



What Is This Module About?

Have you thought of putting up your own business? Do you have any ideas for a business that will succeed? If you have one, that's very good! You have probably thought of starting your business and making your idea a reality. If you are thinking about what important things you should consider when starting a business, then this module is for you. In this module you will learn how to handle the money of your business. You will also learn about the importance of quality products and good customer service. All these are important in running a business.

This module has two lessons:

Lesson 1 – *Money: The Blood of Any Business*

Lesson 2 – *Customer Service Is the Key to Success!*

This module is actually the continuation of another NFE A&E module entitled *Planning Your Business Part 1*. It is best for you to read this first part before studying this present module.



What Will You Learn From This Module?

After studying this module, you should be able to:

- ◆ discuss the components of a financial plan;
- ◆ describe how to compute the budgetary requirements you need to start a business;
- ◆ identify some government institutions or agencies that may provide funding to small businesses;
- ◆ explain the advantage of keeping records;
- ◆ demonstrate how to accomplish basic accounting records;
- ◆ discuss the importance of customer satisfaction; and
- ◆ discuss the role of quality in products and services.



Let's See What You Already Know

Answer the questions below to check how much you already know about this topic.

- A. In the box below are words that comprise the different components of a financial plan. Study them carefully.

- | | |
|-----------------------|-------------------------|
| a. Major Assumptions | f. Sources of Funding |
| b. Mode of Production | g. Utilities |
| c. Product | h. Financial Statements |
| d. Total Project Cost | i. Bank Loan |
| e. Time Frame | j. Financial Analysis |

Choose the correct word or phrase in the box and match it to the sentence below that provides the correct description. Write the letter of your answers in the blanks provided.

- _____ 1. This describes how much money you will need to start the business.
- _____ 2. This refers to the assumed prices, figures and other things that you placed on your financial plan.
- _____ 3. This describes the relationship between each of the financial figures in your plan. This section describes in more detail what you feel the financial situation of your business will be in the future.
- _____ 4. This explains where the money to be used for the business will come from. This section describes who will provide the funds for the project.
- _____ 5. This section shows how much profit you expect to make over the next months. It includes your own expectations of your sales, expenses and income. It also includes a description of where the money for your business comes from and how it is used.

B. Pretend that you are setting up a small *sari-sari* store. In setting up a business, you will naturally have to spend a certain amount. Which of the following do you have to consider when you estimate the money you need to put up your business? Put a check mark (✓) in the space before each correct answer.

- _____ 1. Payment for license to operate the sari-sari store.
- _____ 2. Calling friends in other countries to tell them about the store.
- _____ 3. Buying the initial inventory of goods to be sold in the store.
- _____ 4. Setting aside an amount for credit purchases or *listahan*.
- _____ 5. Deciding whether the store has been profitable or not.
- _____ 6. Estimating the cost of the utilities (like water and electricity).
- _____ 7. Estimating the cost of constructing a store.
- _____ 8. Keeping the costs of the store very low.

C. 1. There are government agencies that can help you borrow money to set up a small business. What is the name of the government agency that was created by RA 8289 (The Magna Carta for Small Enterprises) which helps finance small businesses?

2. What are the basic requirements needed for you to apply for a loan?

D. Explain why it is important to keep accounting and other records when running a business. Write your answer in the space provided below.

- E. In the box below are terms used in the field of business. Study them carefully and match the terms with the correct description below. Write the letter of the word in the box in the blank before the sentence that correctly describes the term.

a. Gross Sales	d. Expenses
b. Total Assets	e. Accounts Receivable
c. Total Liabilities	f. Owner's Equity

- ___ 1. The total amount of money you received from your customers. It is the total amount that was paid by customers for the products or services you sold. This also includes the customers who bought and promised to pay you later on.
- ___ 2. The amount of money that you spend to keep your business running. This includes the cost of your products, the utilities you pay for, and salaries paid to your employees.
- ___ 3. The total value of all the assets of the business. This includes the equipment, the cost of constructing the building, the cost of the products you have in stock, and the amount of cash available.
- ___ 4. This tells how much sales is made to your customers on credit, or *lista*. This includes the names of those who promised to pay you as well as the amount they owe you.
- ___ 5. This includes the amount that your business owes to other people. This includes salaries that have not yet been paid, credit given by your suppliers, and bank loans.
- ___ 6. This includes how much money each owner of the business has invested. It includes the names of each owner and how much money each has contributed to start the business.

- F. Why is it very important to consider customer satisfaction when running a business? Write your answer in the space provided below.

- G. How can the quality of the products and services affect the success or failure of your business? Write your answer in the space provided below.

Well, how was it? Do you think you fared well? Compare your answers with those in the *Answer Key* on pages 42–44.

If all your answers are correct, very good! This shows that you already know much about the topics in this module. You may still study the module to review what you already know. Who knows, you might learn a few more new things as well.

If you got a low score, don't feel bad. This means that this module is for you. It will help you understand important concepts that you can apply in your daily life. If you study this module carefully, you will learn the answers to all the items in the test and a lot more! Are you ready?

You may now go to the next page to begin Lesson 1.

Money: The Blood of Any Business

Do you know that blood circulates in your body? You are probably aware that blood is important for your survival. Without the presence of blood in the body, you will not be able to stay alive.

A business can be compared to the human body. If the human body needs blood to survive, then any business needs money to survive. You need money to start a business and to keep it running. You have to pay for things like electricity, the cost of your inventory and salaries. You also have to receive money from your customers who buy your products and services.

In this lesson, you will learn how to properly manage the money of your business. You will also learn where you can find funds to start your business.

After studying this lesson, you should be able to:

- ◆ discuss the components of a financial plan;
- ◆ describe how to compute the budgetary requirements needed to start a business;
- ◆ identify the government agencies that can help you find money or some other capital to start your business;
- ◆ explain the importance of keeping records; and
- ◆ demonstrate how to accomplish basic accounting records.

Are you ready to begin? Very good. You can now start with the first activity.



Let's Read

One day, Violy went to visit her cousin Naida. When Violy arrived at the house of Naida, she saw Naida writing something.

Hi Naida! What are you doing?



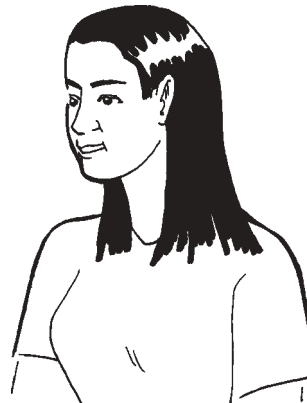
Hi Violy! I am preparing a financial plan. I am going to apply for a loan for a small store.



Wow! You are starting a business? Can you show me how it's done?

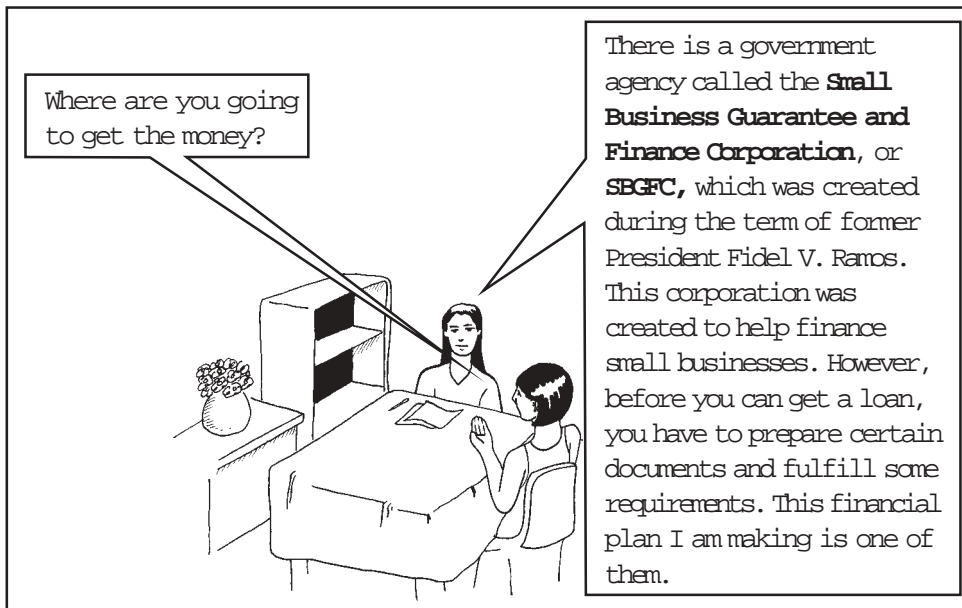


Sure, Violy! Let us go through it step by step.



