

The Preparation: Put paper signs on shelves and fixtures designating where the previous workshop on layout indicated things should go.

The Activity: involves the actual work of stocking and inventorying the store while the learning takes place.

1). Rehearse the design for stocking the store and talk about values such as:

+ neatness of arrangement

+ making the store look full even if the shelves are not full

+ visibility of all products

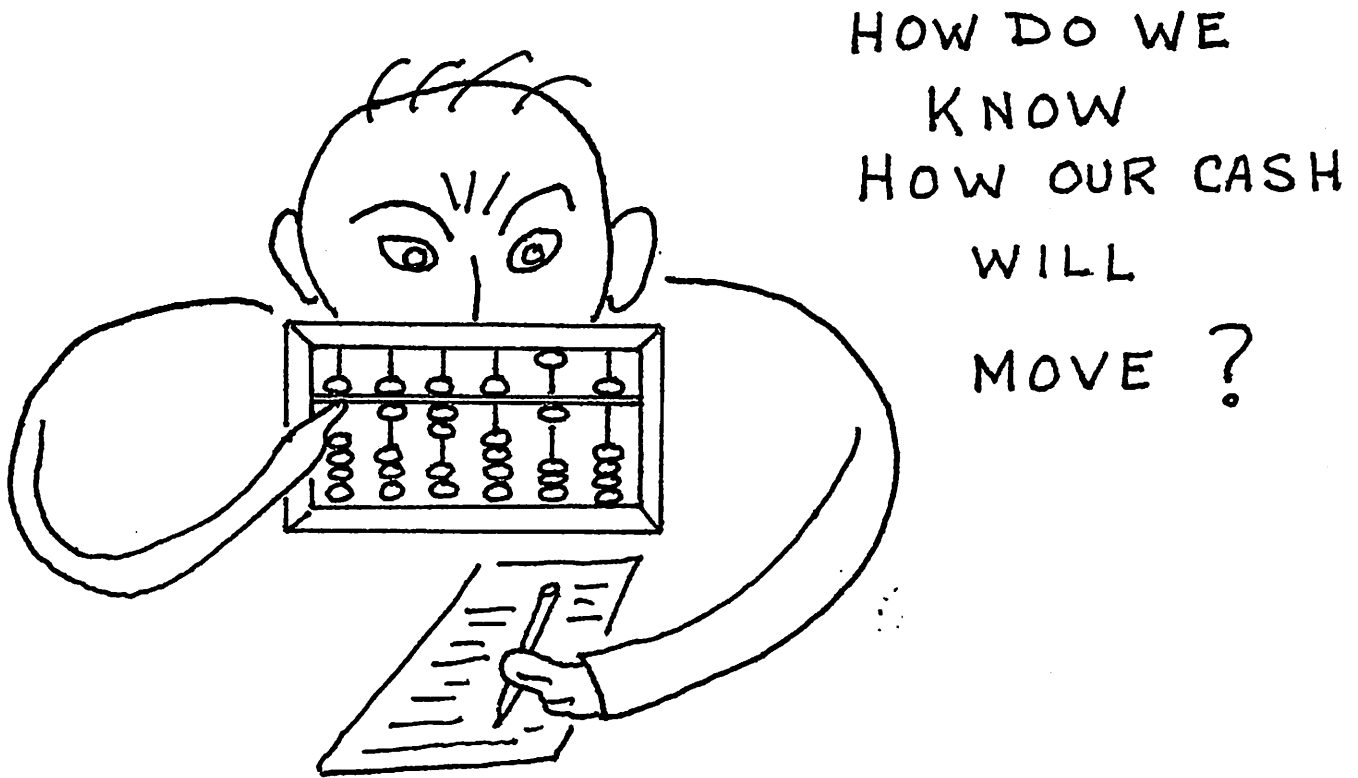
assign members of the guild and strike forces to stock the shelves.

2). After the shelves have been stocked with the first round of items, have each person count the number of items he has stocked and enter the figure on Stock control or inventory cards and explain the purpose of the cards. continue stocking and inventorying.

3). Pull aside the manager and clerks (if any) as well as the other storekeepers who might be members of the Guild and explain the use of the "receipt book" record keeping system. This involves the simple principle of entering the total amount of each sale on a receipt in a multiple receipt per page-carbon copy book, giving the original to the customer and the carbon copy stays in the book. If there is tax that must be charged, this must be entered as a sub-total on the receipt. At the end of each sales day, the shop keeper simply adds up the total and balances it against his total cash minus the starting change.

Or

If a cash register has been obtained, teach the basics of its operation. When securing a cash register, it is very important that there is a feature which gives a total for the day which can be cleared after it is read each evening. A detail tape if available will also give more extensive ability to study the types of merchandise sold on a daily basis (as opposed to the monthly inventory).



WE WRITE IT ALL  
DOWN

MONEY DATES

WHAT WE DELIVERED  
TO EACH CUSTOMER -  
HAVE THEY PAID US ?

WE GUESS AT OUR COLLECTIONS , AND MAKE THE  
GUESS COME TRUE .

WHAT OUR SUPPLIERS DELIVERED TO US -  
HAVE WE PAID THEM ?

