

AGRICULTURAL CROP PRODUCTION (ENTREPRENEURSHIP) Module 1

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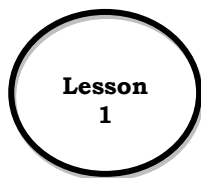
MODULE 1

ENTREPRENEURSHIP



DEVELOPING PERSONAL ENTREPRENEURIAL COMPETENCIES (PECs) ACROSS PRODUCTS AND SERVICES

| Content Standards | Performance Standard |
|---|---|
| The learner demonstrates understanding of one's Personal Competencies (PEC's) in agricultural crop production | The learner recognizes his/her Personal Entrepreneurial Competencies (PEC's) and prepares an activity plan that aligns with that of a practitioner/entrepreneur in agricultural crop production |



PERSONAL ENTREPRENEURIAL COMPETENCIES (PECs)

Introduction

Everybody loves to earn money and accumulate wealth. In the present times, we have many ways to achieve it. The most common way is to offer products and services to your friends and to other people in the community and even in the online arena that can cover a global market. All the business activities undertaken in selling products and services to people is known as entrepreneurship and the one who manages these business activities is an entrepreneur. Students are encouraged to develop skills required in entrepreneurial activities. Many wealthy people in the country started with small and community-based entrepreneurial activities.

Learning Objectives

1. Explain the different factors to be considered in setting up a business
2. Assess one's PEC's, such as, characteristics, lifestyle features, and skills
3. Assess practitioner's entrepreneurial competencies, such as, characteristics, attributes, lifestyle, skills, and traits

Pretest

Direction: Choose the letter of the correct answer. Do not write your answer on this manual.

1. Which of the following is a common activity of an entrepreneur?
 - a. Advocating against global warming
 - b. Delivering goods and services to the market
 - c. Preaching in different churches or group of churchgoers
 - d. Volunteering in a community clean-up activity
2. The saying "Necessity is the mother of all inventions" means
 - a. basic commodities are made for mothers
 - b. basic commodities are made to satisfy our needs
 - c. necessity is invented by mothers
 - d. our mother tells us what we really need
3. What really makes up a successful entrepreneur?
 - a. Ability to act like a customer
 - b. Ability to study a market

READING RESOURCES AND INSTRUCTIONAL ACTIVITIES

What to know

Do you want to get rich like the successful entrepreneurs in your community? Let's find out how?

Activity #1:

Before immersing ourselves into the exciting discussion about setting up and running a business in the most sustainable ways, we will first do inspiration-drawing activity through the conduct of casual interviews with entrepreneurs in the community. Look for a partner in doing this. Identify 3 retailers, 3 service providers, and 1 producer. Use the template below for the interview and in tracking the answers of the selected entrepreneur-respondents. Discuss the responses with your partner and present to your class a brief analysis/report of the interview.

| Interview Guides | Responses of Entrepreneurs | | | Comments |
|--|---------------------------------------|--|--|--|
| | Retailers | Service Providers | Producer (commercial scale) | |
| Students' guide questions to be used but not limited to the following: | For example, rice retail store owners | For example, farm machinery operators, farm machinery repair shop owners, etc. | Producer of rice, corn, Banana, broiler, vegetables, chicken, etc. | Our reactions to entrepreneurs responses |
| Why did you choose this business? | | | | |
| How did you start it? | | | | |
| What are the challenges you met? | | | | |
| How did you counter all those challenges? | | | | |

| | | | | |
|--|--|--|--|--|
| Did you experience losses? How did you respond to losses? | | | | |
| Can you share some strategies in keeping customers? | | | | |
| What personal qualities help this business flourish up to now? | | | | |
| Are you afraid of your competitors? Why? | | | | |
| Can you give us some pieces of entrep-based advice? | | | | |

WHAT STARTED BUSINESSES?

A popular adage that says, “Necessity is the mother of all inventions” simply means that we develop technologies to produce something that will answer mankind’s diverse needs. In the 1970’s the most popular way of tilling the soil for crop production is through the use of plow and harrow drawn by a carabao. This method is so tedious and also consumes much of the farmer’s time. Because there is a need for faster crop production processes, farm mechanization was started to be introduced. Many entrepreneurs engaged in farm machinery operation business like tractor services, to cultivate large tracks of lands; rice threshing machine for faster threshing and for minimal postharvest losses; and now the latest the combine harvester which does harvesting and threshing rice at once.



Need-based business opportunities

WHAT MAKES UP A SUCCESSFUL ENTREPRENEUR?

Knowledge alone does not guarantee success in a business. Skills developed can greatly help in the production process but it is not an assurance to the sustainability of the business as well. It takes right attitude combined with adequate knowledge, competitive skills, and upheld passion to make significant revenues, profit, and sustainability of the chosen business.



Supply of raw materials is abundant in the locality

An accomplished entrepreneur has so much to share with business enthusiasts like us. Many were not born with a silver spoon meaning most of them came from poor families. They have passion to produce and sell to an identified market or even to serve target clients. These contributed to their success. Likewise, they accumulated wealth because they possess *characteristics, lifestyles, and skills*, suited to their chosen businesses.

CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS

Below is a set of characteristics common to entrepreneurs who excel in their businesses:

| | | |
|---|----------------------------|---|
| 1 | Optimistic | Be someone who always feel positive in every effort in order to achieve something. |
| 2 | Self-confident | Once the plan to do entrepreneurial activities is ready to be started, assure yourself to overcome risks and many other forms of business constraints. |
| 3 | Self-control | In any situation that needs to be handled, never react immediately. Instead respond to the situation in the most legal and beneficial ways. |
| 4 | Courageous | Be a risk-taker with alternative courses of action on hand. Business risks are always there however, one's readiness to face, reduce or eliminate them depends on how brave you can be. |
| 5 | Committed | Sustain every effort you have started. Profit may dwindle in the most unacceptable way but never hesitate to invoke your right to persist and regain lost glory. |
| 6 | Creative | Do not stay inside the box which means go out and flaunt your potential to be effectively different. Use your imagination to create marketable ideas and push it. If you think of potentially good ones, be the first to act upon it. Chances are others' have thought about it, too. |
| 7 | Well-defined values | Be precise in your principles or standards. Goals coated with well-defined values provide guidance in what your business must achieve with reduced inconveniences. |

| | | |
|----|--|---|
| 8 | High energy level | Competitive entrepreneurs are fueled to succeed. Your passion in the endeavor is an energy enhancer. Success in business comes from your being passionately energetic. |
| 9 | Leadership ability | Guide, direct and influence people according to what benefits the business. The many ways in which you lead people can spell success or failure of your business. |
| 10 | Responsible | As a business leader, you are accountable to everyone and everything for the business including your strategies. Value everything and everyone as you value yourself. |
| 11 | Decision-making skills | Your ability to choose good decision may be innate or experience-based. Learn the art and the systematic and methodical process of decision-making. Good decisions must be sensible and culture-sensitive |
| 12 | Desire for immediate feedback | Pay close attention to what the market generally is saying to your products or services. The ultimate consumer of the product and services must be heard. These feedback become the bases of further product or services development. |
| 13 | Strong desire to achieve | Develop a competitive attitude. Right pricing and quality-based product development or service delivery will draw more business revenues. Work with the goals in mind and take the best way to achieve them. |
| 14 | Ability to learn from past failures | Bad experiences in business should never be taken as traumatic. Options that supposedly had prevented those to happen must be noted and archived. Benchmark on past experiences to know which decision to take. |

LIFESTYLE OF SUCCESSFUL ENTREPRENEURS

We often observe that entrepreneurs live a life different from that of an ordinary citizen. They adapt to new lifestyles gradually and professionalize every task embedded into it. They follow established standards and even customize some to fit to the tasks particular to a business type. To sustain business entrepreneurs develop expertise in all tasks including constraints

and problem solution. Decision making is excellent.

