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TIJARA

Provincial Economic Growth Program

Advancing Private Sector Development in Iraq

How To Start a Business

DAY 1 of 5





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How To Start a Business



WORKSHOP OBJECTIVES:

By the end of this 'Workshop' you will gain a good understanding of:

- The daily tasks of a business owner
- Skill Set of an **'Entrepreneur'**
- Steps for identifying a feasible business idea
- Personal finance assessment
- Basics of conducting **'Market Research'**
- The **'Marketing Mix'**
- The fundamentals of a successful business
- The basics of **'Financial Statements'**
- How to write an effective **'Business Plan'**
- Access to Microfinance Institutions and Banks to secure financial needs for your business





OBJECTIVES - Day One

By the end of this session you will gain a good understanding of:

- **The daily tasks of a business owner**
- **Skill Set of an 'Entrepreneur'**
 - Practical and management skills necessary to be a successful entrepreneur.
 - Best ways to strengthen skill sets necessary to be successful.
- **Steps for identifying a feasible business idea**
- **Personal finance assessment**
 - Step by step process to analyze if you are financially ready to start a business.





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You as a Business Owner



Business Owner Skills

Running a business can be both exciting and rewarding. You will need a variety of skills.

1. The **Business Owner** must possess skills, such as:

- ✓ **Planning**
- ✓ **Decision making**
- ✓ **Leadership**
- ✓ **Motivating**
- ✓ **Organizing**

2. These **capabilities** lead a new business owner to success with daily tasks.





1. The daily tasks of a business owner

Running a business is not too difficult. But you need to be dedicated to your business and work for its success and be able to do many different things.

Every business is different in its nature but in order to run a successful business the owner must need:

1. Personal qualities: as a business owner you should:

- ✓ be determined to make the business a success,
- ✓ **hard working**, know what your customers need, keep your business tidy and organized.
- ✓ **careful in dealing with money**, and make sure you organize your account books.
- ✓ **prepared to take 'reasonable risk'** and confront the challenges of facing possible competition, and willing to take a reasonable risk if an opportunity arises to make some more money. Balance risks and rewards to gain optimum return on your investment.





2. The daily tasks of a business owner

1. Personal qualities: as a business owner you should:

- ✓ **be organized with your time**, have a daily schedule prepared, keep your employees aware of they need to do, make your payments to your bank and suppliers on time.
- ✓ **always be well informed**, know your market well, your competitors and suppliers, know where to buy your goods at the best prices to make a good profit. Listen to your customers carefully and know what products and services that they need.
- ✓ attend training courses and seek professional business consultancy to enhance your skills to increase the productivity of your business.
- ✓ **learn from previous mistakes**,
- ✓ **open to new ideas**, adopt good ideas and make changes when and where needed to cope with competition and to increase your sales.





3. The daily tasks of a business owner

2. Practical skills and business management skills:

- ✓ The business owner should have the skills that are directly related to the products and services the business will sell.

If you plan to start a grocery you have to know about how to select and buy grocery goods that you can sell, how to bargain for good deals with suppliers and how to transport and store the goods.

If you plan to start a business that makes clothes you need to have knitting and sewing skills.





4. The daily tasks of a business owner

2. Practical skills and business management skills:

Business management skills are those skills which help you run your business well and take care of all the different activities of the business in an efficient manner, as a business owner you need to know how to:

- ✓ deal with suppliers and deal with deliveries of goods and materials
- ✓ organize the different tasks of the business
- ✓ manage your own time so that all the different jobs get done properly, and
- ✓ organize the time of the employees, their daily work schedules and salaries





5. The daily tasks of a business owner

3. Be well informed to run your business:

Up to date information is critical for running every business. As a business owner, you need to know:

- ✓ What type of goods **‘potential customers’** want to buy.
- ✓ What similar businesses are located nearby.
- ✓ Where you can get training and business advice.
- ✓ Where to get information about money or equipment.
- ✓ Where you can buy supplies of materials and goods.
- ✓ What times people want the business to remain open.

It is very important to know as much as you can about the type of business you want to start, before you start it!





6. The daily tasks of a business owner

4. The money you need to start and run your business.

Every business needs some money to start:

- ✓ You have to select a suitable location for your business and determine the amount of rent you can afford.
- ✓ You have to buy your business needs such as tools, goods, equipment, a record book...etc
- ✓ You have to pay costs such as salaries of your workers, utilities, and rent...etc

Remember that this money will have to be spent while you start up your business and before it starts generating any profit!





7. The daily tasks of a business owner

4. The money you need to start and run your business.

You need to decide where to get the capital needed to start your business:

- ✓ Own savings?
- ✓ Family and friends?
- ✓ Microfinance institution or a from a bank?



Depending on the type of business you want to start you should consider keeping your costs low in order to start your business with the minimum money possible, you may decide to start from home with equipment you already have... Either way, you must work out how much money you will need to spend before your business earns any money.





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Are you an Entrepreneur?



1. Are you an Entrepreneur?

What are the main traits to be a successful Entrepreneur?

- **MOTIVATION** – Reasons for starting a business.
 - You want the fulfilling and satisfying experience of running your own business.
 - You want to be your own boss.
 - You see an opportunity to make more money.
 - You have a service or a product to offer that is not in the market.
 - You can offer better services or products than the competitors.
- **COMMITMENT** – Willing to work hard and make sacrifices for success.
 - You alone are responsible for the management and success of your business.
 - This means long hours giving your business your full attention.

Running a business is more than a full time job.

Running a business is a full time commitment.





2. Are you an Entrepreneur?

- **RISK TAKING** – Willing to risk your money to invest into your business.
 - Every decision has a risk and with no guarantees for success.
 - It is important to measure the risks involved with each decision.
- **DECISION MAKING** – Willing to make critical decisions under pressure.
 - You will have to make hard decisions quickly on a daily basis.
 - Avoiding making business decisions can lead to serious consequences.
 - Your success will depend on your ability to make the right decisions at the right time.
- **INITIATIVE** – Willing to be proactive in achieving success.
 - You have to make things happen and not wait for someone to tell you to act.
 - You need to set events in motion to your advantage.

Take the time to measure the risks and make well-calculated decisions.





3. Are you an Entrepreneur?

- **ADAPTABILITY** – Willing to change attitudes, views, thinking and how you view the market to support and grow your business.
 - Success is achieved when you satisfy the needs of your customers.
 - The customers needs can change over time, you should be willing to adapt.
- **DEALING WITH CRISIS SITUATIONS** – Willing to handle, perform and persevere through hard situations under pressure.
 - The most successful will persevere through many “NO” situations to get a “YES”.
 - You have to make critical decisions when times are good and when times are bad.

The ability to adapt and make critical decisions is an important trait for an entrepreneur.





4. Are you an Entrepreneur?

- **CORE TECHNICAL SKILLS** – Possess the abilities needed to provide the service or the product your business offers.
 - Examples: sewing, auto repair, plumbing, electrician, furniture maker, etc.
 - As a small business, if you or your partner do not possess these technical skills and you lose your key employee who does; your business may not survive.
- **KNOWLEDGE OF THE LINE OF BUSINESS** – Experience in the type of business you want to run.
 - Example: Furniture making business need to know:
 - What type of wood to use,
 - Where to buy wood at the best price,
 - How to select and store material,
 - Which furniture sells and the best place to sell it.
 - As a small business, you or your partner need to have the required knowledge or experience in the line of business in order to be successful.

Do you or your partner possess the skills and knowledge required for success?



5. Are you an Entrepreneur?

BUSINESS MANAGEMENT SKILLS – Practical abilities that you need to run an efficient and profitable business.

- **Marketing skills:** Ability to assess the market and decide the best way to find customers.
- **Buying Skills:** Ability to obtain essential business items economically.
- **Costing Skills:** Ability to set a price that will bring in the most customers for the highest profits.
- **Stock Control Skills:** Ability to control materials and products to avoid waste and restriction of cash flow.
- **Record Keeping Skills:** Ability to manage transactions and control finances.
- **Business Planning Skills:** Ability to develop a plan to improve your business and make a profit.
- **Negotiation Skills:** Ability to get what you need from others at a cost that adds value to your business.
- **Salesmanship Skills:** the capability of selling your products and services to your prospected customers.

Do you or your partner possess the needed traits?



Assess Your Potential as an Entrepreneur

- Honestly analyze your abilities to meet the challenges that you will face starting a new business.
- Strengthen your abilities as an entrepreneur through developing a detailed ACTION PLAN, and write down the steps you need to take to enhance your entrepreneurial skills, and complete the most important actions first.
- Better entrepreneurial skills will enhance the success of your business.



An assessment measures where you need to improve. Think about your weaknesses and what you can do to improve them.



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HAIDER'S STORY



Haider lived in a remote small village with a good size home for his family. He was considering constructing a separate dwelling with a few rooms next to his home to start a small tourist hotel for his village.

After thinking it through, Haider felt it would not work. The village was too conservative and tourists wouldn't like the idea of visiting since it was far away from the city. Since they were so far away, he was not sure how to attract tourists in the first place. Plus, the villagers might not like foreign tourists roaming around to begin with. Haider decided to drop the idea and not build the separate dwelling.



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MOHAMMAD'S STORY



Mohammad lived in a village close by with a similar idea and faced the same problems and risks of not succeeding. Mohammad knew he had to sell the idea to the community by showing them how it would benefit the village.

After thinking it through Mohammad came up with a list of benefits that was presented to the community if tourists came to the village. There were good craftsmen and skilled women who could produce souvenirs that tourists would like to buy like carpets, trinkets, and jewelry. Mohammad made a list of tours to offer to foreigners such as taking part in village life, desert trekking or carpet weaving. All of which would provide employment to villagers that previously were not available. He also made sample brochures for the Ministry of Tourism, tour operators and transportation companies to promote the village.

The villagers all agreed that tourists would love to stay in the village as much as they do. Mohammad was able to start his small hotel. Now he owns a successful business and a flourishing handicraft shop filled with items made by the villagers.



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Who's the Entrepreneur?



HAIDER OR MOHAMMAD?



- Same idea but different results.
- One was defeated before action was taken.
- The other took initiative and adapted to the situation to make things happen in his favor.
- You can overcome challenges if you think it through.

WHO ARE YOU GOING TO BE LIKE?



Improve Your Skills as an Entrepreneur

- Talk to friends and family that run a business.
- Observe successful business people.
- Read books on how to improve your abilities.
- Attend additional training programs at your local SBDC.



Are you willing to put in the effort needed to improve your skills as an Entrepreneur?



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An aerial photograph showing a city with a mix of modern and older buildings, a wide river, and a long bridge crossing the river. The text "QUESTIONS?" and "10 minute Break" is overlaid in large white font.

QUESTIONS?
10 minute Break



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Know Your 'Business Idea'



1. Common Business Terms

- **Business:** an on-going concern for a long-term period
- **Project:** a short-term activity with a specific beginning and end
- **Products:** the goods that people need and businesses sell.
- **Services:** are non tangible needs which people/businesses need and are willing to pay for.
- **Customers:** people who need products and/or services for which they are willing to pay money.
- **Sellers:** people who offer products and/or services to people.
- **Raw Materials:** materials that a business uses for making its finished goods or products are called its raw materials.
- **Consumables:** materials a business uses for making or selling its products or services.





2. Common Business Terms

- **Price:** money your customers pay for the products or services your business sells.
- **Costs:** costs are also known as expenses
 - All the money you pay for making and selling your products or services.
 - Salaries for employees, electricity bills, raw materials.
 - Your own salary as a business owner is a cost to your business.
- **Cash Sales:** customer immediately pays money for the goods or services that are received from a business.
- **Credit Sales:** customer agrees to pay at a later date the amount due to a business for products and services.
- **Sales Income:** money that comes into your business from selling products and/or services. Sales income is also known as “**revenue**”.
- **Profit:** the surplus money after costs are subtracted from your sales income, or, the amount of money remaining in your hand after paying all the costs.





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What type of business do you want to start?

Every business begins with an idea which is called the 'business idea'.

You should carefully work out the details of your business idea, your business idea should tell you:

- ✓ **What** products or services your business will sell
- ✓ **Who** your business will sell to
- ✓ **Where** your business will be located
- ✓ **Why** the business is needed
- ✓ **How** your business will run





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Examples of a Business

- **Retail** – Buying and stocking of goods which can be displayed and sold to the community for a profit.
- **Wholesale** – Buying large quantities of goods stored in a warehouse to be sold in smaller quantities to retailing businesses.
- **Manufacturing** – Taking materials such as wood or cloth and converting them into goods that people need such as furniture and scarves. Manufacturers can sell their goods to people directly, retailing businesses and wholesale businesses.
- **Service-providing** – Services such as auto repair, hairdressing, restaurants, professional services (legal, accounting, medical clinic)...etc.
- **Agricultural** – Growing or producing vegetables, fruits, nuts, etc. and selling them to people, retailing businesses and wholesaling businesses.
- **Construction** – Building of houses, buildings, roads, bridges, etc. for the people, businesses and government.



1. Is your 'business idea' feasible?

- **VIABLE BUSINESS OPPORTUNITY**
 - Attracts customers in the intended marketplace.
 - Potential to make a profit on a regular basis.
 - Different than what is currently offered in the market.
- **USES YOUR TECHNICAL SKILLS OR EXPERTISE**
 - Cannot be dependant on just the skills of employees.
 - Focuses on your natural strengths.
- **MOTIVATES YOU TO SUCCEED**
 - It gives you a fulfilling personal experience.
 - You like what you do and willing to put in best efforts.



A good business idea should feel less like a job and more like a worthwhile experience you cannot pass up.



2. Is your 'business idea' feasible?

Ask yourself the following:

- Is there a market for this type of product or service?
- How many similar businesses produce this product or service?
- Is there a market large enough for all competing businesses to make a profit and grow?
- If the market is not large enough for all the competitors, how will my business be different to attract customers?



You should have positive answers to the questions above before you invest more time and money.



3. Is your 'business idea' feasible?

ALYAA'S STORY

Alyaa lives in a small rural community in Wasit. She has always wanted to start a business. One of her neighbors was running a reasonably good bread shop and was making a comfortable living from it. Most people living in the area came to her neighbor's bread shop to buy their daily needs and socialize.

Alyaa was also good at making bread and liked to socialize and her husband was a good carpenter so she decided to start a shop in her house. Raw materials, commercial ovens, nice shelves and a shop counter were built from the money Alyaa and her husband have saved and borrowed from friends and family.

Right from the start the business was in trouble. Less than two months of being open, Alyaa was not able to attract enough customers and could not turn a profit let alone pay off her loans. She found out a few days later her neighbor's shop was not able to make a profit since some of her customers started going to Alyaa's shop. Both shops are struggling to survive and it will not take long before at least one of them has to close down.



A copy of a good business idea does not mean it is a feasible idea.



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QUESTIONS?



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Feasible 'Business Idea'

Steps To Follow:

1. Identify good business opportunities.
2. Categorize and select opportunities based on resources available.
3. Match opportunities with personal traits.
4. Conduct a SWOT analysis.



1. Identify good business opportunities.

- Make a list of what the community is having a hard time obtaining.
- Find out what types of businesses exist in your community and their needs.
- Visit trade fairs to get ideas on products and services.
- Find out which products are imported.
- Evaluate what would make you different from competition in the market.





2. Categorize and select opportunities based on resources available.

- Businesses like manufacturing require large start-up capital.
- Retail/Wholesale can generate profits quickly but will depend on range of product lines and the ability to have access to supply and hold adequate quantities of inventory.
- Service business can be started with less start-up capital and generate profits quickly but you need abilities and expertise that separate you from the competition.





3. Match opportunities with personal traits.

- **Your interests, beliefs and specific skills.**

- What did you do well in school or at home?
- What special skills do you have and enjoy?
- How do your traits match up with the day-to-day operation of your business?
- What can you picture doing and not getting tired of everyday?



- **List and rank all the business opportunities that you have identified as a possibly business venture for you to start.**



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4. Conduct a SWOT analysis.

Pick 3-5 of the most viable options and conduct a SWOT analysis for each idea measuring the following traits.

STRENGTHS

WEAKNESSES

OPPORTUNITIES

THREATS



SWOT Analysis

**STRENGTHS
WEAKNESSES
OPPORTUNITIES
THREATS**

- List in detail, for each business option, all the strengths, weaknesses, opportunities and threats.
- Identify and examine the most important strengths and opportunities.
- Identify and examine the most important threats and weaknesses.
- Compare each SWOT analysis you have conducted for each business idea and choose the most feasible option.

Example of a SWOT Analysis

SWOT ANALYSIS

Business opportunity: Copy and Printing Business.

STRENGTHS	WEAKNESSES
1. No dependence on outside expertise	1. Dependence on outside repair of assets
2. Have own computer and printing equipment ++	2. Competition 45 mins away offers service by delivery ++
3. Have personal capital to invest	3. Do not have a suitable vehicle to offer service by delivery++
4. Technical expertise is best in target area ++	4. Not enough capital for personal living if profit is low
5. Have identified target market ++	
OPPORTUNITIES	THREATS
1. Connected with the school and many businesses in area++	1. Competition may open branch and take market share++
2. Already have 5 businesses interested in offering me work	2. Need more investment capital to buy start-up supplies ++
3. Current competition quality is not as good as mine	3. Too many loans weaken cash flow
4. No competition around community	
5. Closest competition is 45 mins away ++	
6. School close by that needs service ++	



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An aerial photograph of a city with a river and a bridge. The text "QUESTIONS?" is overlaid in large white letters.

QUESTIONS?

10 minute Break



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Personal Finance Assessment



1. Personal Finance Assessment

- **CAPITAL or INVESTMENT:** Determine the money you want to put into your business. The type and size of your business will depend largely on how much capital you will need to invest into your business.
 - **START-UP CAPITAL:** Amount of investment needed to start your business.
 - **WORKING CAPITAL:** Amount of investment needed to pay for your day-to-day expenses to finance your business before its starts earning money.



A personal finance assessment will tell you if and when you have the necessary capital to start your business.



2. Personal Finance Assessment

- **STEP 1: MONEY AVAILABLE TO INVEST** - Estimate money available to invest in business.
 - Personal Savings
 - Any assets you can convert to cash
 - Amounts you can borrow from your friends and family

STEP 1	MONEY AVAILABLE TO INVEST	AMOUNT
√	Personal Savings	
√	Salary from present job for next 6 months (mother and father)	
√	Selling of household items (furniture, jewelry, etc.)	
√	SUBTOTAL	



3. Personal Finance Assessment

- **STEP 2: ESTIMATE TIME TO GENERATE PROFIT** – This will determine how much you will need to have to cover your personal and family expenses before your business can pay you.
 - **MY BUSINESS CAN MAKE ENOUGH PROFIT TO MEET MY HOUSEHOLD EXPENSES WITHIN _____ MONTHS. I MUST HAVE ENOUGH MONEY FOR EXPENSES FOR THE NEXT _____ MONTHS.**
 - It is recommended that you double the total months you need in reserves for expenses. For example above if you expect a profit within **4** months you should have a **8** month reserve for expenses.
- **STEP 3: PERSONAL AND FAMILY EXPENSES** – Amount needed to support you and your family during the time needed before you can generate a profit.

STEP 3	PERSONAL & FAMILY EXPENSES	AMOUNT PER MONTH	8 MONTHS TOTAL
√	FOOD		
√	FUEL, ELECTRICITY		
√	RENT		
√	OTHERS		
√	SUBTOTAL		



4. Personal Finance Assessment

- **STEP 4: EXTRA MONEY IN RESERVES** – To protect you and the livelihood of your family, plan for an extra reserve in case of emergencies.
 - It may take longer to turn a profit than you have planned.
 - Unforeseen medical issues.
 - Unforeseen repairs at home and within the business.
 - **THE AMOUNT I HAVE SET ASIDE FOR RESERVES IN CASE OF EMERGENCIES** _____
 - It is recommended to have an additional **3 month reserve** equal to personal and family expenses.
 - For above example, if monthly expenses were **1,000,000 ID** than your reserve should be **3,000,000 ID**.
- **STEP 5: CALCULATE MONEY YOU CAN INVEST** – The amount you can safely invest in your business is the difference between the money you have and the money you will need before the business can generate a **PROFIT**.