I will first prepare a financial plan. I need to write this down on paper because this will be reviewed by the one considering my loan. I have to show them how I plan to manage my business. They will be very interested in how I will manage the money of my business and how much I expect to earn. These are the things that are very important when you are starting a business.





The financial plan has to contain the following:

1. The present prices of goods or utilities and other things that are related to your business. You will use these figures to estimate how much you expect to earn and spend.
2. How much money you will need to start the business.
3. An explanation of where the money to be used for the business will come from. This section describes who will provide the funds for the project.
4. An estimate of how much profit you expect to make over the next months. It includes your own expectations of your sales, expenses and income. It also includes a description of where the money for your business comes from and how it is used.
5. An explanation of the relationship between each of the financial figures in your plan. This section describes in more detail what you feel the financial situation of your business will be in the future.





Let's Study and Analyze

Answer the questions below. Write your answers in the spaces provided below.

1. Why was it important for Naida to write down her financial plan?

2. What government agency did Naida mention? What is the purpose of this government agency?

3. In most cases, when a person or an organization lends money, they ask for many requirements. One of these things is a financial plan. Why do you think it is very important for them to carefully review everyone who is applying for a loan?

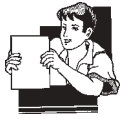
You can compare your answers with those in the *Answer Key* on page 44.



Let's Talk About This


Talk to one or two persons in your community who have a business. Ask them where they were able to get the money to start their business. You can also ask them to talk about their experiences in managing the money for their business. They might tell you about the different problems they have encountered in managing cash and other financial matters. Ask them if they think it is important to have proper management of money in their business.

You can discuss what you learned with a family member, friend or your Instructional Manager or Facilitator.



Let's Learn

Continue reading the conversation between Violy and Naida.



I learned how to write a financial plan in a seminar. I learned that a financial plan is made up of several parts. Here are the parts.

The parts of a financial plan are the following:

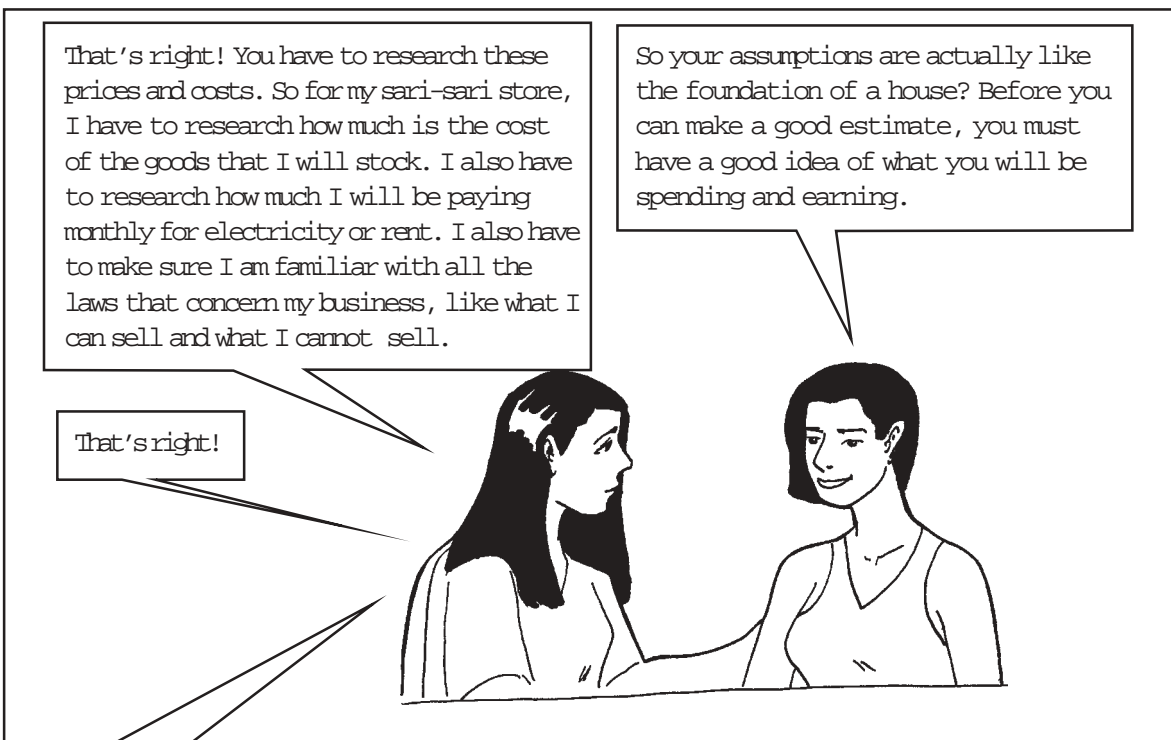
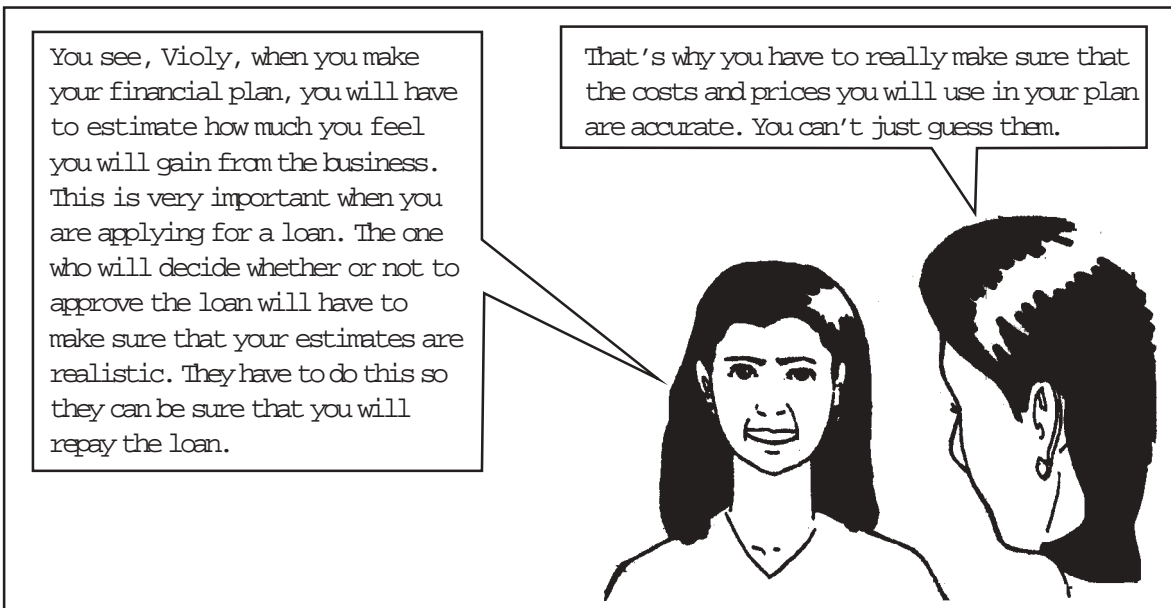
1. **Major Assumptions.** The Major Assumptions describe and explain the present prices or costs of such things as raw materials or electricity. It includes such things as the minimum wage you should pay, the cost of owning a telephone or using electricity, and any government regulations or laws that may affect your business.