Albarico, et.al, (2011) describes the characteristics of an entrepreneur as follows:

| | |
|---------------------------------------|--|
| A sense of freedom and control | It is one of the highest lifestyle considerations that entrepreneurs must adopt. Although inspired by their freedom to lead and control all elements of the business, they must exercise care in choosing the right course of actions and decisions to take. |
| Flexibility of time | Choosing their own time for work is a privilege of entrepreneurs. This feature will allow them to choose their most productive time. |
| Energy and stamina | Entrepreneurs are the greatest asset of their businesses. A check and balance between the actual accomplishment of tasks and physical and mental work capacity must be established. Rest and relaxation can help maintain health. Proper stress management is also of primal importance. |
| Family support | A family does not only serve as inspiration but also as a group of people to oversee the welfare of entrepreneurs. Suggestions and recommendations of a family member must be carefully considered. |
| Professional support | Remember that seeking advice from specialist is helpful in decision making process. There are people more knowledgeable than us in a particular area of expertise. |

THE PERSONAL ENTREPRENEURIAL COMPETENCIES (PECs) OF SUCCESSFUL ENTREPRENEURS

There are two major reasons why many people fail in their attempt to do entrepreneurial activities. First, people who are starting entrepreneurial activities may only have insufficient experiences to address the problems posed by the numerous external business constraints. Second, they lack sufficient skills to lead the people and make the products and services competitive in the market. Low profit of the business will create problem and many more problems in the future. Thus, anyone who wants to succeed in a

business arena must be equipped with the different personal entrepreneurial competencies or PECs, a set of skills that entrepreneurs must possess to take control of the challenges in business. PECs are the key abilities of entrepreneurs' success in business.

PECs are clustered into three according to its area of application:

| Achievement Cluster | |
|--|--|
| These are the skills that will propel an entrepreneur to resounding success. It will definitely separate an individual the rest of his/her competitors thereby creating a clear path towards the sustainability of his/her business. | |
| <i>Opportunity Seeking and Initiative</i> | <ul style="list-style-type: none"> • Pay attention to the needs and demands of people. • Never procrastinate. Act immediately on marketable ideas. • Common business are well competed in the market while unique ones offer lower competition resulting to higher revenues and profit. |
| <i>Risk Taking</i> | <ul style="list-style-type: none"> • Calculate risks by identifying the most beneficial alternative courses of action to minimize effect of risks in the net profit • Be proactive. Anticipate a loss and counter it with feasible alternatives. • In business realities, seasoned entrepreneurs sometimes take riskier business to get higher profits. |
| <i>Demand for Efficiency and Quality</i> | <ul style="list-style-type: none"> • Perform business tasks better, faster, cheaper, but do not put safety and quality aside. • Accomplish tasks by meeting or exceeding standards of excellence. |
| <i>Persistence</i> | <ul style="list-style-type: none"> • Face a significant obstacle with a good plan of action. • Identifies a good alternative for every decision to meet a challenge or overcome an obstacle. • Act as the prime mover of resources in the achievement of goals and objectives. |
| <i>Commitment to the Work Contract</i> | <ul style="list-style-type: none"> • Offer personal sacrifices or give extraordinary efforts in completing tasks. • Accomplish targets on time, as agreed, to keep customers satisfied. |

Planning Cluster

These skills ensure the entrepreneur's attainment of goals and objectives. Equipped with well-defined goals and objectives and all the needed information on the business will certainly make one above the rest.

| | |
|--|---|
| <i>Information Seeking</i> | <ul style="list-style-type: none">• Gather data and information or feedbacks from clients, suppliers, and competitors and use those for the improvement of products or services.• Study the market personally for innovation of new product development.• Talk with experts for technical advice. |
| <i>Goal Setting</i> | <ul style="list-style-type: none">• Sets goals and objectives which are specific and must guarantee customer satisfaction.• Set calculated goals and objectives. |
| <i>Systematic Planning and Monitoring</i> | <ul style="list-style-type: none">• Make a well-organized plan with clearly defined methods.• Be logically flexible for the emergent constraints, challenges, and needs.• Periodic gap-proof monitoring and response activities must be scheduled to determine emergent constraints, challenges, and needs. |

Power Cluster

These skills represent the personal touch of creativity and decisiveness of the entrepreneur. It is the ability to expand, convince and sustain customers to hasten business development.

| | |
|---|--|
| <i>Persuasion and Networking</i> | <ul style="list-style-type: none">• Always be ready to give facts and benefits to convince customers to patronize products and services offered.• To accomplish the business objectives, key people can be used as agents or channels to hasten product and services delivery to customers. |
| <i>Independence and self-</i> | <ul style="list-style-type: none">• Develop self-trust in the attainment of goals and objectives. |

| | |
|-------------------|--|
| confidence | <ul style="list-style-type: none"> Do not need external approval before acting constraints and challenges. Being consultative does not purely mean dependence on others' advice. An entrepreneur must be brave enough use one's ability to choose which alternative course of action is the most appropriate. |
|-------------------|--|

| |
|--|
| What to process |
| At this point, let us examine ourselves if we can really become successful entrepreneurs. Let us know our chances. |

Activity #2:

This is a self-examination activity. After knowing the different characteristics that an entrepreneur must possess, examine yourself if you have these characteristics too. Simply put check (✓) if that particular characteristic is present in you or an x (✗) if you do not possess it. Comment on your own status by giving possible options that can help you acquire it.

Commented [H1]:

| Characteristics of an Entrepreneur | | Do I have this? | | Realizations (What are my options?) |
|------------------------------------|-------------------------------------|-----------------|-----------|--|
| | | YES (✓) | NO (✗) | |
| 1 | Optimism | | | |
| 2 | Self-confidence | | | |
| 3 | Self-control | | | |
| 4 | Courage | | | |
| 5 | Commitment | | | |
| 6 | Creatively | | | |
| 7 | Well-defined values | | | |
| 8 | High energy level | | | |
| 9 | Leadership ability | | | |
| 10 | Desire for responsibility | | | |
| 11 | Decision-making skills | | | |
| 12 | Desire for immediate feedback | | | |
| 13 | Strong desire to achieve | | | |
| 14 | Ability to learn from past failures | | | |

What to reflect on and understand

Let's check for the chances by filling ourselves with competencies we do not have yet and work for it while we are in our present growth and development.