5. Personal Finance Assessment

STEP 1		MONEY AVAILABLE TO INVEST	AMOUNT	
√		Personal Savings		
√		Salary from present job for next 6 months (mother and father)		
√		Selling of household items (furniture, jewelry, etc.)		
√		SUBTOTAL		
STEP 2: MY BUSINESS CAN MAKE PROFIT TO MEET MY HOUSEHOLD EXPENSES WITHIN 4 MONTHS. I MUST HAVE ENOUGH MONEY FOR EXPENSES FOR THE NEXT 8 MONTHS.				
STEP 3		PERSONAL & FAMILY EXPENSES	AMOUNT PER MONTH	8 MONTHS TOTAL
√		FOOD		
√		FUEL, ELECTRICITY		
√		RENT		
√		OTHERS		
√		SUBTOTAL		
STEP 4		EXTRA RESERVES	AMOUNT PER MONTH	3 MONTHS TOTAL
√		MONEY SET ASIDE FOR RESERVES		
STEP 5		RESERVES AND EXPENSES	11 MONTHS TOTAL	
√		STEP 3 TOTAL + STEP 4 TOTAL		
TOTAL MONEY AVAILABLE TO INVEST (STEP 1 TOTAL - STEP 3 TOTAL)				



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An aerial photograph of a city with a river and a bridge. The city buildings are visible in the upper half, and the bridge spans across the river in the lower half. The text "QUESTIONS?" and "10 minute Break" is overlaid on the image.

QUESTIONS?
10 minute Break



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How To Start a Business

DAY 2 of 5





OBJECTIVES – Day Two

By the end of this session you will gain a good understanding of:

- **The basics of ‘The Market’**
- **How to conduct a ‘Market Research’**
 - The benefits of market research.
 - Key information to gather for conducting a market research.
 - Step-by-step process to complete a market research successfully.
- **The components of a ‘Marketing Mix’**
 - The 4 Ps, understanding each component of the Marketing Mix and how they are related to each other.





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Know Your Market



What is a Market?

The “**Market**” does not mean just a physical place where goods and services are exchanged for money.

The **market** means and includes all those persons, organizations and businesses that need products, resources and services and have the ability to pay for those products, resources and services. The market is also called “**demand**”.





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What is your “effective market”?

Your ‘**effective market**’ consists of only those potential customers whom you can reach on a regular basis. Your effective market is the portion of demand for your products and services which your business has the ability to satisfy.

For example, the potential customers of a small grocery shop are those people who live within the walking distance from it. However, those customers may not buy **all** their needs from such a small grocery shop. If they have their own cars, or if they buy their needs on a weekly basis or monthly basis, they may go to the big super-market. They may buy small quantities of some items from the nearby grocery shop only whenever they run out of their weekly or monthly stock.

Therefore, the ‘**Effective Market**’ of such a grocery shop is only that quantity of grocery which the customers living nearby the grocery shop find it necessary to buy from it.



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1. Why do you need to assess your 'effective market'?

Every business needs a market. If there is no market, there is no business.

A business survives and grows only if it has:

- Products or services that people need, and
- Enough customers who are willing to buy those products or services.

Therefore, before you decide to start a business or introduce a new product or service, you need to know the size of the **'effective market'** for your products and services.



We are living in a dynamic world where things change rapidly. What was true last year may not be true this year or the next. Therefore, to survive in your business and be successful, it is necessary that you assess your effective market regularly.



2. Why do you need to assess your “effective market”?

By assessing your market regularly, you are able to:

- Make a reasonable and accurate **forecast** of how much of your products or services you will be able to sell
- Decide what you need to do to get a larger **share of your effective market**
- Identify new opportunities to expand your sales
- Have an early warning of any threats that your business may face through increased competition or market changes



Your market share is the portion of demand for your products and services, which your business satisfies. If the demand of a market is 1000 units per month and you are only able to sell 200 units per month, your market share is 20%





Know the basics of a 'Market'

- Knowing your market is similar to playing a game of football, the playing field of your business is your market
- Rules of a football game VS The principals for marketing your marketing and services

- How the game is played
- The characteristics of the field in which you play the game
- Conditions that may affect the outcome of the game
- The strengths and weaknesses of your opponents



- Rules for marketing products and services
- Characteristics of a "market"
- Conditions that affect the market for your products and services, and
- The strengths and weaknesses of your competitors



What makes up a 'Market'?

Knowing what makes up a market for your products and services puts you in a better position to find answers to:

- What goods to produce or sell or what services to provide?
- What not to produce or provide?
- For whom to produce those goods and services?
- What quality to produce or provide? and
- Where to make those goods and services available for exchange for money?

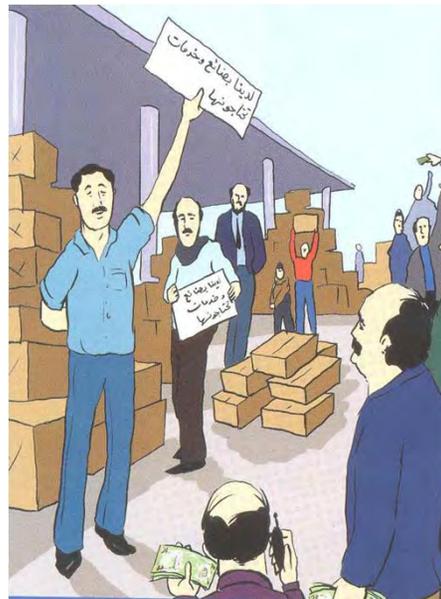


Every product or service has its own market. It means that you can clearly identify the persons, organizations, and businesses that have the need for and ability to pay for that product or service.





The two components of the 'Market'



•
Products and Services



The market consists of two component groups:

- The persons, organizations and businesses that provide the goods and services in exchange for money are called **'suppliers'** or **'sellers'**.
- The persons, organizations and businesses that receive the goods and services in exchange for money are called the **'buyers'** or **'customers'**.



How does a 'Market' evolve?

The Market for a product or service evolves if there is enough demand for it.

- The demand for any product or service is that portion of the quantity needed by its potential customers for which they have enough money to spend.
- It is important to understand the difference between '**need**' and '**demand**'. A '**need**' is something that you require or wish to have. '**Demand**' is something that you need, and for which, you have available money to pay.

Almost everyone has a need for a car. However, not everyone can afford to buy one because not everyone has the purchasing power to buy a car, thus it is not a demand. Therefore, if only 20 out of 100 people have the purchasing power to pay for a car, the demand would only be for 20 cars. Purchasing power is key.





1. What products or services will your business sell?

You should have a clear idea of the product or service your business will be selling to your customers, you will also need to consider:

- How each product will be packaged
- What services you will offer with the product
- What repairs and parts you will provide for your products

The information collected is different for every type of business, the information that needs to be collected for a retail business is different than the information that needs to be collected for a service or manufacturing business.





2. What products or services will your business sell?

To start a successful business you also need to know:

- Where to get your supplies or raw materials from, and how much it costs.
- How long it will take to sell or make a product.
- What type of products or services your customers need and want.
- How much goods or raw material you need to buy to start your business.
- What quality and size you need to buy.
- How you will transport your products and raw material.
- What equipment and machinery you will need to make your product (for manufacturing businesses).
- The knowledge and skills needed to provide that service or to make that product.





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1. The customers your business will sell to?

- All customers who buy your products or services are your market, you need to **'know your market'** very well before you start your business.
- You also need to know the people who might be your future customers, your **'potential customers'**.
- Customers are the most important part of your business. If you do not provide what they want and treat them well with respect, they will buy from somewhere else and will not buy from your business. Satisfied customers will come back and buy more and they will tell their friends about your business.
- More **'satisfied customers'** means larger sales and higher profits! Without customers for your business there will be no sales and your business will fail!



2. The customers your business will sell to?

Find more about your customers

To attract more customers you need to collect more information about them, their needs, and how and where they buy their needs from:

Before you start your business you need to know:

- Who your customers will be
- What the different categories of customers you will sell to
- Where your customers are, in residential or commercial areas? City center or village?
- What products or services they want and need
- What prices they are willing to pay
- How often do they buy to satisfy their needs especially the products and services that your business will be selling





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An aerial photograph of a city with a river and a bridge. The text "QUESTIONS?" is overlaid in large white letters.

QUESTIONS?

10 minute Break



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Conduct a 'Market Research'



1. Market Research

Collecting information about your market and potential customers is called a **'market research'**. A market research is very important when you are thinking of starting a new business, which can be done in many practical ways. Below are some examples on how you can collect information:

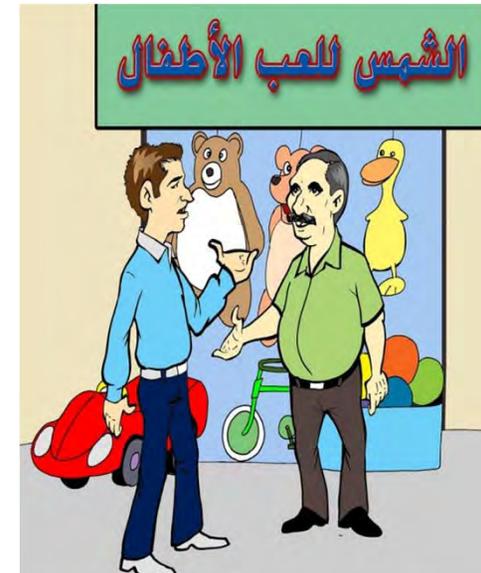
- Think about who your customers will be, and make a list of questions you need to know about them, and what type of products and services you should be selling to meet their wants and needs. Then, ask those people who you think will be your potential customers.
- Listen to what people say about your competitors' businesses. Ask them why they buy from some businesses and why they don't buy from others. Is it because of better prices, better service, better location...etc
- Ask your potential suppliers about which goods and services sell well and which don't. Suppliers can be a very useful and reliable source of information.
- Read newspapers, magazines and books to get information on good ideas for your business.



2. Market Research

- **Market Research** – is a systematic gathering and analysis of data and information used for:
 - Determining the effective size of a market.
 - Identifying specific marketing situations and challenges.
 - The Data will help you design your '**Marketing Mix**' and '**Marketing Plan**'.
- **Marketing Mix** – is the combination of **product/service quality, quantity, price** and **place** that you design for your business.
 - Best combination of offerings that suits your target market.
 - Establish a firm position in the market place.
- **Marketing Plan** – Utilizing data collected from your Market Research to establish a Marketing Mix that will have the maximum contribution to reach your sales objectives.
 - Goals of weekly or monthly sales during a period.
 - Help you determine the suitable price you will charge.
 - Marketing strategy you will use during the period to meet objectives.

A strong effort in conducting a Market Research will help you design a strong Marketing Mix and Marketing Plan.





3. Market Research

Why do you need to conduct a Market Research?

- **It enables you to understand who should be your customers**
 - Need to know more about your ‘target market’, it might not be what you expect.
 - Discover if your products/services meet the needs and wants of the customers.
 - Discover your customer profiles and customer decision making processes.
- **It impacts the decision making process and overall sales**
 - Data collected can help enhance your overall marketing strategy.
 - Start-up businesses cannot afford to make wrong decisions.
 - Understanding growth potential and capacity to service your market.
- **It allows your business to keep up with the changes in the market**
 - Customer behavior, their needs and wants change over time.
 - The more you know about your customers and market, the better the chances your will business will survive while others do not.



Conducting a well thought out Market Research can be the difference between making good and bad decisions that affect sales.



An aerial photograph of a multi-lane bridge crossing a wide river. The bridge is filled with cars. In the background, a city with various buildings and parking lots is visible under a clear sky. The water in the river is a light blue-green color.

Questions?



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‘Market Research’ Step Process



Market Research 'Step Process'

1. Identify Your Customers

2. Assess Needs of Customers

3. Assess Level of Competition

4. Estimate Your Effective Market



1. Identify Your Customers

Customers are three types:

- **Existing customers** – Those who are currently buying from you.
- **Potential customers** – The target market that that are not buying from you.
- **Lost customers** – Those who have stopped buying from you for various reasons.

KEY ISSUES TO COVER

- Are the customers who need your products also the decision maker in paying for the products?
- How many different kinds of customers are you trying to target?
- What does your target market want and why?
- What quality standards do they need?
- What price levels can they afford?
- Where is the best place to reach your customers?



2a. Assess the Needs of Your Customers

Here are three possible methods to assess the needs of your customers:

- **Informed guesswork:** Assumptions based on your knowledge and experience. This method is used only for making a preliminary assessment of your business idea if you have not yet started your business.
- **Using industry sources of information:** Talk to retail and major suppliers and distributors for information to know more about the choices and complaints of the people who buy those products. Suppliers of raw materials are also a good source of information for manufacturing businesses.
- **Interviewing:** Obviously, the customers themselves are your most accurate information source. Talk to as many current, potential and lost customers. By asking the right questions, you will be able to assess what special attributes they need in your product or service.

This kind of simple market research helps you to know more about your customers and competitors.





2b. Assess Needs of Customers

In order to know who your customers are, you need to decide or find answers to the following questions:

- ✓ Which different kinds of customers are you trying to sell your products or services?
- ✓ Where are they and where do they usually buy?
- ✓ What products or services do they want?
- ✓ Why do they want those products or services?
- ✓ What quality standards do they need? For example, high-quality, medium-quality, or low-quality?
- ✓ What price levels can they afford?





2c. Assess the Needs of Your Customers

A systematic approach to assessing your customers' needs and market size

The best way to assess your customers' needs and your market size is to conduct well-structured personal interviews with a representative sample of your existing, potential, and lost customers.

The assessment of your customers' needs and preferences through personal interviews will be easy if you first prepare:

- a detailed profile of your typical customer, and
- a well structured market research questionnaire

This will enable you to decide:

- What should be the quality of your products or services?
- What price you may be able to obtain?
- How much of your products or services your customer will need on a regular basis?
- How would you be able to attract your customers to buy your products or service.
- And, what would be the most suitable way for distribution for your products or services.





2d. Assess Needs of Customers

DESIGN A MARKET RESEARCH QUESTIONNAIRE

To complete the profiles of your typical customers, you will need to interview them. Therefore you need to design a **'Market Research Questionnaire'**:

- Think about what you want to find out and make a list of topics.
- Think about what questions you may ask to gather this information.
- Keep your questionnaire short, relevant, simple and to the point.
- Avoid sensitive questions that may offend privacy of beliefs.
- Explain your objective and agree on the length of time.
- Ask open-ended questions and take good notes.
- The more questions you ask the more accurate your information.



An open-end question cannot be answered with "yes" or "no" allowing you to gather more details.



2e. Assess Needs of Customers

Key issues when you design a questionnaire for your market research

- Age Group
- Gender
- Location
- Education Level
- Profession
- Family Status
- Brand Loyalty

- Family Size
- Income Level
- Lifestyle
- Quality
- Quantity
- Where Do They Buy
- Competition

- ❖ **If the customer is also a business consider the following:**
 - Type of Business
 - Its Products and Markets
 - Buying Reasons
 - Preferred Delivery
 - Size of Each Purchase
 - Buying Procedures

You can get more details in preparing a questionnaire in other workshops available at the SBDC.





3a. Assess Level of Competition

Knowing more about the businesses that will be competing with yours. Your **‘potential competitors’** who will be selling products or services similar to yours.

Knowing more about your potential competitors will enable you to think about how you can make your business idea successful. Your competitors sell to the same customers, you need to find about them and their business.

You need to know:

- Who they are
- Where they are located
- What quality of goods or services they sell
- What prices they charge
- Why customers buy from them
- What type of promotion they do, and how they attract customers
- What special skills they have, and what equipment they use





3b. Assess Level of Competition

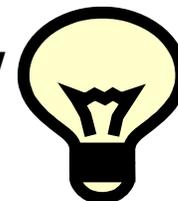
KEY DATA TO GATHER

- Who are the competitors?
- Who are their customers?
- Where are they located?
- What price do they charge?
- How do they attract customers?
- What are their strengths?
- What are their weaknesses?

TIPS TO COLLECT DATA

- Utilize the customer survey.
- Visit and observe your competitors.
- Talk to suppliers of your competitors.
- Study some of their advertisements.
- Study any promotional material.
- Ask your competitors questions.
- SWOT analysis of main competitors.

The more you know about your competitors, the more you know about your business.





3c. Assess Level of Competition

Prepare Your Competitors' Profiles

Preparing competitor profiles will help you make a 'SWOT Analysis' of the market for your products and services

SWOT Analysis – This analysis will let you compare your strengths, weaknesses, opportunities and threats that you face in the market side-by-side with your competitors.

STRENGTHS
WEAKNESSES
OPPORTUNITIES
THREATS

Pick 3-5 top competitors in your target market segment and conduct a side-by-side SWOT analysis.



3d. Assess Level of Competition

Case Example - Hassan's SWOT Analysis	
My business strengths	Strengths of my competitors' businesses
<ul style="list-style-type: none"> - I am well known for my baking skills - I offer all bakery products - Always fresh products - My prices are good - I am willing to work long hours and on holidays - I am willing and able to offer personalized service to my customers 	<p>1. Saad's Bakery</p> <ul style="list-style-type: none"> - Established regular customers - Freshly baked products - Good quality - Very friendly service - Offers all types of bakery products needed by its customers <p>2. Jawad Bakery</p> <ul style="list-style-type: none"> - Well located, convenient for all - Regular customers <p>3. City Center Bakery</p> <ul style="list-style-type: none"> - Has delivery vans, so can deliver anywhere in the city - Established customers - Sell on credit
My business weaknesses	Weaknesses of my competitors' businesses
<ul style="list-style-type: none"> - I do not have established customers - I cannot deliver products to customers' business places. I have no money to buy delivery vans - I have cash flow problems, I cannot sell on credit 	<p>1. Saad's Bakery</p> <ul style="list-style-type: none"> - Customers have to wait for a long time for being served - Late opening, generally after 9 am - Only standard sizes and packs. No attention paid to customers' needs - Unclean shop <p>2. Jawad Bakery</p> <ul style="list-style-type: none"> - No fresh products - Poor customer service - Unclean shop <p>3. City Center Bakery</p> <ul style="list-style-type: none"> - Do not accept small orders - No personalized service

3e. Assess Level of Competition

Case Example - Hassan's SWOT Analysis

Threats to my business	What I must do to counter the threats
My neighbor Haider is thinking of starting a similar bakery in my neighborhood. All people in the neighborhood like him very much. He is likely to steal my customers	I must make superior quality products that Haider is not capable of making. I must also make a good promotion of my products and business, and very quickly.
My opportunities	What I must do to exploit my opportunities
<ul style="list-style-type: none"> - Customers want to be served promptly - Many customers want to buy very early in the morning 	<ul style="list-style-type: none"> - Employ extra assistants on part time basis to serve customers at rush hours - Open the bakery at 6:30 am
<ul style="list-style-type: none"> - Customers want different sizes of breads and other bakery products - Customers want a pleasant and clean environment 	<ul style="list-style-type: none"> - Offer the customers different sizes and small quantity packs - Make sure that the bakery front is always very clean and well decorated



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4a. Estimate Your Effective Market

Now that you have identified your specific **'Market Segment'**, **'Potential Customers'**, major **'Competitors'** and have assessed and analyzed your potential customers' specific needs and preference, and the strengths and weaknesses of your major competitors, your next step is to determine how big is your **'Effective Market'**.

The total 'demand' for your product or services is not your 'effective market'! Your **'Effective Market'** consists of only those **potential customers** whom you can reach on a regular basis.

Therefore, Your **Effective Market** means that portion of the 'Market' for your products and services, which YOUR business has the ability to satisfy.



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4b. Estimate Your Effective Market

Below are the three steps in evaluating your effective market:

Step 1 – Estimate the demand-size for your business

That is, determine how big the total market or the demand-size for your market and services.

- If you have completed and analyzed the market survey interview responses, you will have established reasonably well the quantity of products or services similar to yours that each type of your potential customer needs.
- To calculate the total demand size for your products or service, all you need to know is, how many customers are likely to be able to access your products or services.
- Utilize information through NGOs and government entities on statistics you may need to know on number of households in your locality, number of businesses, population, gender and age distribution, income distribution, planned developments...etc

Utilize information here at the SBDC to gather statistics in the area.



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4c. Estimate Your Effective Market

Step 2 – Estimate the share of total market you can win

Your '**market share**' is the portion of the total demand size that you expect to service. The market share is expressed as a percentage of the total demand size.

- Your market share will depend vary largely on your chosen '**marketing mix**'. More details on the marketing mix will be explained in the next session.
- Once you decide on the '**marketing mix**' that you will use, revisit the strengths and weaknesses of your major competitors in comparison with yours. Your '**competitors' profile**' show you the strengths and weaknesses of your major competitors.
- Think about **why** and **how many** of the potential customers in your chosen market segments would be attracted to buy your products and services.
- And, on that basis, make a conservative estimate of the share of the total market that you are likely to win. Once you have worked out your likely share of the market, you will be able to determine your effective market size.



4d. Estimate Your Effective Market

Step 3 – Estimate your effective market size

Once you have calculated the total market for your products and services, and worked out what share of that market you are most likely to win, you can now calculate your effective market easily.