WE KEEP RECORDS

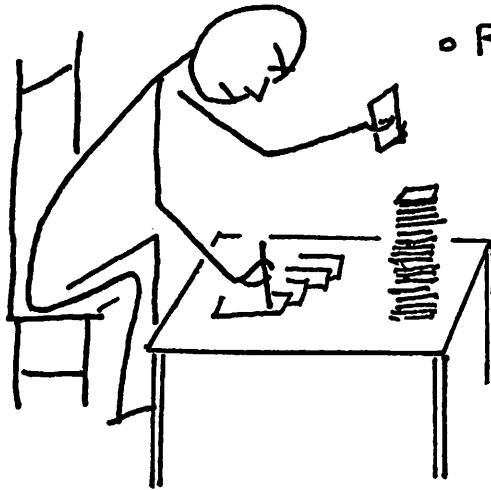
PRECISE RECORDS

TODAY		TOMORROW		NEXT		MONTH	
IN	OUT	N	OUT	N	OUT	N	OUT
~	~	~	~	~	~	~	~
~	~	~	~	~	~	~	~
~	~	~	~	~	~	~	~
~	~	~	~	~	~	~	~
~	~	~	~	~	~	~	~

HAVE

- CASH IN BOX
- CASH IN BANK
- UNCOLLECTED CUSTOMER SALES

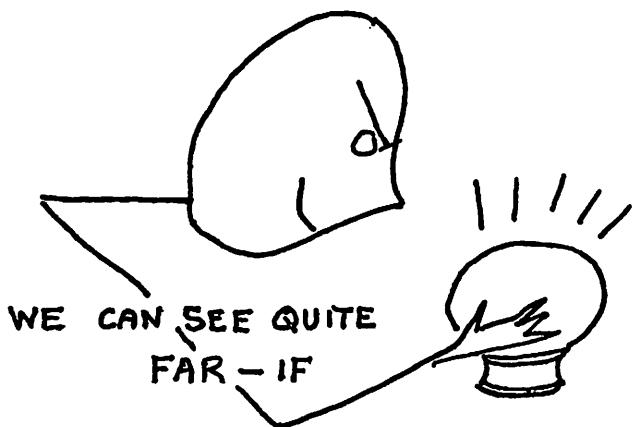
WE



OWE

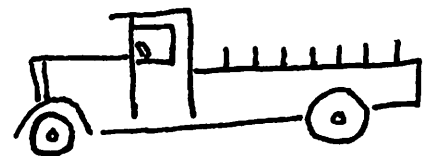
- GOODS & SUPPLIES DELIVERED TO US BUT NOT PAID FOR
- PAYROLL
- RENT, ELECTRIC, WATER BILLS & OTHER BILLS, BILLS, BILLS
- LOAN INSTALLMENTS
- TAXES

TODAY, WE MUST SEE INTO TOMORROW  
AND THE NEXT DAY  
AND THE NEXT WEEK  
AND THE NEXT MONTH  
AND THE NEXT YEARS

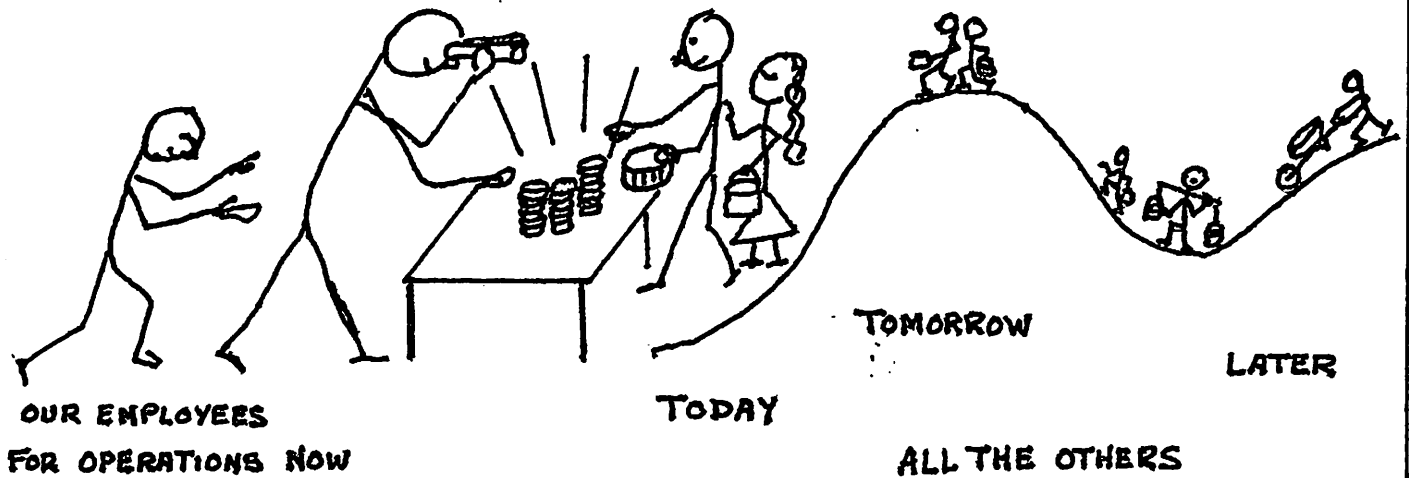


(WHEN WE NEED TO BUY  
SOMETHING BIG)

WE ALWAYS KNOW WHAT WE HAVE } PRECISE  
WE ALWAYS KNOW WHAT WE OWE } RECORDS  
WE DISCIPLINE OURSELVES AND  
OUR STAFF TO SPEND JUST  
WHAT WE PLAN TO SPEND - OUR BUDGET