Activity #3:

Consider the PECs of successful entrepreneurs. Compare these competencies with you. As a growing individual can you develop these in yourself?

| Competencies of an Entrepreneur | Do I have this? | | Realizations (If Yes how can I improve this?) (If NO what will I do acquire it?) |
|------------------------------------|-----------------|-----------|--|
| | YES (/) | NO (X) | |
| Opportunity Seeking and Initiative | | | |
| Risk Taking | | | |
| Demand for Efficiency and Quality | | | |
| Persistence | | | |
| Commitment to the Work Contract | | | |
| Information Seeking | | | |
| Goal setting | | | |
| Systematic Planning and Monitoring | | | |
| Persuasion and Networking | | | |
| Independence and Self-confidence | | | |

What to transfer

We will act like analyst.

Activity #4:

Let us match the result of our Activity #1 with the standard characteristics, lifestyle, and skills of our interviewees. Do you think that their businesses will be sustained? Support your answer and present it to the class. Use the template in Activity #2 and Activity #3 to help you analyze and forecast the sustainability of their businesses.

| Personal Entrepreneurial Competencies (PECs) | <i>Responses of Entrepreneurs</i> | | |
|---|--|--------------------------|------------------------------------|
| | <i>Retailers</i> | <i>Service Providers</i> | <i>Producer (commercial scale)</i> |
| | REFER TO THE RESPONSES IN ACTIVITY #1. Check if the respondents above possess the PEC's enumerated in the first column. Put check (✓) if observed and x(X) if not observed. | | |
| Opportunity Seeking and Initiative | | | |
| Risk Taking | | | |
| Demand for Efficiency and Quality | | | |
| Persistence | | | |
| Commitment to the Work Contract | | | |
| Information Seeking | | | |
| Goal setting | | | |
| Systematic Planning and Monitoring | | | |
| Persuasion and Networking | | | |
| Independence and Self-confidence | | | |
| GENERAL ANALYSIS Sustainability of business (Do you think the entrepreneur-respondents can sustain their businesses? Enumerate your justifications) | | | |

| Lifestyles of Entrepreneurs | Responses of Entrepreneurs | | |
|---|---|-------------------|-----------------------------|
| | Retailers | Service Providers | Producer (commercial scale) |
| | REFER TO THE RESPONSES IN ACTIVITY #1. Check if the respondents above possess the lifestyle features enumerated in the first column. Put check (/) if observed and x(X) if not observed | | |
| A sense of freedom and control | | | |
| Flexibility of time | | | |
| Energy and stamina | | | |
| Family support | | | |
| Professional support | | | |
| GENERAL ANALYSIS Sustainability of business (Do you think the entrepreneur-respondents can sustain their businesses? Enumerate your justifications). | | | |

Posttest

Direction: Choose the letter of the correct answer. Do not write your answer on this manual.

- Which of the following is a common activity of an entrepreneur?
 - Preach in different churches or group of churchgoers
 - Advocate against global warming
 - Deliver goods and services to the market
 - Volunteer in a community clean-up activity
- The saying "Necessity is the mother of all inventions" means _____.
 - our mother told us what we really need
 - basic commodities are made to satisfy our needs

- c. basic commodities are made for mothers
 - d. necessity is invented by mothers
3. What really makes up a successful entrepreneur?
- a. Knowledge, skills, and attitude
 - b. Knowledge, skills, and money
 - c. Ability to study a market
 - d. Ability to act like a customer
4. People who always feel positive in every effort in order to achieve something are known to have ____.
- a. self-control c. self-confidence
 - b. courage d. optimism
5. A set of skills that entrepreneurs must possess to take control of the challenges in business is known as ____.
- a. personal entrepreneurial competencies
 - b. personal business capacities
 - c. personally preferred competencies
 - d. professional enterprise competencies
6. Information seeking and goal setting belong to what PEC's cluster?
- a. Achievement cluster c. Power cluster
 - b. Planning cluster d. Empower cluster
7. Which of the following best describes a risk-taker?
- a. Paying attention to the needs and demands of people
 - b. Acting as the prime mover of resources in the achievement of objectives
 - c. Accomplishing targets on time as agreed with customers
 - d. Anticipating a loss and countering it with feasible alternatives
8. Systematic planning and monitoring include the following EXCEPT ____.
- a. set calculated goals and objectives
 - b. make a well-organized plan with clearly defined methods
 - c. be logically flexible for the emergent constraints, challenges, and needs
 - d. Schedule periodic gap-proof monitoring and response activities to determine emergent constraints, challenges, and needs
9. When entrepreneurs face a significant obstacle with a well-planned action, they have Personal Entrepreneurial Competency known as ____.
- a. persuasion c. persistence
 - b. initiative d. risk-taking

10. Luis is good in convincing his customers that his product is not only of best quality but also safe to use. Many of his customers bought and even return to buy more of the product because they want to share it with their friends. What personal entrepreneurial competency does Luis have?
- a. Demand for efficiency and quality
 - b. Goal setting
 - c. Persuasion
 - d. Self-confidence

Summary

We have studied the different factors in setting up an entrepreneurial activity. It can be perceived as a complex activity. The market is so diverse and if we fail to consider one factor which directly affects our business, we will have to face lots of challenges as consequences. Albeit challenging, we must remember that wealth accumulation as a return of our legal investments will also give others opportunities for employment or for making our products and services available.

The different characteristics, lifestyle, and Personal Entrepreneurial Competencies or PEC's of successful entrepreneurs we learned will surely inspire us to do our best to start our own business. Be optimistic and take the risks. Use the PEC's we learned and progress into a life full of challenges that will hone us to become one of the most successful entrepreneurs, one of these days. Good luck guys!

Glossary of Terms

Business refers to any activity that ultimately buys and sells goods, makes products, or provides services to a market.

Competency is an ability to do something, especially measured against a standard.

Entrepreneurs a person who has a possession of enterprise, venture or idea and assumes significant accountability for the inherent risks and the outcome.

Entrepreneurship refers to the business activity of an entrepreneur.

Goal is anything an entrepreneur wants to achieve.

Leadership is the activity of leading a group of people or an organization or the ability to do this.

Lifestyle is a way of living of individuals, families (households), and societies, manifested in their way of coping with their physical, psychological, social, and economic environments from day to day.

Objective is a specific result that a person or system aims to achieve within a time and with available resources.

Need is anything required by someone in order to satisfy particular goals and objective basis.

Sustainability of business is the ability to maintain or support business over the long term.

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Lesson 2

MARKET AND ENVIRONMENT



Courtesy of CvSU and DA-TMC, Cavite

Content Standards

The learner demonstrates understanding of environment and market in agricultural crop production in one's town/municipality.

Performance Standard

The learner independently creates a business vicinity map reflective of potential agricultural crop production market within the locality/town.

Introduction

Entrepreneurs with enough knowledge and background in the market and environment where their businesses operate will have better strategies and decisions and will find it easier to sustain business activities. The intended market of a particular product and service must be carefully studied before and during the actual operations of the business. Many entrepreneurs fail because of a very simple reason. There is no enough information gathered about the target market. Consequently, they incur so much losses leading to bankruptcy.

Learning Objectives

- Pretest**

Direction: Choose the letter of the correct answer. Do not write your answer on this manual.