NASARIYAH LOCAL GARMENTS ESTIMATED EFFECTIVE MARKET			
Market Segment	Product	Women's Garments	Children's Garments
Market my business can service directly	Total market size in city of Nasariyah	300	600
	My market share (based on research)	15%	15%
	Monthly Effective Market	45	90
Market my business cannot service directly	Total market size in province of Dhi Qar	2,950	6,000
	My market share (based on research)	8%	8%
	Monthly Effective Market	236	480
Total Monthly Effective Market Size		281	570

An aerial photograph of a city and a bridge. The bridge is a multi-lane highway crossing a large body of water. The city is visible in the background, with various buildings and infrastructure. The water is a deep blue-green color.

QUESTIONS?



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The Marketing Mix



The Marketing Mix

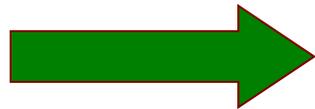




The customers your business will sell to?

The Marketing Mix

In order to have a successful business and increase your sales and make more profit you need to:



Have **PRODUCTS** or services that people want and need



Sell your products and services at **PRICES** your customers are able to pay for the quality you are providing



Find a **PLACE** for your business where your customers can easily get your products or services



Use suitable **PROMOTION** methods to attract your customers to buy your products and services. Display and advertise your products so that many people know about them.



1. The Marketing Mix





The Marketing Mix

1. PRODUCTS

- Customers prefer your business if you provide what they want.
- Customers will buy from if you satisfy a need.
- Your business has to have added value to separate you from the competition.
 - Different options not offered in the market
 - Extra services that increase your creditability
 - Written guarantees to increase your reliability
 - Updates and new offers to keep interest and build loyalty
 - A quality of services and products which are not offered in the market and that people are willing to pay for





2. The Marketing Mix

2





The Marketing Mix

2. PRICE

- Setting the price is the most difficult and most important task that will impact your sales.
- Price has to be low enough to attract customers.
- Price has to be high enough to give your business a profit.

Pricing strategies: Each method has benefits and downfalls. Make sure to change your method if you are not achieving your goals.

- ✓ **Mark-up:** Taking a percentage over your total cost.
- ✓ **Demand and Supply:** Charging higher prices when demand exceeds supply.
- ✓ **Competitive:** Charging below your competitors to gain market share.
- ✓ **Discount:** Quantity (buy 2 get 1 free), seasonal (Eid Holiday discount 25% off), Dating (50% for next 2 weeks! -or- 50% off today only!!), Cash (pay in cash to receive 10% off)



3. The Marketing Mix

3





The Marketing Mix

3. PLACE

- The physical location of your business in the market as well as the method you use to distribute your products and services.
- Location of your business will impact both sales and distribution directly.
- Decide best methods of distribution to reach your estimated effective market.
- The following are 3 basic methods.
 - ✓ **Direct:** Going straight to the customer to offer product and services.
 - ✓ **Retail:** Going through another business that sells directly to your customer
 - ✓ **Wholesale:** Business that sell to other businesses who sells directly to your customer.



4. The Marketing Mix

4





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The Marketing Mix

4. PROMOTION

- It is possible to have great products and services, perfect location, prices that potential customers are willing to pay and still no sales due to lack of promotion.
- You cannot sit and wait for your customers; you have to get the customers to come to you.
- Decide on the best promotional methods to reach your estimated effective market.
 - ✓ **Advertising:** Signs, posters, handouts, boards, brochures, newspapers, radio, TV.
 - ✓ **Sales Promotion:** such as discounts, display front of packages, sales, free samples, demonstrations, having popular items displayed appropriately to attract customers.
 - ✓ **Publicity:** Utilizing the media and positive word of mouth.
 - ✓ **Salesperson:** Improve your skills to close deals, know your products and services, be able to talk and negotiate price and expand your reach by hiring others to focus on the sales efforts of the business.

An aerial photograph showing a multi-lane bridge crossing a wide river. The bridge is filled with cars. In the background, a city with various buildings and parking lots is visible. The water in the river is a clear, light blue-green color.

Questions?



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TIJARA

Provincial Economic Growth Program

Advancing Private Sector Development in Iraq

How To Start a Business

DAY 3 of 5





OBJECTIVES – Day Three

By the end of this session you will gain a good understanding of:

- **The fundamentals of a successful business**
 - The activities that you need to carry out to run your business successfully.
 - Buying Business Needs
 - Costing and Controlling Your Costs
 - Controlling Your Stock
- **Record Keeping for micro and small businesses**
 - Keeping control of the money in your business
- **The ‘Profitability Potential’ of your business idea.**





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Business Fundamentals



1a. Organize Your Business

To run a successful business, you need to manage your activities in the right way. If you do not organize your business well, it will fail and you will lose your money. Once you have collected all the information about your potential customers, your competitors and have a good idea of the business you want to start, you need to think about the different things you have to do to make the business run well and make profit.

There are several activities that you need to carry out to run your business successfully:

- Buying, transporting and storing your products and goods
- Arranging and tidying the space of your business
- Decide the prices that your are willing to charge for your products and services, and be willing to change prices when necessary
- Attract your customers through treating them well and provide a good '**customer service**'.
- Keep good records of your sales and expenses





1b. Organize Your Business

Activities that you need to carry out to run your business successfully:

- Keep good relationships with your suppliers and negotiate prices to get good deals
- Pay your bills and suppliers on time
- Provide your workers and employees with guidance and good supervision
- Be creative and innovative in advertising and promoting your business
- Prepare your **'financial statements'** regularly to know your financial status and which areas need improvement
- You as the owner are the main employee in your business, **pay yourself a salary**, and separate your personal and business accounts.

Attend additional trainings and seek advice from your business advisor to enhance your management skills.





2a. Buying Business Needs

You will need to invest in your business before it can sell, you may need equipment, finished goods, raw material...etc. Buying wisely is essential to the success of your business and you will make better profit and your business will grow. Buying wisely entails:

- You need to buy the proper quality of goods and raw materials for your business and customers.
- Buy the right quantity you need to fulfill the demand of your customers. Don't buy too much or too little.
- Negotiate the prices before buying, and only buy your goods at prices your business can afford and your customers are willing to pay for.
- Buy your business needs and goods at the right time, not too early not too late.



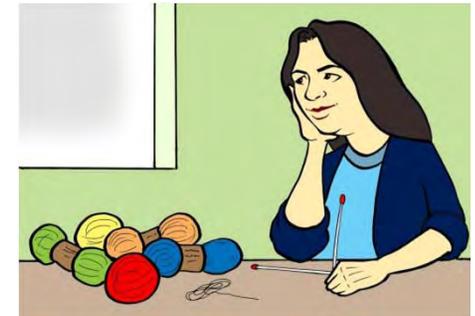
To manage a successful business you need to keep on learning and improve your business management skills.



2b. Buying Business Needs

Having an organized system for buying your business needs is essential to the success and efficiency of your business. The most important daily activities you need to undertake to have an organized buying system includes:

- You need to know the needs of your customers before buying. Through your market research, you should be able to know the brands, sizes, and quantity that your customers want.
- You need to know where and who to buy from, who can give you the best prices for the goods you need to buy. Make **'inquiries'** through having a set of questions for the suppliers to respond to and decide who gave you the best offer.





2c. Buying Business Needs

- Ask suppliers for written **'quotations'** which should provide you with detailed information about the type of goods, prices, terms of payment, terms of delivery, and any other conditions you need to know before making your decision to buy.
- Make a **'purchasing order'** based on the selected quotation which is of best value to your business.
- Check the **'deliveries'** and **'invoices'** from your suppliers. You need to make sure that you have received the quantity and quality of goods you have purchased and compare with the **'delivery note'**.
- Always ask your suppliers for a **'receipt'** after any payment you have made whether in cash, via cheque, or credit.
- Keep written records of all your purchases and all the money your business spends. Properly file all your invoices and write down all details in **'record books'**. The record book for purchased material and goods is called **'Stock Records Book'**.





3a. Costing and Controlling Your Costs

Every business has ‘**costs**’, the profit your business makes is highly dependent on your ability to control costs in the most cost-efficient manner. Therefore, proper costing is essential to the improvement of your business. Proper costing includes:

- Setting the correct prices
- Reducing and controlling business costs without jeopardizing the needed quality of delivery.
- The need of including all your related costs when pricing your products and services.
- Planning for the future and making better decisions about the business.



Cost efficiency is to produce maximum output at a minimum cost. Select the options that achieve your business goals at the minimal costs possible.

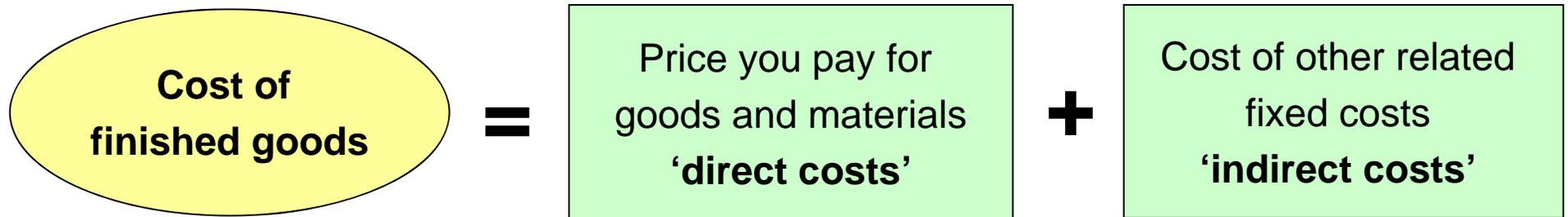




3b. Costing and Controlling Your Costs

The most important things to consider, which you need to undertake to have an efficient costing system includes:

- Calculating the cost of purchasing each item of material that you sell or use in making your product or service, this is called '**direct costs**'.
- Calculate and control your fixed costs which include your normal business expenses; wages, salaries, rent, utilities, cost of advertising and promotion etc... This is called your '**indirect costs**'.



- Constantly contact different suppliers to find out about special offers, discounts, and changes in prices. Always be on the look out for the best deals!



4a. Controlling Your Stock

Your **'stock'** is all the goods, spare parts, or material your business keeps to make or sell its products or services. Different businesses have different types of stocks such as:

- **If you start a retail business**, you will need to keep goods which you will buy or resell
- **A manufacturing business**, keeps raw materials used to make products, spare parts as well as finished products ready for sale.
- **If you operate a service providing business**, you will keep stocks of good or materials which you can use to provide your service.



Your stock is worth the money you paid for. So, you need to control it wisely and in a cost-efficient manner.





4b. Controlling Your Stock

Controlling stock means organizing the way you:

- **Receive your stock**, make sure the quantity and quality match the ‘**purchasing order**’.
- **Record your stock**, in your ‘**stock records book**’.
- **Store your stock properly**
- **Arrange your stock and display**, in a way to attract your customers.
- **Check your stock** on a regular basis so that you don’t run out of any item.
- **Re-order your stock** when needed



Organize the re-ordering of your stock and check it on a regular basis. Customers will be unhappy if you run out of what they want, you will lose them and thus lose your business!



An aerial photograph showing a multi-lane bridge crossing a wide river. The city of Tijuana is visible in the background, with its buildings and roads. The water in the river is a clear, light blue-green color. The bridge has several cars on it, and there are some trees and greenery on the banks.

Questions?



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Essentials of a Successful Business



Essentials of a Business

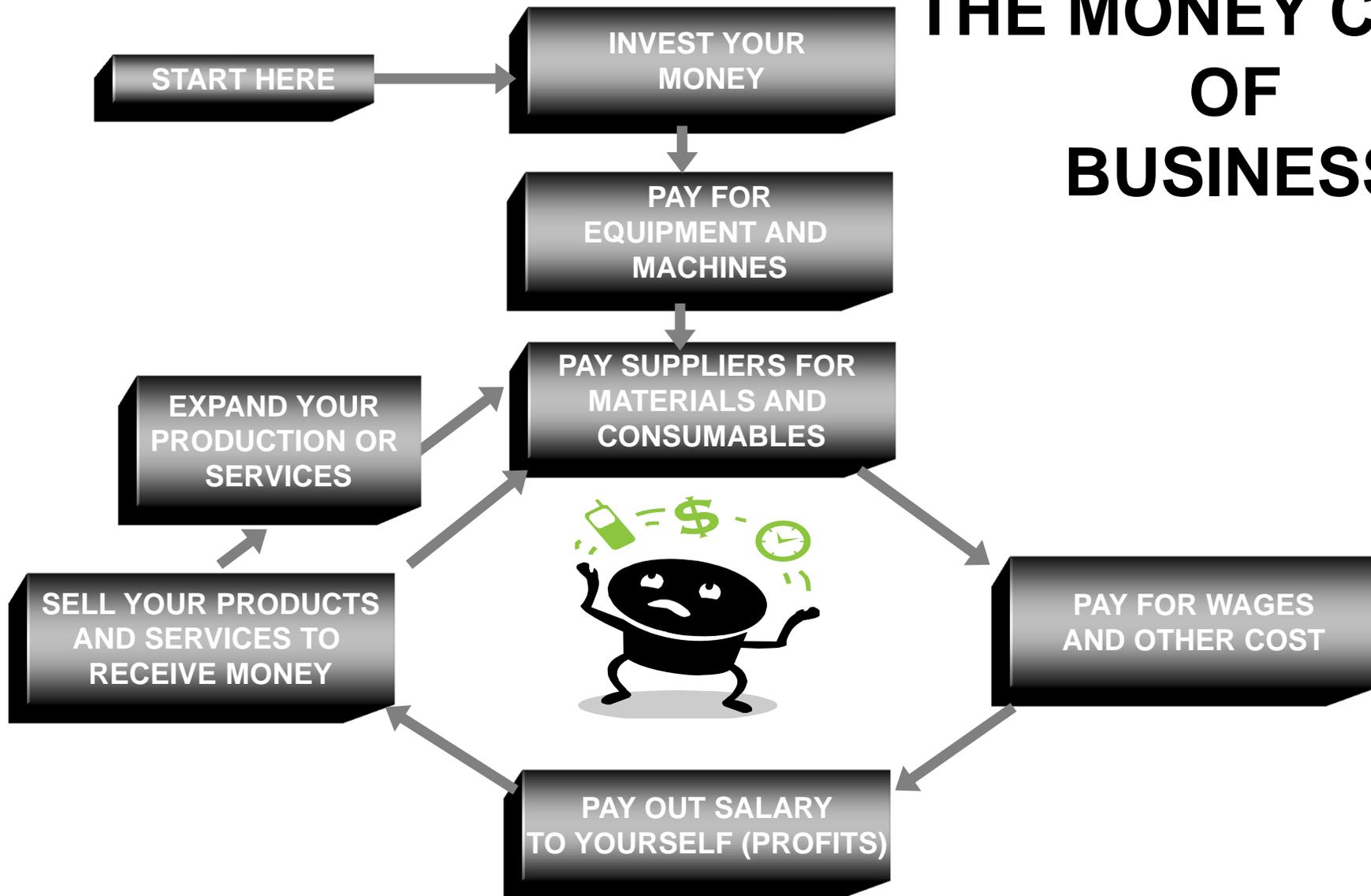
1. **Market:** Customers who want or need what your business is offering and are willing to pay money for it.
2. **Machines and Tools:** Equipment that is used to make the products or provide the services for customers.
3. **Manpower:** All the people who are involved in producing the products or providing the services that the customers want.
4. **Materials:** Raw materials that are needed to make the finished goods, products or services your customers want.
5. **Money :** Cash or credit to obtain all of the above.
6. **Management:** Operations structure to run the business efficiently.

Every business needs these 6 essentials to be successful!!





THE MONEY CYCLE OF BUSINESS

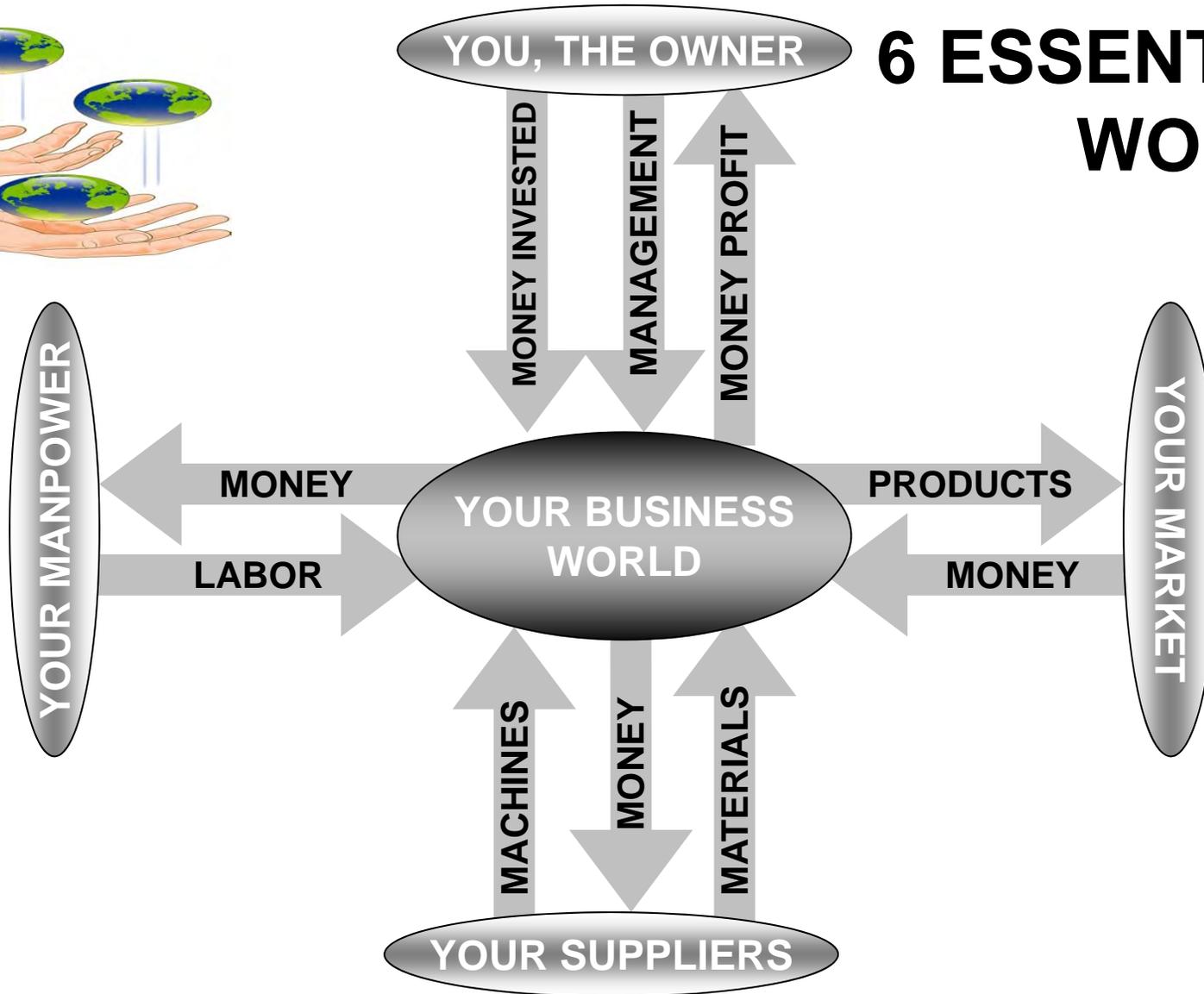




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6 ESSENTIALS AT WORK





QUESTIONS?



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Record Keeping System



5. Record Keeping System

- Every business needs a system to track the movement of money.
- The system explained in this section is a simple way of record keeping that is suitable for small businesses.
- This system can be started with record-keeping books that you can find in any bookstore or utilizing the forms used in this section.
- The most simple record book system is a business that operates strictly on cash basis.





1a. Determine the opening balance.

BASRA DRESS SHOP - RECORD-KEEPING SYSTEM MONTH: JANUARY				
DATE	DETAILS	MONEY IN	MONEY OUT	BALANCE
1-Jan	Opening Balance			10,000

Count the money you have in your business cash box. The total will be the OPENING BALANCE. Record this information under the DETAILS and BALANCE sections.



1b. Determine the opening balance.

BASRA DRESS SHOP - RECORD-KEEPING SYSTEM MONTH: JANUARY				
DATE	DETAILS	MONEY IN	MONEY OUT	BALANCE
1-Jan	Opening Balance			١.ع.د 100,000
1-Jan	Total green dresses sold = 2	١.ع.د 20,000		١.ع.د 120,000

Every time money comes into the business through sales of goods or services or goes, it is recorded under the **MONEY IN** section.

