PRIVATE SECTOR TOOLS SERIES • No.2

SUMMA FOUNDATION
Banking on Health

Business Handbook for Private Health Providers

August 2001
The Summa Foundation’s Private Sector Tools Series

The Summa Foundation has developed a series of tools to transfer skills and knowledge to the private health sector in developing countries. These tools support the Summa Foundation’s mandate to provide financing and technical assistance to private and commercial organizations engaged in health activities in developing countries in order to achieve health impact.

The Commercial Market Strategies Project

The Commercial Market Strategies (CMS) Project is a five-year contract (1998-2003) of USAID’s Bureau for Global Health, Office of Population and Reproductive Health, and the first contract to be implemented under the Commercial and Private Sector Strategies (CAPS) Results Package. CAPS is a ten-year results package that seeks to increase use of family planning and other health products and services through private sector partners and commercial strategies. The CAPS Results Package is designed to meet a projected global surge in demand for family planning and reproductive health services that will far exceed available public sector and donor resources to satisfy that demand. To redress this resource gap, CAPS looks to the private sector (defined as the commercial, for-profit sector and the NGO sector) to meet the health care needs of low-income consumers in developing countries.

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Introduction

The Business Handbook was designed as a tool for providing training to private health providers, such as midwives, nurses and doctors, that operate small clinics and have limited business skills. The business training process as outlined in this Handbook teaches health practitioners to critically examine their businesses. The main objective of the training is to impart basic business and credit management skills to private health practitioners in order to support the on-going development of private practices and to move them towards greater sustainability and profitability. The Handbook covers key elements of business management that will enable clinics to compete favorably in the local market. Areas of focus include record keeping, financial reporting, marketing, business management and credit management.

The Handbook was designed to be delivered as a one week course or in separate one-to-two day modules, depending on the interest and time constraints of trainees. In addition, the Handbook has been formatted as a binder so that chapters can be added or removed depending on the skill level of trainees.

The Handbook is intended to stimulate discussions, ideas and activities among trainees. The involvement and interaction of each participant is critical in the learning process. It is hoped that trainees will gain practical and enduring ideas for managing their health practices.

The Business Handbook for Private Health Providers was initially developed by the Summa Foundation for a training workshop for private providers in Uganda as part of the USAID funded PURSE Project that is being implemented by the Commercial Market Strategies Project. The PURSE Project seeks to increase the viability of private health clinics by providing training and financing through the Summa Foundation’s Uganda Private Providers Loan Fund.

The Business Handbook was prepared by ACDI/VOCA, an international non-governmental organization, and an external consultant with guidance from the Summa Foundation and Commercial Market Strategies Project.

Some of the case studies, examples and pictures in the Handbook are specific to Uganda. The core content of the Handbook, however, is applicable to private health providers with limited business skills in many developing country contexts and is easily adaptable for future training. The Handbook is part of the Summa Foundation’s Private Sector Tools Series, which was developed to transfer skills and knowledge to the private health sector in developing countries.
Assessing Yourself, Your Business and Your Goals

Section I
Chapter One
Assessing Yourself and Your Business

This chapter is designed to help you assess your strengths and weaknesses as an entrepreneur and to gain a better understanding of your business. By understanding your business, you will be in a better position to manage your operations and to adjust to your environment. In this chapter, first you will review the typical characteristics of a successful entrepreneur. Keeping these in mind will help you to identify your own skills. You will then evaluate your business and the environment in which it operates.

Sister Mirembe — Case Study

When Sr. Hope Mirembe finished her secondary school education in 1982, she decided to join a nursing school in Jinja District and train for a career in midwifery practice. This was to fulfill her desire to help the vulnerable members in her community that had little or no access to good medical care.

When she graduated from the nursing school, she worked for two years as a midwife/nursing assistant in a small private clinic in her hometown of Masaka, called Mukisa Dispensary Maternity Unit, where she got the chance to practice what she had learnt. In the course of fulfilling her duties she discovered that:

- The clinic always had a short supply of drugs;
- Many patients were either treated for free or on credit, which they usually failed to pay back, and the clinic was losing a lot of money;
- Some of the workers, including herself, would go for months without pay;
- The clinic was shabby and the paint was coming off the walls;
- Some of the workers were very rude to the customers, so the client turn-up was very low.

Sr. Mirembe did not like what she saw at the clinic and its performance was deteriorating by the day. After two years, with a little savings from other sources, she decided to quit and open up her own clinic, which she registered as Mirembe Maternity Clinic, in Masaka town, so that she could better serve her community. Before setting up, she realized that in order to have an impact in her community, she had to run her clinic as a business unit. She did not want to repeat the mistakes of her previous employer. In this way, she hoped she could generate enough money to keep the clinic well stocked with a wide range of drugs and equipment and also earn enough income to help her look after many younger siblings who still had to go to school.

Sr. Mirembe knew that to be able to fulfill her dreams, she needed some basic business skills that were not taught in nursing school. Sr. Mirembe was a member of the Uganda Private Midwives Association (UPMA) and felt she could benefit from the new loan scheme that was being offered to members through a local microfinance institution. The Association, in collaboration with an international NGO, was planning to offer a series of training courses in basic business skills, record keeping and loan management to the Association members before they could benefit from the loan scheme. She believed that she had a strong business drive and possessed the characteristics of a successful entrepreneur and the training would help her to efficiently and effectively operate her clinic.
The Characteristics of a Successful Entrepreneur

An entrepreneur refers to a businessperson who is running a business enterprise. Successful entrepreneurs often have certain abilities, skills, and attitudes, which enhance the likelihood for a business to prosper. These abilities, skills and attitudes are referred to as the characteristics of an entrepreneur. A business group should have within its members, people who have many, if not all, of these characteristics.

Successful entrepreneurs often exhibit the following characteristics:

- **Hard working**
  This means that you should be ready to commit all the energy, time, skills, and responsibilities necessary for your business to succeed.

- **Determined**
  Being determined means being committed to ensure that every task in the business, once started, is successfully completed.

- **Risk taking**
  A risk taker is somebody who assumes responsibility and makes decisions after careful consideration of what s/he is doing. In this way, your business will grow.

- **Team player**
  Working as a team means that you are ready to listen to your workers and learn from them even as they listen to you and learn from you. This will ensure that everybody in the business is respected and motivated.

- **Creative**
  Being creative means that you are ready to come up with new ideas for the business and are willing to try them out.

- **Foresight**
  This means anticipating situations and making arrangements to react to them ahead of time. If an entrepreneur or group has these characteristics, then they are likely to succeed in the business that they are running.
Looking at Yourself in Detail

Your success in business depends largely on your personal characteristics, business management, technical skills, knowledge of your line of business, and your financial resources. Before you start a business it is important that you reflect on your strengths and weaknesses and see how these can influence the success of your business.

You will now go through a number of steps to help you determine your strengths and weaknesses in a number of areas relevant to your business.