1. Which term refers to a group of people with economically important needs and demands which opens entrepreneurial opportunities to everyone?
 - a. Environment
 - b. Ethnicity
 - c. Geography
 - d. Market
2. Which type of business is owned by only 1 person?
 - a. Cooperative
 - b. Corporation
 - c. Partnership
 - d. Sole Proprietorship
3. Which of the following is NOT considered an emerging industry in the Philippines?
 - a. Agribusiness
 - b. Power and utilities
 - c. Creative Industries
 - d. Renewable Energy
4. In the 4M's of production, which M refers to the persons in the business known as the labor force?
 - a. Machines
 - b. Manpower
 - c. Materials
 - d. Money

5. The process of recording the money received and spent by the operations of the business is known as ____.
- a. bookkeeping c. administering
b. booking d. posting
6. Which combination is focused on the internal assessment of the business?
- a. Opportunities and Threats c. Strengths and Threats
b. Strengths and Weaknesses d. Weaknesses and Threats
7. Which combination is focused on the external assessment of the business?
- a. Opportunities and Threats c. Strengths and Threats
b. Strengths and Weaknesses d. Weaknesses and Threats

8. Study the table and the items on the right. Then answer the question.

| Group | Part Of Business Plan | |
|-------|-----------------------|-------|
| A | Production Plan | _____ |
| B | Marketing Plan | _____ |

- a. Competitors analysis
b. Product description
c. Maintenance and repair
d. Promotional strategies
e. Sources of equipment
f. Terms and conditions of purchase

Which of the following is the correct grouping of the six indicators in the box?

a.

| Group | Part Of Business Plan | |
|-------|-----------------------|---------|
| A | Production Plan | a, b, d |
| B | Marketing Plan | c, e, f |

c.

| Group | Part Of Business Plan | |
|-------|-----------------------|---------|
| A | Production Plan | c, d, a |
| B | Marketing Plan | b, e, f |

b.

| Group | Part Of Business Plan | |
|-------|-----------------------|---------|
| A | Production Plan | a, c, e |
| B | Marketing Plan | d, b, f |

d.

| Group | Part Of Business Plan | |
|-------|-----------------------|---------|
| A | Production Plan | c, e, f |
| B | Marketing Plan | a, b, d |

9. Which business principle is applicable in products and development and marketing?
 - a. Ask researchers in other communities about their needs and demands.
 - b. Follow the result of a national survey of needs and demands.
 - c. Pay attention to the needs and demands of the market.
 - d. Your own needs and demands are the same with others.
10. What is the reason why an aspiring entrepreneur must make a sound and impressive business plan?
 - a. A sound and impressive business plan is likely to be approved for a loan package.
 - b. A sound and impressive business plan attracts more customers.
 - c. A sound and impressive business plan commands tax rebates.
 - d. A sound and impressive business plan can improve a particular segment of a market.

Reading Resources and Instructional Activities

What to know

The environment and market of the business must be dealt with sincerity and cautions should we intend to accumulate long-term profit.

Activity #1:

Let us do simple community mapping activity to develop a barangay-based market profile. Use the template below in posting accurate and relevant data of your barangay.

| Dimension | Data to be gathered | Data |
|----------------------|---|------|
| Market demographics | Number of households | |
| Number of businesses | Number of retailers of various products | |
| | Number of wholesalers of various products | |
| | Number of producers (specify products) | |
| | Number of service-based businesses | |

1. COMMON CHARACTERISTICS OF A BUSINESS MARKET

Market refers to a group of people with economically important needs and demands which open entrepreneurial or business opportunities to everyone.

Market is a socially, politically, and economically organized people whose needs and demands are based on tradition, culture, and technology. Enumerable business opportunities are open in a market. Their needs and demands are enormous depending on the class of people being referred to. These classes of people are known as market segments. These may be high-end, middle-end, and low-end market segments. Each segment will have varying needs of various products and services.



Entrepreneurs must be skillful enough to address needs and demands of the market. Many successful entrepreneurs' secret of success is just paying attention to the markets' needs and demands and later they accumulate so much wealth. A need or demand-based business will always have a share of market.

2. THE LEGAL FORMS OF BUSINESS

The following are 3 legal forms of business and their characteristics, advantages and disadvantages:

| Forms | Characteristics | Advantages | Disadvantages |
|---------------------|---|---|---|
| Sole Proprietorship | <ul style="list-style-type: none"> Owned by only 1 person who is responsible for the whole business The owner can assume the role of manager, finance officer, and worker | <ul style="list-style-type: none"> Very easy to establish Decision comes from 1 person only | <ul style="list-style-type: none"> Owner-manager is required to render full operation time. No one else can share in the financial burden of the owner In case of financial instability, the firm can dissolve easily. |
| Partnership | <ul style="list-style-type: none"> 2 persons have combined resources and skills. Any of the 2 | <ul style="list-style-type: none"> Comparatively easy to establish. There is check and | <ul style="list-style-type: none"> Decision making is shared between the two owners. In times of partner conflict, the |

| | | | |
|-------------|---|--|---|
| | partner can act as financier or manager. • They can also share responsibilities and roles in the business operations. | balance among partners only. | business is at risk. • Limited funding may constraint business operations. |
| Corporation | • 2 or more persons own the business. • Aside from the owners, many people known as shareholders, are engaged in a corporation through their investment known as shares or stocks. | • Business risks are shared by many people. • If business is good, growth is maximized due to bigger capital. • Burdens in the operations are shared by various specialized individuals. | • The complex organizational set-up imposes a long line of more expensive ways of control. • Complex decision making process will delay operation. |

3. THE DIFFERENT INDUSTRIES IN THE COUNTRY TODAY

There are many established and emerging industries in the country. Having mapped all of those in the community will give a would-be entrepreneur a chance to examine what entrepreneurial opportunities may be brought to the community. Once these opportunities are identified, entrepreneurs will lay down their plan of actions and then start the business activities. Some or may be all of the industries listed below are located in your locality that could be related to agribusiness:

1. Health and Wellness (organic agri-products)
2. Hotel, Restaurant and Tourism (Specialized farm products)
3. Banking and Finance (Financing crop production)
4. Manufacturing/Processing (Farm products as raw materials)
5. Transport and Logistics (From farm to market)
6. Wholesale and Retail Trade (Farm products and inputs)
7. Creative Industries (Using farm by-products)
8. Diversified/Strategic Farming and Fishing
9. High value crop production



4. CHECKING THE NEEDS, WANTS. AND DEMANDS OF THE MARKET THROUGH ENVIRONMENTAL SCANNING PROCESS

The needs and demands of the community can be determined through environmental scanning. In this process, an aspiring entrepreneur must make a thorough examination of the target market before a particular business is set. Many elements of the target market can change from month to month or year to year, thus, updated data and information of the following must be gathered which shall become the bases of setting up the planned business.

- a. Demographic data such as population size, growth rate,
- b. List of competitors which is available in the Department of Trade and Industry
- c. List of Suppliers which can also be sourced from Department of Trade and Industry
- d. Result of a Reliable Mini Survey using considerable samples of target market

5. KNOW THE 4M's OF PRODUCTION

Raw materials, whether local or outsourced, are processed into goods to be sold to an identified market or segments of the market. This economic activity is referred to as production.