For every transaction, the balance must be updated. In this example:

PERVIOUS LINE BALANCE = 10 K ID
CASH IN = + 2 K ID
BLANCE = 12 K ID



2a. Account for money coming into the business.

BASRA DRESS SHOP - RECORD-KEEPING SYSTEM MONTH: JANUARY				
DATE	DETAILS	MONEY IN	MONEY OUT	BALANCE
1-Jan	Opening Balance			١٠٠,٠٠٠
1-Jan	total green dresses sold = 2	٢٠,٠٠٠		١٢٠,٠٠٠
1-Jan	total pink baby dresses sold = 4	٣٠,٠٠٠		١٥٠,٠٠٠
1-Jan	total blue dresses sold = 6	٦٠,٠٠٠		٢١٠,٠٠٠

If you have more than one type of product or service offered for sale in your business, account for each of them in the same manner as the previous example.



2b. Account for money coming into the business.

BASRA DRESS SHOP - RECORD-KEEPING SYSTEM MONTH: JANUARY				
DATE	DETAILS	MONEY IN	MONEY OUT	BALANCE
1-Jan	Opening Balance			١.ع.د 100,000.00
1-Jan	total green dresses sold = 2	١.ع.د 20,000.00		١.ع.د 120,000.00
1-Jan	total pink baby dresses sold = 4	١.ع.د 30,000.00		١.ع.د 150,000.00
1-Jan	total blue dresses sold = 6	١.ع.د 60,000.00		١.ع.د 210,000.00
1-Jan	Bought materials to make dresses		١.ع.د 40,000.00	١.ع.د 170,000.00

Every time money goes out of the business to pay for materials or expenses, that information is recorded in the MONEY OUT section.

Anything recorded in the MONEY OUT section is subtracted from the previous line item balance to find current BALANCE.

In this example:

Previous balance = 210 K ID
Material costs = - 40 K ID
 Current balance = 170 K ID



3a. Account for money going out of the business.

BASRA DRESS SHOP - RECORD-KEEPING SYSTEM MONTH: JANUARY				
DATE	DETAILS	MONEY IN	MONEY OUT	BALANCE
1-Jan	Opening Balance			١.ع.د 100,000.00
1-Jan	total green dresses sold = 2	١.ع.د 20,000.00		١.ع.د 120,000.00
1-Jan	total pink baby dresses sold = 4	١.ع.د 30,000.00		١.ع.د 150,000.00
1-Jan	total blue dresses sold = 6	١.ع.د 60,000.00		١.ع.د 210,000.00
1-Jan	Bought materials to make dresses		١.ع.د 40,000.00	١.ع.د 170,000.00
1-Jan	Bought office supplies		١.ع.د 10,000.00	١.ع.د 160,000.00
1-Jan	Paid for delivery service		١.ع.د 10,000.00	١.ع.د 150,000.00

Account for each expense paid for on that day in the same manner as the previous example.



3b. Account for money going out of the business.

BASRA DRESS SHOP - RECORD-KEEPING SYSTEM MONTH: JANUARY					
DATE	DETAILS	MONEY IN		MONEY OUT	BALANCE
30-Jan	total green dresses sold = 2	١.ع.د	20,000.00		١.ع.د 2,220,000.00
30-Jan	total pink baby dresses sold = 4	١.ع.د	30,000.00		١.ع.د 2,250,000.00
30-Jan	total blue dresses sold = 6	١.ع.د	60,000.00		١.ع.د 2,310,000.00
31-Jan	total blue dresses sold = 8	١.ع.د	80,000.00		١.ع.د 2,390,000.00
31-Jan	Utilities			١.ع.د 100,000.00	١.ع.د 2,290,000.00
31-Jan	Paid for rent			١.ع.د 800,000.00	١.ع.د 1,490,000.00
31-Jan	Owner's salary			١.ع.د 400,000.00	١.ع.د 1,090,000.00
31-Jan	Total	١.ع.د	2,450,000.00	١.ع.د 1,360,000.00	
31-Jan	Balance carried forward				١.ع.د 1,090,000.00

At the end of the month add up your totals of MONEY IN and MONEY OUT. This balance amount on the last day of the month is carried over to the first day of the following month.

An aerial photograph showing a multi-lane bridge crossing a wide river. The city of Tijuana is visible in the background, with its dense urban development and buildings. The water in the river is a clear, light blue-green color. The bridge has several lanes in each direction, and some vehicles are visible on it.

Questions?



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Profitability Potential of Your 'Business Idea'



1. Profitability Potential of Your ‘Business Idea’

Profitability potential of your business depends on:

1. How much of your products or services you can sell on a regular basis.
2. At what price you will be able to offer your products or services in your market.
3. The ability to attract customers and secure a spot in the market.
4. The cost of producing and selling your products and services in the market.



The above assessment measures the size of your potential effective market, and can give you a good idea about your potential profit.



2. Profitability Potential of Your ‘Business Idea’

- **Marketing Mix** – the combination of your **product** quality, **price**, **place** and method of **promotion** to your potential customers to obtain a firm position in the market.
- **Marketing Plan** – the quantity of the products and services you will sell every month and the methods you will use to hit that amount.



The Marketing Mix and a Marketing Plan will help you calculate your expected profits.



ALI'S STORY

Ali was the head baker at a bread shop where the owner announced he would be moving south to Basra in the next 6 months. Ali felt that a bread shop was needed so he decided to open the Rasheed Neighborhood Bread Shop.

Ali knew he had 6 months to save before the current bread shop closed. Ali wanted to make sure he had everything planned out before the 6 months was up and he saved enough money to open his own shop.

Ali needed to prepare financial statements that will show the profitability potential for the bread shop by preparing an income statement, a cash flow statement and a balance sheet.



Can you help Ali with put together his financial statements?



Calculating Expected Profit

$$\begin{array}{c} \text{EXPECTED} \\ \text{PROFIT} \end{array} = \begin{array}{c} \text{EXPECTED} \\ \text{SALES INCOME} \\ \text{Money you will get for your} \\ \text{products or services} \end{array} - \begin{array}{c} \text{EXPECTED COSTS} \\ \text{Money you pay out for} \\ \text{Making or providing} \\ \text{products and services} \end{array}$$

Expected Costs – all items related to producing and selling what you are offering, including:

- Materials,
- Wages for workers,
- Rent for business,
- Electricity, water, fuel,
- Transportation of materials,
- Interest on loans,
- Advertising and promotion,
- Any other cost to run business.



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1a. Steps to Calculate Expected Sales Income

EXPECTED SALES INCOME

*Money you will get for your
products or services*

Steps to Calculate Expected Sales Income

**Step 1: Estimate price you will set in the
market for products and services.**

- Go back to the notes you collected about competitors during market research.
- Note the prices that your competitors set for products and services.
- Compare your strengths and weaknesses to your competitors.
- Think about the marketing mix you will use to compete.
- Based on all of the above, make an estimate of the prices you will be able to set.

Be conservative in making your estimates on price.



1b. Steps to Calculate Expected Sales Income

EXPECTED SALES INCOME

*Money you will get for your
products or services*

Step 2: Estimate the quantity that you expect to sell each month.

- Refer to your Market Research and the assessment on the effective market size.
- Compare your strengths and weaknesses to your competitors'.
- Think about the market mix you will use to compete.
- Based on all the above, make an estimate of the quantity you will be able to sell monthly.
- This estimate is also known as a monthly forecast.

Be conservative in making your forecast.



1c. Steps to Calculate Expected Sales Income

EXPECTED SALES INCOME

Money you will get for your products or services

Step 3: Multiply expected monthly sales quantity with the expected monthly price.

EXPECTED SALES PER PRODUCT OR SERVICE

=

MONTHLY EXPECTED QUANTITY

X

PRICE OF PRODUCT OR SERVICE

This must be completed for all products and services you offer.



1d.Steps to Calculate Expected Sales Income

EXPECTED SALES INCOME

Money you will get for your products or services

Step 4: Add all the expected sales per month for your products and services together.

RASHEED NEIGHBORHOOD BREAD SHOP MONTHLY SALES INCOME			
PRODUCT	EXPECTED PRICE PER UNIT	EXPECTED SALES PER UNIT	MONTHLY TOTAL
SAMOON (1 piece)		30,000	
FRENCH BREAD (7 pieces)		1,500	
LEBANESE BREAD (7 pieces)		1,500	
KHUBOZ (7 pieces)		3,000	
TOTAL EXPECTED MONTHLY SALES INCOME			



a. Steps to Calculate Expected Costs

EXPECTED COSTS

*Money you pay out for
Making or providing
products and services*

Steps to Calculate Expected Costs

Step 1: Common costs regardless of business.

- Estimate the cost of buying items from a supplier or manufacturer that will be needed in your business.
- Identify the suppliers or manufacturers of the products that the business will stock and resell.
- Obtain quotes from those identified and compare the quality and prices that are offered.
- Use your Marketing Mix analysis to decide the quantity that will be ordered for stock. A larger quantity allows you to negotiate discounts.
- Compare final quotes after negotiating discounts and pick the most suitable items for your business.



b. Steps to Calculate Expected Costs

EXPECTED COSTS

*Money you pay out for
Making or providing
products and services*

Step 2: Estimate the quantity of material you plan to use each month.

- Refer to the calculated monthly sales income you forecasted to see the number of units you are expecting to sell.
- Based on that forecast, multiply the number of units you plan to sell to the cost per unit for each product or service you will offer.
- This will give you an estimate of your expected cost for materials.

Some products/services you offer will involve more materials than others.



c. Steps to Calculate Expected Costs

EXPECTED COSTS

*Money you pay out for
Making or providing
products and services*

Step 3: Add all the expected material cost for your products/services together.

RASHEED NEIGHBORHOOD BREAD SHOP EXPECTED MONTHLY COST OF MATERIAL			
PRODUCT	COST PER UNIT	EXPECTED SALES PER UNIT MONTH	MONTHLY TOTAL
SAMOON (1 piece)	١.ع.د 30-	30000	١.ع.د 900,000-
FRENCH BREAD (7 pieces)	١.ع.د 375-	1500	١.ع.د 562,500-
LEBANESE BREAD (7 pieces)	١.ع.د 375-	1500	١.ع.د 562,500-
KHUBOZ (7 pieces)	١.ع.د 375-	3000	١.ع.د 1,125,000-
COST OF MATERIAL			١.ع.د 3,150,000-

d. Steps to Calculate Expected Costs

EXPECTED COSTS

*Money you pay out for
Making or providing
products and services*

**Step 4: Make an estimate of major
operational costs per month**

RASHEED NEIGHBORHOOD BREAD SHOP MONTHLY OPERATIONAL COSTS	
DESCRIPTION	MONTHLY TOTAL
RENT FOR SHOP	١.ع.د 400,000-
ELECTRICITY, WATER, FUEL	١.ع.د 150,000-
TELEPHONE	١.ع.د 50,000-
WAGES FOR EMPLOYEES	١.ع.د 2,000,000-
PERSONAL SALARY	١.ع.د 1,500,000-
TRAVEL COST TO BUY MATERIAL	١.ع.د 100,000-
ADVERTISING COSTS	١.ع.د 200,000-
FINANCIAL COSTS	١.ع.د 125,000-
UNFORESEEN EXPENSES	١.ع.د 175,000-
OPERATIONAL COSTS	١.ع.د 4,700,000-



e. Steps to Calculate Expected Costs

EXPECTED COSTS

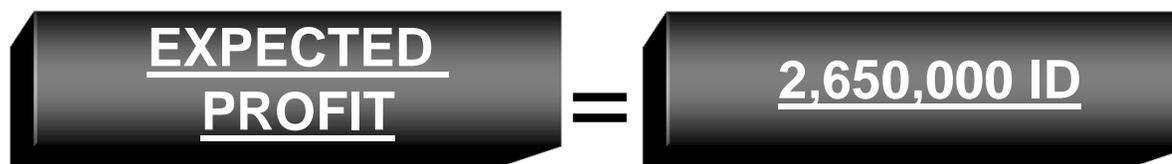
*Money you pay out for
Making or providing
products and services*

Step 5: Calculate your total expected cost.

RASHEED NEIGHBORHOOD BREAD SHOP MONTHLY EXPECTED COSTS		
DISCRIPTION	MONTHLY TOTAL	
OPERATIONAL COSTS	٩.ع.د	4,700,000-
COST OF MATERIALS	٩.ع.د	3,150,000-
TOTAL EXPECTED COSTS	٩.ع.د	7,850,000-



3. Expected Profit for Rasheed Neighborhood Bread Shop per Month



RASHEED NEIGHBORHOOD BREAD SHOP PROFITABILITY POTENTIAL	
DISCRIPTION	MONTHLY TOTAL
TOTAL EXPECTED SALES INCOME	١٠.٥٠٠.٠٠٠ 10,500,000
TOTAL EXPECTED COST	٧.٨٥٠.٠٠٠- 7,850,000-
PROFITABILITY POTENTIAL 1ST YEAR	٢.٦٥٠.٠٠٠ 2,650,000
PROFIT MARGINS FOR YEAR	25.24%

An aerial photograph showing a multi-lane bridge crossing a wide river. The bridge is filled with cars. In the background, a city with various buildings and parking lots is visible. The water in the river is a clear, light blue-green color.

Questions?



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Provincial Economic Growth Program

Advancing Private Sector Development in Iraq

How To Start a Business

DAY 4 of 5





OBJECTIVES – Day Four

By the end of this session you will gain a good understanding of:

The components of preparing a 'Financial Plan' for your business

- **How to prepare an Income Statement also known as a 'Sales and Costs Plan'**
 - How to forecast sales income.
 - How to prepare a material costs plan.
 - How to prepare an operational costs plan.
 - How to factor in depreciation.
 - How to bring all plans together in an income statement.
- **How to prepare a 'Cash Flow Plan'**
 - How to optimize a cash flow plan to see where your money is moving.
 - Understanding the "cash-in" and "cash-out" concept.
 - How to utilize your cash flow plan on a monthly basis.
- **How to prepare 'Balance Sheet Projections'**
 - Understanding the concepts behind assets and liabilities.
 - How to utilize your cash flow plan and all the components of the income statement to build your balance sheet.





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Prepare Your Financial Plans



Prepare Your 'Financial Plans'

Below are the three components of the financial plans that you need to prepare and include in your 'Business Plan'. These financial projections are also referred to as the 'financial statements':

- Prepare your **Sales and Costs Plan**; also called the 'income statement' or 'profit and loss', which shows how much profit your proposed business will make
- Prepare your **Cash Flow Plan**; is a systematic presentation of how the money will move in your business.
- Prepare your **Balance Sheet** projections; which shows the financial position of the assets and liabilities of your business.





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Income Statement



Income Statement – Your Sales and Costs Plan

Sales and Costs Plan – Also known as the ‘**Income Statement**’, or as the ‘**Profit and Loss Statement (P&L)**’, is the part of a company’s Financial Statements that indicates how sales of products and services is transformed into profit and net income.

**PREPARE YOUR
SALES PLAN**

**PREPARE YOUR
MATERIAL COSTS PLAN**

**PREPARE YOUR
OPERATIONAL COSTS PLAN**

**CALCULATE
DEPRECIATION COSTS**



1a. PREPARE YOUR SALES PLAN

Use the forecast of monthly sales income from the session on ‘profitability’ as a guide.

RASHEED NEIGHBORHOOD BREAD SHOP MONTHLY SALES INCOME					
PRODUCT	EXPECTED PRICE PER UNIT	EXPECTED SALES PER UNIT	MONTHLY TOTAL		
SAMOON (1 piece)	١.ع.د 100	30000	١.ع.د 3,000,000		
FRENCH BREAD (7 pieces)	١.ع.د 1,250	1500	١.ع.د 1,875,000		
LEBANESE BREAD (7 pieces)	١.ع.د 1,250	1500	١.ع.د 1,875,000		
KHUBOZ (7 pieces)	١.ع.د 1,250	3000	١.ع.د 3,750,000		
TOTAL EXPECTED MONTHLY SALES INCOME			١.ع.د 10,500,000		

Sales Income = 10,500,000 ID X 3 months = 31,500,000 ID total for a full quarter of a year.



1b. PREPARE YOUR SALES PLAN

- Reformat the chart so you can forecast all four quarters for your first year in business.
- Keep in mind your Market Mix strategy as you forecast.
- Take into account any price increases you envision as you become more established.
- Take into account any volume increase in units sold as you gain more customers.



Remember to be conservative in making your forecast.



1c. PREPARE YOUR SALES PLAN

Forecasting that production and sales will increase from 0% of production capacity, to 50%, 75% and then to 100% by the 4th Quarter.

RASHEED NEIGHBORHOOD BREAD SHOP YEAR END SALES INCOME FORECAST						
PRODUCT	Breakdown	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year End Total
SAMOON (1 piece)	Units	-	45,000	67,500	90,000	202,500
	Price Per Unit	١.ع.د 100	١.ع.د 100	١.ع.د 100	١.ع.د 100	١.ع.د 100
	Samoon Total Cost	١.ع.د -	١.ع.د 4,500,000	١.ع.د 6,750,000	١.ع.د 9,000,000	١.ع.د 20,250,000
FRENCH BREAD (7 pieces)	Units	-	2,250	3,375	4,500	10,125
	Price Per Unit	١.ع.د 1,250	١.ع.د 1,250	١.ع.د 1,250	١.ع.د 1,250	١.ع.د 1,250
	French Bread Total Cost	١.ع.د -	١.ع.د 2,812,500	١.ع.د 4,218,750	١.ع.د 5,625,000	١.ع.د 12,656,250
LEBANESE BREAD (7 pieces)	Units	-	2,250	3,375	4,500	10,125
	Price Per Unit	١.ع.د 1,250	١.ع.د 1,250	١.ع.د 1,250	١.ع.د 1,250	١.ع.د 1,250
	Lebanese Bread Total Cost	١.ع.د -	١.ع.د 2,812,500	١.ع.د 4,218,750	١.ع.د 5,625,000	١.ع.د 12,656,250
KHUBOZ (7 pieces)	Units	-	4,500	6,750	9,000	20,250
	Price Per Unit	١.ع.د 1,250	١.ع.د 1,250	١.ع.د 1,250	١.ع.د 1,250	١.ع.د 1,250
	Khuboz Total Cost	١.ع.د -	١.ع.د 5,625,000	١.ع.د 8,437,500	١.ع.د 11,250,000	١.ع.د 25,312,500
COMBINED ALL PRODUCT	Units	-	54,000	81,000	108,000	243,000
	Total Sales Income	١.ع.د -	١.ع.د 15,750,000	١.ع.د 23,625,000	١.ع.د 31,500,000	١.ع.د 70,875,000

The 1st quarter is at 0% of production capacity because the business has not yet opened.



2a. PREPARE YOUR MATERIAL COSTS PLAN

Use the forecast of monthly expected material cost from the previous session as a guide.

RASHEED NEIGHBORHOOD BREAD SHOP EXPECTED MONTHLY COST OF MATERIAL			
PRODUCT	COST PER UNIT	EXPECTED SALES PER UNIT MONTH	MONTHLY TOTAL
SAMOON (1 piece)	١.ع.د 30-	30000	١.ع.د 900,000-
FRENCH BREAD (7 pieces)	١.ع.د 375-	1500	١.ع.د 562,500-
LEBANESE BREAD (7 pieces)	١.ع.د 375-	1500	١.ع.د 562,500-
KHUBOZ (7 pieces)	١.ع.د 375-	3000	١.ع.د 1,125,000-
COST OF MATERIAL			١.ع.د 3,150,000-

Cost of material = 3,150,000 ID X 3 months = 9,450,000 ID total for a full quarter of a year.



2b. PREPARE YOUR MATERIAL COSTS PLAN

- Reformat the chart so you can forecast all four quarters for your first year in business.
- Keep in mind your projected forecast of sales to fill in quantities required.
- The unit amounts in your material cost plan should match your sales plan forecast.



Remember the units in your sales forecast should equal the units in your material cost plan.

2c. PREPARE YOUR MATERIAL COSTS PLAN

Forecasting that production and sales will increase from 0% of production capacity, to 50%, 75% and then to 100% by the 4th Quarter.