Step 1 — Personal Characteristics

Here, you should be looking at your skills, capabilities and attitudes. Consider your commitment to business, self-confidence, self-motivation, decision-making capabilities, ability to handle problems and take risks, your adaptability and flexibility in the business environment, and whether you are able to see opportunities and act promptly to take advantage of them.

Answer the following questions:

What are the strong points in your personal characteristics?

What are the weak points in your personal characteristics?

The weaknesses will be overcome in the following ways:
Step 2 — Business Management Skills
Business management refers to how you are able to handle money and the day-to-day running of the business. The handling of money involves arranging finances, keeping business records, managing credit and planning for financial success. The day-to-day running of the business refers to how you are able to provide direction to workers and effectively manage them.

Answer these questions:

What makes you strong in business management?

What makes you weak in business management?

The weaknesses will be overcome in the following ways:
Step 3 — Technical Skills

Technical skills refer to the things you need to know and be able to do in the business in which you are involved. This knowledge and ability covers areas like clinical competence, purchasing and using equipment and supplies, and providing services.

When you look at your technical skills ask yourself these questions:

*What are your technical skills?*

*What are your technical weak points?*

*The weaknesses will be overcome in the following ways:*
Step 4 — Financial Resources
Financial resources refer to your ability to find money to invest in your business.

This money may be your own or could otherwise be obtained from a relative, a financial institution or from another source. Financial resources also include the value of equipment and materials/stock, which you already own or can use in the business.

Ask yourself these questions:

*What are your available financial resources?*

*What are your financial limitations?*

*The weaknesses will be overcome in the following ways:*
Step 5 — Explain the External Assistance Required by Your Business

Having identified your strengths and your weaknesses it is important for you to identify the areas in which you will require external assistance and from where you will obtain this assistance. This assistance could be obtained from other businesses or associations like yours as well as financial institutions in your area.

Answer the following questions:

In which areas does your business require external assistance?

Where will your business obtain this assistance?

The strengths that you have indicated above are advantages to your business. You should use them as much as possible to improve your business. The weaknesses indicate areas in which you need to improve if you want your business to succeed. If you are not able to compensate for or overcome these weaknesses, you should look for external assistance to help you do this.
Case Study

Sr. Mirembe assessed herself in business and found that she had a number of strengths on which she needs to build. However, she is weak in record-keeping and business management. She has decided to attend the business training that is to be delivered by an international NGO in Kampala. This training is expected to help her improve her practice.

SWOT Analysis — Strengths, Weaknesses, Opportunities and Threats

A very useful tool to assess your business is something called a SWOT Analysis. It is a simple table that helps you break down the business' strengths, weaknesses, opportunities and threats. If a business is to survive, it needs to continually look at itself to see what its strengths and weaknesses are, what opportunities it has, and what threats it may be facing. Strengths and weaknesses are internal issues in the business that the business may have control over. Opportunities and threats are external factors to the business that the business does not have control over.
Briefly, a business will need to:

- Build on its strengths
- Improve on its weaknesses
- Take advantage of its opportunities
- Minimize its threats

**DEFINITIONS**

**Strengths**
An internal factor to your business, which you can use to your advantage. Strengths may include factors such as prime location, highly skilled staff, and a good reputation.

**Weaknesses**
An internal factor to your business, which can use improvement. Weaknesses may include factors such as high turnover among staff, limited product availability, understaffing, or poor location.

**Opportunities**
These are external factors to your business, which may positively impact your operations. This may include factors such as a new government policy, which is favorable to your business, a new drug, which is available, or a new health promotion policy.

**Threats**
These are external factors to your business, which may negatively impact your operations. This may include factors such as high taxation, negative government policy, or high inflation.

You will now do a SWOT analysis on the business you are running. To help you do this, look at your strengths, weaknesses, opportunities and threats. Consider the services and products you are selling, who your customers are, where they live, when and how they buy from you, what other things they buy, how much money they have to spend on services like yours, and who your competitors are. Use the SWOT chart below to enter your answers.
**SWOT Chart**

<table>
<thead>
<tr>
<th>Internal Factors</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Strengths</td>
<td>Weaknesses</td>
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<tr>
<td></td>
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<table>
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<tr>
<th>External Factors</th>
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<tbody>
<tr>
<td>Opportunities</td>
<td>Threats</td>
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<tr>
<td></td>
<td></td>
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</tbody>
</table>
Chapter Two
Goals for the Business

What Your Business Has Done and Will Do
Before you start a business or expand an existing business you should have an idea of where you want to go. This process is called planning. You may not have all of the information you need to know what will happen in the next year, but it is a good process to stop and think about what could possibly happen and how you could address this. This helps you put everything in order. It also helps you plan how your business will grow and see the problems your business may face in the future. Most importantly, planning helps you to see whether you are reaching your financial goals or whether you will need to make adjustments in how you operate in order to make a profit.

Planning helps you:
- To see how the business will grow in the future.
- To foresee problems in the business before the problems start.

Definitions

Planning
Thinking about your business and working out what to do about something before it happens.

Goals
Goals are the outcomes you want to achieve over a specific timeframe.
Case Study

Sr. Mirembe has decided to take a short walk while she ponders what she can do for her clinic. A business is like a journey. If a traveller is to be able to reach their destination, they must know where they are coming from and where they are going, otherwise they will get lost. In the same way, for your business, you must know where the business is going, if you are to succeed.

If you don’t know where you are going — How will you know if you get there?

The first step in the planning process is setting your goals. Goals are the end result or where you eventually want to be. It is helpful to think of goals in both the short-term and the long-term. This way you can track whether you are on the right path or slowly moving away from the direction you want to be heading.

Looking at Your Business in Detail

Having looked at your own strengths and weaknesses and evaluated the SWOT analysis for your business, you should have a fairly good idea of what you eventually want to achieve. The following is a step-by-step exercise to help you set your business goals. This process will first let you reflect on why you are in business, then you will look at what you have already achieved in business, and finally, you will set your goals, or what you intend to achieve in the future of the business.
Step 1 — The Reason for the Business
To make a profit is the main reason people go into business, but you may have other reasons for going into business. For the medical practitioner, the reasons for going into business range from:

- More autonomy in private practice.
- Concern for the community.
- A desire to provide accessible health care to even the most vulnerable members of society.

Answer the following questions about your business.

*What services do you provide?*

*What are your personal reasons for starting this business?*

*How does your community benefit from this business?*
Step 2 — Achievements in Business
You may have already been involved in business. In this section write out what you have done. This will help you to find out if what you have already achieved corresponds with why you initially went into business.

What have been the biggest accomplishments since you started your business?

What have been the biggest obstacles faced since you started your business?

What resources did you use to start your business?

Did you need to borrow money from an outside source? If so, who did you borrow from and what has been your experience in borrowing (loan amount, use of loan, have you fully repaid and if not, when will the loan be fully repaid)?

Do you have any other resources to draw upon right now?
Step 3 — Goals
Goals refer to the future aims and targets of your business, where your business intends to go and what you intend to achieve in the future.