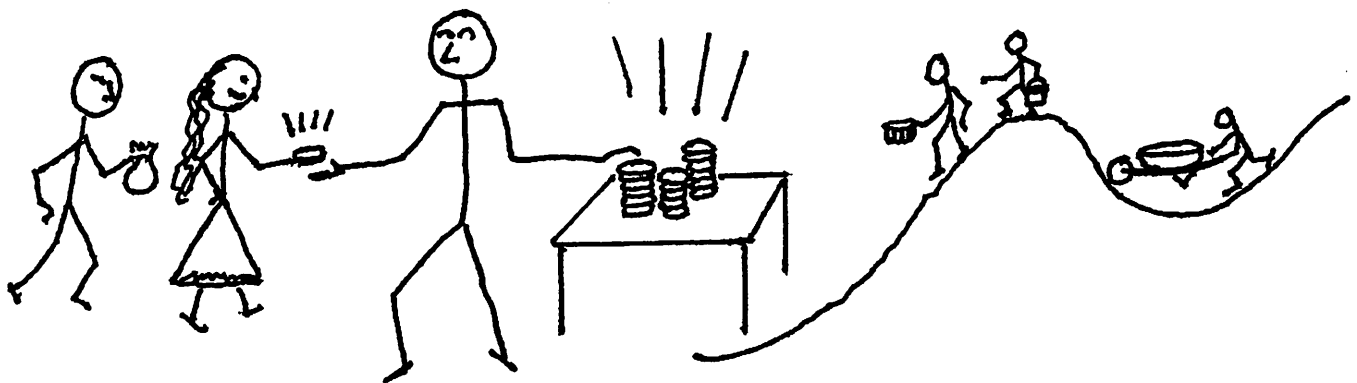


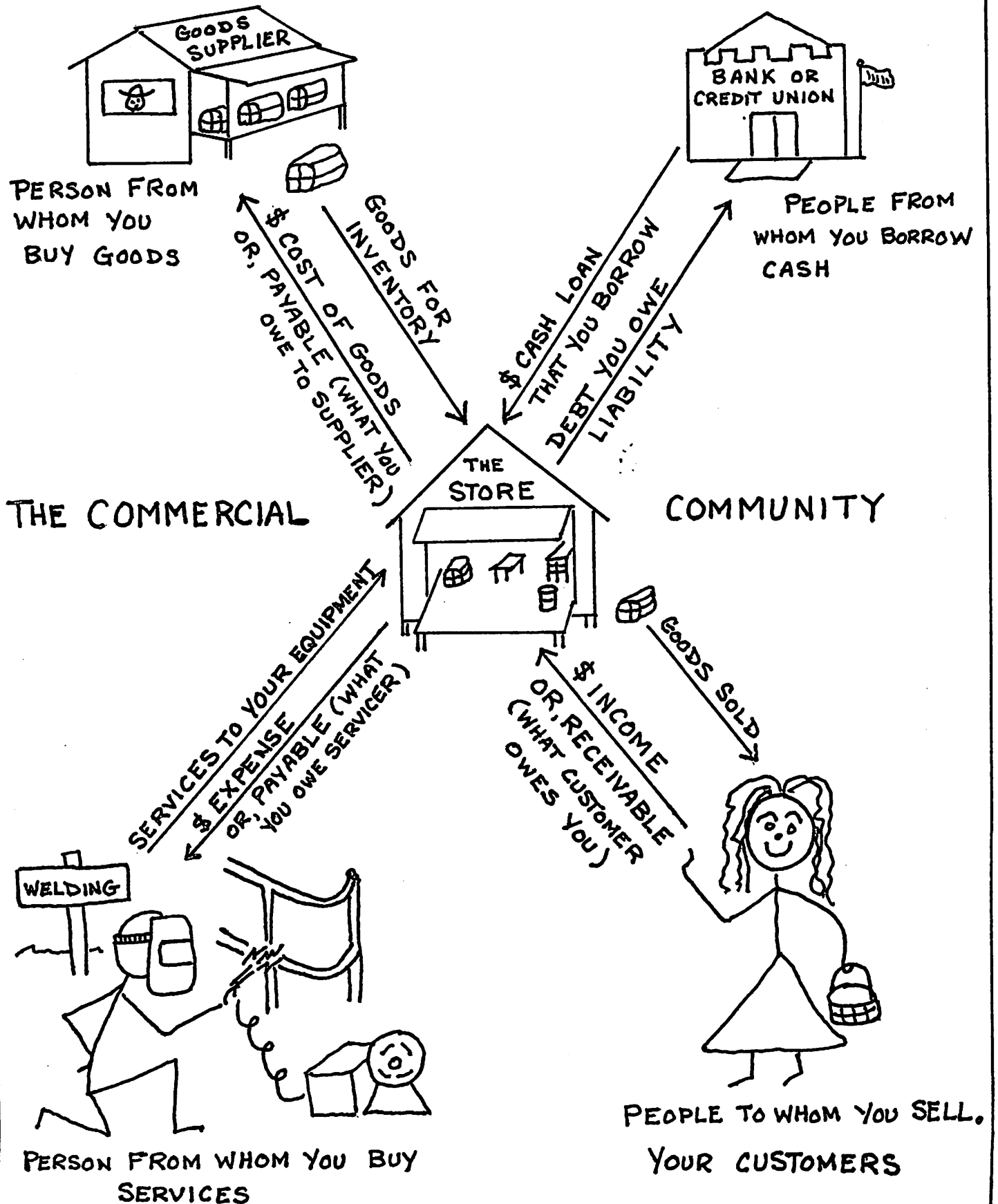
PEOPLE ARE ALWAYS COMING TO COLLECT  
WHAT WE OWE THEM




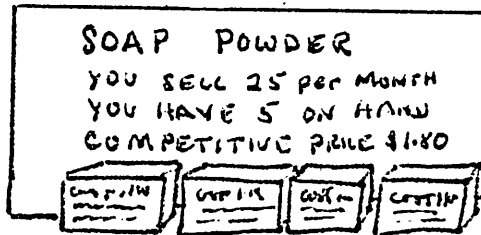
ARE WE READY ?

TO COLLECT WHAT  
CUSTOMERS OWE US





CONTEXT	EXAMPLE	ROLE PLAY	REPORT FORM
<p>Keep records in order to make decisions(see question forms).</p>	<p>Draw on the board the 3 forms.</p> 	<p>Have everyone fill in forms with categories from the board.</p>	<p>Draw report form on board.</p>
<p>Bookkeeping is <u>DETAIL</u> work.</p>	<p><u>Receipts</u>-one column is cash. What will money come in from?(write in across columns)(if store also needs inventory record columns) Every # goes 2 places.</p>	<p>Get group to call out transactions(have own ready,include most categories).</p>	<p>Fill in form from role play data-have group find answers.</p>
<p>Record everything. (use picture)</p>	<p><u>Payments</u>-one column is: cash. What will the business spend money for? (Write in across columns) Every # goes in 2 places.</p>	<p>Have everyone record transactions as they are called out.</p>	<p>Art form what happened in role play - Did we make a profit? What do we have? Why? etc.</p>
<p>Keep all back up records.(file receipts and invoices by date-file unpaid invoices separately.)</p>	<p><u>Customer Receivable</u>- One column for what customer owes, one column for what customer pays,last column tells balance due(one page/customer.)</p>	<p>Check that entries are correct(record on board).</p>	<p>Answer group questions.</p>



**Aim:** To allow Guild members to experience some of the variables which they must consider when shopping for the best price on wholesale merchandise. To give them the confidence to make purchasing decisions based upon a series of considerations instead of guesswork.