RASHEED NEIGHBORHOOD BREAD SHOP END MATERIAL COST FORECAST						
PRODUCT	Breakdown	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year End Total
SAMOON (1 piece)	Units	-	45,000	67,500	90,000	202,500
	Cost Per Unit	١.ع.د 30-	١.ع.د 30-	١.ع.د 30-	١.ع.د 30-	١.ع.د 30-
	Samoon Total Cost	١.ع.د -	١.ع.د 1,350,000-	١.ع.د 2,025,000-	١.ع.د 2,700,000-	١.ع.د 6,075,000-
FRENCH BREAD (7 pieces)	Units	-	2,250	3,375	4,500	10,125
	Cost Per Unit	١.ع.د 375-	١.ع.د 375-	١.ع.د 375-	١.ع.د 375-	١.ع.د 375-
	French Bread Total Cost	١.ع.د -	١.ع.د 843,750-	١.ع.د 1,265,625-	١.ع.د 1,687,500-	١.ع.د 3,796,875-
LEBANESE BREAD (7 pieces)	Units	-	2,250	3,375	4,500	10,125
	Cost Per Unit	١.ع.د 375-	١.ع.د 375-	١.ع.د 375-	١.ع.د 375-	١.ع.د 375-
	Lebanese Bread Total Cost	١.ع.د -	١.ع.د 843,750-	١.ع.د 1,265,625-	١.ع.د 1,687,500-	١.ع.د 3,796,875-
KHUBOZ (7 pieces)	Units	-	4,500	6,750	9,000	20,250
	Cost Per Unit	١.ع.د 375-	١.ع.د 375-	١.ع.د 375-	١.ع.د 375-	١.ع.د 375-
	Khuboz Total Cost	١.ع.د -	١.ع.د 1,687,500-	١.ع.د 2,531,250-	١.ع.د 3,375,000-	١.ع.د 7,593,750-
COMBINED ALL PRODUCT	Total Units	-	54,000	81,000	108,000	243,000
	Total Cost All Products	١.ع.د -	١.ع.د 4,725,000-	١.ع.د 7,087,500-	١.ع.د 9,450,000-	١.ع.د 21,262,500-

The 1st quarter is at 0% of production capacity because the business has not yet opened.

3a. PREPARE YOUR OPERATIONAL COSTS PLAN

Use the forecast of monthly operational costs from previous session as a guide.

RASHEED NEIGHBORHOOD BREAD SHOP MONTHLY OPERATIONAL COSTS	
DESCRIPTION	MONTHLY TOTAL
RENT FOR SHOP	٤٠٠,٠٠٠-
ELECTRICITY, WATER, FUEL	١٥٠,٠٠٠-
TELEPHONE	٥٠,٠٠٠-
WAGES FOR EMPLOYEES	٢,٠٠٠,٠٠٠-
PERSONAL SALARY	١,٥٠٠,٠٠٠-
TRAVEL COST TO BUY MATERIAL	١٠٠,٠٠٠-
ADVERTISING COSTS	٢٠٠,٠٠٠-
FINANCIAL COSTS	١٢٥,٠٠٠-
UNFORESEEN EXPENSES	١٧٥,٠٠٠-
OPERATIONAL COSTS	٤,٧٠٠,٠٠٠-

Operational costs = 4.7 M ID X 3 months = 14.34M ID total for a full quarter of a year.



3b. PREPARE YOUR OPERATIONAL COSTS PLAN

- Reformat the chart so you can forecast all four quarters for your first year in business.
- Keep in mind your projected forecast for operation may vary throughout the year based on holidays and marketing efforts.
- As your business grows and your sales increases so does the cost of operating the business.



The cost of operating a business increases as sales increases.



3c. PREPARE YOUR OPERATIONAL COSTS PLAN

Forecasting operational costs highlighted in white are expected to increase from 0% of production capacity, 50%, 75% reaching 100% by the 4th Quarter as sales increase.

RASHEED NEIGHBORHOOD BREAD SHOP OPERATIONAL COSTS (1ST FULL YEAR)						
DESCRIPTION	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year End Total	
RENT FOR SHOP		١.ع.د 1,200,000-	١.ع.د 1,200,000-	١.ع.د 1,200,000-	١.ع.د 3,600,000-	
ELECTRICITY, WATER, FUEL		١.ع.د 225,000-	١.ع.د 337,500-	١.ع.د 450,000-	١.ع.د 1,012,500-	
TELEPHONE		١.ع.د 75,000-	١.ع.د 112,500-	١.ع.د 150,000-	١.ع.د 337,500-	
WAGES FOR EMPLOYEES		١.ع.د 3,000,000-	١.ع.د 4,500,000-	١.ع.د 6,000,000-	١.ع.د 13,500,000-	
PERSONAL SALARY		١.ع.د 2,250,000-	١.ع.د 3,375,000-	١.ع.د 4,500,000-	١.ع.د 10,125,000-	
TRAVEL COST TO BUY MATERIAL		١.ع.د 300,000-	١.ع.د 300,000-	١.ع.د 300,000-	١.ع.د 900,000-	
ADVERTISING COSTS		١.ع.د 300,000-	١.ع.د 450,000-	١.ع.د 600,000-	١.ع.د 1,350,000-	
FINANCIAL COSTS		١.ع.د 375,000-	١.ع.د 375,000-	١.ع.د 375,000-	١.ع.د 1,125,000-	
UNFORESEEN EXPENSES		١.ع.د 525,000-	١.ع.د 525,000-	١.ع.د 525,000-	١.ع.د 1,575,000-	
TOTAL MAJOR EXPENSES	١.ع.د -	١.ع.د 8,250,000-	١.ع.د 11,175,000-	١.ع.د 14,100,000-	١.ع.د 33,525,000-	

Operational costs highlighted in black are expected to be constant costs that will not increase even though sales and other operational cost increase.



4a. CALCULATE DEPRECIATION COSTS

Depreciation: is the loss in the value of an asset due to the wear, tear and/or the passage of time.

- For example, what you paid for your car when you first bought it, compared to what it would be worth 5 years later, the difference would be considered a loss, which is a cost to your business. Therefore, to determine the actual profit you have made, you must deduct this loss from the '**Profit**' you may have thought you made.
- The loss in value of your assets is '**Depreciation**' cost. The depreciation costs of your business assets vary depending on the type, reliability, and quality of each asset. For example, buildings depreciate at 4% each year, while machinery and office equipment depreciate at 20% each year. Ask your SBDC on other depreciation rates which are according to Iraqi laws.
- Depreciation is among the business costs which will reduce your taxable business income. It is recommended to consult professional accountants and the tax authorities on this issue while preparing your taxes.



4b. CALCULATE DEPRECIATION COSTS

DEPRECIATION RATES AND COSTS FOR THE RASHEED NEIGHBORHOOD BREAD SHOP									
ANNUAL, QUARTERLY AND MONTHLY VALUES									
ASSET	PURCHASE VALUE		ANNUAL DEPRECIATION		QUARTERLY DEPRECIATION		MONTHLY DEPRECIATION		
			RATE	AMOUNT					
LAND AND BUILDING	RENTED		N/A	N/A	N/A	N/A	N/A	N/A	
OVENS, EQUIPMENT AND TOOLS	١.ع.د	5,000,000	20%	١.ع.د 1,000,000-	١.ع.د 250,000-	١.ع.د 83,333-			
SHOP EQUIPMENT AND FURNITURE	١.ع.د	3,000,000	20%	١.ع.د 600,000-	١.ع.د 150,000-	١.ع.د 50,000-			
VEHICLES	١.ع.د	3,000,000	20%	١.ع.د 600,000-	١.ع.د 150,000-	١.ع.د 50,000-			
ALL OTHER ASSETS	١.ع.د	1,000,000	20%	١.ع.د 200,000-	١.ع.د 50,000-	١.ع.د 16,667-			
TOTAL DEPRECIATION COSTS	١.ع.د	12,000,000		١.ع.د 2,400,000-	١.ع.د 600,000-	١.ع.د 200,000-			



1a. Income Statement

Difference between sales income and material cost used to produce the products and services sold. Measures necessary cost of business

INCOME STATEMENT FORMAT	
	SALES INCOME (TOP LINE)
-	MATERIAL COSTS
=	<u>SALES PROFIT</u>
-	OPERATIONAL COSTS
=	<u>OPERATING PROFIT</u>
-	DEPRECIATION
=	<u>TAXABLE PROFIT</u>
-	TAX
=	<u>NET PROFIT</u>
	OPERATING PROFIT
-	TAX
=	<u>NET INCOME (BOTTOM LINE)</u>

Difference between Sales Profit and operational costs. Measures profit with both material, operational and financial cost are subtracted.

Amount used to calculate what the government will tax after depreciation is taken into account.

Measures total profit including depreciation during time period being measured. Used to assess overall health and growth potential of business.

Amount of surplus cash that can be used to invest back into the business or payout shareholders.



1b. Income Statement

Forecasting production and sales increase from 0%, 50%, 75% and 100% by 4th Quarter.

RASHEED NEIGHBORHOOD BREAD SHOP INCOME STATEMENT (1ST YEAR FORECAST)					
DESCRIPTION	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year End Total
SALES INCOME (TOP LINE)		15,750,000	23,625,000	31,500,000	70,875,000
LESS: MATERIAL COSTS		4,725,000-	7,087,500-	9,450,000-	21,262,500-
SALES PROFIT		11,025,000	16,537,500	22,050,000	49,612,500
LESS: OPERATIONAL COSTS		8,250,000-	11,175,000-	14,100,000-	33,525,000-
OPERATING PROFIT		2,775,000	5,362,500	7,950,000	16,087,500
LESS: DEPRECIATION	116,667-	600,000-	600,000-	600,000-	1,916,667-
TAXABLE PROFIT	116,667-	2,175,000	4,762,500	7,350,000	14,170,833
LESS: TAX				4,251,250-	4,251,250-
NET PROFIT	116,667-	2,175,000	4,762,500	3,098,750	9,919,583
OPERATING PROFIT		2,775,000	5,362,500	7,950,000	16,087,500
LESS: TAX				4,251,250-	4,251,250-
NET INCOME (BOTTOM LINE)	-	2,775,000	5,362,500	3,698,750	11,836,250

Planning your Income Statement also gives you your forecast for the year.

It also provides you insight on how much money you will need to gather to run the business until it starts making profit.



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FROM THE AMERICAN PEOPLE

An aerial photograph of a city with a river and a bridge. The bridge is a long, narrow structure crossing the river, with several vehicles visible on it. The city buildings are densely packed on the left side of the river, and there are some trees and open areas on the right side. The water in the river is a dark greenish-blue color.

QUESTIONS?

Break 10 mins



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Cash Flow Plan



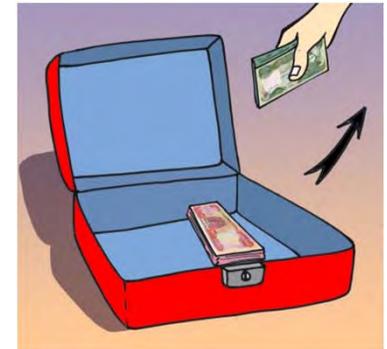
1. Cash Flow Plan

The Cash Flow Plan shows you:

- How much money will come into your business
- When it will come in
- From where it will come in

And

- How much money will go out of your business
- When it will go out
- Where it will go



If you have good profit but do not have ready cash (money) in hand when it is most needed to pay the essential costs, your business will be in a financial squeeze and it will struggle hard to survive.

Thus, a Cash Flow Projection is a vital financial planning and control instrument for successful management of your business.





2. Cash Flow Plan

A typical month-by-month Cash Flow Plan has two parts: The top part consists of a list of all items that bring money into the business “**CASH-IN**” and the bottom part consists of a list of all items for which money goes out of a business “**CASH-OUT**”.

The method of filling in the **CASH-IN** and **CASH-OUT** information depends on whether you operate your business:

- strictly on cash basis, which means that all your sales and purchases are made on cash payments, or
- on credit sales and credit purchases basis, which means that all sales and purchases are made on credit, or
- with the combination of both of the above, which means some sales and purchases are made against cash payments and some on credit.



Therefore before you start your Cash Flow Plan projections, you need to decide the following:

- **Sales: against cash or credit?** You need to know the credit period you will allow for your customers to pay; 7 days, 15 days, 30 days...etc
- **Purchases: against cash or credit?** You need to know the credit period you expect to have from your suppliers.



3. Cash Flow Plan

FORMAT CASH FLOW PLAN						
MONTH	1st Quarter			2nd Quarter		
	1	2	3	4	5	6
CASH IN	OPENING BALANCE (CASH IN HAND)					
	CASH IN FROM LOANS AND BORROWINGS					
	CASH IN FROM SALES					
	OTHER CASH IN					
	TOTAL CASH IN					
CASH OUT	CASH OUT FOR PURCHASE OF MATERIAL					
	CASH OUT FOR PRODUCTION & SALES COSTS					
	CASH OUT FOR FINANCIAL COSTS					
	CASH OUT FOR PLANNED INVESTMENTS					
	CASH OUT FOR LOAN REPAYMENT					
	OTHER CASH OUT					
	TOTAL CASH OUT					
	SURPLUS/(DEFICIT)					
	CLOSING BALANCE (CASH IN HAND)					

We will work through an example of a Cash Flow Plan for the start-up period. A Cash Flow Plan should be prepared for each 12-month period of business operations.



STEP 1: Cash In from Personal Investment , Family and Friends, and Loans

Let's look at Ali's situation during the first 6 months of the opening of the Rasheed Neighborhood Bread Shop.

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN						
MONTH	1ST QUARTER			2ND QUARTER		
	1	2	3	4	5	6
CASH IN						
OPENING BALANCE (CASH IN HAND)						
CASH IN FROM LOANS AND BORROWINGS	٦.٤.١ 6,000,000	٦.٤.١ 3,000,000	٦.٤.١ 8,000,000			
CASH IN FROM SALES						
OTHER CASH IN						
TOTAL CASH IN						

Ali was able to raise 6 M ID after conducting a personal finance assessment.

And received 3 M ID total from friends and family

Borrowed 8 M ID from the bank



2

STEP 2: Enter Cash-In from Sales Amount

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN							
MONTH	1ST QUARTER			2ND QUARTER			
	1	2	3	4	5	6	
CASH IN	OPENING BALANCE (CASH IN HAND)						
CASH IN FROM LOANS AND BORROWINGS	٦.ع.د 6,000,000	٣.ع.د 3,000,000	٨.ع.د 8,000,000				
CASH IN FROM SALES				٥.٢٥٠.٠٠٠ ع.د 5,250,000	٥.٢٥٠.٠٠٠ ع.د 5,250,000	٥.٢٥٠.٠٠٠ ع.د 5,250,000	
OTHER CASH IN							
TOTAL CASH IN							

The Rasheed Neighborhood Bread Shop operates on a cash only basis. The business will official open on the 4th month during the 2nd quarter.



STEP 3: Enter in OTHER CASH IN amount 3

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN							
MONTH	1ST QUARTER			2ND QUARTER			
	1	2	3	4	5	6	
CASH IN	OPENING BALANCE (CASH IN HAND)						
CASH IN FROM LOANS AND BORROWINGS	٦.ع.د 6,000,000	٦.ع.د 3,000,000	٦.ع.د 8,000,000				
CASH IN FROM SALES				٦.ع.د 5,250,000	٦.ع.د 5,250,000	٦.ع.د 5,250,000	
OTHER CASH IN							
TOTAL CASH IN							

No other CASH-IN to report.



STEP 4: Calculate TOTAL CASH IN amount 4

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN										
MONTH		1ST QUARTER			2ND QUARTER					
		1	2	3	4	5	6			
CASH IN	OPENING BALANCE (CASH IN HAND)									
	CASH IN FROM LOANS AND BORROWINGS	٦.ع.د 6,000,000	٦.ع.د 3,000,000	٦.ع.د 8,000,000						
	CASH IN FROM SALES				٦.ع.د 5,250,000	٦.ع.د 5,250,000	٦.ع.د 5,250,000			
	OTHER CASH IN									
	TOTAL CASH IN	٦.ع.د 6,000,000	٦.ع.د 3,000,000	٦.ع.د 8,000,000	٦.ع.د 5,250,000	٦.ع.د 5,250,000	٦.ع.د 5,250,000			

The totals of all previous lines in the CASH IN section of the CASH FLOW PLAN.



5

STEP 5b: Calculate CASH OUT FOR MATERIALS

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN							
MONTH	1ST QUARTER			2ND QUARTER			
	1	2	3	4	5	6	
CASH IN	OPENING BALANCE (CASH IN HAND) CASH IN FROM LOANS AND BORROWINGS CASH IN FROM SALES OTHER CASH IN TOTAL CASH IN						
	١.ع.د	١.ع.د	١.ع.د	١.ع.د	١.ع.د	١.ع.د	١.ع.د
	6,000,000	3,000,000	8,000,000	5,250,000	5,250,000	5,250,000	5,250,000
CASH OUT	CASH OUT FOR PURCHASE OF MATERIAL CASH OUT FOR OPERATIONS CASH OUT FOR PLANNED INVESTMENTS CASH OUT FOR LOAN REPAYMENT OTHER CASH OUT TOTAL CASH OUT						
			١.ع.د	١.ع.د	١.ع.د	١.ع.د	١.ع.د
			1,575,000	1,575,000	1,575,000	1,575,000	1,575,000

Once you made add a purchase that you paid for in cash on your STOCK INVENTORY SCHEDULE, you can enter it into the CASH OUT FOR PURCHASES section of the CASH FLOW PLAN.

STOCK INVENTORY OF MATERIALS - RASHEED NEIGHBORHOOD BREAD SHOP							
MONTH	1ST QUARTER			2ND QUARTER			
	1	2	3	4	5	6	
STOCK	OPENING STOCK ADD PURCHASE LESS COMSUMPTION CLOSING STOCK						
			١.ع.د	١.ع.د	١.ع.د	١.ع.د	١.ع.د
			1,575,000	1,575,000	1,575,000	1,575,000	1,575,000
				١.ع.د	١.ع.د	١.ع.د	١.ع.د
				1,575,000	1,575,000	1,575,000	1,575,000



6

STEP 6: Enter CASH OUT FOR OPERATIONS

RASHEED NEIGHBORHOOD BREAD SHOP OPERATIONAL COSTS (1ST FULL YEAR)					
DESCRIPTION	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year End Total
RENT FOR SHOP		١.ع.د 1,200,000-	١.ع.د 1,200,000-	١.ع.د 1,200,000-	١.ع.د 3,600,000-
ELECTRICITY, WATER, FUEL		١.ع.د 225,000-	١.ع.د 337,500-	١.ع.د 450,000-	١.ع.د 1,012,500-
TELEPHONE		١.ع.د 75,000-	١.ع.د 112,500-	١.ع.د 150,000-	١.ع.د 337,500-
WAGES FOR EMPLOYEES		١.ع.د 3,000,000-	١.ع.د 4,500,000-	١.ع.د 6,000,000-	١.ع.د 13,500,000-
PERSONAL SALARY		١.ع.د 2,250,000-	١.ع.د 3,375,000-	١.ع.د 4,500,000-	١.ع.د 10,125,000-
TRAVEL COST TO BUY MATERIAL		١.ع.د 300,000-	١.ع.د 300,000-	١.ع.د 300,000-	١.ع.د 900,000-
ADVERTISING COSTS		١.ع.د 300,000-	١.ع.د 450,000-	١.ع.د 600,000-	١.ع.د 1,350,000-
FINANCIAL COSTS		١.ع.د 375,000-	١.ع.د 375,000-	١.ع.د 375,000-	١.ع.د 1,125,000-
UNFORESEEN EXPENSES		١.ع.د 525,000-	١.ع.د 525,000-	١.ع.د 525,000-	١.ع.د 1,575,000-
TOTAL MAJOR EXPENSES	١.ع.د -	١.ع.د 8,250,000-	١.ع.د 11,175,000-	١.ع.د 14,100,000-	١.ع.د 33,525,000-

Utilize your operational costs plan and divide it to equal one month average for that quarter you will use.

Amount per month for 2nd quarter is:

8.25 M ID
3 months = 2.75 M ID



STEP 8: Enter CASH OUT FOR PLANNED INVESTMENTS

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN							
MONTH	1ST QUARTER			2ND QUARTER			
	1	2	3	4	5	6	
CASH IN	OPENING BALANCE (CASH IN HAND)						
CASH IN FROM LOANS AND BORROWINGS	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000				
CASH IN FROM SALES				١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	
OTHER CASH IN							
TOTAL CASH IN	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000
CASH OUT	CASH OUT FOR PURCHASE OF MATERIAL						
CASH OUT FOR OPERATIONS			١.ع.د 1,575,000-				
CASH OUT FOR PLANNED INVESTMENTS				١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-
CASH OUT FOR LOAN REPAYMENT							
OTHER CASH OUT							
TOTAL CASH OUT							

Amount per month for 2nd quarter is:

8.25 M ID
3 months = 2.75 M ID

Enter this amount per month in the first quarter in your CASH FLOW PLAN. Do the same for follow on quarters.