It is important that your major assumptions must be:

Factual - they must be true. You should not use figures that are outdated or laws that do not exist.

Justifiable - you should be able to explain why you chose or considered those things.

Realistic- you should not set the costs or other prices too high or too low.



The next part of a financial plan is:

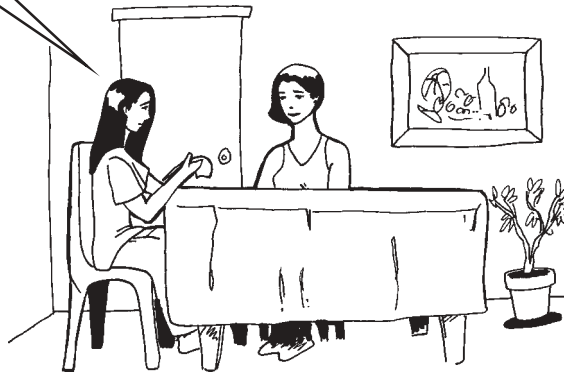
2 **Total Project Cost.** The total project cost is the amount of money that you will need to put up your business. When you are computing for the total project cost, you must consider the following:

- ◆ payment of licenses or any legal fees for setting up your business;
- ◆ any amount you must pay for rent;
- ◆ the equipment you must buy for your business;
- ◆ the salaries or wages for the first three to six months of running your business;

- ◆ the initial amount you must pay for your inventory of goods or raw materials;
- ◆ the amount you will pay to cover the cost of electricity or other utilities like telephone and water; and
- ◆ any other expenses that you might not expect. You can also call this **miscellaneous costs**.

So in the case of my store, I have to calculate the following costs:

1. Payment for license to operate the sari-sari store.
2. Buying the initial inventory of goods to be sold in the store.
3. Setting aside an amount for credit purchases or *lista*.
4. Estimating the cost of the utilities like electricity, water and telephone services.
5. Estimating the cost of constructing the store.
6. Buying equipment such as a weighing scale.
7. Any other expenses that might be needed.



It sounds so complicated. Won't you make a mistake?

It can be a bit confusing at first. But if you study it carefully, you will understand it. Let's go through this step by step...




Let's try to calculate how much money Naida will need to set up her store.


Pretend that we have gotten the estimated costs for each of the things that Naida needs in setting up her store. Here is the total amount of money Naida will need to set up her store:

Payment of license to operate and legal fees:	₱ 12,000
Initial inventory of goods to be sold:	₱ 45,000
Setting aside amount for <i>lista</i> :	₱ 10,000
Cost of water, electricity, etc.	₱ 2,500
Cost of building the store:	₱ 10,000
Weighing scale:	₱ 4,000
Miscellaneous costs:	₱ 8,000
TOTAL AMOUNT NEEDED:	₱ 91,500

So Naida will need ₱91,500 in order to set up her sari-sari store.



That seems like a very big amount! Where will you get that kind of money?



That's a good question, Violy! That is the next part of the financial plan.

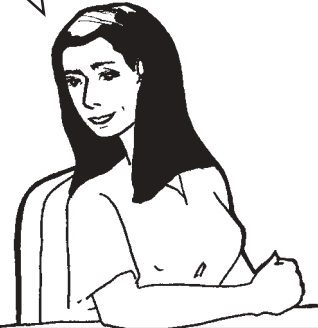
The next part of the financial plan is:

3. **Sources of Financing the Project.** This part talks about and identifies where the money needed to set up the business will come from. This section identifies the owners of the business and how much each of them will put into the business. The organizations or persons who will loan money to set up the business should also be written down. Along with each person or organization who will provide money, you should also write how much each will give.

So, Naida, who is going to provide money for your store? You said earlier that you were applying for a loan?



Well, I have saved about ₱30,000 already from the remittances of Kuya Boy. I will apply for a loan for the rest of the amount needed. That's about ₱61,500.



You mentioned a government agency that was created to help small businesses? What was the name of that agency again?



That agency I was talking about is the **Small Business Guarantee Fund Corporation**, or **SBGFC**. This agency guarantees loans to small businesses by certain banks.



The **SBGFC** was created during the term of former president Fidel V. Ramos, through **R.A. 8289**. This republic act is also known as the **Magna Carta for Small Industries**, and it is really meant to help small business owners find money to start or run their business. The SBGFC guarantees loans made by certain commercial banks to small business owners. You can apply for a loan through a commercial bank or directly to the SBGFC. There are many SBGFC offices all over the Philippines. Of course, they will still have to review your application. That's why making a good financial plan is very important. They will look at your financial plan to determine if they can approve the loan.



So if you present a good idea and a good financial plan, they should approve your loan?

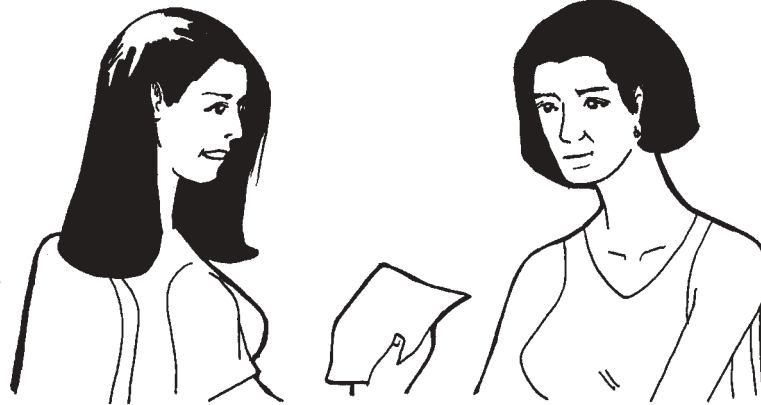


That's correct! I'm glad that there are agencies that are there to help us start a business!



So for my sari-sari store, I will write down that ₱30,000 will come from me, and the ₱61,500 will come from a loan by a commercial bank or the SBGFC.

I see. You have to clearly indicate who provided the money for the business.



Let's go on to the last two parts of a financial plan.

The next part of the financial plan is:

4. **Preparation of Financial Statements.** In this section, you have to estimate how much you will earn from your business. You have to become familiar with some accounting terms often used in this section. You will have to estimate the following information:

Gross Sales: this is the total amount of goods or services you sold to customers. It is the total amount of money you received from your customers. This also includes the customers who bought and promised to pay you later on.

Expenses: this is the amount of money that you spend every month to keep your business running. This includes the cost of your products, the utilities you pay for, and salaries paid to your employees.

Net Income: this is the amount of money you actually earned. You get this by taking the Gross Sales and subtracting the Expenses. If your gross sales is higher than your expenses, then you are earning money. If your expenses are more than your gross sales, then you are losing money. An amount from the net income may also be subtracted to pay taxes.

Total Assets: this is the value of all the property and cash of the business. This includes the equipment, the cost of constructing the building, the cost of the products you have in stock, and the amount of cash available.

Accounts Receivable: this is the amount of money owed to you by your customers. These are sales made to your customers on credit, or *lista*. This includes the names of those who promised to pay you as well as the amount they owe you.

Total Liabilities: This includes the amount that your business owes to other people. This includes salaries that have not yet been paid, credit given by your suppliers, and bank loans.

Owner's Equity: This includes how much money each owner of the business invested. It includes the names of each owner and how much each invested.

Here is the format of the financial statements...



Paper 1:

Net Income Statement March 2001	
Gross Sales:	₱40,000.00
Less: Expenses	32,000.00
Net Income	8,000.00

Paper 2:

**Naida's Store
Balance Sheet**

Assets	
Cash	₱10,000.00
Accounts Receivable	₱10,000.00
Inventory of goods	₱40,000.00
Equipment	₱ 8,000.00
Building Costs	₱15,000.00
TOTAL ASSETS	₱83,000.00
Liabilities	
Salaries owed	₱ 4,000.00
Accounts Payable	₱15,000.00
Bank Loans	₱44,000.00
TOTAL LIABILITIES	₱63,000.00
Owner's Equity	
Naida Jaudines	₱15,000.00
Earnings	₱ 5,000.00
TOTAL LIABILITIES AND OWNER'S EQUITY	₱83,000.00

The income statement tells you how much you have earned over a certain period of time. The balance sheet tells you what your money has been used for and where that money came from.