Success in production is strictly determined with four (4) factors popularly known as the 4M's:

| | |
|-----------------|--|
| Manpower | Refers to all persons in the business who are also popularly called labor force. That means the word manpower includes the entrepreneur himself. |
| Money | It is known to be the life juice of the business and has to do with the economic status of the business. These |

| | |
|------------------|--|
| | can be in paper bills or coins, generally used to pay for goods and services, repayment of debts, and saving or restoring purchasing power of the business. |
| Materials | These can be raw materials or finished products which shall undergo certain process or combined procedures which shall end as the expected output of production. |
| Machines | Any semi or fully-automated devices that are used in converting raw materials into marketable products or outputs. |

6. THE IMPORTANCE OF ACQUIRING A START-UP CAPITAL

Business capital, usually in the form of money, is an indispensable factor to start a new business. It is considered a working capital because it will keep the operations going. Entrepreneurs must secure enough capital to start and to sustain business operations.

Raising the needed capital is not a problem for the wealthy families. However, if you do not have the cash on hand yet, you need to consider favorable sources. Would-be entrepreneurs must carefully choose which capital source to take. Money lenders which offer high interest are always not a good choice. The following are the possible sources of the start-up capital for any types of businesses to be established:

| SOURCES | ADVANTAGES | DISADVANTAGES |
|-------------------------|---|--|
| Personal Savings | No interest payment to be paid. In case of bankruptcy, no one will run after the entrepreneur for legal actions Entrepreneur has full control over future net profit generated. | Usually it takes some time to save enough money to start a business. |
| Family Savings | Low or no interest at all will be charged to the would-be | In rare cases, if problem exists |

| | | |
|---|--|---|
| | entrepreneurs. Monthly amortizations may not be charged depending on the agreements. | between parties, capital may be taken in partial or at once by parents. |
| External Sources, such as, banks and credit cooperatives | There are many well-reputed lending institutions, not loan sharks, in the community. Lending institutions can confidently lend adequate capital in exchange of a sound feasibility study. | Monthly amortizations must be paid even amidst financial difficulties of an enterprise. |

Well-reputed lending institutions in the community can offer the following types of loans according to term of repayment:

| | |
|---------------------------|--|
| Short-term loans | In this type of loan, monthly amortizations which will include low interest will be paid one year or less. Advanced or on-time payment of monthly amortization increases trust and confidence of a bank on the entrepreneur. This good relationship will offer more opportunities to the entrepreneur. |
| Intermediate loans | Term of payment can range from one to three years. |
| Long-term loans | Depending on the soundness of the feasibility or the established trust and confidence of the bank on the entrepreneur, terms of payment can stretch from four to ten years where lending policies of banks or credit cooperatives apply. |

7. FACTORS IN SELECTING THE BEST BUSINESS LOCATION

The following must be considered in choosing the right business location:

- a. Nearness to target markets
- b. Availability and quality of raw materials and supplies
- c. Accessibility to consumers and transportation.
- d. Consider zoning and local ordinances.
- e. Availability of power and fuel sources.
- f. Taxation, such as municipal tax policies, other local fees and rates.



8. HIRING AND TRAINING PERSONNEL

Before the actual operations of the business begin, hiring the right person for the right task must be considered. Your business plan will tell you how many workers you need for the start and how many will be hired again as the operations progress. Excess personnel will be an extra cost of the business and this condition must be avoided.

9. REGISTRATION OF A NEW BUSINESS

New business must be registered in the name of legalities. Before you let your well-planned business rocks the market the following official processes must be undertaken:

- a. Register your official business name in the Department of Trade and Industry (DTI).
- b. Apply for a Mayor's Permit to operate the business and the Municipal Business License of the business.
- c. Register your business at the Securities and Exchange Commission (SEC). The Articles of Incorporation and By-Laws are required for all corporations and for partnership.

- d. Register your business in the Bureau of Internal Revenue whereupon your business will be assigned a Tax Identification Number (TIN).
- e. Register your employees with the PhilHealth, PAG-IBIG, and Social Security System (SSS). Registration in other agencies which provide welfare and other insurance benefits must also be consulted and legally followed.

10. PRACTICING SIMPLE RECORD KEEPING

Entrepreneurs must be knowledgeable on the operations of the business. Although you are already the manager of the business, still you need to develop expertise in what all your workers are actually doing. This practice helps you monitor the progress of your business and to carefully track the profit and losses.

Record keeping coexists with bookkeeping. The latter is the process of recording the money received and spent by the operations of the business. The following are the most important activities in bookkeeping:

- a. Keep and maintain records on a daily basis.
- b. Identify source of receipts.
- c. Record all incurred expenses.
- d. Keep complete records in all assets.

In order to maintain proper recording of business transactions keep supporting documents, namely, sales slips, paid bills, invoices, receipts, deposit slips, checks issued and cancelled. Payrolls must be kept.

Generally, the benefits of recording system and good records kept are the following:

- a. It is easy to monitor the success or failure of your business.
- b. Information needed to make decisions is provided and accessible.
- c. Information needed to take bank financing package is available.
- d. References for budgeting are at hand.
- e. Easy preparation of income tax return.
- f. Easy computation of sales taxes.
- g. Profit distribution is facilitated by organized record keeping.

What to process

Let's proceed a little bit further. It would be great if we prepare ourselves for the possible opportunities in the community.

Activity #2:

Use the data in Activity 1. Analyze and identify business opportunities as well as challenges these data can offer to aspiring entrepreneurs.

| Dimension | Data to be gathered | Data | Business Opportunities Offered | Challenges to Aspiring Entrepreneurs |
|----------------------|--|-------------|---------------------------------------|---|
| Market demographics | Number of households | | | |
| Number of businesses | Number of Retailers of various agri-related products | | | |
| | Number of wholesalers of various agri-products | | | |
| | Number of producers (specify agri-products) | | | |
| | Number of agri-based service businesses | | | |

Activity #3:

Choose one agri-crop related business opportunity identified in Column 4. Carefully study the potential of that business idea. Use the SWOT guide below to accomplish this task. Present your SWOT Sheet to the class for critiquing and feed backing. Be sure to record feedbacks given by the teacher and classmates.

Business ideas must be carefully analyzed prior to its actual operations. A popular way of doing this is to do business idea assessment through the use of the SWOT analysis. SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. This technique will signal us either to continue the business idea because it is viable and profit is expected or to consider other options because the factors dominate the positive ones and this condition signals imminent losses for the proposed business. A SWOT sheet can look like this:

| | |
|---|---|
| <p>STRENGTHS</p> <p>Enumerate all strengths of a selected agri-crop related business here.</p> <p>(These are internal positive qualities of the agri-crop business idea that offer advantages and benefits to the aspiring entrepreneurs).</p> | <p>WEAKNESSES</p> <p>Enumerate all weaknesses of the selected agri-crop related business here.</p> <p>(These are negative indications that deter the good future of the agri-crop business idea probably contributory to business losses).</p> |
| <p>OPPORTUNITIES</p> <p>Enumerate all opportunities of the selected agri-crop related business here.</p> <p>(These are external indications that offer chance for progress or advancement of the business)</p> | <p>THREATS</p> <p>Enumerate all threats of the selected agri-crop related business here.</p> <p>(These are external indications of unfavorable situations leading business to problems and other difficulties that will put profits into risks.)</p> |

✓ **Bear in mind these simple rules for successful SWOT analysis.**

- Be realistic about the strengths and weaknesses of your business when conducting **SWOT** analysis.
- SWOT analysis should distinguish between where your business is today, and where it could be in the future.
- SWOT should always be specific. Avoid any grey areas.
- Always apply SWOT in relation to your competition i.e. better than or worse than your competition.
- Keep your SWOT short and simple. Avoid complexity and over analysis
- SWOT is subjective.