STEP 8: Enter CASH OUT FOR PLANNED INVESTMENTS

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN							
MONTH	1ST QUARTER			2ND QUARTER			
	1	2	3	4	5	6	
CASH IN	OPENING BALANCE (CASH IN HAND)						
CASH IN FROM LOANS AND BORROWINGS	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000				
CASH IN FROM SALES				١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000
OTHER CASH IN							
TOTAL CASH IN	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000
CASH OUT	CASH OUT FOR PURCHASE OF MATERIAL						
CASH OUT FOR OPERATIONS				١.ع.د 1,575,000-	١.ع.د 1,575,000-	١.ع.د 1,575,000-	١.ع.د 1,575,000-
CASH OUT FOR PLANNED INVESTMENTS	١.ع.د 3,000,000-	١.ع.د 1,000,000-	١.ع.د 8,000,000-				
CASH OUT FOR LOAN REPAYMENT							
OTHER CASH OUT							
TOTAL CASH OUT							

Ali will be purchasing assets in preparation for starting the business 3 months prior to opening day.



9

STEP 9: Enter CASH OUT FOR LOAN REPAYMENTS

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN									
MONTH		1ST QUARTER			2ND QUARTER				
		1	2	3	4	5	6		
CASH IN	OPENING BALANCE (CASH IN HAND)								
	CASH IN FROM LOANS AND BORROWINGS	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000					
	CASH IN FROM SALES				١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	
	OTHER CASH IN								
	TOTAL CASH IN	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	
CASH OUT	CASH OUT FOR PURCHASE OF MATERIAL			١.ع.د 1,575,000-					
	CASH OUT FOR OPERATIONS				١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-	
	CASH OUT FOR PLANNED INVESTMENTS	١.ع.د 3,000,000-	١.ع.د 1,000,000-	١.ع.د 8,000,000-					
	CASH OUT FOR LOAN REPAYMENT							١.ع.د 2,000,000-	
	OTHER CASH OUT								
	TOTAL CASH OUT								

The bank informed Ali that a 2M ID payment is due every 3 months for 1 year in order to pay off the 8M ID loan.



0

STEP 10: Enter OTHER CASH OUT AMOUNT

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN								
MONTH		1ST QUARTER			2ND QUARTER			
		1	2	3	4	5	6	
CASH IN	OPENING BALANCE (CASH IN HAND)							
	CASH IN FROM LOANS AND BORROWINGS	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000				
	CASH IN FROM SALES				١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	
	OTHER CASH IN							
	TOTAL CASH IN	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000
CASH OUT	CASH OUT FOR PURCHASE OF MATERIAL			١.ع.د 1,575,000-				
	CASH OUT FOR OPERATIONS				١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-
	CASH OUT FOR PLANNED INVESTMENTS	١.ع.د 3,000,000-	١.ع.د 1,000,000-	١.ع.د 8,000,000-				
	CASH OUT FOR LOAN REPAYMENT							١.ع.د 2,000,000-
	OTHER CASH OUT							
	TOTAL CASH OUT							

Ali had no other cash out



1

STEP 11: Calculate the TOTAL CASH OUT

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN								
MONTH		1ST QUARTER			2ND QUARTER			
		1	2	3	4	5	6	
CASH IN	OPENING BALANCE (CASH IN HAND)							
	CASH IN FROM LOANS AND BORROWINGS	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000				
	CASH IN FROM SALES				١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	
	OTHER CASH IN							
	TOTAL CASH IN	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000
CASH OUT	CASH OUT FOR PURCHASE OF MATERIAL			١.ع.د 1,575,000-				
	CASH OUT FOR OPERATIONS				١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-
	CASH OUT FOR PLANNED INVESTMENTS	١.ع.د 3,000,000-	١.ع.د 1,000,000-	١.ع.د 8,000,000-				
	CASH OUT FOR LOAN REPAYMENT							١.ع.د 2,000,000-
	OTHER CASH OUT							
	TOTAL CASH OUT	١.ع.د 3,000,000-	١.ع.د 1,000,000-	١.ع.د 9,575,000-	١.ع.د 4,325,000-	١.ع.د 4,325,000-	١.ع.د 4,325,000-	١.ع.د 6,325,000-

Add up the totals of each section of CASH OUT.



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STEP 12: Calculate the SURPLUS CASH/DEFICIT

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN								
MONTH		1ST QUARTER			2ND QUARTER			
		1	2	3	4	5	6	
CASH IN	OPENING BALANCE (CASH IN HAND)							
	CASH IN FROM LOANS AND BORROWINGS	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000				
	CASH IN FROM SALES				١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	
	OTHER CASH IN							
	TOTAL CASH IN	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000
CASH OUT	CASH OUT FOR PURCHASE OF MATERIAL			١.ع.د 1,575,000-				
	CASH OUT FOR OPERATIONS				١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-
	CASH OUT FOR PLANNED INVESTMENTS	١.ع.د 3,000,000-	١.ع.د 1,000,000-	١.ع.د 8,000,000-				
	CASH OUT FOR LOAN REPAYMENT							١.ع.د 2,000,000-
	OTHER CASH OUT							
	TOTAL CASH OUT	١.ع.د 3,000,000-	١.ع.د 1,000,000-	١.ع.د 9,575,000-	١.ع.د 4,325,000-	١.ع.د 4,325,000-	١.ع.د 4,325,000-	١.ع.د 6,325,000-
	SURPLUS/(DEFICIT)	١.ع.د 3,000,000	١.ع.د 2,000,000	١.ع.د 1,575,000-	١.ع.د 925,000	١.ع.د 925,000	١.ع.د 925,000	١.ع.د 1,075,000-

Take **TOTAL CASH IN** and combine it with the **TOTAL CASH OUT** to calculate if you have a **SURPLUS** or a **(DEFICIT)**.



13

STEP 13a: Calculate the CLOSING BALANCE

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN							
MONTH	1ST QUARTER			2ND QUARTER			
	1	2	3	4	5	6	
CASH IN							
OPENING BALANCE (CASH IN HAND)		١.ع.د 3,000,000					
CASH IN FROM LOANS AND BORROWINGS	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000				
CASH IN FROM SALES				١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	
OTHER CASH IN							
TOTAL CASH IN	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	
CASH OUT							
CASH OUT FOR PURCHASE OF MATERIAL			١.ع.د 1,575,000-	١.ع.د 1,575,000-	١.ع.د 1,575,000-	١.ع.د 1,575,000-	
CASH OUT FOR OPERATIONS				١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-	
CASH OUT FOR PLANNED INVESTMENTS	١.ع.د 3,000,000-	١.ع.د 1,000,000-	١.ع.د 8,000,000-				
CASH OUT FOR LOAN REPAYMENT						١.ع.د 2,000,000-	
OTHER CASH OUT							
TOTAL CASH OUT	١.ع.د 3,000,000-	١.ع.د 1,000,000-	١.ع.د 9,575,000-	١.ع.د 4,325,000-	١.ع.د 4,325,000-	١.ع.د 6,325,000-	
SURPLUS/(DEFICIT)	١.ع.د 3,000,000	١.ع.د 2,000,000	١.ع.د 575,000-	١.ع.د 925,000	١.ع.د 925,000	١.ع.د 1,075,000-	
CLOSING BALANCE (CASH IN HAND)	١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 5,575,000	١.ع.د 4,350,000	١.ع.د 5,275,000	١.ع.د 4,200,000	

Take the **CLOSING BALANCE** and carry it over to the **OPENING BALANCE** of the next month.

If you have a **SURPLUS** amount, add it to the **OPENING BALANCE** of the same month to calculate the **CLOSING BALANCE** for the month. In this case:

OPENING BALANCE MONTH (1)	0
+ SURPLUS MONTH (1)	+ 3.0 M ID
CLOSING BALANCE MONTH (1) =	3.0 M ID



13

STEP 13b: Calculate the CLOSING BALANCE

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN							
MONTH	1ST QUARTER			2ND QUARTER			
	1	2	3	4	5	6	
CASH IN							
OPENING BALANCE (CASH IN HAND)		١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 3,425,000			
CASH IN FROM LOANS AND BORROWINGS	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000				
CASH IN FROM SALES				١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	
OTHER CASH IN							
TOTAL CASH IN	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	
CASH OUT							
CASH OUT FOR PURCHASE OF MATERIAL			١.ع.د 1,575,000-	١.ع.د 1,575,000-	١.ع.د 1,575,000-	١.ع.د 1,575,000-	
CASH OUT FOR OPERATIONS				١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-	
CASH OUT FOR PLANNED INVESTMENTS	١.ع.د 3,000,000-	١.ع.د 3,000,000-	١.ع.د 8,000,000-				
CASH OUT FOR LOAN REPAYMENT						١.ع.د 2,000,000-	
OTHER CASH OUT							
TOTAL CASH OUT	١.ع.د 3,000,000-	١.ع.د 6,000,000-	١.ع.د 9,575,000-	١.ع.د 4,325,000-	١.ع.د 4,325,000-	١.ع.د 6,325,000-	
SURPLUS/(DEFICIT)	١.ع.د 3,000,000	١.ع.د 2,000,000	١.ع.د 1,575,000	١.ع.د 925,000	١.ع.د 925,000	١.ع.د 1,075,000-	
CLOSING BALANCE (CASH IN HAND)	١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 3,425,000	١.ع.د 4,350,000	١.ع.د 5,275,000	١.ع.د 4,200,000	

In month 3 of start-up period 1st quarter, you have a **(DEFICIT)** amount. In this case you would subtract the **(DEFICIT)** amount from the **OPENING BALANCE** to calculate the **CLOSING BALANCE** for the month.

OPENING BALANCE MONTH (3) 5,000,000 ID
(DEFICIT) MONTH (3) -1,575,000 ID
CLOSING BALANCE MONTH (3) = 3,425,000 ID

Take the **CLOSING BALANCE** and carry it over to the **OPENING BALANCE** of the next month.



14

STEP 14: Complete the CASH FLOW PLAN

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN										
MONTH		1ST QUARTER			2ND QUARTER					
		1	2	3	4	5	6			
CASH IN	OPENING BALANCE (CASH IN HAND)		١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 3,425,000	١.ع.د 4,350,000	١.ع.د 5,275,000			
	CASH IN FROM LOANS AND BORROWINGS	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000						
	CASH IN FROM SALES				١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000			
	OTHER CASH IN									
	TOTAL CASH IN	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000			
CASH OUT	CASH OUT FOR PURCHASE OF MATERIAL			١.ع.د 1,575,000-	١.ع.د 1,575,000-	١.ع.د 1,575,000-	١.ع.د 1,575,000-			
	CASH OUT FOR OPERATIONS				١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-			
	CASH OUT FOR PLANNED INVESTMENTS	١.ع.د 3,000,000-	١.ع.د 1,000,000-	١.ع.د 8,000,000-						
	CASH OUT FOR LOAN REPAYMENT								١.ع.د 2,000,000-	
	OTHER CASH OUT									
	TOTAL CASH OUT	١.ع.د 3,000,000-	١.ع.د 1,000,000-	١.ع.د 9,575,000-	١.ع.د 4,325,000-	١.ع.د 4,325,000-	١.ع.د 6,325,000-			
	SURPLUS/(DEFICIT)	١.ع.د 3,000,000	١.ع.د 2,000,000	١.ع.د 1,575,000-	١.ع.د 925,000	١.ع.د 925,000	١.ع.د 1,075,000-			
	CLOSING BALANCE (CASH IN HAND)	١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 3,425,000	١.ع.د 4,350,000	١.ع.د 5,275,000	١.ع.د 4,200,000			



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FROM THE AMERICAN PEOPLE

An aerial photograph showing a city with a mix of modern and older buildings, a large river, and a long bridge crossing the river. The text "QUESTIONS?" is overlaid in large white letters.

QUESTIONS?

Break 10 mins



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Balance Sheet Projections



1. Balance Sheet Projections

A 'Balance Sheet' is a financial statement that shows the position of Assets' and 'Liabilities + Owner's Equity' of a business.

At any given time, the '**Assets**' of a business must be equal to its '**Liabilities and Owner's Equity**'. That's why it is called a '**Balance Sheet**'.

ASSETS – are what a business owns, any valued possession of the business that can be converted into cash money:

1. Machinery and equipment,
2. Vehicles,
3. Office equipment and furniture,
4. Receivables (money owed to your business by others),
5. Land and buildings,
6. Stock of raw materials,
7. Cash on Hand including bank balance
8. Investments (bonds and shares in stocks)





2. Balance Sheet Projections

LIABILITIES – are the debts of a business, the money the business owes to others. The main ‘**liabilities**’ of a business consist of:

1. Long term bank loans and borrowings,
2. ‘**Bank Overdraft**’, which is the amount you owe to the bank and paid back in short term;
3. ‘**Payables**’, which is the money that the business owes to others for materials, goods, taxes, etc...

OWNERS’S EQUITY – Your business is separate legal entity, the money that you invest in your business is the money the business owes you.

1. **Share Capital and Owners’ Investment** is the money you and your partners have invested in the business.
2. ‘**Retained Earnings**’, which is the profit made by the business that has not yet been distributed to the owner or shareholders.

You are considered the main creditor to your business, and thus your investment is a liability for your business.





3. Balance Sheet Projections

Preparing a '**Balance Sheet**' for your business is extremely important for a business for two main reasons:

- To determine how much of the profit needs to be retained in the business to finance its operations (and not to be distributed to the shareholders or owners of the business), and
- To determine whether or not a business is '**solvent**'.

The business is '**SOLVENT**', if the '**assets**' of a business equal its '**liabilities + owner's equity**', it is able to pay all its debts from the sale of its assets in the event that it has to be closed.

On the other hand, if its '**liabilities**' are more than its assets, it will not be able to pay all its debts from the sale of its assets, where the business will be considered '**insolvent**' or '**bankrupt**'. '**Bankruptcy**' means that a business is unable to pay its debts.

The banks and financial institutions need your 'Balance Sheet' projections to evaluate whether or not your business is 'Solvent', and that your assets are adequate to pay your current liabilities.





4. Balance Sheet Projections

BALANCE SHEET FORMAT	
ASSETS	
LAND AND BUILDINGS	
MACHINERY, EQUIPMENT AND TOOLS	
OFFICE EQUIPMENT AND FURNITURE	
VEHICLES	
ALL OTHER ASSETS	
TOTAL FIXED ASSETS	
CASH IN HAND	
STOCK OF MATERIALS	
TOTAL CURRENT ASSETS	
TOTAL ASSETS	
LIABILITIES	
BANK OVERDRAFT	
UNPAID/DUE TAXES	
TOTAL CURRENT LIABILITIES	
LONG-TERM LOANS	
TOTAL LIABILITIES	
OWNER'S INVESTMENT/CAPITAL	
RETAINED EARNINGS	
OWNER'S EQUITY	
TOTAL LIABILITIES + OWNER'S EQUITY	

FIXED ASSETS are assets that cannot be converted into cash easily. State their current net value after deducting their **DEPRECIATION**.

CURRENT ASSETS can be readily converted into cash with little effort.

CURRENT LIABILITIES are payable in a relatively short time, within less than a year.

OWNER'S INVESTMENT/CAPITAL is personal money you invest which the business now owes you.

RETAINED EARNINGS are the net profits that have not been distributed to the shareholders/owners.

OWNER'S EQUITY combines **OWNER'S INVESTMENT** and **RETAINED EARNINGS**.

A Balance Sheet should be prepared for each 12-month period of business operations and a forecast of year 2 and year 3 should also be projected.



STEP 1: Enter all fixed assets and account for DEPRECIATION.

RASHEED NEIGHBORHOOD BREAD SHOP BALANCE SHEET (ASSETS)

ASSETS	1ST QUARTER			2ND QUARTER		
	1	2	3	4	5	6
LAND AND BUILDING	N/A	N/A	N/A	N/A	N/A	N/A
OVENS, EQUIPMENT AND TOOLS			١.ع.د 5,000,000	١.ع.د 4,916,667	١.ع.د 4,833,333	١.ع.د 4,750,000
SHOP EQUIPMENT AND FURNITURE			١.ع.د 3,000,000	١.ع.د 2,950,000	١.ع.د 2,900,000	١.ع.د 2,850,000
VEHICLES	١.ع.د 3,000,000	١.ع.د 2,950,000	١.ع.د 2,900,000	١.ع.د 2,850,000	١.ع.د 2,800,000	١.ع.د 2,750,000
ALL OTHER ASSETS		١.ع.د 1,000,000	١.ع.د 983,333	١.ع.د 966,667	١.ع.د 950,000	١.ع.د 933,333
TOTAL FIXED ASSETS	١.ع.د 3,000,000	١.ع.د 3,950,000	١.ع.د 11,883,333	١.ع.د 11,683,333	١.ع.د 11,483,333	١.ع.د 11,283,333
CASH IN HAND						
STOCK OF MATERIALS						
TOTAL CURRENT ASSETS						
TOTAL ASSETS						

Utilize your MONTHLY DEPRECIATION results to calculate the value of your assets over time. DEPRECIATION starts once an ASSET is purchased.

DEPRECIATION RATES AND COSTS FOR THE RASHEED NEIGHBORHOOD BREAD SHOP ANNUAL, QUARTERLY AND MONTHLY VALUES

ASSET	PURCHASE VALUE	ANNUAL DEPRECIATION		QUARTERLY DEPRECIATION	MONTHLY DEPRECIATION
		RATE	AMOUNT		
LAND AND BUILDING	RENTED	N/A	N/A	N/A	N/A
OVENS, EQUIPMENT AND TOOLS	١.ع.د 5,000,000	20%	١.ع.د 1,000,000-	١.ع.د 250,000-	١.ع.د 83,333-
SHOP EQUIPMENT AND FURNITURE	١.ع.د 3,000,000	20%	١.ع.د 600,000-	١.ع.د 150,000-	١.ع.د 50,000-
VEHICLES	١.ع.د 3,000,000	20%	١.ع.د 600,000-	١.ع.د 150,000-	١.ع.د 50,000-
ALL OTHER ASSETS	١.ع.د 1,000,000	20%	١.ع.د 200,000-	١.ع.د 50,000-	١.ع.د 16,667-
TOTAL DEPRECIATION COSTS	١.ع.د 12,000,000	20%	١.ع.د 2,400,000-	١.ع.د 600,000-	١.ع.د 200,000-



STEP 2: Enter your CASH IN HAND from the available CLOSING BALANCE

RASHEED NEIGHBORHOOD BREAD SHOP BALANCE SHEET (ASSETS)

ASSETS	1ST QUARTER			2ND QUARTER		
	1	2	3	4	5	6
LAND AND BUILDING	N/A	N/A	N/A	N/A	N/A	N/A
OVENS, EQUIPMENT AND TOOLS			١.ع.د 5,000,000	١.ع.د 4,916,667	١.ع.د 4,833,333	١.ع.د 4,750,000
SHOP EQUIPMENT AND FURNITURE			١.ع.د 3,000,000	١.ع.د 2,950,000	١.ع.د 2,900,000	١.ع.د 2,850,000
VEHICLES	١.ع.د 3,000,000	١.ع.د 2,950,000	١.ع.د 2,900,000	١.ع.د 2,850,000	١.ع.د 2,800,000	١.ع.د 2,750,000
ALL OTHER ASSETS		١.ع.د 1,000,000	١.ع.د 983,333	١.ع.د 966,667	١.ع.د 950,000	١.ع.د 933,333
TOTAL FIXED ASSETS	١.ع.د 3,000,000	١.ع.د 3,950,000	١.ع.د 11,883,333	١.ع.د 11,683,333	١.ع.د 11,483,333	١.ع.د 11,283,333
CASH IN HAND	١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 3,425,000	١.ع.د 4,350,000	١.ع.د 5,275,000	١.ع.د 4,200,000
STOCK OF MATERIALS						
TOTAL CURRENT ASSETS						
TOTAL ASSETS						

Utilize your CASH FLOW PLAN that you completed.