So you mean that you have to estimate your income, and the balance sheet for the next several months?

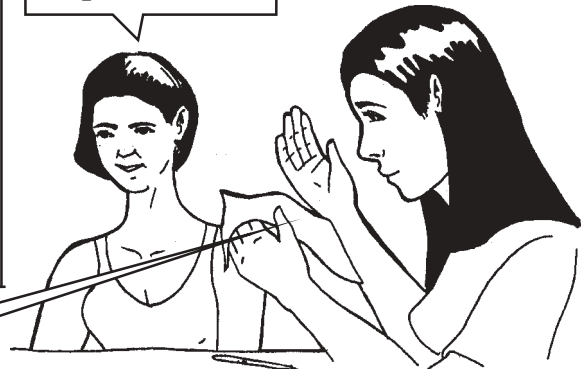


That's right, Violy! This might be the most difficult section, because you really have to think hard about how your business will grow. The figures you chose also have to be very realistic.



Maybe when I start a business, I will ask for some assistance with that part. You can help me out!


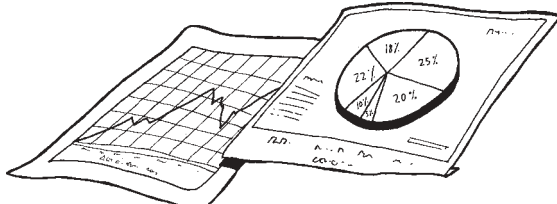
I would be very glad to!



The last section in a financial plan is the following:

- 5 **Financial Analysis.** This section describes the relationship between each of the financial figures in your plan. It describes in more detail what you feel the financial situation of your business will be in the future. This section contains figures and charts that help you analyze how good your business will do in the future. In this section, you can show how your income grows every year, or how well you can control your expenses. You can even determine whether you are earning well from your business, or if it is just better to close the business and just deposit the money in the bank.

Here are some examples of charts that can be used in the financial analysis section. This section can only be completed if you have done the section on financial statements.

Wow! All of that seems very complicated! How will I be able to complete all of that?

If you want to get it right, you should ask for assistance. There are many agencies and nongovernment organizations that help people like you and me who want to set up businesses. You should ask in your community. The Department of Trade and Industry and the SBGFC near your community should also be able to give you a list of organizations that can help you.




Let's Try This

Answer the following questions. Write your answers in the spaces provided.

A. What are the different parts of a financial plan?

1. _____
2. _____
3. _____
4. _____
5. _____

B. Republic Act 8289 is otherwise known as

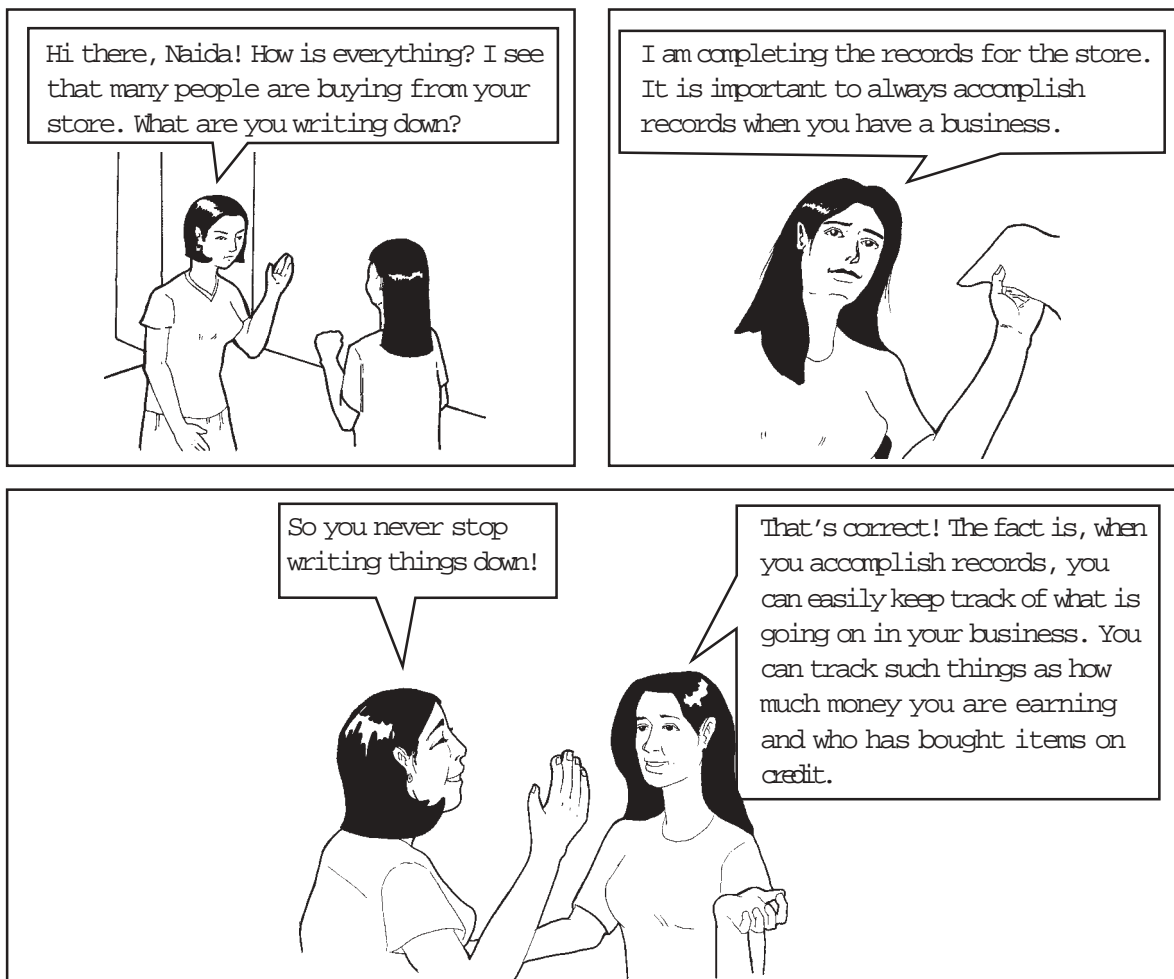
C. What agency was created by this Republic Act which would help small business owners find money to start their business? Give the complete name of this agency.

You can check your answers with those in the *Answer Key* on pages 44–45.



Let's Read

After a few months, Violy visited Naida at her new store.



Panel 1: Violy asks Naida about her store's success and what she is writing down.

Panel 2: Naida explains she is completing records for the store and emphasizes the importance of always doing so.

Panel 3: Violy asks if Naida never stops writing things down, and Naida explains that keeping records helps track business performance, earnings, and credit.



Let's Study and Analyze

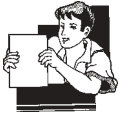
In the previous activity you were asked to read about Violy and Naida. Now answer the following questions. Write your answers in the spaces provided.

1. What was Naida doing when Violy arrived?

2. Why did Naida want to develop the habit of keeping records?

3. What made Violy realize that it is important to keep records when running a business?

You can check your answers with those in the *Answer Key* on page 45.



Let's Learn

Sometimes, you will need information about your business. This information can be used for the following:

- ◆ You might need to borrow money for whatever reason. If you have a running business, the bank or persons lending the money to you will want to look at the performance of your business.
- ◆ If you are earning a certain amount, the Bureau of Internal Revenue (BIR) will want you to pay a certain amount of tax as mandated by law.
- ◆ Sometimes you will want to check how well your business is doing. You will need to look at certain figures that show you if you are earning enough money, or if you have too many customers buying on credit.