What to reflect on and understand

Now it's about time for evaluation as we analyze and discuss the data we gathered from the presentations of our resource persons.

Activity # 4:

Refer to your SWOT Sheet and make further analysis. This time the ultimate task is make decision whether to pursue the proposed business idea or consider other alternative businesses. There are two possible facets after the final decision will be made. First, pursue the business because the SWOT reveals more positive indications than negative ones or, second, disregard the business idea because there are more negative indications. Consequently, try another business idea and subject it to the same process of analysis.

Make a presentation of your task and be proud to inspire others that you now have chosen a viable agri-crop related business idea chosen from the opportunities obtained from the data generated by the simple community mapping we did.

What to transfer

Why don't we act like a real farm consultants? We shall hand down the final recommendations to our focus resource person.

Activity #5:

Since you have chosen one viable agri-crop related business idea, it is just-in-time to develop an impressive Business Plan. Refer to the guide given below and read the sample business plan provided. Your own plan must not be limited to a few pages only, as the example is presented. All data and information must be given in order to come up with a completely sound and impressive business plan.

THE BUSINESS PLAN

A business plan refers to the intention of aspiring or experienced entrepreneurs which precisely defines their business, identifies their goals and objectives, a current and pro forma balance sheet, an income statement, and a cash flow analysis. A business plan can help so much in the proper allocation of resources, initially handle and counter forecasted complications, and make the right decision for the business operations. A good business plan contributes to the approval or rejection of any loan package because it provides specific and organized information about your

proposed business and how you will repay borrowed money. A business plan is equivalent to a business resume.

A business plan has five major parts, namely, the executive summary, marketing plan, production plan, organization and management plan, and financial plan.

Below is a detailed guide in the development of a comprehensive business plan.

| PART OF A BUSINESS PLAN | BUSINESS PLAN DEVELOPMENT GUIDES | |
|--------------------------------|---|---|
| | Focus | Guide Questions |
| Business Name | Business address Telephone/Contact Number Contact Person | |
| Contents | The usual table of contents | |
| Background of the business | Brief History Information of the business Form of ownership Organizational set-up Industry where it plays | |
| Benefits to the community | Brief statement of business social responsibility in Economic, community, and human resources development | |
| Executive summary | <ul style="list-style-type: none"> • Brief Description of the Project • Brief Profile of the Entrepreneur • Project's Contributions to the Economy | <ul style="list-style-type: none"> • What is the nature of the project? • What are the entrepreneur's competencies and qualifications? • What are the project's contributions to the local and national economy? |

| | | |
|----------------|--|--|
| Marketing plan | <ul style="list-style-type: none"> • Description of the Product • Comparison of the Product with Its Competitors • Location • Market Area • Main Customers • Total Demand • Market Share • Selling Price • Sales Forecast • Promotional Measures • Marketing Strategy • Marketing Budget | <ul style="list-style-type: none"> • What is the product? • How does it compare in quality and price with its competitors? • Where will the business be located? • What geographical areas will be covered by the project? • Within the market area, to whom will the business sell its products? • Is it possible to estimate how much of the product is currently being sold? • What share or percent of this market can be captured by the business? • What is the selling price of the product? • How much of the product will be sold? • What promotional measures will be used to sell the product? • What marketing strategy is needed to ensure that sales forecasts are achieved? • How much do you need to promote and |
|----------------|--|--|

| | | |
|-----------------|--|---|
| | | distribute your product? |
| Production plan | <ul style="list-style-type: none"> • Production Process • Fixed Capital • Life of Fixed Capital • Maintenance and Repairs • Sources of Equipment • Planned Capacity • Future Capacity • Terms and Conditions of Purchase of Equipment • Factory Location and Layout • Raw Materials • Cost of Raw Materials • Raw Materials Availability • Labor • Cost of Labor • Labor Availability • Labor Productivity • Factory Overhead Expenses • Production Cost | <ul style="list-style-type: none"> • What is the production process? • What buildings and machinery (fixed assets) are needed and what will be their cost? • What is the useful life of the building and machinery? • How will maintenance be done and are spare parts available locally? • When and where can the machinery be obtained? • How much capacity will be used? • What are the plans for using spare capacity? • When and how will the machinery be paid for? • Where will the factory be located and how will the factory be arranged? • How much raw materials are required? • How much will the raw materials cost? • What are the sources |

| | | |
|---|---|--|
| | | <p>of raw materials? Are they available throughout the year?</p> <ul style="list-style-type: none"> • How many direct and indirect labor are needed and what skills should they have? • What will be the cost of labor? • Are workers available throughout the year? If not, what effect will this have on production? • How will the workers be motivated? • What factory overhead expenses are involved? • What is the production cost per unit? |
| <p>Organization and management plan</p> | <ul style="list-style-type: none"> • Form of Business • Organizational Structure • Business Experience and Qualifications of the Entrepreneur • Pre-Operating Activities • Pre-Operating Expenses • Office Equipment • Administrative Expenses | <ul style="list-style-type: none"> • How will the business be managed and operated? • What is the business experience and qualifications of the entrepreneur? • What pre-operating activities must be undertaken before the business can operate? • What pre-operating expenses will be |

| | | |
|----------------|--|--|
| | | incurred? • What fixed assets will be required for the office? • What administrative cost will be incurred? |
| Financial plan | • Project Cost • Financing Plan and Loan Requirement • Security for Loan • Profit and Loss Statement • Cash Flow Statement • Balance Sheet • Loan Repayment Schedule • Break-even Point (BEP) • Return on Investment (ROI) • Financial Analysis | • What is the total capital requirement? • Is a loan needed? What will be the equity contribution of the entrepreneur? And how much? • What security (collateral) can be given to the bank? • What does the Profit and Loss Statement indicate? • What does the Cash Flow Statement indicate? • What does the Balance Sheet indicate? • What is the loan repayment schedule? • What is the break-even point (BEP)? • What is the return of investment (ROI)? • Is the project feasible? |

The template is applicable to both production and marketing businesses. There are entrepreneurs who want to venture in marketing alone, thus, the resulting business plan is done sans the production part.

However, in the marketing part, the source of products to be marketed must be clearly stated including the details of the product outsourcing process.

Below is a sample business plan prepared by Mr. Godwin N. Nazareno, rice trader from Alcala, Pangasinan.

I. Executive Summary

A. Brief Summary of the Plan

Godwin's Rice Trading is a small business that buy dried rice grains ready to mill from rice farmers in the locality and nearby municipalities. The total grain purchases for the day will be milled at night and deliver to the rice retailers in the nearby municipalities in Pangasinan the next day. The well-milled rice of Godwin will offer a competitive price to the local market since its target market is in nearby vicinity with minimal transportation cost.

B. Major purpose of the business

The major objective of the business is to provide high quality, and competitively-priced well-milled rice to the public and to ensure a good market price for the farmer's rice grains produce in the locality.