**Instructions:**

Prepare 4 small boxes with the following data on them written in the prevailing language of the guild.

Cost: \$ 1.10 ea.  
Shipping: .30ea  
Minimum# 50  
Delivery: 3 days

Cost: 1.19 ea  
Shipping:.(incl)  
Minimum # 100  
Delivery: 5 days

Cost : 1.13 ea.  
Shipping:15 ea  
Minimum # 50  
Delivery: 2 wks

Special ! THIS  
WEEK ONLY  
Cost: 1.00  
Shipping: .15  
Minimum # 150  
Delivery tomorrow

Prepare a sign as illustrated above.

Have someone who can read, read the data... ask the group "Which is the best deal?"...have individuals state why they believe they have chosen the best deal. If they can read, have them figure the data on the attached worksheet (translated if necessary) If they cannot read, take them through the same exercise verbally.

**Hints:** Cash flow is one of the major issues, especially in a new business. To tie up a considerable amount of your capital unless you could use the "good deal" to lower prices to entice more shopping such as " SOAP POWDER-REGULARLY \$1.80...ONLY 1.25 WITH \$ 5.00 PURCHASE", you would be wise to purchase the best deal on a two months' supply.

If you have a competitor who will get the business while you're out, you may elect to choose the more expensive deal with the short delivery time, however, it is to everyone's advantage for you to be able to get it at the cheapest acceptable rate, even if people have to wait a day or two. Point out that more careful inventory checks might have allowed you to purchase the soap a week earlier.

This sheet is to be used when figuring which supplier's prices are the most applicable to the needs of the HDP Enterprise needing wholesale or bulk items.

Item Needed \_\_\_\_\_  
Average Number sold per month \_\_\_\_\_  
Last Price paid \_\_\_\_\_ / \_\_\_\_\_ unit price \_\_\_\_\_  
Our current price to the customer \_\_\_\_\_  
Our net markup \_\_\_\_\_  
Our competitor's price \_\_\_\_\_

SUPPLIER:

Quotes:	# 1	# 2	# 3
Number of items:	_____	_____	_____
Cost for lot	_____	_____	_____
Shipping Costs:	_____	_____	_____
Other Charges:	_____	_____	_____
TOTAL	_____	_____	_____
Cost per item	_____	_____	_____

CONSIDERATIONS

How long will it take us to sell the best price quote? \_\_\_\_\_

How long can we tie up our cash for this item? \_\_\_\_\_

Could we cut our price to the customer as an encouragement for other purchases (as a "SALE" item), sell the items quickly and recover our cash quickly?

Will the supplier sell us the special, but deliver it to us in smaller shipments

Does the supplier offer a time payment arrangement which would make the offer to buy a larger quantity at a lower price a possibility?

Objectives: To expose the Commerce Guild, local auxillary, and concerned businessmen to merchandising and purchasing experiences beyond the Human Development Project boundaries and also thereby to create a mind-set of successful possibility in these arenas over and against a typical mind-set of impossibility and failure.

I.

Merchan-  
dising  
Field  
Trip

Preparation: Select in a near-by larger market center a particularly exemplary retail outlet that illustrates successful retailing. Also, select one that does not to illustrate contrast.

Make arrangements in advance with the farmer to receive a contingent of village people on a given day and hour suitable to the shopkeeper. (Shop the latter store casually.)

Activity: Context the trip relative to purpose, location of store, nature of business. Pre-assign one question for each person to ask the retailer from among, but not necessarily limited to the following:

mix of products stocked	pilferage/shortage
turnover	sale days
display of merchandize	advertising
selection of store site	impulse buying
allocation of shelf space	housekeeping
pricing and marketing	cash control
	management of people

Encourage them to ask other spontaneous questions at the sight. Have someone in the Guild or auxillary take notes.

Shop the other less organized store, probably in smaller groups, or assign one or two to observe the store and report later on behalf of the total Field Trip group.

Hold a structured conversation on return trip or at next Guild meeting to get corporate clarity on the significance of the trip and on the principles of good

retailing observed. Contrast the "good" and "bad" operations observed to further illustrate these principles.

II.

Specialty  
Store  
Field  
Trip

Objective: The objective of this trip is to observe a unique commercial operation that another community has established to create consumer interest even beyond its own confines. This activity may be a retail store, but also may be a specialty restaurant serving ethnic foods or some other unique service.

Preparation: Same as for general merchandising field trip.

Activity: Context the trip in the light of the objective and place a special emphasis on attention to how our community might initiate an enterprise that could have area-wide or regional appeal---may or may not be identical to the visited activity.

Kinds of things to observe and questions to ask:

- A. How did product(s) or service come to be chosen?
- B. Was there research re: consumer acceptance?
- C. How did consumer interest expand beyond local?
- D. Is attraction low price?
- E. Is attraction high quality regardless of price?
- F. How important site location?

Have someone take notes on sight visit. Hold a conversation on return trip to get corporate clarity on significance of trip.

At next Guild meeting hold a brainstorm session on practical possibilities for a new unique business venture in our community (noting in context reasons for success in field trip visited activity).

III.

Wholesaling  
Field  
Trip

Objectives: The particular objectives of this trip are to acquaint Guild, auxiliary and project businessmen with the sources of goods and supplies available to

the village and to observe the operations of a typical wholesaler.

Preparation: Pre-identify and then select a number of wholesale businesses in a serving near-by city to visit. Make arrangements with key ones to receive group and to tell about their operations.

Activity: Context the trip in the light of the objectives and have group be alert to identify commodities and other products that might be purchased and sold in their village. Also have them begin to experience differing prices and terms quoted on the same products (also see 'Purchasing Curriculum').