Because you will want to check this information from time to time, you need to make records of all the transactions of your business. Some of the more important records you should keep are the following:

- ◆ the sales for the day;
- ◆ the purchases made by your customers on credit;

- ◆ the money you paid out for expenses or other items; and
- ◆ the inventory of all the products in your store.

All this information should be recorded, so you can have a more accurate picture of how your business is doing. If you do not keep records, it is likely that you will forget many things, and you will not be able to find out exactly how your business is doing. Furthermore, if you do not keep records, you will have a very hard time applying for a loan.



When you are running a business, you must try to have orderly records, so you can find things when you need them. Here are some of the records that you should keep in a place where you can easily find them:

- ◆ the bank papers for the loan you got;
- ◆ the license and legal papers you got for your business;

- ◆ your bank passbook or other bank documents or account information;
- ◆ the receipts you issued or the receipts for items you paid for; and
- ◆ receipts from paying utilities like electricity, water and telephone services.

These are important records that you might need for any reason, so you should put them in a place where you can easily find them.



Let's Try This

Answer the following questions. Write your answer in the spaces provided.

1. Give one situation where you will need accurate information about your business.

2. Why is it important for you to keep orderly records of your business?

You can check your answers with those in the *Answer Key* on page 45.

Let's See What You Have Learned

Why don't you see how much you have learned in this lesson. Answer the questions below. Write your answers in the spaces provided.

A. You are given two columns below. In the left column are the different sections of a financial plan. In the right column are descriptions of each section. Match the section of the financial plan in the left column with the correct explanation in the right column. Connect them with a straight line.

Major Assumptions

This describes how much money you will need to start the business.

Sources of Funding

Explains the prices, figures and other things that you will base your financial plans on.

Financial Statements

This describes the relationship between each of the financial figures in your plan.

Total Project Cost

Explains where the money to be used for the business will come from.

Financial Analysis

This section shows how much you expect to make over the next months.

B. What does SBGFC mean?

C. Why is the SBGFC helpful to small businesses?

D. Which of the following should be included when you are computing for the amount of money you need to start a business? Put a check mark (✓) in the space before the correct answers.

- 1. The amount that you will give to your customers as discount
- 2. Any equipment that you will need for your business
- 3. The cost of applying for a loan one year after you open
- 4. The cost of your initial inventory or raw materials
- 5. The legal fees or the licenses needed to start the business

E. Read the sentence below.

“It is not really important to keep records for your business.”

Is the sentence correct? Why or why not?

F. Identify at least five things that you have to record when you have a business. Write your answers in the spaces provided below.

- 1. _____
- 2. _____

3. _____

4. _____

5. _____

How did you do? Did you have any trouble answering any of the questions? You can check your answers with those in the *Answer Key* on pages 46–47.

If you were able to answer all the questions correctly, that's very good! You understand this lesson very well. You can now move on to the next lesson. If you had some mistakes, don't worry. Just review the parts that you did not understand very well.



Let's Remember

- ◆ When you are starting a business, it is important to remember that how you manage your money can help determine the success or failure of your business. Money is like the blood of the business, so you must learn how to keep track of the money that you use for the business.
- ◆ In this lesson you learned about the different components of a financial plan. A written financial plan is important if you need to apply for a loan for your business.
- ◆ Before you get a loan, you must estimate how much you need to start your business. These loans can be approved with the help of the Small Business Guarantee Fund Corporation, or SBGFC.
- ◆ The SBGFC is a government agency that guarantees loans made by commercial banks to small businesses. This means that SBGFC will be the one to pay the bank just in case the business owner cannot pay the loan.
- ◆ When you start your business, it is important to keep orderly records so you can easily find the information you need. You should record information such as your daily sales, your expenses and the amount of items purchased by your customers on credit. If you keep orderly records, you will be able to manage your business better.

Customer Service Is the Key to Success!

Do you remember the last time you bought something in the store? Were you very happy with the product you bought? Did it last long, or did it break after a short while?

When you buy a product that lasts long, you will probably buy the same product again, right? Likewise, when you buy a product that does not last for a long time, you will probably say to yourself, “I don’t want to waste my money on that product any more!”

When you go to a store, don’t you feel happy when people treat you with respect, and try to give you good service? You would probably buy things very often in a place where you get good service, right?

In this lesson, you will learn the importance of customer service when running a business. Sometimes, your customers will complain about the products you are selling, or they may have many questions that you have to answer. The important thing is that when you are running a business, the customer should be considered as the most important part of it. Without customers, your business will never succeed.

After studying this lesson, you should be able to:

- ◆ explain why providing good customer service should become a good habit when you are running a business; and
- ◆ identify the role of quality in products and services.

Are you ready to start? Very good! You can now move on to the first activity of this lesson.



Let's Think About This

Try to remember three products that you bought which you feel were not of good quality. Think of the products that you bought which broke easily or made you feel that you have wasted your money. Try also to remember three things that you bought which you feel were of good quality. Think of the products that you bought which lasted for a long time. Write down the products on the spaces provided below.

Poor Quality Products:

1. _____
2. _____
3. _____

Good Quality Products:

1. _____
2. _____
3. _____

Which of these products would you buy again? Write your answers in the spaces below.

Describe how you feel about the poor quality products. Write your answer below.

You can discuss your answers with a family member, your friends or your Instructional Manager or Facilitator.

Whenever you buy products of poor quality, you probably feel very disappointed. You work hard to earn your money, and when you buy a product that breaks or wears down easily, you feel very bad about it. Maybe you even feel that you have wasted your money on that product. The point is, as a customer, you have the right to demand quality products as long as the price is right.

When you are running a business, you are responsible for providing quality products or services to your costumers. That means if your products or services are not good, people will feel disappointed. Those who buy your products will feel just the way you do when you buy products that are of poor quality.



Let's Try This


Read the two situations below. Think about each situation very carefully.

- A. Ludy was fixing some of the inventory in her store when she dropped some of the products. When she inspected the products, she saw that some of them were damaged. What should she do? Study the two situations below.

She can react this way:

1


These items are slightly broken, so I will not sell them anymore. I should not sell these to my customers. I will have to pay for them myself, even if I will not gain anything.



Or she can react this way:

2

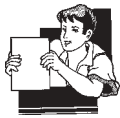
These items are slightly broken. I can just position them in a way that they look like there is no damage at all. I can still sell them. If someone complains, I can just say that he might have dropped the item himself.



Which do you think is the better attitude? Think about how the customer will feel in each case. Which attitude do you think is a good example of providing good service to customers? Write the number of your choice and explain why you chose that answer. You can write your answers below.

- B. Pretend that you were the one who bought the damaged items from Ludy. When you went to return the item, she told you that you might have been the one who damaged the item. How would you feel about buying things at Ludy's store?

You can check your answers with those in the *Answer Key* on page 47.



Let's Learn

Customer service. What comes to your mind when you hear or think of those two words? If you look at the two words closely, you will see that customer service involves two important things.

1. **Customer** - Always remember that customers are important to successful business. Without customers, you would not have any business to speak of. That is why it is very important that your customers are always satisfied with the products and services that you offer. Never think that your customers will always buy from you no matter what. You must always make sure that you don't disappoint them. If they don't like the services and products that you sell, they will just buy from someone else.
2. **Service** - When you run a business, you must always think that your customer is the person who keeps your business running. Always remember that your customers are not asking you to sell something to them. It is actually you who are asking them to buy from you. Because of this, you must always do your best to make sure that you take care of the needs of your customers very well. This is what *service* is all about—you must make an effort to show your customers that you are thankful that they bought things from you.



Let's Try This

Delia has just opened a small parlor. She has many customers. However, she has not yet developed the attitude of good customer service. Can you help her find better ways of dealing with certain situations? Below are some typical situations. Study Delia's responses to the customers' queries or complaints. Try to suggest a better response. Keep in mind the importance of good customer service. Write your answer in the spaces beside each picture.