C. Description of the Business

The brand name of the business comes from the name of the owner. It is single /sole proprietorship business. The business name shall be prominently placed and clearly visible to customers during buy and sales activities. Sold well-milled rice shall be packed at the time of milling in a well leveled sack.

D. Organizational Plan

Godwin's Rice Trading will hire ten laborers, with one who could drive a truck for the buying of grains and delivery of milled rice; and another ten laborers for the milling of rice at night time. Godwin will serve as the manager, treasurer and secretary, to minimize cost. The target opening date will be on September 18, 2014.

E. Production Plan

As a profit-generating business, we chose the location that is not only well known, but also accessible to the farmer/customers. With this location, we will capture our target market. Moreover, the location has access to electricity; water and transportation that will help Godwin realize his objectives. The business will start by buying 300 bags of rice grains from the farmers for one day. The purchased rice grains will be milled at night which will be immediately be delivered in the morning to the pre-contacted rice retail in the nearby municipalities.

F. Marketing Plan

The business will target the rice retailers in the nearby municipalities because they have already a considerable number of satisfied customers in their respective areas. Competition is to be countered through friendly and respectful disposition of personnel and competitive pricing.

G. Financial Plan

UNDERLYING ASSUMPTIONS:

1. Strong economy is assumed. It is further assumed that demand and supply in rice will not change.
2. Cash beginning balance will be provided in order to meet daily cash inflows.
3. All purchases and sales will be strictly on cash basis only.
4. Rice grains (palay) will be processed further to turn into rice which will produce an output of 60% (in units) and a by-product which is equivalent to 10% (in units).
5. Sale of the by-product will be treated as a reduction in cost of goods sold.
6. All purchases (300 sacks per day weighing 50 kg each) will be stored in the storage room exactly at 8:00 pm to be milled. Milling time will be from 8:00 pm up to 4:00 am.
7. All products will be sold a day after the purchase (in the morning) @ Php 38.00/ kg delivered to the rice retailers in the nearby municipalities. The by-product (rice bran) will also be sold to the nearest piggeries @ Php 4.00 per kilo.
8. The truck costing 500,000 will be depreciated over a 15-year useful life. The 90% of depreciation expense will be allocated to Factory Overhead and 10% will be allocated to selling expense.
9. The rice mill machinery costing 100,000 will be depreciated over a 20-year useful life.
10. The storage room will be constructed prior to the commencement of the business for a total construction cost of 300,000 and will be depreciated over a 30-year useful life. The 90% of depreciation expense will be allocated to Factory Overhead and 10% will be allocated to administrative expense.
11. All fixed assets are ready before the commencement of the business.
12. All depreciable assets will be depreciated using straight line method.
13. There will be 1 driver and 9 laborers relating to buying and selling of rice at Php 420 each.
14. There will be 10 laborers who will be responsible for the milling of rice at Php 350 each.
15. Wages will be allocated between freight-in and freight out. A 75% will be allocated to freight-in and the remaining will be allocated to

freight-out. Also, it will be paid on daily basis in order to help them in their daily needs.

16. The owner will be the manager, treasurer of the business.
17. Utilities expense of 20,000 will be allocated 90% on Factory Overhead and 10% on General and administrative expense.
18. For simplicity purposes, assume that the tax rate will be 32%.

A. Projections will be made for a time period of 1 month only.

A. TOTAL INVESTMENTS

| | | |
|---------------------|---|--------------|
| ORGANIZATION COST | | |
| CASH | P | 330,000.00 |
| OFFICE SUPPLIES | | 1,000.00 |
| TRUCK | | 500,000.00 |
| RICE MILL MACHINERY | | 100,000.00 |
| LAND | | 100,000.00 |
| STORAGE ROOM | P | 300,000.00 |
| TOTAL INVESTMENTS | P | 1,331,000.00 |

B. PROJECTED DAILY CASH OUTFLOW

| | | |
|--------------------------|------------|---------------------------|
| PURCHASES @ PHP 21/KG | | P 315,000.00 |
| FREIGHT IN: | | |
| WAGES | P 3,150.00 | |
| GASOLINE | P 1,500.00 | P 4,650.00 |
| DIRECT LABOR | | 3,000.00 |
| FREIGHT OUT: | | |
| WAGES | P1,050.00 | |
| GASOLINE | 500.00 | P 1,550.00 |
| TOTAL DAILY CASH OUTFLOW | | <u><u>P324,200.00</u></u> |

*300 sacks x 50kg x Php 21.00

**Php 420.00 x 10 Laborers x 0 .75

***Php 420.00 x 10 Laborers x 0.25

C. PROJECTED DAILY CASH INFLOW

| | |
|--------------------------------|---------------------------|
| SALES @ PHP 38/KG | P342,000.00 |
| SALE OF BY PRODUCT (RICE BRAN) | <u>6,000.00</u> |
| TOTAL DAILY CASH INFLOW | <u><u>P348,000.00</u></u> |

*300 Sacks x 50kgx 0.60 (milling recovery) x Php 38.00

**300 Sacks x 50kg x 0.10 x Php 4.00

D. STATEMENT OF FINANCIAL POSITION-BEGINNING

| GODWIN'S RICE TRADING | | | |
|---|--------------------|-----------------------------|--|
| AS OF XXX | | | |
| ASSETS | | | |
| Current Assets: | | | |
| Cash | P330,000.00 | | |
| Office Supplies | <u>1,000.00</u> | P331,000.00 | |
| Non-current Assets: | | | |
| Land | 100,000.00 | | |
| Truck | 500,000.00 | | |
| Rice Mill | 100,000.00 | | |
| Storage room | <u>P300,000.00</u> | <u>P1,000,000.00</u> | |
| Total Assets | | <u><u>P1,331,000.00</u></u> | |
| TOTAL LIABILITIES AND OWNER'S EQUITY | | | |
| Mr. Godwin's Capital | | <u><u>P1,331,000.00</u></u> | |

E. INCOME STATEMENT

GODWIN'S RICE TRADING INCOME STATEMENT FOR THE MONTH_____

| | |
|--|----------------------------------|
| Sales(300x50x.6x38x3) | P 10,260,000.00 |
| Cost of goods sold | |
| Purchases (315,000x30Days) | P 9,450,000.00 |
| Freight-in (4,650x30Days) | 139,500.00 |
| Direct labor (10LaboresxPhp350x30Days) | 105,000.00 |
| Factory overhead | |
| Utilities Expense (Php20,000 x 0.9) | P 18,000.00 |
| Depreciation- Storage Room(300,000/30)(0.9) (1/12) | 750.00 |
| Depreciation- Rice Mill Machine (100,000/20) (1/12) | 416.67 |
| Depreciation- Truck (500,000/15)(0.9)(1/12) | P 2,500.00 P 21,667.00 |
| Sale of By-product (6,000 x 30) | P-180,000.00 P 9,536,167.00 |
| Gross Profit | P 723,833.00 |
| Selling Expense | |
| Freight-out (1550x30) | P 46,500.00 |
| Depreciation- Truck (500,000/15)(0.1)(1/12) | 277.078.00 |
| Packaging (300Sacks x .6 x Php10 x 30Days) | P 54,000.00 P100,778.00 |
| General And Administrative expense | |
| Office Supplies | P 1,000.00 |
| Utilities Expense (20,000 x 0.1) | P 2,000.00 |
| Depreciation- Storage Room(300,000/30)(0.1) (1/12) | P83.33.00 P3,083.00 |
| Net Income Before Tax | P 619,972.00 |
| Income Tax Expense | P 198,391.11 |
| Net Income After Tax | P 421,581.00 |
| Return on Investments = $\frac{AVERAGE\ NET\ INCOME}{INVESTMENT} = \frac{421,581}{1,331,000} = .31674$ | |

$$\text{Payback Period} = \frac{INVESTMENTS}{AVERAGE\ NET\ INCOME + DEPRECIATION} = \frac{1,331,000}{421,581 + 4,028} = 3.127283 \text{ yrs}$$

$$\text{Gross Profit Ratio} = \frac{GROSS\ PROFIT}{TOTAL\ SALES} = \frac{723,833}{10,260,000} = 0.070549$$

$$\text{Net Margin Ratio} = \frac{NET\ INCOME}{TOTAL\ SALES} = \frac{421,581}{10,260,000} = 0.0410898$$