Particular things to observe on the field trip:

- A. Number of wholesalers handling same products.
- B. Warehousing methods.
- C. Variables that affect wholesale prices.
- D. FOB point (place where title changes hands - seller to retailer).
- E. Delivery schedules possible to HDP location.
- F. Credit terms.
- G. Returned goods policy--defective merchandise.
- H. Consignment policy, if any.
- I. Packaging.

Hold conversation on return trip reflecting on significance of the trip generally and useful information specifically. Identify wholesalers who might be of valuable service to project.

ICA

GRA

Commerce Task Force

COMMERCE CURRICULUM: BUSINESS OPERATIONS  
GUILD CURRICULUM: PRACTICAL PLANNING

July 1977  
Chicago

### WORKSHOP UP-GRADING A STORE

It is recommended that this workshop be held as follow-up to curriculum on Business Start-up, Accounting, and other Operations.

The objectives of the workshop are to give the Auxillary, Commerce Guild, and other interested businessmen practical experience in up-grading a local retail store and coincidentally to provide the selected shopkeeper with the "pearls" of the workshop. Ideally, the Guild would assist him in implementation. If the selected store is privately owned it is important that the shopkeeper be a Guildsman or one who has participated in all the curriculum and is collegial, because invasion of his privacy is involved. If the store is community-owned and run by an appointed manager, this issue is of minimal import.

#### WORKSHOP METHOD

Begin the workshop as a Commerce Guild exercise in regular Guild space. Context the workshop by articulating the objectives and procedures, which are as follows:

**OPENING:** Context and hand out a paper indicating:

- Name of store and owner
- Location
- Categories of products sold in store
- Samples of business forms used
- Latest financial statements

**SITE VISIT:** Guild moves quickly to the store with the shopkeeper for a one-hour look-around, making suggestions and notes in the broad arenas of MERCHANDISING, PURCHASING, PRICING and BOOKKEEPING. (notes taken in earlier business curricula plus field trip visits will be very helpful here.) The merchandising observations and suggestions can be done with minimal help from the shopkeeper, but there will be questions in the other arenas which require his explanation.

After site inspection, Guild returns to Guild meeting site and the workshop leader will get up on a board the answers to the following questions under the four headings of: Merchandising, Purchasing, Pricing and Book-keeping:

- 1) What were your initial impressions?
- 2) What are the gifts of the store?
- 3) Where could you point to blocks that appear to limit a more successful operation?
- 4) What is the major contradiction?

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COMMERCE T/F

COMMERCE CURRICULUM: BUSINESS OPERATIONS  
GUILD CURRICULUM: PRACTICAL PLANNING

July 1977

Chicago

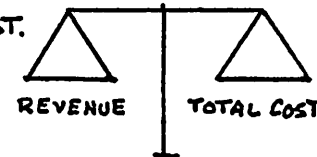
The workshop will then be divided into 4 groups according to the major arenas, and each builds a written plan for its portion of the up-grading.

The groups then reassemble, share their reports and criticize the whole. The resulting consensus must include the shopkeeper. The send-out from the workshop includes a resolve by the Guild to help implement the up-grading plan.

# THE STORY OF COSTS, PRICES, AND PROFITS IN COMMERCE

IS THE STORY OF HOW TO MAKE OUR REVENUE WEIGH MORE THAN OUR TOTAL COST.

OUR REVENUE FROM THE SALE OF A QUANTITY, Q, OF SOME ITEMS, EACH OF WHICH WE SELL AT PRICE, P, IS THAT QUANTITY TIMES THAT PRICE. REVENUE = PXQ

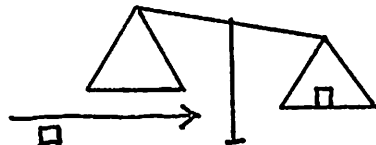


TOTAL COST IS ◦ WHAT WE PAY TO OUR SOURCES OF SUPPLY FOR WHAT WE SELL

SOURCES



FARM

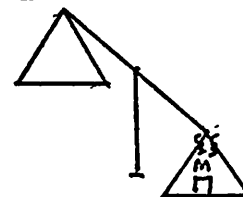


PLUS

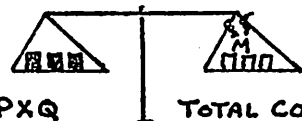
◦ WHAT WE PAY TO PEOPLE WHO MARKET AND DELIVER GOODS AND WHAT WE PAY BACK TO PEOPLE WHO HAVE LOANED US MONEY

PLUS

◦ WHAT WE HAVE TO PAY FOR GOODS LOST OR SPOILED



NOW, LET US PUT OUR PRICE TAG  $\square$  ON THE ITEM  $\square$  WHICH WE BOUGHT FROM OUR SOURCE:



IF OUR REVENUE = OUR TOTAL COST,

PXQ

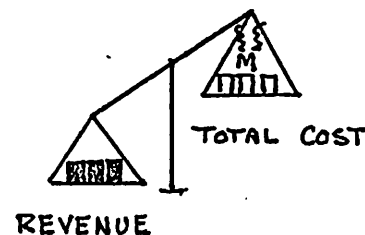
TOTAL COST

WE MAY FEEL GOOD, BUT WE WILL NOT BE ABLE TO MAKE ANY

REPAYMENT OF MONEY LOANED TO US, WE WILL NOT BE ABLE TO SAVE FOR EXPANSION, WE WILL NOT FEEL FREE TO TAKE MORE RISKS, AND WE WILL NOT BE ABLE TO RETURN ANYTHING TO PEOPLE WHO HAVE INVESTED IN OUR ENTERPRISE.

SO - WE PRICE TO WIN A SURPLUS ON OUR SALES

SURPLUS ON SALES = REVENUE - TOTAL COST



WHAT SHOULD WE MAKE THE PRICE TO OBTAIN OUR BEST SURPLUS ?