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN

MONTH	1ST QUARTER			2ND QUARTER		
	1	2	3	4	5	6
CASH OPENING BALANCE (CASH IN HAND)		١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 3,425,000	١.ع.د 4,350,000	١.ع.د 5,275,000
TOTAL CASH IN	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 3,000,000	١.ع.د 5,200,000	١.ع.د 5,250,000	١.ع.د 5,250,000
TOTAL CASH OUT	١.ع.د 3,000,000	١.ع.د 1,000,000	١.ع.د 9,575,000	١.ع.د 4,305,000	١.ع.د 4,325,000	١.ع.د 6,325,000
SURPLUS/(DEFICIT)	١.ع.د 3,000,000	١.ع.د 2,000,000	١.ع.د 1,575,000	١.ع.د 925,000	١.ع.د 925,000	١.ع.د 1,075,000
CLOSING BALANCE (CASH IN HAND)	١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 3,425,000	١.ع.د 4,350,000	١.ع.د 5,275,000	١.ع.د 4,200,000



STEP 3: Enter your STOCK OF MATERIALS

RASHEED NEIGHBORHOOD BREAD SHOP BALANCE SHEET (ASSETS)

ASSETS	1ST QUARTER			2ND QUARTER		
	1	2	3	4	5	6
LAND AND BUILDING	N/A	N/A	N/A	N/A	N/A	N/A
OVENS, EQUIPMENT AND TOOLS			١.ع.د 5,000,000	١.ع.د 4,916,667	١.ع.د 4,833,333	١.ع.د 4,750,000
SHOP EQUIPMENT AND FURNITURE			١.ع.د 3,000,000	١.ع.د 2,950,000	١.ع.د 2,900,000	١.ع.د 2,850,000
VEHICLES	١.ع.د 3,000,000	١.ع.د 2,950,000	١.ع.د 2,900,000	١.ع.د 2,850,000	١.ع.د 2,800,000	١.ع.د 2,750,000
ALL OTHER ASSETS		١.ع.د 1,000,000	١.ع.د 983,333	١.ع.د 966,667	١.ع.د 950,000	١.ع.د 933,333
TOTAL FIXED ASSETS	١.ع.د 3,000,000	١.ع.د 3,950,000	١.ع.د 11,883,333	١.ع.د 11,683,333	١.ع.د 11,483,333	١.ع.د 11,283,333
CASH IN HAND	١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 3,425,000	١.ع.د 4,350,000	١.ع.د 5,275,000	١.ع.د 4,200,000
STOCK OF MATERIALS			١.ع.د 1,575,000	١.ع.د 1,575,000	١.ع.د 1,575,000	١.ع.د 1,575,000
TOTAL CURRENT ASSETS						
TOTAL ASSETS						

Utilize the **STOCK INVENTORY SCHEDULE** you completed.

STOCK INVENTORY OF MATERIAL SCHEDULE OF RASHEED NEIGHBORHOOD BREAD SHOP

MONTH	1ST QUARTER			2ND QUARTER		
	1	2	3	4	5	6
OPENING STOCK				١.ع.د 1,575,000	١.ع.د 1,575,000	١.ع.د 1,575,000
ADD PURCHASE			١.ع.د 1,575,000	١.ع.د 1,575,000	١.ع.د 1,575,000	١.ع.د 1,575,000
LESS CONSUMPTION				١.ع.د 1,575,000-	١.ع.د 1,575,000-	١.ع.د 1,575,000-
CLOSING STOCK	١.ع.د -	١.ع.د -	١.ع.د 1,575,000	١.ع.د 1,575,000	١.ع.د 1,575,000	١.ع.د 1,575,000

STEP 4: Calculate the TOTAL ASSETS

RASHEED NEIGHBORHOOD BREAD SHOP BALANCE SHEET (ASSETS)

ASSETS	1ST QUARTER			2ND QUARTER		
	1	2	3	4	5	6
LAND AND BUILDING	N/A	N/A	N/A	N/A	N/A	N/A
OVENS, EQUIPMENT AND TOOLS			١.ع.د 5,000,000	١.ع.د 4,916,667	١.ع.د 4,833,333	١.ع.د 4,750,000
SHOP EQUIPMENT AND FURNITURE			١.ع.د 3,000,000	١.ع.د 2,950,000	١.ع.د 2,900,000	١.ع.د 2,850,000
VEHICLES	١.ع.د 3,000,000	١.ع.د 2,950,000	١.ع.د 2,900,000	١.ع.د 2,850,000	١.ع.د 2,800,000	١.ع.د 2,750,000
ALL OTHER ASSETS		١.ع.د 1,000,000	١.ع.د 983,333	١.ع.د 966,667	١.ع.د 950,000	١.ع.د 933,333
TOTAL FIXED ASSETS	١.ع.د 3,000,000	١.ع.د 3,950,000	١.ع.د 11,883,333	١.ع.د 11,683,333	١.ع.د 11,483,333	١.ع.د 11,283,333
CASH IN HAND	١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 3,425,000	١.ع.د 4,350,000	١.ع.د 5,275,000	١.ع.د 4,200,000
STOCK OF MATERIALS			١.ع.د 1,575,000	١.ع.د 1,575,000	١.ع.د 1,575,000	١.ع.د 1,575,000
TOTAL CURRENT ASSETS	١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 5,000,000	١.ع.د 5,925,000	١.ع.د 6,850,000	١.ع.د 5,775,000
TOTAL ASSETS	١.ع.د 6,000,000	١.ع.د 8,950,000	١.ع.د 16,883,333	١.ع.د 17,608,333	١.ع.د 18,333,333	١.ع.د 17,058,333

TOTAL CURRENT ASSETS is the combination of CASH IN HAND, STOCK OF MATERIALS and RECEIVABLES.

TOTAL ASSETS is the combination of TOTAL FIXED ASSETS and TOTAL CURRENT ASSETS.



STEP 5: Enter all BANK OVERDRAFTS and TAXES DUE to calculate CURRENT LIABILITIES

RASHEED NEIGHBORHOOD BREAD SHOP BALANCE SHEET (TOTAL LIABILITES & OWNER'S EQUITY)						
LIABILITES	1ST QUARTER			2ND QUARTER		
	1	2	3	4	5	6
BANK OVERDRAFT						
UNPAID/DUE TAXES						
TOTAL CURRENT LIABILITIES						
LONG-TERM LOANS						
TOTAL LIABILITIES						
OWNER'S INVESTMENT/CAPITAL						
RETAINED EARNINGS						
OWNER'S EQUITY						
TOTAL LIABILITIES + OWNER'S EQUITY						

Since the Ali saved enough money to invest in the business, they did not need to utilize a BANK OVERDRAFT.

Taxes for the Rasheed Neighborhood Bread Shop for this year of operation is not due till 4th quarter of the first year.

This is why Ali has no current liabilities which is common for cash only businesses.



STEP : Input the LONG TERM LOANS

RASHEED NEIGHBORHOOD BREAD SHOP BALANCE SHEET (TOTAL LIABILITES & OWNER'S EQUITY)

The terms of the loan indicates that the loan is to be paid off in 4 equal portions due every 3rd month. On the BALANCE SHEET, the 8M ID is carried over to the following month since payment is not due until month 3.

	1ST QUARTER	2ND QUARTER
UNPAID/DUE TAXES		
TOTAL CURRENT LIABILITIES		
LONG-TERM LOANS	١.٤.٠ 8,000,000-	١.٤.٠ 8,000,000- ١.٤.٠ 8,000,000- ١.٤.٠ 6,000,000-
TOTAL LIABILITIES		
OWNER'S INVESTMENT/CAPITAL		
RETAINED EARNINGS		
OWNER'S EQUITY		

Utilize the loan portion of your CASH FLOW PLAN and recall that Ali borrowed 8M ID from the bank in month #3. Enter that amount in the LONG TERM LOANS section of the same month on the BALANCE SHEET.

Month #6 a payment was made in the amount of 2M ID to the bank. This payment is credited to LONG-TERM LOANS adjusting the total from 8M ID to 6M ID thereafter.

		1ST QUARTER			2ND QUARTER		
		2	3	4	5	6	
CASH IN		١.٤.٠ 3,000,000	١.٤.٠ 8,000,000	١.٤.٠ 3,425,000	١.٤.٠ 4,350,000	١.٤.٠ 5,275,000	
CASH OUT							
TOTAL CASH IN		١.٤.٠ 6,000,000	١.٤.٠ 8,000,000	١.٤.٠ 5,250,000	١.٤.٠ 5,250,000	١.٤.٠ 5,250,000	
CASH OUT FOR PURCHASE OF MATERIAL			١.٤.٠ 1,575,000-	١.٤.٠ 1,575,000-	١.٤.٠ 1,575,000-	١.٤.٠ 1,575,000-	
CASH OUT FOR OPERATIONS				١.٤.٠ 2,750,000-	١.٤.٠ 2,750,000-	١.٤.٠ 2,750,000-	
CASH OUT FOR PLANNED INVESTMENTS		١.٤.٠ 3,000,000-	١.٤.٠ 1,000,000-	١.٤.٠ 8,000,000-			
CASH OUT FOR LOAN REPAYMENT						١.٤.٠ 2,000,000-	
TOTAL CASH OUT		١.٤.٠ 3,000,000-	١.٤.٠ 1,000,000-	١.٤.٠ 9,575,000-	١.٤.٠ 4,325,000-	١.٤.٠ 6,325,000-	



STEP : Calculate the OWNER'S CAPITAL

The initial 6 M ID is credited in the **BALANCE SHEET** under **OWNER'S INVESTMENT** and is carried over each month until it is repaid.

BALANCE SHEET (TOTAL LIABILITIES & OWNER'S EQUITY)									
	QUARTER 2			QUARTER 3			QUARTER 4		
	1	2	3	1	2	3	1	2	3
BANK OVERDRAFT									
UNPAID/DUE TAXES									
TOTAL CURRENT LIABILITIES									
LONG-TERM LOANS				١.ع.د 8,000,000-					
TOTAL LIABILITIES	١.ع.د -	١.ع.د -	١.ع.د -	١.ع.د 8,000,000-					
OWNER'S INVESTMENT/CAPITAL	١.ع.د 6,000,000-	١.ع.د 9,000,000-							
RETAINED EARNINGS									
OWNER'S EQUITY	١.ع.د 6,000,000-	١.ع.د 9,000,000-							
TOTAL LIABILITIES + OWNER'S EQUITY	١.ع.د 6,000,000-	١.ع.د 9,000,000-							

Month #2 is the combination of 6M ID Ali personal investment and the 3M ID borrowed from friends and family.

Every month carry over previous month OWNER'S INVESTMENT

RASHEED NEIGHBORHOOD BREAD SHOP CASH FLOW PLAN									
MONTH		1ST QUARTER			2ND QUARTER				
		1	2	3	4	5	6		
CASH IN	OPENING BALANCE (CASH IN HAND)		١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 3,425,000	١.ع.د 4,350,000	١.ع.د 5,275,000		
	CASH IN FROM LOANS AND BORROWINGS	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000					
	OTHER CASH IN								
	TOTAL CASH IN	١.ع.د 6,000,000	١.ع.د 3,000,000	١.ع.د 8,000,000	١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000		



STEP a: Calculate RETAINED EARNINGS

Utilize all of the spreadsheets used for the CASH FLOW PLAN to calculate an **INCOME STATEMENT** for the start-up period.

RASHEED NEIGHBORHOOD BREAD SHOP INCOME STATEMENT (SIMPLIFIED START-UP)

MONTH	1ST QUARTER (START UP PERIOD)			2ND QUARTER		
	1	2	3	4	5	6
SALES INCOME (TOP LINE)				١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000
LESS: MATERIAL COSTS				١.ع.د 1,575,000-	١.ع.د 1,575,000-	١.ع.د 1,575,000-
SALES PROFIT				١.ع.د 3,675,000	١.ع.د 3,675,000	١.ع.د 3,675,000
LESS: OPERATIONAL COSTS				١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-
OPERATING PROFIT				١.ع.د 925,000	١.ع.د 925,000	١.ع.د 925,000
LESS: DEPRECIATION		١.ع.د 50,000-	١.ع.د 66,667-	١.ع.د -	١.ع.د -	١.ع.د 1,417,083-
TAXABLE PROFIT		١.ع.د 50,000-	١.ع.د 66,667-	١.ع.د 925,000	١.ع.د 925,000	١.ع.د 492,083-
LESS: TAX						
NET PROFIT		١.ع.د 50,000-	١.ع.د 66,667-	١.ع.د 925,000	١.ع.د 925,000	١.ع.د 492,083-
OPERATING PROFIT				١.ع.د 925,000	١.ع.د 925,000	١.ع.د 925,000
LESS: TAX						
NET INCOME (BOTTOM LINE)				١.ع.د 925,000	١.ع.د 925,000	١.ع.د 925,000

Remember that DEPRECIATION starts the following month of purchase.



STEP b: Calculating Retained Earnings

Remember, **RETAINED EARNINGS** on the **BALANCE SHEET** is the **NET PROFIT** from the **INCOME STATEMENT** that have not been distributed to the shareholders/owners or invested back into the business.

When you transfer the **NET PROFITS** from the **INCOME STATEMENT** to the **BALANCE SHEET**; they become **DEBTS** of the business. This is why a **negative** in **NET PROFITS** is a **positive** in **RETAINED EARNINGS**.

Remember to carry over the previous month's balance to the next month then add the **NET PROFIT (NP)** to calculate the **RETAINED EARNINGS (RE)**. In this case:

RE month (2) 50,000 ID
NP month (3) + 66,667 ID
RE month (3) 116,667 ID

	1	2	3	4	5	6
TOTAL LIABILITIES	١.ع.د -	١.ع.د -	١.ع.د 8,000,000-	١.ع.د 8,000,000-	١.ع.د 8,000,000-	١.ع.د 6,000,000-
OWNER'S INVESTMENT/CAPITAL	١.ع.د 6,000,000-	١.ع.د 9,000,000-				
RETAINED EARNINGS		١.ع.د 50,000	١.ع.د 116,667	١.ع.د 808,333-	١.ع.د 1,733,333-	١.ع.د 1,241,250-
OWNER'S EQUITY						
TOTAL LIABILITIES + OWNER'S EQUITY						

RASHEED NEIGHBORHOOD BREAD SHOP INCOME STATEMENT (SIMPLIFIED START-UP)							
MONTH	1ST QUARTER (START UP PERIOD)			2ND QUARTER			
	1	2	3	4	5	6	
SALES INCOME (TOP LINE)				١.ع.د 5,250,000	١.ع.د 5,250,000	١.ع.د 5,250,000	
LESS: MATERIAL COSTS				١.ع.د 1,575,000-	١.ع.د 1,575,000-	١.ع.د 1,575,000-	
SALES PROFIT				١.ع.د 3,675,000	١.ع.د 3,675,000	١.ع.د 3,675,000	
LESS: OPERATIONAL COSTS				١.ع.د 2,750,000-	١.ع.د 2,750,000-	١.ع.د 2,750,000-	
OPERATING PROFIT				١.ع.د 925,000	١.ع.د 925,000	١.ع.د 925,000	
LESS: DEPRECIATION		١.ع.د 50,000-	١.ع.د 6,667-	١.ع.د -	١.ع.د -	١.ع.د 1,417,083-	
TAXABLE PROFIT		١.ع.د 50,000-	١.ع.د 6,667-	١.ع.د 925,000	١.ع.د 925,000	١.ع.د 492,083-	
LESS: TAX							
NET PROFIT		١.ع.د 50,000-	١.ع.د 66,667-	١.ع.د 925,000	١.ع.د 925,000	١.ع.د 492,083-	
OPERATING PROFIT				١.ع.د 925,000	١.ع.د 925,000	١.ع.د 925,000	
LESS: TAX							
NET INCOME (BOTTOM LINE)				١.ع.د 925,000	١.ع.د 925,000	١.ع.د 925,000	



STEP a: Calculate OWNER'S EQUITY and TOTAL LIABILITIES

RASHEED NEIGHBORHOOD BREAD SHOP BALANCE SHEET (TOTAL LIABILITES & OWNER'S EQUITY)						
LIABILITES	1ST QUARTER			2ND QUARTER		
	1	2	3	4	5	6
BANK OVERDRAFT						
UNPAID/DUE TAXES						
TOTAL CURRENT LIABILITIES						
LONG-TERM LOANS			١.ع.د 8,000,000-	١.ع.د 8,000,000-	١.ع.د 8,000,000-	١.ع.د 6,000,000-
TOTAL LIABILITIES	١.ع.د -	١.ع.د -	١.ع.د 8,000,000-	١.ع.د 8,000,000-	١.ع.د 8,000,000-	١.ع.د 6,000,000-
OWNER'S INVESTMENT/CAPITAL	١.ع.د 6,000,000-	١.ع.د 9,000,000-				
RETAINED EARNINGS		١.ع.د 50,000	١.ع.د 116,667	١.ع.د 808,333-	١.ع.د 1,733,333-	١.ع.د 1,241,250-
OWNER'S EQUITY						
TOTAL LIABILITES + OWNER'S EQUITY						

**OWNER'S INVESTMENTS
+ RETAINED EARNINGS
OWNER'S EQUITY**

**TOTAL LIABILITIES
+ OWNER'S EQUITY
Final portion of Balance sheet**



STEP 10: Compare your ASSETS and LIABILITIES

RASHEED NEIGHBORHOOD BREAD SHOP BALANCE SHEET (ASSETS)						
ASSETS	1ST QUARTER			2ND QUARTER		
	1	2	3	4	5	6
LAND AND BUILDING	N/A	N/A	N/A	N/A	N/A	N/A
OVENS, EQUIPMENT AND TOOLS			١.ع.د 5,000,000	١.ع.د 4,916,667	١.ع.د 4,833,333	١.ع.د 4,750,000
SHOP EQUIPMENT AND FURNITURE			١.ع.د 3,000,000	١.ع.د 2,950,000	١.ع.د 2,900,000	١.ع.د 2,850,000
VEHICLES	١.ع.د 3,000,000	١.ع.د 2,950,000	١.ع.د 2,900,000	١.ع.د 2,850,000	١.ع.د 2,800,000	١.ع.د 2,750,000
ALL OTHER ASSETS		١.ع.د 1,000,000	١.ع.د 983,333	١.ع.د 966,667	١.ع.د 950,000	١.ع.د 933,333
TOTAL FIXED ASSETS	١.ع.د 3,000,000	١.ع.د 3,950,000	١.ع.د 11,883,333	١.ع.د 11,683,333	١.ع.د 11,483,333	١.ع.د 11,283,333
CASH IN HAND	١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 3,425,000	١.ع.د 4,350,000	١.ع.د 5,275,000	١.ع.د 4,200,000
STOCK OF MATERIALS			١.ع.د 1,575,000	١.ع.د 1,575,000	١.ع.د 1,575,000	١.ع.د 1,575,000
TOTAL CURRENT ASSETS	١.ع.د 3,000,000	١.ع.د 5,000,000	١.ع.د 5,000,000	١.ع.د 5,925,000	١.ع.د 6,850,000	١.ع.د 5,775,000
TOTAL ASSETS	١.ع.د 6,000,000	١.ع.د 8,950,000	١.ع.د 16,883,333	١.ع.د 17,608,333	١.ع.د 18,333,333	١.ع.د 17,058,333
RASHEED NEIGHBORHOOD BREAD SHOP BALANCE SHEET (TOTAL LIABILITES & OWNER'S EQUITY)						
LIABILITES	1ST QUARTER			2ND QUARTER		
	1	2	3	4	5	6
BANK OVERDRAFT						
UNPAID/DUE TAXES						
TOTAL CURRENT LIABILITIES						
LONG-TERM LOANS			١.ع.د 8,000,000-	١.ع.د 8,000,000-	١.ع.د 8,000,000-	١.ع.د 6,000,000-
TOTAL LIABILITIES	١.ع.د -	١.ع.د -	١.ع.د 8,000,000-	١.ع.د 8,000,000-	١.ع.د 8,000,000-	١.ع.د 6,000,000-
OWNER'S INVESTMENT/CAPITAL	١.ع.د 6,000,000-	١.ع.د 9,000,000-	١.ع.د 9,000,000-	١.ع.د 9,000,000-	١.ع.د 9,000,000-	١.ع.د 9,000,000-
RETAINED EARNINGS		١.ع.د 50,000	١.ع.د 116,667	١.ع.د 808,333-	١.ع.د 1,733,333-	١.ع.د 1,241,250-
OWNER'S EQUITY	١.ع.د 6,000,000-	١.ع.د 8,950,000-	١.ع.د 8,883,333-	١.ع.د 9,808,333-	١.ع.د 10,733,333-	١.ع.د 10,241,250-
TOTAL LIABILITES + OWNER'S EQUITY	١.ع.د 6,000,000-	١.ع.د 8,950,000-	١.ع.د 16,883,333-	١.ع.د 17,808,333-	١.ع.د 18,733,333-	١.ع.د 16,241,250-

The **BALANCE SHEET** is filled out properly when **A = L + OE**.



QUESTIONS?

Break for Lunch



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TIJARA

Provincial Economic Growth Program

Advancing Private Sector Development in Iraq

How To Start a Business

DAY 5 of 5





OBJECTIVES – Day Five

By the end of this session you will gain a good understanding of:

- **The Business Plan**
 - How to utilize your financial statements to build a business plan.
 - How to put together a feasibility study to explain your financial statements.
 - Understanding other items to include in your business plan.
- **Secure Your Financial Needs**
 - An understanding of different institutions where you can secure your financial needs.
 - Reasons for **NOT** securing a loan from a financial institution.
 - Ways to improve the likelihood of obtaining a loan.