What do you want to accomplish in the next:

Six Months:

One Year:

Three Years:
Record Keeping

Section II
Chapter Three

Stock Control

Section II in this manual covers record keeping, which is divided into three components: stock control, patient records and bookkeeping. Record keeping is an integral part of proper management, without which it is difficult to assess your business’ performance or to understand how and where changes can be made to improve profitability. The essence of record keeping is writing down what is actually happening in the business. This includes what is happening with the stock that is maintained, the clients who receive services and the money that is being handled. In a later section of this manual, these records will be drawn upon to assess the business’ financial position.

In order to properly manage your business, to make the business more efficient and customer friendly, and to plan for the future, it is critical to be in control of stock or inventory. This entails knowing how much you have available to sell to your customers, knowing when you should reorder more of specific supplies, or knowing that certain items, which take up space in your storage unit, are not sold quickly enough and should be reduced in the future. This process of managing your stock or inventory is called stock control. There are many tools that you can use to help you manage your stock. This includes keeping stock records and maintaining stock cards for each item you carry.

The importance of stock control is enormous when you look at its influence on a basic business issue like cashflow. Many businesses fail merely because they do not have enough cash to pay for ongoing expenses. Instead, their money is tied up in their inventory and they are unable to sell it quickly enough to cover their recurring costs, such as rent, utilities and salaries. By making sure that your business maintains the correct amount of inventory that matches the speed at which specific items turnover, then the business can maximize the amount of cash it has on hand to cover its regular costs. At the same time, it is important to have enough stock so that the business is not always running out of goods. A customer may come back the first time and the second time, but the third time s/he is told that this item is not in stock, s/he will likely find another, more secure outlet to buy medicine. This juggling act of inventory and cash is not an easy one, but it is significantly easier to manage when you maintain proper records of your stock. Periodically monitor what is happening to your stock and know exactly when is the right time to replenish it.
DEFINITIONS

Stock
Stock means all the items your business has for sale. In a case like that of Mirembe Maternity Clinic, stock would be the different types of drugs and other items like bandages, cotton wool, etc.

Stock records
These are all of your records that indicate which stock items come in and which stock items go out of your business. Maintaining good stock records helps you decide which goods to sell, how much to re-order, when to re-order, and which items you are losing.

Stock cards
These are records for each item of stock you maintain in the business. Each stock card details the date an item enters or exits the business and also has a running balance so that you can tell at any time how much is remaining.

Reorder level
This is the point at which the level of units available for an item is low and you need to reorder from your suppliers. It should be equal to the number of units you estimate you need until new stock is delivered.

Stock-taking list
This is the physical activity of re-counting by hand and writing down all of your stock on a list. This exercise allows you to compare what you are supposed to have (from your stock records) with what you actually have (from the re-count) and allows you to see what stock has been damaged, how quickly certain items are sold, and which supplies you use frequently.

What is Stock Control?
Stock control means organizing the way you:

- **Receive your stock**
  Count and check the condition of goods/materials you receive against the invoice or delivery notes.

- **Record your stock**
  Write down all goods or materials coming into or going out of your business. Note the date of expiry. Follow the rule of first in, first out.

- **Store your stock**
  Keep the right amount of stock in a safe and practical way.

- **Arrange your stock**
  Arrange your stock so that it attracts customers to buy and also makes it easy for you to count.
• **Check your stock**  
  Check and count your stock often to make sure that it is in good condition and that no stock is missing.

• **Re-order your stock**  
  Re-order the right stock, in the right quantity at the right time.

**Is Stock Control Important?**

Stock control is important because it helps you to:

• Keep the right goods (drugs) and supplies.
• Keep the right amount of stock – neither too much nor too little.
• Keep your stock in good condition.
• Prevent stock from getting lost.
• Re-order stock at the right time.

**Some Guidelines for Better Stock Control**

• Keep the right amount of stock.
• Stock goods that sell quickly.
• Arrange and display your stock well.
• Check your stock regularly for missing, needed, or damaged stock.
• Check your stock to know when and what quantities to order.
• Keep stock records.

*List some of the stock problems you sometimes experience in your business.*

*What can you do to solve each of the stock problems mentioned above?*
Stock Records
To keep stock records means writing down:

- All stock that comes in to your business.
- All stock that goes out of your business.

Stock records are important because they tell you:

- What goods or materials you have used or sold.
- How much of the goods or materials you have used or sold.
- When the goods or materials were sold or used.
- How much of the goods or materials you have in stock.

You can use the information on the stock records to find out:

- Which stock items sell quickly.
- What stock to re-order.
- When to re-order.
- How much to re-order.
- If any stock is missing.

Using Stock Records
When you make your own stock records, you can use cards, a hard cover book, an exercise book, loose pages in a file, or anything else that suits your business. Make sure your stock records are correct and up-to-date. A stock record that is not up-to-date gives you incorrect information and you may make wrong decisions in your business.
Stock Card

Guidelines on How to Write a Stock Card

The stock card will include the following:

1. Name and detail of material or product.
2. Expiry date.
3. Price you pay the supplier for one item.
4. Price you charge your customer for one item.
5. Balance at which you order new stock (Re-order level).
6. Number of items you have in stock when you start to fill in your stock card or start a new card.

Case Study

To keep record of her stock, Sr. Mirembe writes down the information on stock cards. She uses one card for each product she sells.

Example of Stock Card

<table>
<thead>
<tr>
<th>Product:</th>
<th>Panadol tins</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expiry date:</td>
<td>October 2001</td>
</tr>
<tr>
<td>Cost per item:</td>
<td>4,000/- per tin</td>
</tr>
<tr>
<td>Selling price:</td>
<td>5,000/- per tin</td>
</tr>
<tr>
<td>Re-order level:</td>
<td>4 tins</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>In</th>
<th>Out</th>
<th>Balance</th>
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</thead>
<tbody>
<tr>
<td>8.2.2000</td>
<td>B/F</td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>9.2.2000</td>
<td>Sold</td>
<td>2</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>13.2.2000</td>
<td>Sold</td>
<td>1</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>17.2.2000</td>
<td>Sold</td>
<td>1</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>18.2.2000</td>
<td>Bought</td>
<td>2</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>20.2.2000</td>
<td>Sold</td>
<td>1</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>29.2.2000</td>
<td>Damaged</td>
<td>1</td>
<td></td>
<td>6</td>
</tr>
</tbody>
</table>

Note: When filling in the stock card, you can use the Daily Cash Record, the invoice and the Customer's Account Record.
Re-Order Level
When filling in the stock card, you will need to know the re-order level. The re-order level is the number of units you estimate that you need until you get new stock. Work out and write down the re-order level for goods you sell a lot of or the materials you use a lot of. When your stock falls to the re-order level, it is time to re-order more.

Stock-Taking
Stock-taking is a system of physically counting and writing down all the stock in your business on a stock-taking list.