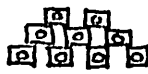
# PRICE IS



WHAT WE DECIDE IT NEEDS TO BE TO BRING US THE BEST SURPLUS ON SALES, SO THAT WE CAN TAKE MORE RISKS, EXPAND OUR BUSINESS, PAY OFF OUR DEBT ON TIME, AND INVITE MORE CAPITAL WHEN WE NEED IT IN THE ENTERPRISE.

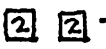

IF EACH BOX  $\square$  HAS A SELLING PRICE,  $P$ , THEN REVENUE = ALL BOXES WE SELL X PRICE OF EACH BOX



$$\text{REVENUE} = \square\square\square\square\square \times P$$

WE WANT TO SELL MANY BOXES  TO MANY CUSTOMERS  IN OUR MARKET

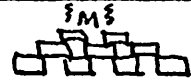






HOW MANY BOXES COULD WE GIVE AWAY?   $\xrightarrow{P=0}$   ALL, OR ALMOST ALL

HOW MANY BOXES COULD WE SELL IF  $P=100$ ?   $\rightarrow$   SOME, BUT NOT ALL

HOW MANY BOXES COULD WE SELL IF  $P=200$ ?   $\rightarrow$   LESS THAN IF  $P=100$

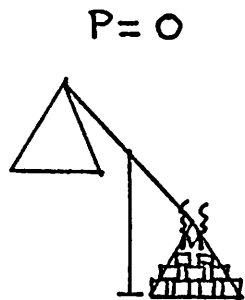
HOW MANY BOXES COULD WE SELL IF  $P=300$ ?   $\rightarrow$   EVEN LESS

WHAT WOULD GO ON EACH SIDE OF OUR SCALES?

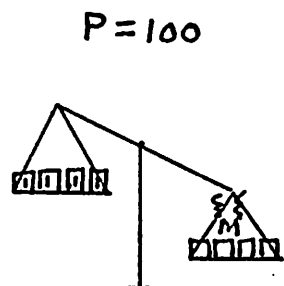
<u>SELLING PRICE, P</u>	<u>REVENUE, P x Q</u>	<u>TOTAL COST</u>
0	0	
100	 = 400	
200	 = 400	
300	 = 300	

# SURPLUS ON SALES IS

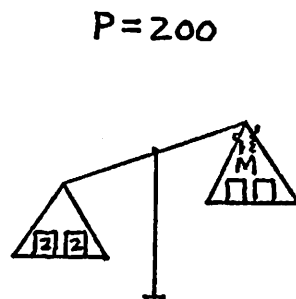
REVENUE - TOTAL COST, WATCH THE SCALES



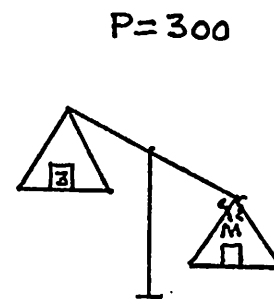
WE LOSE TOTAL COST



WE LOSE

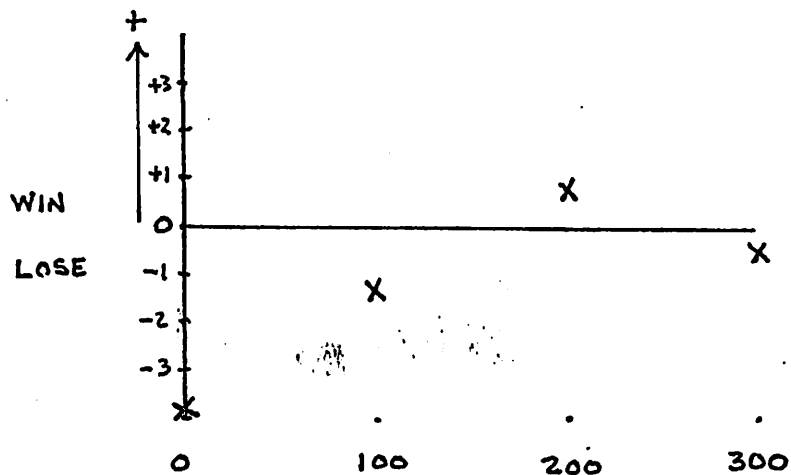


WE WIN

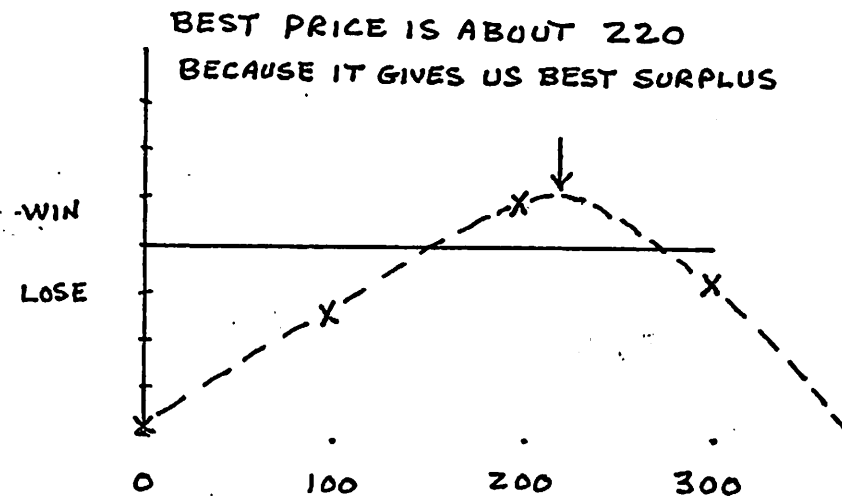


WE LOSE

WE SEE THAT OUR BEST PRICE FOR SURPLUS IS BETWEEN 100 AND 300 . BUT WHERE?