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Prepare Your Business Plan



1. Prepare Your Business Plan

The **'Business Plan'** includes everything you have learned from this Workshop. Your business plan will enable you to identify the various steps needed to start your business, which you could also submit to financial institutions and banks for their evaluation of your application for a loan.

The Business Plan includes:

- The Feasibility Study, which is the systematic presentation of your business idea.
- Credentials to prove that you have required skills, knowledge and experience to run a business.
- 'Market Research', 'Marketing Mix', and 'Marketing Plan'.
- Financial Statement Projections.
- Plan of Action, the steps you need to implement your business plan.





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2. Prepare Your Business Plan

Why prepare a Business Plan?

- Potential lenders want to make sure that their money is not at risk.
- A strong Business Plan backed up by a in-depth Feasibility Study gives you credibility and defines a new business in a professional manner.
- Preparing a strong Business Plan also gives you the confidence to manage a business which potential lenders will notice.
- Along with your own money to invest, a strong Business Plan shows how serious you are as an entrepreneur.



A strong Business Plan demonstrates how serious you are as an entrepreneur.



The Business Plan

Guidelines for Completing a 'Business Plan'

1. The Executive Summary

2. Description of Proposed Business

3. The Business Organization

4. The Market Research, Marketing Mix and Marketing Plan

5. Financial Statement Projections

6. Start Up Capital



1. The Executive Summary

- The first impression of your Business Plan and your potential as an Entrepreneur.
- Summarizes each portion of the Business Plan in a concise manner that will be referred to often when the loan officer is deciding on your application.
- The most important piece, the Executive Summary should be the last thing you write in your Business Plan.

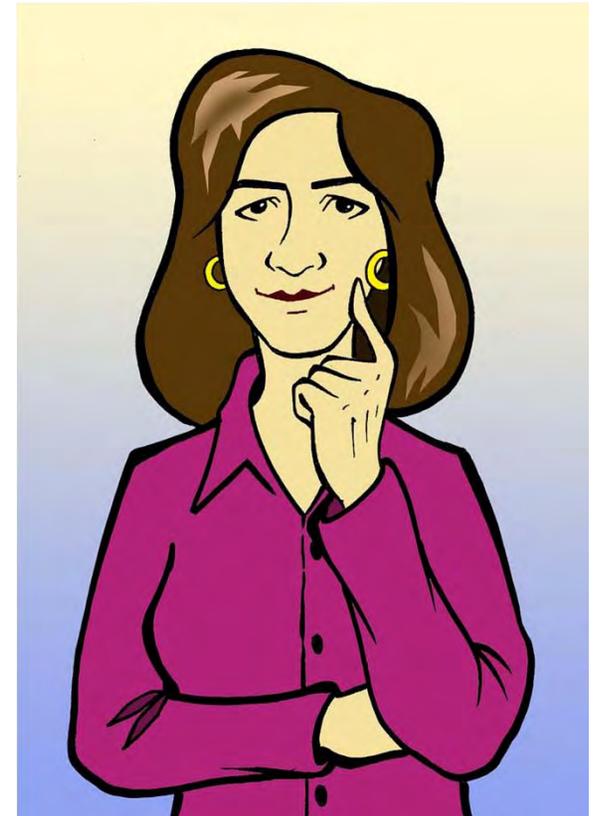


**The Executive Summary is a condensed snapshot of your business.
It covers the above four topics in brief.**



2a. Description of Proposed Business

- **Classification:** Type of business (service, trade, manufacturing, agriculture, etc...)
- **Business Activities:** Brief description of products and services.
- **Business Location:** you need to choose a location that will give your business a '**competitive edge**' to firmly position yourself in a competitive market place.
- **Legal Form of Business:** Sole Proprietor or Partnership and describe why.





2b. Description of Proposed Business

- **Licenses and permits:** Describe why your business needs them, and where you need to get them from.
- **Taxes:** All information you gathered or obtained from a tax specialist or professional.
- **Labor Regulations:** Labor Laws pertaining to your proposed business.
- **Insurances:** The type of insurance you may use to gain the attention of the lender.
- **Building space and 'layout plan'**, which is a plan of floor space showing the location of the space occupied by each item of equipment and furniture.



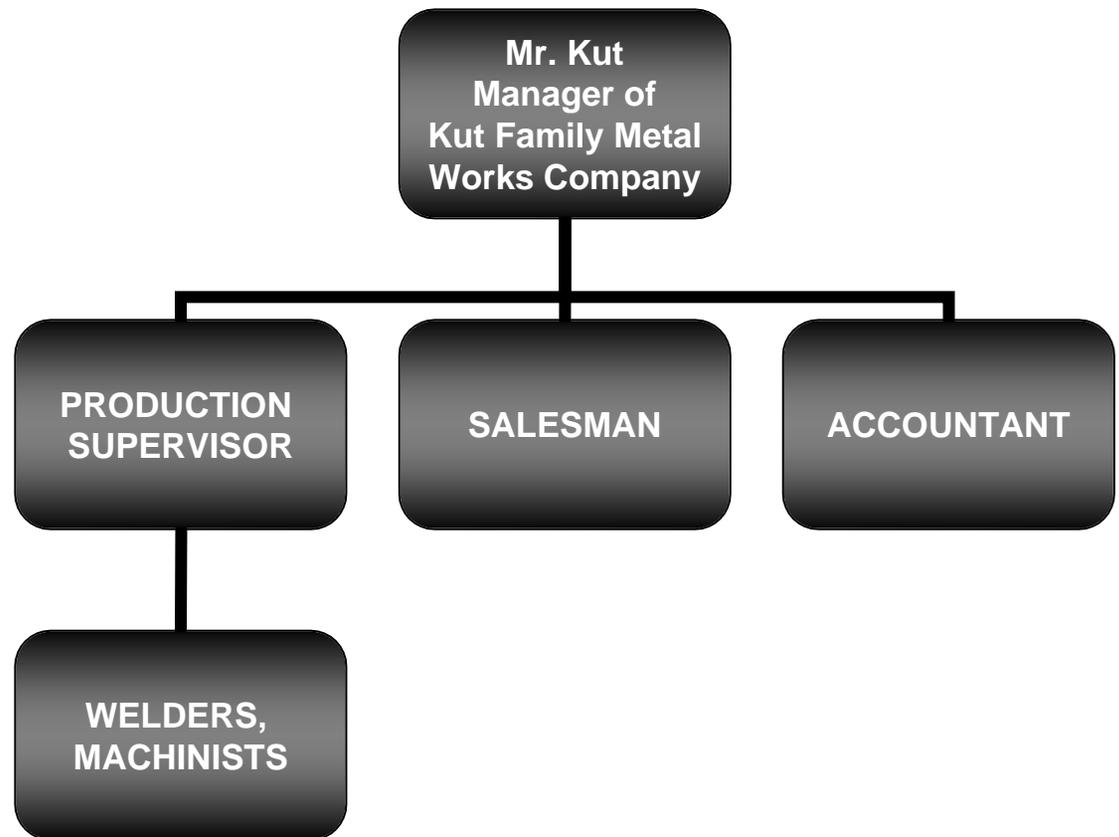
Any other relevant information should be included that is unique to your business.



3. The Business Organization

It is extremely important to demonstrate that you have properly thought-out the operational aspects and business functions needed to run your business efficiently.

You should also write down the responsibilities and tasks for each of the positions in your business.





4. The Market Research, Marketing Mix and Marketing Plan

- **Your 'Market Research'** – systematic gathering and analysis of data including potential effective market, pricing preference, quantity and quality requirements, competitors in the market along with their strengths and weaknesses and why you can take market share.
- **Your 'Marketing Mix'** – the combination of your product quality, price, place, and method of promotion to your potential customers to obtain a firm position in the market.
- **Your 'Marketing Plan'** – the quantity of the products and services you will sell every month using the information you have collected from your 'market research', along with the methods you will use to achieve that amount.



Your 'Marketing Plan' is the most crucial element of your 'Business Plan', a good and well thought out marketing plan will result a good 'business plan'.



5. Financial Statement Projections

- **Financial Projections:** Include all the Financial Plans we reviewed during this workshop:

- Cost and Sales Plan
- Cash Flow Plan
- Balance Sheet Plan



- Emphasize strong indicators for loan repayment :
 - Explain how much money you need from a bank or financial institution and how you will be able to pay the loan installments.
 - The collateral you can offer to secure the loan
- Performance analysis and Financial Projections must be reasonable and feasible.



6. Start Up Capital

To establish and start your proposed business you will need to determine your start up capital, mentioning the following :

- The money needed to acquire the required physical resources for the business:
 - **Machinery and tools:** how you will obtain them, number and type of the items you will need, specifications, and the cost of each item.
 - **Office equipment, furniture and fittings.**
 - The money you need for the **stock of raw materials** and/or **finished products** you will have. Use the information collected in your 'marketing plan', and vehicles if needed.
- The money needed for your **pre-operating costs**:
 - **Administration and staff costs**, you might need to hire people before the start of your business, you need to calculate their costs.
 - **Business formation and registration costs.**
 - **Advertising and promotion costs.**
 - **Lease/rent costs**, the amount of money needed to pay for periods before you start your business.
- Determine your '**working capital**' needs, the amount of money your business needs to pay for salaries and other business needs before it starts earning money.





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Start Up Costs Breakdown



1. Start Up Cost Breakdown

The main issues to consider when breaking down your Start Up Costs, are:

1. Physical resource costs

2. Pre-operating costs



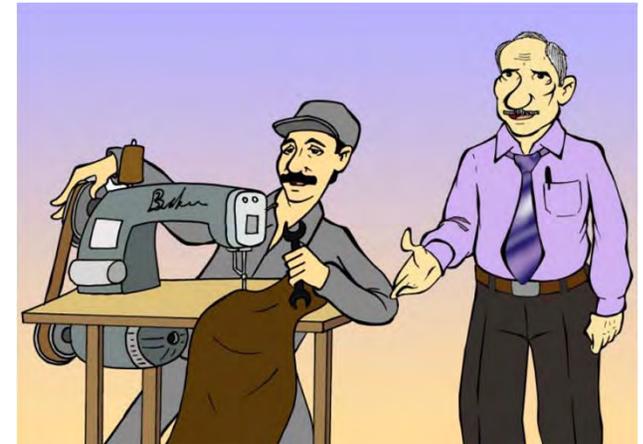


2. Start Up Cost Breakdown

1. Physical resource costs

- A manufacturing business needs machine and tools to make its products.
- A service providing business needs equipment and tools to provide its services
- A retailing or wholesale business needs facilities for storing its goods.

▪ Machinery and tools





3. Start Up Cost Breakdown

1. Physical resource costs

- Make a list of production stages for each product.
- Decide on production process for stage.
- Make a list of equipment you will need.
- Based on production levels, decide what kind and what quality of equipment and tools you will need.

▪ Machinery and tools

- Decide how you will obtain required machinery and tools:
 - New, used or leased.
- Estimate cost:
 - Make a list of suppliers,
 - Obtain firm quotations,
 - Compare and create short list,
 - Choose best supplier.
- You can use more than one supplier.



4. Start Up Cost Breakdown

BASRAH WOOD WORKS - PRODUCTION PROCESS: KITCHEN CHAIR STLYE 1				
Section	Production stage	Process	Equipment	Additional tools
LEGS	1. Sizing Wood	Use machine	Band-saw	Calipers, measuring tape, handsaw and finishing tools
	2. Cut to Length	Use machine	Cut-off saw	
	3. Shape Legs	Use machine	Lathe	
	4. Finish the Legs	By hand		
SEAT FRAME	1. Sizing Wood	Use machine	Band-saw	Calipers, measuring tape, hand planers, chisels, hammers and finishing tools
	2. Finish to Size	Use machine and finish by hand	Planing machine	
	3. Cut to Length	Use machine	Sanding machine	
	4. Prepare Joints	By hand	Cut-off saw	
	5. Assemble	By hand		
SEAT	1. Sizing Wood	Use machine	Band-saw	Calipers, measuring tape, hand planers, chisels, hammers, hand drill and finishing tools
	2. Finish to Size	Use machine and finish by hand	Planing machine	
	3. Cut to Length	Use machine	Sanding machine	
	4. Join Planks	Use machine	cut-off saw	
	5. Curve Seat	Use machine	Joining press	
	6. Finish Shape	By hand	Bending press	
BACK-REST	1. Sizing Wood	Use machine	Band-saw	Calipers, measuring tape, handsaw and finishing tools
	2. Cut to Length	Use machine	Cut-off saw	
	3. Shape the Rods	Use machine	Lathe	
	4. Finish the Rods	By hand		
	5. Shape the Shoulder	Use machine	Bending press	
	6. Finish the Shoulder	By hand		
FINISH GOODS	1. Final Assembly	By hand		Assembly and finishing tools
	2. Final Finish	By hand		
	3. Final Polish	By hand		



5. Start Up Cost Breakdown

1. Physical resource costs

▪ Other equipment

- Various items of furniture and office equipment needed to keep your business organized:
 - Computers, cash registers,
 - Office furniture,
 - Bins and racks for storage,
 - Work benches and seats.
- Other assets such as vehicles may be needed to transport material or make deliveries.
- Take into account buying new, used or leasing assets.
- Remember you can always add to your business later when it is more established.

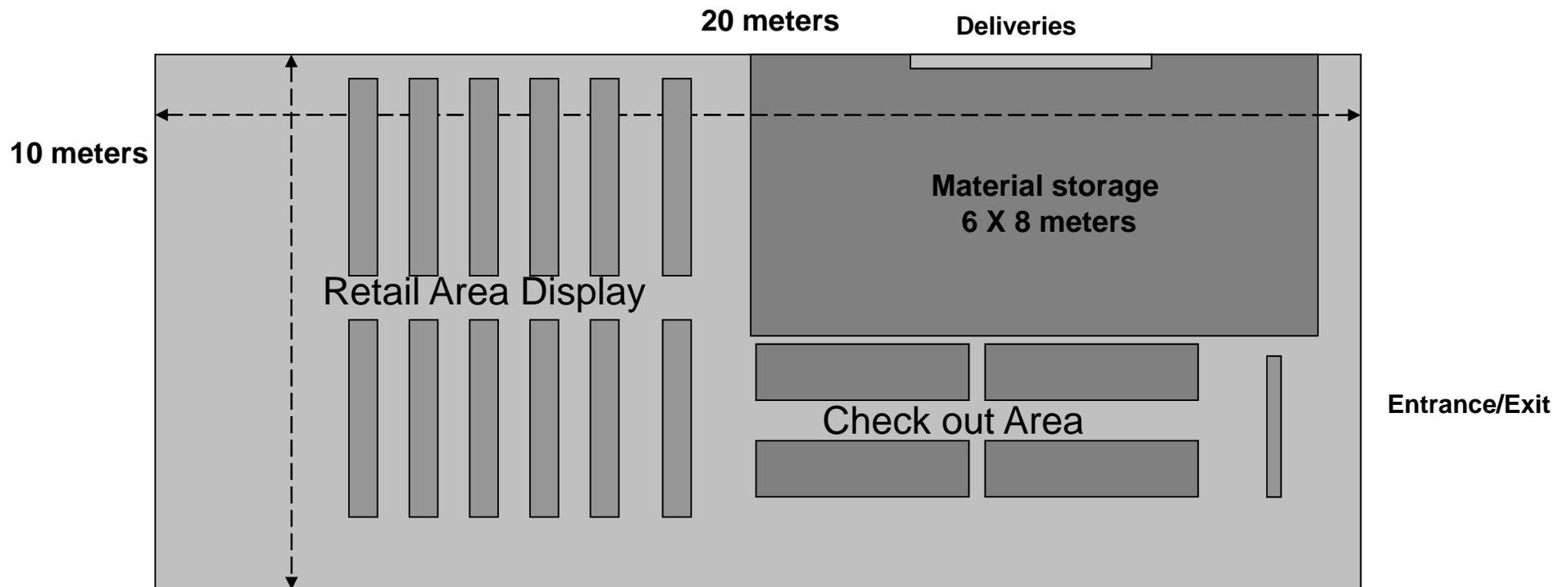




6. Start Up Cost Breakdown

1. Physical resource costs

- **Building Space**





7. Start Up Cost Breakdown

1. Physical resource costs

▪ Building Space

- Decide how much building space you will need for the following:
 - Store materials and products,
 - Carry out day to day activities,
 - Production area,
 - Display area.
- Design a layout plan showing where equipment and stocks are located in your building space.

- Use the specifications for the equipment you need to help decide on the size of the facility you will need.
- Take into account the sequence of operation it will take from storing the material to packaging the product.
- Take into account if you are renting, buying or constructing a new space.



8. Start Up Cost Breakdown

2. Pre-operating Costs

- You will also have to find a way to let people know you are open for business.
- The following should also be taken into consideration when planning for pre-operating costs:
 - Registration costs,
 - Lease/rent for physical resources,
 - Machinery and equipment installation costs,
 - Office and start-up administration costs,
 - Staff costs,
 - Advertising and promotion costs,
 - Financial costs,
 - Miscellaneous start-up costs.



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Secure Your Financial Needs



1. Secure Your Financial Needs

- Organize your personal finances.
- Fine tune your 'Business Plan'.
- Finalize the list of lending institutions you will approach.
- Utilize the SBDC's network, and contacts with Microfinance Institutions and Banks with SME lending units to present your business plan.



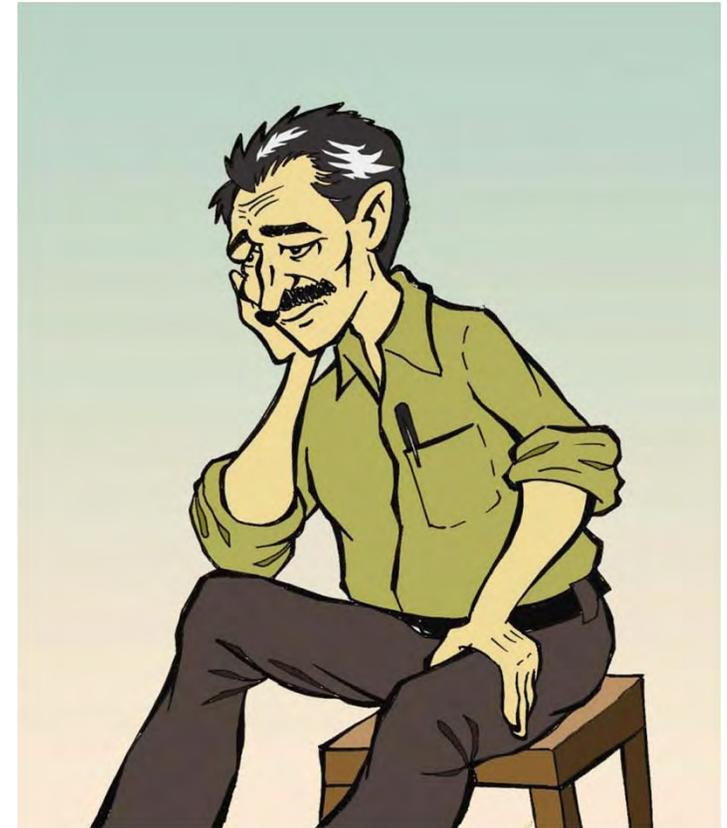
Opportunities to present your business plan at the SBDC to an MFI or Bank that offers ICBG guaranteed loans will be available.



2. Secure Your Financial Needs

General Reasons for Bank Rejection

- Lack of experience.
- Weak Business Plan.
- Business idea is too risky.
- Inadequate personal investment.
- Insufficient collateral and/or no guarantees.
- Did not demonstrate the knowledge, skills or experience to run the business.
- Not well informed about market conditions.
- Poor location and/or vicinity.
- Did not appear to be confident, committed or did not set realistic objectives.
- Reservations about creditworthiness.
- Reservations about character.





3. Secure Your Financial Needs

TIPS TO SECURING FINANCE

- Arrive with all required lending paperwork filled out and documentation in hand.
- Make an appointment. Adapt your Business Plan to the type of lending institution you are meeting with (MFI, Banks working with ICBG guarantees, etc)
- Know your 'Business Plan' in detail.
- Do not limit yourself to one lending institution. Research all lending options in your area including the terms and conditions.





4. Secure Your Financial Needs

TIPS TO SECURING FINANCE

- Review your business plan and ensure it has a strong statement of achievable objectives.
- Have a systematic presentation and be prepared to answer any question.
- Ask the loan officer when you could expect a reply on your application.



It is up to you to apply what you have learned in this class to put your best loan application together.



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QUESTIONS?



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Thank you!