A customer comes in and Delia is talking with her friend on the phone. The customer waits for five minutes before Delia puts down the phone and attends to him.



1. What would you suggest?

When Delia is not in a good mood, she is not friendly or nice to her customers. She just frowns and looks angry.



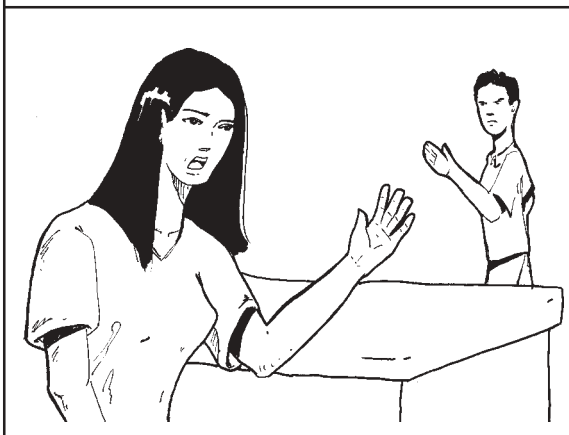
2. What would you suggest?

Sometimes, when costumers do not have the exact amount, Delia becomes irritated at them. She gets irritated and does not smile.



3. What would you suggest?

When a customer complains about the service, she gets irritated and tells them not to come back anymore.



4. What would you suggest?

You can check your answers with those in the *Answer Key* on page 48.



Let's Read

Mang Domeng put up a vulcanizing shop. He wanted to earn money fast, so he bought very cheap materials that were not of good quality. One day, some customers came to him to have their tires fixed. When he fixed their tires, he used the poor quality materials. Mang Domeng also charged his customers high rates.

After a few days, the customers had problems with their tires. The tires repaired by Mang Domeng had to be vulcanized again. Some of the customers brought back the tires to Mang Domeng's shop, but others decided to have them repaired somewhere else. When Mang Domeng repaired the customers' tires, he again used the same poor quality materials and charged the customers again.

After a few days, the customers' tires were having problems again. This time, they did not bring the tires to Mang Domeng. They thought that they were just wasting their money on poor quality work. Instead, they brought the tires somewhere else to be repaired.



Let's Study and Analyze

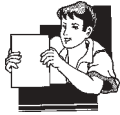
How did you like the story of Mang Domeng? Were you able to pick up some lessons from reading his story? Answer the questions below. Write your answers in the spaces provided.

1. Why did Mang Domeng use cheap materials for vulcanizing?

2. What happened to the customers' tires after they were repaired by Mang Domeng?

3. Do you think that any of those customers would have their tires vulcanized again by Mang Domeng? Why or why not?

You can compare your answers with those in the *Answer Key* on page 48.



Let's Learn

Do you think quality service is important when you are running a business? If you think that it is important, you are correct! When people buy products, they usually look for products that are of good quality and which they can afford. When you try your best to make your products or services durable, people will probably buy from you again. Usually, when someone buys a product that breaks or wears out easily, she or he will get disappointed and will not buy from you again. When you have good quality products and services, you have a much better chance that your business will be successful.

Make good quality products or services a habit in running your business. All you need to do is to always make an extra effort to give your customers the best products or services that you can give them. How do you do this? Why don't we try a little exercise?

Try to think about everything you would want when you buy a product or service. Think about how long you wish that product would last and how useful or satisfying it would be for you to use that product. You should also think about the person selling that product to you. What do you wish she or he would do or say to make you feel special? When you think of these things, remember them. That is what you should also try to give to your customers.



Let's Try This

Answer the following questions. Think about the quality that you wish for when you buy something just as what we have done in the previous exercise.

1. Do you remember Mang Domeng and his vulcanizing shop? If you were Mang Domeng's customer, what kind of service do you wish he would give you? Write your answers in the spaces below.

2. If you had your own vulcanizing shop, what would you do to give your customers the best that you could give them?

You can check your answers with those found in the *Answer Key* on page 48.



Let's See What You Have Learned

Did you enjoy studying this lesson? Why don't you check how well you understood the lesson? Answer the test below.

- A. Pretend that you bought a product or service. Which of the following do you think shows that the owner of the business practices good customer service? Put a check mark (✓) in the blank before the correct answer.

- ___ 1. The saleslady smiles and greets you.
- ___ 2. When you want to buy something, you have to wait for a long time before you can get assistance.
- ___ 3. When you buy a defective item, they will replace it and apologize to you for the inconvenience.
- ___ 4. They make sure that the products and services they provide are of good quality.
- ___ 5. They ask you to pay the exact amount because they do not have enough change.

- B. Do you think that your customers will be happy if you do not provide them with quality products and services? Why or why not?

C. What should you do in order to make the provision of good quality products/services a habit?

How did you do? You can check your answers with those in the *Answer Key* on page 49.

If you were able to answer all the questions correctly, that's very good! That means you understood this lesson very well. You can now go on to the final section of this module.

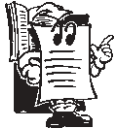
If you had some mistakes, don't worry. Just review the parts of the lesson that you did not understand very well.



Let's Remember

In this lesson you learned about quality customer service. When you are running a business, you must always remember that if no one buys your products or avails of any services from you, your business will not survive. Customers are the most important part of any business.

Since the customer is the most important part of the business, you should try your best to keep your customers satisfied. You should always give them the best that you can give. You should develop this habit of providing good quality customer service if you want your business to be successful. It may sound hard to do, but if you keep thinking about how you would feel if you did not get good quality products and services yourself, then you will soon understand why quality customer service is so important.



Let's Sum Up

In this module you learned about two important things in business. In the first lesson, you learned about how to manage your money. You learned about the different parts of a financial plan and why it is important to have one written. You also learned how to estimate how much money you will need to start a business, as well as the government agency that will help you find the money to start the business. This government agency is called the Small Business Guarantee Fund Corporation, or the SBGFC.

Record keeping is an important part of running a business. You learned that records are important because they provide you with the information that you need. You don't have to worry about forgetting things when you have records, because all the information about your business is written down.

Finally, you learned about the importance of quality customer service. In Lesson 2, you learned that quality customer service is very important when running a business. You learned that the customer is the most important part of any business, and that you should develop the habit of giving good quality products and services to your customers. If you can develop these good habits, you will be one step closer to making your business a success!



What Have You Learned?

Did you enjoy learning about the important things you need when you want to set up a business? Why don't you check how much you learned from this module? Do the exercises below.

- A. Inside the box are the different sections of a business financial plan. In the blanks, write down the five sections of a financial plan in order and give a short explanation about each section.

Financial Analysis

Total Project Cost

Sources of Funding

Major Assumptions

Financial Statements

1. _____

2. _____

3. _____

4. _____

5. _____

B. Name at least five things you need when you are computing how much money you will need to start a business. Write your answers in the blanks below.

1. _____

2. _____

3. _____

4. _____

5. _____

C. Freddy wants to put up a small business. He has a good idea, but he doesn't have enough money to start it. What government agency can he go to for assistance? Give the complete name of this government agency and explain how it can help Freddy get the money he needs to start his business.

D. A friend of yours just set up a business. When you went to visit, you saw that your friend does not keep any records of her business transactions. How will you explain the importance of keeping records to her? Write your answer in the blanks below.

E. Complete the words below. Each word describes something that you should record when running your business.

1. A_____ P_____

2. A_____ R_____

3. Ex_____

4. G_____ S_____

F. Below are different situations followed by different ways of reacting to such situations. Choose the one that shows good customer service and quality products. Think about which answer gives the best quality or service to the customer. Encircle the letter of the best answer.

1. A customer comes to you for help with a defective product that he bought from you. How will you respond?

a. You will tell him that it is not your problem anymore.

b. You will ask him what the problem is and apologize for the inconvenience.

c. You will ignore him till he gives up and goes away.