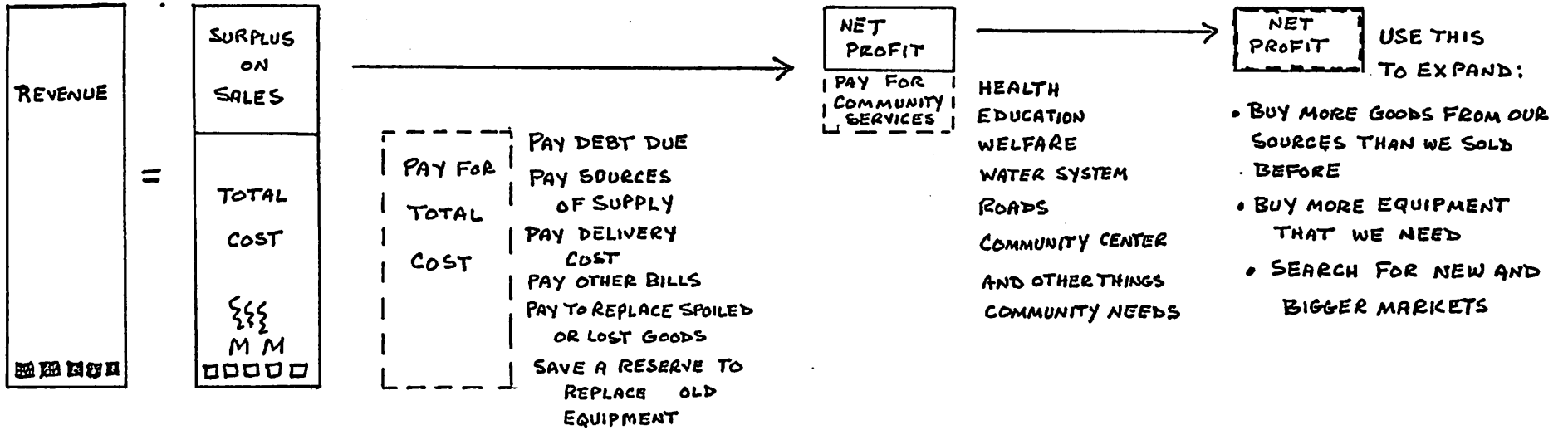


DRAW A PICTURE OF SUPPLUS AT EACH PRICE , MARK IT X



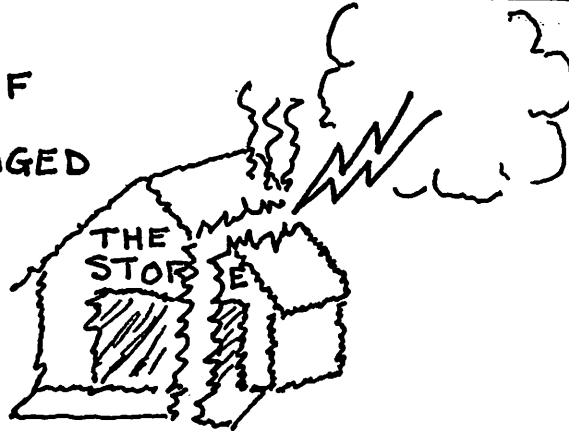
THROW A STONE OVER THE WALL SO THAT ITS FLIGHT PATH PASSES THROUGH ALL THE X POINTS

# WHAT WILL HAPPEN TO ALL OUR REVENUE, AND TO ALL OUR SURPLUS ?



8/24

IF YOUR PLACE OF  
BUSINESS IS DAMAGED



IF YOUR PROPERTY IS STOLEN



IF YOUR CUSTOMER OR  
EMPLOYEE IS HURT  
IN YOUR PLACE OF BUSINESS



YOU MAY NOT HAVE TO PAY  
FOR ALL THE LOSS, DAMAGE, OR REPLACEMENT  
COST . . .

IF YOU BUY INSURANCE

Preparation

Collect data concerning existing business in community and neighboring communities to determine what goods people buy and where they go to get them. Look into what suppliers are in operation - that is, where do the retailers get their goods from? Also, get an approximate idea of what wages are paid to store labor and check out what forms of advertising are commonly used.

Context

This workshop consists of the more visible or obvious functions of a retail business, which affect and concern day-to-day operations. The businessman is daily involved in sales, volume, advertising and ordering his products. Daily he is affected by fluctuations in prices of his wholesalers, retail prices of competitors and promoting his own products to the public. This overview of operations will provide an introduction to the retail store as well to more detailed background functions such as record keeping and controls for efficient operation.

ICA  
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 Commerce Task Force

COMMERCE CURRICULUM: BUSINESS OPERATIONS  
 AUXILIARY CURRICULUM: SALES/PURCHASING

July, 1977  
 Chicago

P R I C I N G	<p>-What 5 items would sell in community?        --Which of these are easier(more economic) to obtain?</p>	<p>-Where are the best wholesale suppliers located?(for these items)        -Other than wholesale, what expenses are involved(freight, taxes, payroll...)?</p>	<p>-How do these costs influence the retail cost of the item?        -How do you now determine retail price?</p>	<p>-Walk through pricing procedures.</p>
O R D E R I N G	<p>-How much stock on hand is desired to open store?        -What methods are employed to determine quantity of next delivery?(after opening)</p>	<p>-What methods are used to determine the quantity to be kept in the store?        -How do you move stock that is not selling well?</p>	<p>-What procedures can be used to keep loss or shortage at a minimum?        -What might be done to introduce new items?</p>	<p>-Introduce concepts of ordering bulk quantities and flow of goods through store.</p>
P R O M O T I O N	<p>-What are three ways to spread the word through the community and items to be sold?</p>	<p>What ways could the store exterior and interior be utilized:        1. to enhance customer appeal?        2. to facilitate customer service?</p>	<p>-Make survey of customer requests to broaden variety of items.        -How would you go about advertising to a broader geographical area?</p>	<p>-Explain the basics of customer service and return business.        -Introduce concepts of advertising and expansion</p>

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This is one of three possible collegiums on Commercial Services for the Auxiliary Staff. It is not a curriculum design, but a brush stroke of some important aspects of business controls. The objective is to release the Auxiliary Staff from fears and other blocks relative to dealing effectively with business control principles.

In the spin part of the collegium (perhaps 30-35 minutes), the collegium leader wants to get these broad business control points covered (see suggested 4 x 4 x 4 and note that the Business Manual covers the Business Controls subject in detail).