Importance of Stock-taking
It helps you to find out:
- If stock is missing and how much is missing.
- If any stock is damaged or in bad condition.
- Which goods/items/materials sell quickly and which sell slowly.
- Which materials you use a lot of and which you do not use often.
- When to re-order, if you do not keep stock cards.

Steps to follow in Stock-taking
7. Make sure your stock is well arranged.
8. Prepare your stock-taking list.
9. Count the stock and write down the quantities on the stock-taking list.
10. Copy information from your stock cards to your stock-taking list.
11. Compare your stock cards with the stock-taking list.
12. Write the correct quantities on your stock cards.

It is advisable that you do stock-taking every month.


Example of Stock-Taking List

STOCK-TAKING LIST

Date: 29th February 2000

<table>
<thead>
<tr>
<th>Details</th>
<th>Quantity</th>
<th>Comments</th>
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<tr>
<td></td>
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<td>Stock Card</td>
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<tr>
<td>Anti-malaria syrup</td>
<td>27</td>
<td>27</td>
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<tr>
<td>Coldcap syrup</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>Spirit bottles</td>
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<td>9</td>
</tr>
<tr>
<td>Gauze rolls</td>
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<td>5</td>
</tr>
<tr>
<td>Cotton wool rolls</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Panadol tins</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

Think of your own business and decide:

*How often should you do stock-taking?*

*What day and time should you do stock-taking?*
Chapter Four
Patient Records

Keeping records on patients is an important part of maintaining a professional and efficient practice. Patient records allow you to refer quickly to previous treatments and diagnoses for a patient. They help in limiting the amount of time the patient spends at the clinic repeating his/her history and condition. It is the law to keep proper clinical records.

The maintenance of patient records is an important part of the overall record keeping system of a private practice. In order to highlight this importance, several patient records are discussed briefly in this chapter. It is not within the scope of this training, however, to provide a more thorough review of all necessary patient records. For more information, you need to access the following:

- The Health Management Information System Health Unit Data Base for the Year 20__ Produced by the Ministry of Health, Revised February 1998.

This chapter will cover the treatment book and the delivery book, which were identified by midwives in Uganda as important for review. This does not suggest, however, that other patient records are any less significant.

**Definitions**

**Treatment book**
This is a record book of basic patient information, the diagnosis and the treatment offered.

**Delivery book**
This is a record of admissions and deliveries. It is produced in only one copy that should be maintained at the clinic.
Treatment Book

The treatment book contains basic patient information, such as name, address, sex, age, and also the diagnosis and treatment. The treatment book has the following columns and should be filled out as follows:

1. **Number**: Start at number 1 for the first day of each month and continue sequentially until the last day of the month. This allows you to easily track how many patients you see each month.

2. **Date**: Record the date of the entry.

3. **Name**: Record the patient’s name.

4. **Patient Address**: Record the location of the patient’s residence.

5. **Age**: Record the age of the client.

6. **Sex**: Record the sex of the client.

7. **Diagnosis**: Record pertinent symptoms (e.g. temperature, skin condition, nausea, etc.) and diagnosis.

8. **Treatment**: Record the treatment, including any medications recommended and follow-up plan (be sure to report revenue from visit including consultation fee and drug sales in the daily sales record).

Sample page of treatment book:

<table>
<thead>
<tr>
<th>No</th>
<th>Date</th>
<th>Name</th>
<th>Address</th>
<th>Age</th>
<th>Sex</th>
<th>Diagnosis</th>
<th>Treatment</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1/5/01</td>
<td>Rachel Serumkuma</td>
<td>Plot 54 Windsor Crescent Kololo</td>
<td>30</td>
<td>F</td>
<td>Lower abdominal pain and yellowish vaginal discharge (AVD)</td>
<td>Tabs Septrim 2 b.d.x5 Tabs Erythomycin 2 4/day for 2 wks</td>
<td>Return after one week if AVD persists</td>
</tr>
<tr>
<td>2</td>
<td>1/5/01</td>
<td>Josephine Atwine</td>
<td>PO Box 2145 Nateete</td>
<td>22</td>
<td>F</td>
<td>Malaria in early pregnancy</td>
<td>Inj. Chloroquine 250 mgs od x 2/7 then 250 mgs od x 1/7 then tabs Fansidar 3 after chloroquine course Tabs Panadol 2 tds x 3/days Tabs Phonebabiton 30 mgs 7 nocte x 3/7</td>
<td>Monitor at next antenatal visit</td>
</tr>
</tbody>
</table>
**Delivery Book (Maternity Register)**

The delivery book is used to record information on admissions and child delivery. It records information on the mother and the child, once born. The register has 7 columns that are spread over 2 pages. Admission information (column 1), Diagnosis (column 2), Techniques (Column 3) and Discharge Information (Column 7) are filled out for all admissions, whether the mother delivers or not.

The register includes the following headings and subheadings:

### Column 1: Admission Information

1. **Date In**: This is the date of the admission. The day and month is sufficient.
2. **IPD No**: This is a unique serial number to each admission. The numbers should start with 1 on the first of January.
3. **ANC No. & Ref**: If the woman attended any antenatal clinic, then client number on the ANC Card and the health unit’s name or abbreviation is written. If the woman was referred (high risk delivery), write “REF” in this column.
4. **Name and Village**: The name of the woman and her village of residence.
5. **Para**: The parity or number of births before admission.
6. **Age**: The age of the woman.

### Column 2: Diagnosis

This is the obstetrical diagnosis, such as “normal”, “transverse position” “BBA” born before arrival.

### Column 3: Techniques

The technique used during delivery, such as “episiotomy”, “vacuum extraction”, “C section”, “Curettage”, etc.

### Column 4: Delivery Date

This is the date of delivery.
Column 5: Child Information

1. **Sex**: Sex of the child.
2. **Weight**: Weight of the child.
3. **Comments**: This can include such information as the Apgar score, prematurity, congenital anomalies, etc.
4. **Status**: The categories to use are “LB” for live births still alive at discharge from Maternity, “LO” for live births who died before discharge, or “SB” for still births.
5. **BCG? Y/N**: Enter “Yes” if the child received BCG before discharge.
6. **Polio? Y/N**: Enter “Yes” if the child received Polio O before discharge.

Column 6: Delivered By
This should be signed by the nurse or midwife who assisted in the delivery.

Column 7: Discharge

1. **Mother Status**: The categories are “DIS” for discharged, “TRANS” for transfers to other health units or to other wards, and “DIED” for death.
2. **Date Out**: This is the date that the mother left the clinic.
### Sample page of Delivery Book:  **Left hand side**

<table>
<thead>
<tr>
<th>(1) Admission Information</th>
<th>(2) Diagnosis</th>
<th>(3) Techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date in</td>
<td>IPD No.</td>
<td>ANC No. &amp; Ref.</td>
</tr>
<tr>
<td></td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Sample page of Delivery Book:  **Right hand side**

<table>
<thead>
<tr>
<th>(4)</th>
<th>(5) Child Information</th>
<th>(6)</th>
<th>(7) Discharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Del Date</td>
<td>Sex</td>
<td>Weight</td>
<td>Comments</td>
</tr>
<tr>
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<td></td>
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</tbody>
</table>

Section II - 13
Chapter Five
Bookkeeping

What is Bookkeeping?