2. You own a carinderia. One day, your supplier offers you some ingredients at a very low price. She says they are cheap because they are her old stock and are no longer fresh. If you buy the ingredients, you will be able to make more profit, but you will not be serving food with fresh ingredients. What will you do?

a. You will not buy the ingredients.

b. You will buy the ingredients and use them right away.

c. You will only buy some of the ingredients.

3. A customer pays you with a ₱1,000 bill but the product she bought amounts only to ₱150.00. Since you do not have enough change yet, how will you react?
 - a. You will show your irritation to the customer by frowning and acting irritated.
 - b. You will apologize to the customer for the inconvenience and try to look for change if you can.
 - c. You will ask the customer what she or he wants you to do.

4. You put up a small business of making T-shirts. You won a contract to supply 5,000 T-shirts. What will you do?
 - a. You will use the best materials you can afford and sew the T-shirts very well.
 - b. You will use the downpayment to buy a television or karaoke.
 - c. You will try to increase your profit by using the cheapest materials you can find but without considering the quality.

5. You want to make quality products and services a habit. What is the best way to do this?
 - a. Do not care about your customer.
 - b. Always try to make as much profit as you can.
 - c. Always make an extra effort to give your customers the best product or service that you can give them.

How did you do? You can check your answers with those in the *Answer Key* on pages 49–51.

If you were able to answer all the questions correctly, that's very good! That means you learned a lot about the important things needed to set up and run a business. You can now move on to the next module.

If you had some mistakes, don't worry. Just study the parts of the module you did not understand very well.



Answer Key

A. Let's See What You Already Know (pages 2–5)

1. (d) **Total Project Cost** describes how much money you will need to start the business.
2. (a) **Major Assumptions** refers to assumed prices, figures and other things that you placed in your financial plans.
3. (j) **Financial Analysis** describes the relationship between each of the financial figures in your plan.
4. (f) **Sources of Funding** explains where the money to be used for the business will come from.
5. (h) **Financial Statements** shows you how much you expect to make over the next several months.

B. You should have checked the following:

- ___4___ 1. Payment for license to operate the sari-sari store.
- _____ 2. Calling friends in other countries to tell them about the store.
- ___4___ 3. Buying the initial inventory of goods to be sold in the store.
- ___4___ 4. Setting aside an amount for credit purchases or *listahan*.
- _____ 5. Deciding whether the store has been profitable or not.
- ___4___ 6. Estimating the cost of the utilities.
- ___4___ 7. Estimating the cost of constructing the store.
- _____ 8. Keeping the costs of the store very low.

- C. 1. The name of the government agency created through Republic Act 8289 is called the Small Business Guarantee Fund Corporation (SBGFC).
2. When you apply for a loan, you must make sure that you have a well-written financial plan that they can review.
- D. It is important to keep accounting records so that when you need the information, you can easily find it. Sometimes you will need information about your business in order to apply for a loan, to pay taxes, or to find out how your business is doing. You also don't have to worry about forgetting such information.
- E. 1. (a) **Gross Sales** is the total amount of money you received from your customers. It is the total amount that was paid by customers for the products or services you sold. This also includes the customers who bought things and promised to pay you later on.
2. (d) **Expenses** is the amount of money that you spend to keep your business running. This includes the cost of your products, the utilities you pay for, and salaries paid to your employees.
3. (b) **Total Assets** is the total value of all the assets of the business. This includes the equipment, the cost of constructing the building, the cost of the products you have in stock, and the amount of cash available.
4. (f) **Accounts Receivable** includes how much is sold to your customers on credit, or *lista*. This includes the names of those who promised to pay you, as well as the amount they owe you.
5. (c) **Total Liabilities** includes the amount that your business owes to other people. This includes salaries that have not yet been paid, credit given by your suppliers, and bank loans.
6. (g) **Owner's Equity** includes how much money each owner of the business has invested. It includes the names of each owner and how much each has invested in the business.

- F. You can make quality products and services a habit by always making an extra effort to give your customers the best that you can give them.
- G. When you have poor quality products, customers will feel that they are wasting their money if they buy from you.

When you have good quality products, customers will surely buy from you again. When you sell good quality products and services, you are giving your customers the best you can give them.

B. Lesson 1

Let's Study and Analyze (page 9)

1. Naida needed to write down her financial plan because she wanted to apply for a loan for the business she wanted to set up.
2. The government agency that Naida mentioned is the **Small Business Guarantee Fund Corporation** or **SBGFC**. This government agency was created through Republic Act 8289 to help those who want to start a business. The SBGFC helps small business owners find money to start their businesses.
3. It is important for a bank or organization to carefully review those asking for a loan because they have to be sure that the person or business owners borrowing the money will be able to pay back the money they borrowed.

Let's Try This (pages 18–19)

- A.
 1. Major Assumptions
 2. Total Project Cost
 3. Sources of Funding
 4. Financial Statements
 5. Financial Analysis
- B. Republic Act 8289 is otherwise known as the **Magna Carta for Small Industries**.

- C. The agency that was created through this Republic Act which would help small business owners find money for their business is called the **Small Business Guarantee Fund Corporation**.

Let's Study and Analyze (pages 20–21)

Your answers must be similar to these.

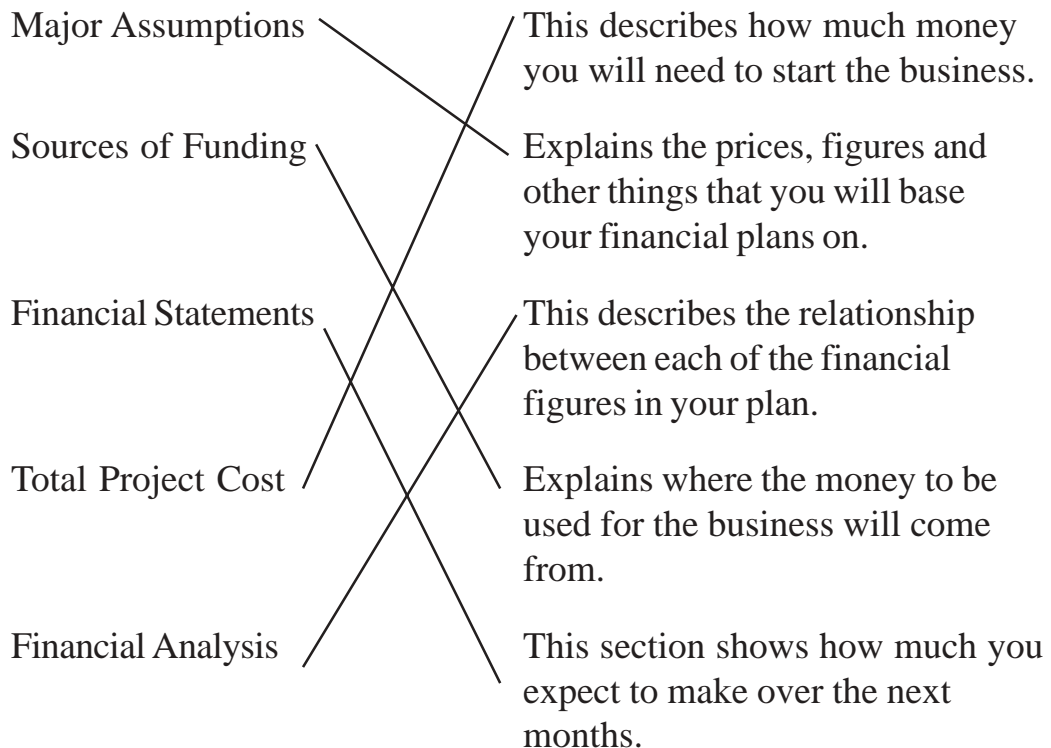
1. When Violy arrived, Naida was completing the records for her business.
2. Naida wanted to develop the habit of completing records because when her business gets bigger, she will have a hard time keeping track of everything going on in the business. She wanted to have all the information where she could easily find it.
3. Violy realized that it is difficult to remember everything about a business. She realized the importance of keeping orderly records to facilitate generation of data and information and to keep track of the progress of the business.