Cash  
Managemnt

Except for a small "make change" bank, the principle of depositing all receipts in the bank and disbursing all funds by check provides good cash control - statements should be reconciled promptly at the end of each month.

The cash flow statement provides a rational way to anticipate in-flow and out-flow of cash for the month or longer period ahead. Actual experience noted at the end of the month corrects ending anticipated balance for the next period. Developed shortages of cash must be covered by increased supplier credit or short-term loans. Excessive cash beyond current need should be invested in commercial paper or other interest-paying instruments, choice depending on when cash will be needed for scheduled disbursements.

Inventory  
Control

Merchandise suppliers should be selected who furnish optimum quality, price, and service. Routine provision should be made to receive, account for, and pay for receipts of materials. Replenishment of inventory should be provided for based on past and anticipated future sales of each item, and ideally not to under or over-stock. On sale days and otherwise, provision should be made for emergency deliveries. Stock tally sheets, if posted accurately, will provide a running "book inventory" count of items handled which counts should be physically verified periodically or as necessary in the circumstances.

Management  
Records

Receivable, payable, cash, and inventory records are vital to the effective management of any business. In-bound records establish material controls and inform accounts payable. Daily sales should be accounted for by a simple carbonized sales slip which will reconcile the cash box totals at days end. Such a system will also reconcile shelf inventory, depending on detail recorded on slips. Operating statements are "windows" through which the manager may view the results of his operations for the past period.(profit/loss statements) and also observe his assets, liability and net worth position as of the date prepared.(balance sheet). Not only do such statements record the past and present. but help in decision-making relative to the future.

Personnel  
Management

The people aspect of business is perhaps most important of all. Managers must be selected who honor how to control all functions of the enterprise and know how to control the workders effectively. They establish plans, then work the plans making mid-course corrections as controls inform them. Employees should be chosen from the local human resources pool, formally and informally (on-the-job trained). Wage scales and other benefits should be established in accordance with appropriate competitive levels and in accordance with employee contributions to communit well-being through productive employment.

Suggested  
Questions  
for  
Collegium  
Discussion

1. Are their questions of clairity on any particular business control point. (have manual at hand for referral or invite study of detail at a later date.
2. What plan should be made to up-grade community understanding of business controls(particularly after trek team leaves)?
3. Who is the audience beyond the business and industry community leaders? Commerce Guild? Others?
4. How should we mesh this material with other curriculum across the project?

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COMMERCE CURRICULUM: BUSINESS OPERATIONS  
 AUXILLARY CURRICULUM: BUSINESS CONTROLS

July, 1977  
 Chicago

CASH MANAGEMENT		INVENTORY CONTROL		MANAGEMENT RECORDS		PERSONNEL MANAGEMENT	
Check Register	Imprest System	Stock Selection	Supply Source	In-bound Goods	Count Verification	Enterprise Management	Leadership Identification
	Income Control		Produce Mix		Physical Storage		Merchandising Control
	Outgo Control		Backroom Storage		Tally Sheet Posting		Purchasing Control
	Bank Reconciliation		Shelf Display		Accounts Payable		Financial Control
Cash Flow	Opening Balance	Replenishment plan	Alternate Source	Daily Sales	Cash box Control	Enterprise Workers	Local Resource
	Income Forecast		Revised Mix		Carbonized Receipts		Back-up Reserves
	Outgo Forecast		Turnover Rate		Daily Tally		Productivity Screen
	Closing Forecast		Emergency Deliv.		Cash Inventory Relation		Adequate Manning
Short Term Loans	Source	Perpetual Controls	Tally Sheets	Operating Statement	Monthly Rhythm	Training Model	Management Training
	Fiscal Strategy		In-Out Posting		Revenue Sources		Useful Skills
	Bank Service		Indicative Adjustments		Cost of Sales		On-the-job
	Interest Income		Physical Reconciliation		Management Tool		Safety Rules
Short Term Investments	Alternate Instruments	Physical Count	Routine Scheduling	Balance Sheet	Monthly Rhythm	Employee Benefits	Wage Scales
	Fiscal Strategy		Double Verification		Asset Liability Ratio		Time Off
	Bank Service		Tally Sheets Adjustments		Net Worth Change		Health Plan
	Interest Income		Profit/Loss Significance		Management Tool		Retirement Plan

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<p>SURVEY ANALYSIS</p>	<p>-Create questionnaire to determine what products will sell. -What items should be dropped from store list? What should be added?</p>	<p>-Build model to review customer satisfaction. -What might be done to improve customer service? -What suppliers should be changed to get better products?</p>	<p>-Make a chart to discover seasonal friends in purchasing. -How could this data be used to take advantage of buying trend in advance?</p>	<p>-Demonstrate to Guild basic data-gathering techniques, particularly what kinds of information are desired.</p>
<p>UPDATE PROJECTION</p>	<p>-Do regularly scheduled surveys, after business is open, to review product line and determine ongoing purchasing trends.</p>	<p>-Based on previous months and weeks, what sort of volume can reasonably be anticipated?</p>	<p>-Make an optimistic forecast for the year including types and times of corresponding promotion.</p>	<p>-Impress upon Guild the necessity for constant awareness of market demands.</p>
<p>PROMO ADVERTISING</p>	<p>-Break down types of promotion(advertising, coupons, sales) and build timeline for implementing.</p>	<p>-Based on surveys, decide what products need most advertising. -How would you find what kind of promotion is most effective for different products?</p>	<p>-How would the competitions' activity influence your own promotion?</p>	<p>-To the Guild- get across the fact that to survive and compete, promotion is crucial.</p>
<p>EXPANSION</p>	<p>-What might surveys tell you about opportunities to broaden your market geographically?</p>	<p>-How would promotional techniques differ when used in another community?</p>	<p>-How would projected sales affect future promotion? -What would an intentional model for that promotion look like?</p>	<p>-To survive in business, growth is essential. The Guild must be shown this, and the steps to achieve it.</p>

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