Bookkeeping is a way of writing down all transactions involving

- Money coming into your business.
- Money going out of your business.

Importance of Records

Record keeping is necessary for every business. Neat, accurate records will help you find and solve business problems. Records are important because they help you control your cash, they show you how your business is doing, they act as proof to other organizations (like banks or microfinance institutions) of how your business is doing and they help you plan for the future.

Record keeping is also important as a tool to help make your business profitable. If you do not know how much you spend and how much you sell, how will you know if you have made a profit? How will you find out where there are problems in your business? How will you know what to focus on to improve the performance and profitability of your business?

The bottom line is being profitable and keeping proper records is a critical step in that direction.
**DEFINITIONS**

**Bookkeeping**
A system of keeping track of all financial transactions.

**Transaction**
A transaction is any exchange of money for something, for example goods or services.

**Receipt**
A voucher, which is provided to customers upon receipt of a payment when a sale is made or a service is provided.

**Voucher**
A document, which verifies a financial transaction.

**Receipt book**
This is a book that you use to issue receipts to clients. You can often purchase receipt books at any bookstore, either in a simple or detailed version. Receipts are made by placing a carbon copy between pages, giving one copy to the customer, and maintaining a copy for your own records.

**Record book**
The record book or cash analysis book is a book where you write down all the transactions in your business. It should be filled in at the end of each day.

**Daily cash record**
This is used if your business sells many, less expensive products or services. It is a listing of all items sold in receipt of cash.

**Customer account record book**
This is a book where you maintain information on the clients who purchase from your business on credit.

**Cash Reconciliation**
The process of comparing records with cash on hand and determining causes of discrepancies.

**Types of Record Books**
We shall consider the following books of accounts:

- Receipt book
- Daily cash record
- Customer account record book (Debtors’ record book)
- Cash book or record book
Receipt Book

What is a Receipt?

You need a written document, for example a receipt, to prove that you have received money or paid out money. If there is no document, you must write down the information yourself. For record keeping, receipts and other documents are called **vouchers**. The vouchers are the proof of all transactions.

A receipt is a formal record of the transfer of money from one person to another. It indicates that money has been paid for services or goods.

During the day, when your business is open, write down each **cash transaction** for **cash coming into** your business using a receipt book.

Obtain and keep receipts and other vouchers for all **cash going out** of your business for expenses, e.g. drugs and wages. You can keep vouchers in the cash box until you close the business each day.

Write a new number on each voucher starting with number 1 for the first entry and continue with 2, 3, etc. until the end of the day. Numbering makes it easy and quick to find a voucher you need and so each voucher should be given a number when you record the information about the transaction in the record book.

*Example 1: Simple Receipt*

<table>
<thead>
<tr>
<th>MIREMBE MATERNITY CLINIC</th>
<th>P.O. Box 11388, Kampala</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipt Number __________________</td>
<td>Date ___________________</td>
</tr>
<tr>
<td>Received from __________________</td>
<td></td>
</tr>
<tr>
<td>Payment in respect of __________</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td>Amount in words _________________</td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>SHS ___________________________</td>
<td>Signature _______________</td>
</tr>
</tbody>
</table>

Section II - 16
**Example 2: Detailed Receipt**

| **MIREMBE MATERNITY CLINIC**  
| **P.O. Box 11388, Kampala**  
|  
| Receipt Number: ________  
| Date: _________________  
| OP/IP Number: ________  
| Received from: ___________________________  
<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
<th>Unit</th>
<th>Cost</th>
<th>Amount (UShs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total amount in words:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Signature: _________________</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A receipt should be filled in duplicate. The original is given to the person paying the money and the duplicate remains in the receipt book and will be used to:

- Check revenue for recording in the cash analysis book.
- Identify discrepancies.

When issuing a receipt, there must be a carbon paper between all original and duplicate receipts to properly identify all payments made. The duplicate receipt must not be filled out in pen or pencil.

If one makes a mistake while issuing a receipt, the receipt should be cancelled, left in the receipt book and a fresh receipt issued.

If a person cannot pay the full amount of the fee-for-service but they can pay part, then they should be given a receipt for the amount paid. The balance still owed should be written in the customer account record or debtor’s book.

Reconciliation (making agreement and correcting until there is agreement) should be done at the end of the day between receipts issued and amount of cash. After reconciliation, the cash collected that day is put into the bank or placed in a safe. Use the receipt book to fill in the cash analysis book.
Case Study

On 8th February 2000, Sister Hope Mirembe, the Manager of Mirembe Maternity Clinic, received money from Mr. Bagalana James for the sale of 1 tin (1000 tablets) of Panadol at Shs. 5,000; 1 box (246 bottles of spirit) at Shs. 24,000 and 1 box of cotton wool at Shs. 38,000.

Example 1: Simple Receipt

MIREMBE MATERNITY CLINIC
P.O. Box 11388, Kampala

Receipt Number: 001 Date: 8/02/00

Received from: James Bagalana

Being payment in respect of: Panadol, Spirit and Cotton wool

Amount in words: Sixty seven thousand shillings only.

Shs: 67,000 Signature: Hmirembe

Example 2: Detailed Receipt

MIREMBE MATERNITY CLINIC
P.O. Box 11388, Kampala

Receipt Number: 001 Date: 8/02/00

Received from: 056/2/00

Received from: James Bagalana

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Amount (Ushs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Panadol</td>
<td>1 Tin (1000 Tabs)</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Spirit</td>
<td>1 box</td>
<td>24,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Cotton Wool (Always)</td>
<td>1 Box</td>
<td>38,000</td>
<td>38,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>67,000</strong></td>
</tr>
</tbody>
</table>

Total amount in words: sixty seven thousand shillings only

Signature: Hmirembe

Using the transactions in your business, prepare a receipt for one of your clients getting services from your business.
Daily Cash Record

A daily cash record is used if your business sells many, less expensive products or services.

Use the daily cash record to write all money that came into your business and where it came from (which is likely to be mostly from sales and consultation fees).

Keep the vouchers you get for all cash that goes out of your business for all expenses. For example:

- Receipts obtained for drugs and other supplies.
- Pay slips for wages and salaries.
- Invoices or receipts for rent, telephone and all other expenses to your business.

When you use money from your cash box for expenses, keep the vouchers for cash in the cash box until you close the business each day.

Case Study

On 8th February 2000, Sister Hope Mirembe, the Manager of Mirembe Maternity Clinic, received money from Mr. Bagalana James for the sale of 1 dose of Panadol at Shs. 200; 1 litre of spirit at Shs. 1,000 and 1 roll of cotton wool at Shs. 3,500.