Let's Try This (pages 23–24)

1. Here are the situations in which you might need information about your business:
 - ◆ you need to apply for a loan;
 - ◆ you have to find out how much taxes you should pay; or
 - ◆ you want to know how your business is doing.
2. It is important to keep orderly records of your business so that you can find the information you need easily. You also don't have to worry if you cannot remember some things, because they are written down and put in a place where you can easily find them.

Let's See What You Have Learned (pages 24–26)

A.



B. SBGFC means Small Business Guarantee Fund Corporation.

C. The SBGFC is helpful to small businesses because it guarantees the loans of small businesses from commercial banks. This way, it helps business owners find money for their businesses.

D. You should have checked the following:

- ___ 1. The amount that you will give to your customers as discount.
- 4 2. Any equipment that you will need for your business.
- ___ 3. The cost of applying for a loan one year after you open.
- 4 4. The cost of your initial inventory or raw materials.
- 4 5. The legal fees or the licenses needed to start the business.

- E. The sentence is not correct. It is very important for you to keep records of your business so you can easily find the information when you need it. When you write things down and keep orderly records, you don't have to worry about forgetting things, because you can easily find the information that you need.
- F. Here are the things you should record when you have a business:
- ◆ the bank papers for the loan you got;
 - ◆ the license and legal papers you got for your business;
 - ◆ your bank passbook or other bank documents or account information;
 - ◆ the receipts you issued or the receipts for items you paid for;
 - ◆ receipts from paying utilities like electricity, water and telephone services;
 - ◆ the sales for the day;
 - ◆ the purchases made by your customers on credit;
 - ◆ the money you paid out for expenses or other items; and
 - ◆ the inventory of all the products in your store.

C. Lesson 2

Let's Try This (pages 29–30)

- A. The better reaction is shown in Picture 1. If you have defective items you should no longer sell them, because you would be giving your customers products that are of poor quality.
- B. Here is a sample answer. Your answer should be similar to this:

I would feel very disappointed if I bought a product of poor quality. I probably would not buy from that store again.

Let's Try This (pages 31–32)

Your answers should be similar to these.

1. Delia should put down the phone and attend to her customer first before attending to her friend's phone call. She should apologize to her customer for making him/her wait.
2. Even if Delia is not in a good mood, she should still be nice to her customers. She should always try to have a pleasant attitude when dealing with her customers.
3. Even if the customers do not have exact amount for the things they bought, Delia must not get angry with them. Instead, she should apologize for not having enough change. If she can, she should try to look for change for the customer.
4. Delia should ask politely what the complaint is all about. She should welcome comments or feedback from customers because these are information that she can use to improve her customer services.

Let's Study and Analyze (page 33)

Your answers must be similar to these.

1. Mang Domeng used cheap materials because he wanted to make more profit in the shortest possible time.
2. They had to be repaired again. The vulcanizing patch was of poor quality, so it did not last long. The customers had to bring back the tires for more repair.
3. The customers would probably not go to Mang Domeng anymore because he did not give them quality service.

Let's Try This (pages 34–35)

Below are sample answers. Your answers should be similar to these.

1. I wish Mang Domeng would do a good job. He should give the best service and materials because he is charging a very high rate.
2. I would make sure that I will use good materials and that I will fix the tires very well so that my customers would not complain later on.

You can discuss your answers with a family member, a friend, or with your Instructional Manager or Facilitator.

Let's See What You Have Learned (pages 35–36)

A. You should have checked the following:

- 4 1. The saleslady smiles and greets you.
- ____ 2. When you want to buy something, you have to wait for a long time before you can get assistance.
- 4 3. When you buy a defective item, they will replace it and apologize to you for the inconvenience.
- 4 4. They make sure that the services they provide are of good quality.
- ____ 5. They make you look for change because they do not have enough change.

B. Your customers will not be happy if you do not provide them with good quality products and services. They will feel like they are wasting their money and they will probably not buy from you anymore.

C. You should always make an extra effort to provide your customers with the best that you can give them.

D. What Have You Learned? *(pages 38–41)*

- A. 1. **Major Assumptions** explains the prices, figures and other things that you will use as basis in the preparation of your financial plan.
- 2. **Total Project Cost** describes how much money you will need to start the business.
- 3. **Sources of Funding** explains where the money to be used for the business will come from.
- 4. **Financial Statements** shows how much profit you expect to make over the next several months.
- 5. **Financial Analysis** describes the relationship between each of the financial figures in your plan.

B. Here are the things you need when you are computing how much money you need to start a business:

- ◆ payment of licenses or any legal fees for setting up your business;
- ◆ any amount you must pay for rent;
- ◆ the equipment you must buy for your business;
- ◆ the salaries or wages of the personnel for the first three to six months of running your business;
- ◆ the initial amount you must pay for your inventory of goods or raw materials;
- ◆ the amount you will pay to cover the cost of electricity or other utilities like telephone and water; and,
- ◆ any other expenses that you might not expect. You can also call this **miscellaneous costs**.

C. You can tell Freddy about the Small Business Guarantee Fund Corporation or SBGFC. This government agency helps small business owners to find money for their businesses.

D. You can tell your friend that it is very important for her to keep records of her business so she can easily find the information she needs. When she writes things down and keep orderly records, she doesn't have to worry about forgetting things because she can easily find the information that she needs.

E. 1. Accounts Payable 3. Expenses
2. Accounts Receivable 4. Gross Sales

F. 1. (b). It is not the customer's fault that she/he bought a defective product. You should remember that you have to give the best you can give to your customers, so you should apologize for any inconvenience and do what you can to help her/him.

2. (a). You should not buy the ingredients because they are not fresh. Your customers might get sick if you use ingredients that are not fresh or ingredients that may even be spoiled. Remember to give your customers the best you can give them.
3. (b). Remember that you are supposed to serve the customer and try to give the best service you can give. This includes simple things like having enough change to give. You should not get mad at your customers or show irritation, because if they feel that they are not welcome, they will not come back to you again.
4. (a). Since you should always do the best that you can for your customers, it is important that you make the T-shirts with the best materials you can afford. You should also make the T-shirts very durable so they will last long. Remember that the person who will use the T-shirt is a person, just like you, who would also like to have a product of good quality.
5. (c). The best way to make the provision of quality products and services a habit is to always make an extra effort to give your customers the best products or services that you can. If you make provision of good quality a habit, you will not lose customers. With this, you gain not only more money but also more friends.



Glossary

Accounts receivable This is the amount of money owed to you by your customers; sales made to your customers on credit or *lista*

Customer service The habit of serving your customers well and giving them the best that you can give them

Expenses The amount of money that you spend over a certain period of time to keep your business running; includes the cost of your products, the utilities you pay for, and salaries paid to your employees

Major assumptions A section in a financial plan that explains the prices, figures and other things that you will base your financial plans on

Financial statements A section in your financial plan which shows how much you expect to make over the next several months

Financial analysis A section in your financial plan that describes the relationship between each of the financial figures in your plan

Gross sales This is the total amount of the goods or services you sold to customers. It is the total amount of money you received from your customers. This also includes the customers who bought something from you and promised to pay you later on

Net income The amount of money you actually earned; can be obtained by taking the Gross Sales and subtracting the Expenses

Owner's equity This includes how much money each owner of the business has invested, the names of each owner, and how much each has invested in the business

Product quality This is how well a product is made; a product of good quality attracts more customers

Total assets The value of all the property and cash of the business; includes the equipment, the cost of constructing the building, the cost of the products you have in stock, and the amount of cash available

Total liabilities This includes the amount that your business owes to other people, salaries that have not yet been paid, credit given by your suppliers, and bank loans

Total project cost A section in the financial plan that describes how much money you will need to start the business

Sources of funding A section in the financial plan that explains where the money to be used for the business will come from

Small Business Guarantee Fund Corporation or SBGFC The government agency that helps small business owners find money for their businesses



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