H. Financial Statement

The projected sale for 1 month is amounting to P10,200,000.00 at a price of @ P38.00/kg for well-milled rice less all the expenses and tax it has a projected net income of P 421,581. Financial ratios show that Gross Profit IS 7% and Net Margin Ratio is 4% each. The investment costs will be recovered within approximately 3 years and 2 months.

I. Critical analysis

Risk is always present in any form of business. That includes Godwin's Rice Trading business. The foreseen problem is not being able

to meet the targeted number of 300 bags of rice grain every day and/or the other way of exceeding it with the difficulty of disposing the excess milled rice to the rice retailers the next day. As a new entrant of the rice trading business, it is expected that Godwin's Rice Trading will have to gradually establish customers trust. With excellent personnel training in quality customer ship, the business will slowly draw-in more customers like the big food chains and supermarkets as an efficient supplier of well-milled rice.

J. Social significance

This business offers opportunity for the farmers to have a steady market of their farm produce. It will also open a door of possible employment to some people in the community. As a registered business, tax payments can go to the government. Later as the business grows bigger wholesaling will help other small scale retailers who can avail of competitive pricing.

Posttest

Direction: Choose the letter of the correct answer. Do not write your answer on this manual.

1. Which is a group of people with economically important needs and demands which opens entrepreneurial opportunities to everyone?
c. Environment C. Geography
A. Ethnicity D. Market
2. Which type of business is owned by only one person?
A. Cooperative C. Partnership
B. Corporation D. Sole Proprietorship
3. Which of the following is **NOT** considered an emerging industry in the Philippines?
A. Agribusiness C. Creative Industries
B. Power and utilities D. Renewable Energy
4. In the 4M's of production, which M refers to the persons in the business known as the labor force?
A. Machines C. Materials
B. Manpower D. Money
5. The process of recording the money received and spent by the operations of the business is known as ____?
c. bookkeeping C. administering
A. booking D. posting

6. Which combination is focused on the internal assessment of the business?
- A. Opportunities and Threats C. Strengths and Threats
B. Strengths and Weaknesses D. Weaknesses and Threats
7. Which combination is focused on the external assessment of the business?
- A. Opportunities and Threats C. Strengths and Threats
B. Strengths and Weaknesses D. Weaknesses and Threats

8. Study the table and the items on the right. Then answer the question.

| Group | Part Of Business Plan | | a. Competitors analysis b. Product description c. Maintenance and repair d. Promotional strategies e. Sources of equipment f. Terms and conditions of |
|-------|-----------------------|--|--|
| A | Production Plan | | |
| B | Marketing Plan | | |

Which of the following is the correct grouping of the six indicators in the box?

A.

| Group | Part Of Business Plan | |
|-------|-----------------------|---------|
| A | Production Plan | a, b, d |
| B | Marketing Plan | c, e, f |

C.

| Group | Part Of Business Plan | |
|-------|-----------------------|---------|
| A | Production Plan | c, d, a |
| B | Marketing Plan | b, e, f |

B.

| Group | Part Of Business Plan | |
|-------|-----------------------|---------|
| A | Production Plan | c, e, f |
| B | Marketing Plan | a, b, d |

D.

| Group | Part Of Business Plan | |
|-------|-----------------------|---------|
| A | Production Plan | a, c, e |
| B | Marketing Plan | d, b, f |

9. Which business principle is applicable in products and development and marketing?
- A. Ask researchers in other communities about their needs and demands.
B. Your own needs and demands are the same with others.
C. Pay attention to the needs and demands of the market
D. Follow the result of a national survey of needs and demands

10. What is the reason why an aspiring entrepreneur must make a sound and impressive business plan?
- A. A sound and impressive business plan is likely to be approved for a loan package.
 - B. A sound and impressive business plan attracts more customers.
 - C. A sound and impressive business plan commands tax rebates.
 - D. A sound and impressive business plan can improve a particular segment of a market.

SUMMARY

Now we know that market and environment are the two major factors that dictate any business activities. It is so diverse, however; this diversity offers numerous opportunities for businesses.

An aspiring entrepreneur must consider a lot of factors prior to setting up a business. Careful examination on the needs and demands must be made. Competition must be clearly addressed because it may either lead to accumulation of profit or worse, incurring losses depending on how entrepreneurs manage their businesses.

Other important task of entrepreneurs is to determine how much capital is needed to start a business. Selection of the best business location is crucial, too. Record keeping or bookkeeping is also a skill that entrepreneurs must possess so he/she can personally ascertain the financial status of the business.

Entrepreneurs play a very important role in the national growth and development. Aside from tax payment to the government, an entrepreneur is responsible human resources development. Employment, whether casual, probationary, and permanent, offers workplace trainings which help employees in their personal and professional growth.

Entrepreneurs must not only possess passion for the business but personally learn the work of their employee as well. The benefit of this best practice is that entrepreneurs will find it easier to track the operations of the business including its profitability.

Finally, getting all these business prerequisites into the heart and mind of entrepreneurs and together with adequate knowledge, skills and work values, their businesses will be sustained.

Glossary of Terms

Capital refers to money invested in a business to generate income.

Environmental scanning refers to careful monitoring of the internal and external environment of an organization purposely done to detect early signs of opportunities and threats that may influence present and future plans of the business.

Industry is a commercialized, standardized, and organized economic activity connected with the production, manufacture, or construction of a particular product or range of products in which many people are involved.

Market refers to a group of people with economically important needs and demands which open entrepreneurial or business opportunities to everyone.

Opportunities in SWOT analysis is the exploitable set of circumstances with uncertain outcome, requiring commitment of resources and involving exposure to risk.

Personnel people employed in an organization.

Production is the processes of transforming inputs such as raw materials, semi-finished goods, subassemblies and intangible inputs, namely, ideas, information, knowledge into goods or services.

Strength in SWOT analysis is the capital, knowledge, skill, or other advantage that a firm has or can acquire over its competitors in meeting the needs of its customers.

Threats in SWOT analysis are negative indications that can cause a risk to become a loss, expressed as an aggregate of risk, consequences of risk, and the likelihood of the occurrence of the event.

Weaknesses in SWOT analysis refers to any negative indications that increases the risk of a losses and failure

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