<table>
<thead>
<tr>
<th>Details</th>
<th>Quantity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting balance</td>
<td></td>
<td>Shs. 10,000</td>
</tr>
<tr>
<td>Panadol</td>
<td>1 dose</td>
<td>200</td>
</tr>
<tr>
<td>Spirit</td>
<td>1 litre</td>
<td>1,000</td>
</tr>
<tr>
<td>Cotton wool</td>
<td>1 roll</td>
<td>3,500</td>
</tr>
</tbody>
</table>
Customer Account Record or Debtor’s Book
In general, it is risky to sell on credit. Some customers do not pay on time. Some customers do not pay at all. However, it is a common practice in most businesses to give credit to clients they trust as a strategy to retain customers. Therefore, it can be a good idea to give credit to reliable clients.

If you sell on credit, keep a record of all your credit sales. With written records, you:

- Avoid arguments with clients.
- Can follow up clients who do not pay their accounts on time.

A record of customers’ credit helps you to know:
- Which customers owe your business money.
- How much money each customer owes.
- Which customers pay their accounts on time.

Make a Customer Account Record, with one page or section for each customer. You can use one of the following methods:

- A book with a page for each customer.
- Separate page in a file.
- A separate book for each customer, if you have very few customers who each buy a lot.
Case Study

Example of a customer (Mrs. Mukasa's) account record

CUSTOMER ACCOUNT RECORD (DEBTOR'S BOOK)

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Qty</th>
<th>Credit Sale</th>
<th>Amount Paid</th>
<th>Balance</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/10</td>
<td>Panadol</td>
<td>4</td>
<td>8,000</td>
<td>8,000</td>
<td>12,500</td>
<td>Mrs. Mukasa</td>
</tr>
<tr>
<td>12/10</td>
<td>Malaria Treatment</td>
<td>1</td>
<td>5,000</td>
<td>13,000</td>
<td>500</td>
<td>Mrs. Mukasa</td>
</tr>
<tr>
<td>15/10</td>
<td>Mrs. Mukasa pays account</td>
<td></td>
<td>12,500</td>
<td>500</td>
<td></td>
<td>Mrs. Mukasa</td>
</tr>
</tbody>
</table>

The sections of the Customer Account Record or Debtor’s Book are:

1. **Credit limit**: the highest amount of credit you will give to the customer.
2. **Details**: the items/services the customer buys.
3. **Date**: the date the customer buys on credit, or pays his or her account.
4. **Quantity**: the number of items/services the customer buys.
5. **Credit sale**: the value of the goods or services the customer buys and pays for later.
6. **Amount paid**: amount the customer pays.
7. **Balance**: the total amount the customer now owes your business.
8. **Signature**: the customer’s signature acknowledging the credit amount and the seller’s signature acknowledging receipt of the amount paid.

Later when the customer pays the account, write down the payment in the customer’s Account Record. The payment is also cash coming into the business from sales. Therefore, the information must also be written down in the Daily Cash Record.

If your business uses a receipt book, write the information in the receipt book. Give the receipt to the customer. The copy of the receipt is the proof that you received cash from the credit customer. It stays in the receipt book until the end of the day.
Case Study

Mrs. Rose Mukasa, a mother of four, is a resident of Masaka, where Sr. Mirembe has a maternity clinic. As a permanent resident of the area, as well as a good customer, Mrs. Mukasa was given an opportunity to get medical and maternity services on credit whenever she has no ready cash.

Between 1st October 2000 and 30th January 2001, Mrs. Mukasa utilized the credit facility as follows:

- On 01/10/2000, Mrs. Mukasa took 4 packets of Panadol at a cost of Shs. 2,000 per packet.
- On 12/10/2000, her child was treated for malaria at a cost of Shs. 5,000.
- On 15/10/2000, Mrs. Mukasa paid Shs. 12,500 to Sr. Mirembe’s clinic.
- On 4/11/2000, she took a tetracycline tube worth Shs. 2,000 for her red eyes.
- On 28/11/2000, Mrs Mukasa delivered a baby boy at Sr. Mirembe’s clinic. It was a normal delivery and the maternity service was valued at Shs. 10,000.
- On 30/11/2000, her school-going child caught malaria and was treated for Shs. 2000
- On 1/12/2000, she got her salary and paid 14,500 at Sr. Mirembe’s clinic.
- On 7/12/2000, she was diagnosed and found to have an STD, which was then treated at a cost of Shs. 6,500. On 8th December, Mrs Mukasa brought her husband also for treatment for the STD and paid Shs.6,500.
- On 23/12/2000, Mrs. Mukasa and her husband went to Sr. Mirembe’s clinic for counseling on family planning and the service was delivered at a cost of Shs. 1,000.
- On 14/01/2001, her son Alex was cut on the head by a playmate, inflicting a deep cut, which was dressed at Sr. Mirembe’s clinic at a cost of Shs. 2,000.
- On 25/01/2001, Mrs. Mukasa’s baby fell sick and was treated at a cost of Shs. 5,000.
- On 30/01/2001, Mrs. Mukasa got her monthly salary and paid Shs.10,000 at Sr. Mirembe’s clinic.

NOTE: The credit limit at Sr. Mirembe’s clinic is Shs. 15,000.

1. Assist Sr. Mirembe to enter this data into Mrs. Mukasa’s credit account. Use the Customer Account Record on the following page.

2. Indicate where each one of the two has to sign on the credit account. Why?

3. What are the advantages of keeping a customer account?
CUSTOMER ACCOUNT RECORD (DEBTOR'S BOOK)

Name of Customer:
Address:
Telephone Number:
Credit limit:

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Quantity</th>
<th>Credit Sale</th>
<th>Amount Paid</th>
<th>Balance</th>
<th>Signature</th>
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<tbody>
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</tbody>
</table>
Record Book or Cash Analysis Book

This is an example of a record book or a cash analysis book. It is where you write down all transactions in your business and it is filled out each day.

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>V. No</th>
<th>Cash</th>
<th>Bank</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Write down every voucher**

Use information from all the vouchers from that day to fill in your record book. In your record book, write down:

1. All the money that **came into** your business that day and from where it came.
   - If your business uses a daily cash record, get the amounts and details from there.
   - If your business uses a receipt book, get the information from the copies of the receipts.

2. All the **money** that went **out** of your business that day and what it was used for.
   Your vouchers can be:
   - Receipts for material costs (drugs and other items).
   - Pay slips for labor costs.
   - Receipts for other costs.
Filling in the Record Book or Cash Analysis Book

1. **Date**: write the date of the transaction.

2. **Details**: describe the transaction.

3. **Voucher No**: write a voucher number for each transaction.

4. **Cash**: write all the cash that came into or went out of your cash box. At anytime, the balance column shows the amount of money you should have in the cash box.

5. **Bank**: write all the money that came into or went out of your bank account. At any time, the balance column shows the amount of money you have in the bank. You only need these columns if your business has a bank account.

6. **Sales**: write all your sales in this column.

All vouchers should be filed according to their numbers after the information has been entered in the record book or cash analysis book. The vouchers are the only proof that your records are correct. If there are mistakes in your record keeping, the vouchers help you find out where the mistakes are.
Case Study

Sr. Mirembe, the owner of Mirembe Maternity Clinic, started to keep proper business records in February 2000. See the record book for Mirembe Maternity Clinic following this exercise. Use this to help you answer the questions below.

   a. On 1st February she has a cash balance of 11,000 in cash in her cash box and 253,000 in the bank.
   b. On 2/2/00, Mirembe Maternity Clinic paid 3,400 for packing materials.
   c. On 3/2/00, Sr. Mirembe took 200,000 from the business’ bank account and kept it in the cash box.
      • Paid the monthly wage of 30,000 in cash to Namatovu, her cleaner.
      • Paid Mr. Kazibwe, a porter 1,600 in cash for water.
      • Paid herself a monthly salary of 80,000 in cash.
   d. On 4/2/00, Mirembe Maternity Clinic received 37,000 from sales.
   e. On 5/2/00, Mr. Lukwago paid 15,900 for various items by cheque.
   f. On 6/2/00, She received in total 25,200 from sales.
   g. On 8/2/00, Mirembe Maternity Clinic received a loan of 400,000 and this was deposited in the bank account the same day.
   h. On 9/2/00 Mirembe deposited in the bank 100,000.
   i. On 10/2/00 Mirembe bought drugs for 275,000 and paid by cheque

2. Add up the total sales and costs for the month. Write down the amount in the record book. Make sure you also write the balances for cash and bank.

3. How much money did the Mirembe Maternity Clinic have in the cash box and in the bank account at the beginning of the month?

4. Where does Sr. Mirembe get the figures?

5. How much money did Sr. Mirembe have in the cash box at the end of the day on 10/2/00

6. What voucher number did Sr. Mirembe write on the daily cash sales record on 10/2/00

7. What will the balances be for cash and bank the first day of the following month?
## Record Book For Mirembe Maternity Clinic

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>V. No</th>
<th>Cash</th>
<th>Bank</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>In</td>
<td>Out</td>
<td>Balance</td>
</tr>
<tr>
<td>1/2/00</td>
<td>Balance B/F</td>
<td>20</td>
<td>11,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/2/00</td>
<td>Packing materials</td>
<td>21</td>
<td>3,400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/2/00</td>
<td>Cash Withdrawal</td>
<td>22</td>
<td>200,000</td>
<td></td>
<td>207,600</td>
</tr>
<tr>
<td>3/2/00</td>
<td>Salary-Namatovu</td>
<td>23</td>
<td>30,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/2/00</td>
<td>Salary-Kazibwe</td>
<td>24</td>
<td>1,600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/2/00</td>
<td>Salary-Mirembe</td>
<td>25</td>
<td>80,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4/2/00</td>
<td>Sales</td>
<td>25</td>
<td>37,000</td>
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<td></td>
</tr>
<tr>
<td>5/2/00</td>
<td>Sales</td>
<td>26</td>
<td>15,900</td>
<td></td>
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</tr>
<tr>
<td>6/2/00</td>
<td>Sales</td>
<td>27</td>
<td>25,200</td>
<td></td>
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</tr>
<tr>
<td>8/2/00</td>
<td>Loan</td>
<td>28</td>
<td></td>
<td></td>
<td>400,000</td>
</tr>
<tr>
<td>9/2/00</td>
<td>Cash deposit</td>
<td>29</td>
<td>100,000</td>
<td></td>
<td>58,200</td>
</tr>
<tr>
<td>10/2/00</td>
<td>Purchases – drugs</td>
<td>30</td>
<td></td>
<td></td>
<td>275,000</td>
</tr>
<tr>
<td>Balances</td>
<td></td>
<td></td>
<td>262,200</td>
<td>215,000</td>
<td>58,200</td>
</tr>
</tbody>
</table>
Cash Reconciliation

At the end of each day, two types of reconciliations are done. The first is to reconcile the amount of cash that you actually have to that which you should have. The second is to reconcile the expected income from cash sales and from credit sales with actual sales.

1. The amount of money collected during the day must be equal to the amount of receipts issued. It is better to have different people count these totals, one the cash and the other the amounts on the receipts.

2. The cash receipts plus the credit sales must equal the income expected from sales.

After the reconciliation, the daily total of cash collected by income category is recorded in the cash analysis book. The expenditure by category is also recorded on a daily basis and all expenditure receipts kept in a safe place.

At the end of each month, the books of accounts are “closed”. That is to say the total for the month of each individual category (cash and bank) is calculated and entered on the monthly summary form. The total is reconciled with the actual cash at hand and money in the bank.

Cash Transactions

Steps to follow for cash transactions

1. Prepare your cash box: Make sure there is enough money with which to start the day. Write down the amount. Call it your starting balance.

2. Your starting balance must be the same amount as the cash balance in your record book at the end of the previous day.

3. Write down every item you sell for cash: Items for cash should be written in the daily cash record if you are selling many, less expensive items and in a receipt book if you are selling few, expensive items.

4. Write down the date that credit customers pay their accounts: When credit customers pay their accounts, write the payment in the customer account record. This payment is also cash coming into the business from sales. Therefore, it must be written down like a cash sale in the receipt book or the daily cash record.

5. Keep all receipts for expenses: When you take money from your cash box for expenses such as goods (drugs), wages and rent, make sure you get a receipt or some other written proof. Put all these receipts in your cash box until the end of the day.
6. At the end of the day, work out the total cash received: Add all the amounts in the total column of the daily cash record and total amounts from all copies of receipts to customers to know how much money came into your business that day. To check that the amount is correct, always do this calculation:

\[(\text{Money in cash box at the end of the day}) = (\text{Money in the cash box at start of the day}) - (\text{Money taken out of cash box during the day})\]

If there is a difference, check the amount and do the calculation again. If there is still a difference, try to find reasons why. NB: If any other money, which is not from the business, is put in the cash box, always remember to first subtract it.

7. Write down all cash sales in the record book.

8. Write down all expenses in the record book.

What could be the reason for having less money in the cash box than there should be?

Sometimes there is more cash in the cash box than there should be. What could be the reasons for this situation?
Financial Reporting

Section III
Chapter Six
Cashflow Plan

A cashflow plan or statement shows you how much money you can expect to flow into your business (cash receipts) and how much money you can expect to flow out of your business (cash payments) during a given period of time. Knowing how much cash you can expect to come into your business is critical to projecting how much you can actually afford to replenish your stock, whether you will have sufficient funds to make additional investments, whether you will be able to cover all of your operating costs, etc.

A cashflow plan is an essential part of running a business and most business people already do this kind of planning, whether formally or informally. By formally writing down your projections, you will over time learn to make fewer mistakes with your projections, have a better record of your expectations and whether your business actually met these expectations, and you will be able to see your business through a larger lens than purely on a daily or monthly basis. Seeing the bigger picture allows you to make smart decisions in the future. For example, you can project when to make capital improvements, or whether there are certain stock items you could buy in bulk to save money, or whether you should maintain minimal stock and replenish it regularly to maximize your cashflow, and so on.

The Difference Between a Cashflow Plan and Profit Statements

A cashflow plan is used to show how much cash is available from time to time. While statements that report profit, like an income statement, are used to show whether the business is making or losing money and whether it is profitable. A business can have negative cashflow over a certain period and yet be profitable at the end of the year. Managing cashflow is a part of managing your business so that it can be profitable. However, if you do not manage your cashflow well enough, you can quickly go out of business even if there is long-term profit potential. A cashflow plan can help you make sure that your business never runs out of cash and is able to stay in business.
How to Make a Cashflow Plan

When you are making your cashflow plan, you will look at all of the sources of money that come into the business and compare this to all of the sources of money that go out of the business. It is useful to do a cashflow plan using months as your unit timeframe.

To make a cashflow plan you need to estimate Cash In and Cash Out as follows:

Cash In

Step 1: Cash at the start of the month: This is the cash that was left in your business from the previous month. You have this money in your cash box or bank account at the beginning of the month. It is therefore carried forward from one month to the next.

Step 2: Cash in from sales: This is the cash in from sales of goods and services in your business. Total sales = Number of services and products sold X Price of services and products.

Step 3: Cash from owner: This is the cash contributed to the business by the owner.

Step 4: Cash from debtors: This is the cash from the people owing your business money. Commonly these will be cash payments from customers for previous credit sales.

Step 5: Cash loan received: This refers to the money that is lent to your business. Loans will need to be paid back by the business.

Step 6: Total Cash In: Total cash in = the sum of No. 1 through No. 5.
Cash Out

Step 1: Cash out for material costs: These are costs of all materials used in providing your services, such as drugs, syringes, cotton wool, etc. Material Cost = Quantity used X Cost of each unit used.

Step 2: Cash out for labor costs: This is all the money your business spends on salaries and wages of the people directly engaged in offering the services for instance the wages to an assistant midwife or laboratory technician.

Step 3: Cash out for other costs: These are all other costs that you need to run a business. This includes rent for buildings, electricity, water, secretaries, interest on loans, taxes, etc.

Step 4: Cash out for planned investment: This refers to money you will spend to construct a new site or buying equipment and furniture.

Step 5: Loan principal repaid: This refers to the money you will be paying back each month to repay the money lent to you.

Step 6: Loan interest repaid: This refers to the cost of the loan you will be paying every month to the individual or institution that lent you money. This is paid based on the amount of money you received as a loan.

Step 7: Other cash out: This refers to any other money you will pay out of your business, which does not fall in the categories above. Examples here could be association dues, training fees, and savings.

Step 8: Total Cash Out: This refers to the sum from No. 1 through No. 7.
Case Study

Sr. Mirembe assesses herself in her business at the end of December 1999 and finds out that she needs to improve on the stock of drugs and buy some equipment for the labor room. She realizes that she has Shs. 29,250 she made as profit that month and her own contribution of Shs. 50,000 from the sale of Matooke, which she intends to invest in the business.

However, she still has a balance of about Shs. 500,000 to make up the total that is needed and she decides to take a loan for five months at an interest rate of 42%. Based on her experience, she draws her cashflow plan as shown below.

Cashflow Plan Mirembe Maternity Clinic — Period of January – June 2000

<table>
<thead>
<tr>
<th>Details</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Inflows</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>29,250</td>
<td>427,250</td>
<td>(39,250)</td>
<td>80,350</td>
<td>105,850</td>
<td>98,850</td>
<td>29,250</td>
</tr>
<tr>
<td>Own contribution</td>
<td>50,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>50,000</td>
</tr>
<tr>
<td>Loan</td>
<td>500,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>500,000</td>
</tr>
<tr>
<td>Deliveries</td>
<td>130,000</td>
<td>140,000</td>
<td>127,000</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
<td>697,000</td>
</tr>
<tr>
<td>Family planning</td>
<td>47,000</td>
<td>39,000</td>
<td>42,000</td>
<td>25,000</td>
<td>25,000</td>
<td>25,000</td>
<td>203,000</td>
</tr>
<tr>
<td>Curative care</td>
<td>300,000</td>
<td>420,000</td>
<td>500,000</td>
<td>550,000</td>
<td>600,000</td>
<td>600,000</td>
<td>2,970,000</td>
</tr>
<tr>
<td>Sales of drugs</td>
<td>99,000</td>
<td>110,000</td>
<td>94,600</td>
<td>70,000</td>
<td>70,000</td>
<td>70,000</td>
<td>513,600</td>
</tr>
<tr>
<td>Other</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>60,000</td>
</tr>
<tr>
<td><strong>Total Cash In</strong></td>
<td>1,165,250</td>
<td>1,146,250</td>
<td>734,350</td>
<td>835,350</td>
<td>910,850</td>
<td>903,850</td>
<td>5,022,850</td>
</tr>
<tr>
<td><strong>Cash Outflows</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of drugs and supplies</td>
<td>400,000</td>
<td>700,000</td>
<td>200,000</td>
<td>300,000</td>
<td>400,000</td>
<td>500,000</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Labor costs (midwife’s salary, cleaner, etc.)</td>
<td>110,000</td>
<td>110,000</td>
<td>110,000</td>
<td>110,000</td>
<td>110,000</td>
<td>110,000</td>
<td>660,000</td>
</tr>
<tr>
<td>Rent</td>
<td>120,000</td>
<td>120,000</td>
<td>120,000</td>
<td>120,000</td>
<td>120,000</td>
<td>120,000</td>
<td>720,000</td>
</tr>
<tr>
<td>Electricity</td>
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<td>20,000</td>
<td>20,000</td>
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<td>20,000</td>
<td>20,000</td>
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<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Stationery</td>
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<td>20,000</td>
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</tr>
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<td>40,000</td>
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<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
<td>500,000</td>
</tr>
<tr>
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<td>56,000</td>
<td>31,500</td>
<td>14,000</td>
<td>3,500</td>
<td>192,500</td>
</tr>
<tr>
<td>Savings</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
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<td>Others</td>
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<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>60,000</td>
</tr>
<tr>
<td><strong>Total Cash Out</strong></td>
<td>738,000</td>
<td>1,185,500</td>
<td>654,000</td>
<td>729,500</td>
<td>812,000</td>
<td>901,500</td>
<td>5,020,500</td>
</tr>
<tr>
<td><strong>Balance / Deficit</strong></td>
<td>427,250</td>
<td>(39,250)</td>
<td>80,350</td>
<td>105,850</td>
<td>98,850</td>
<td>2,350</td>
<td>2,350</td>
</tr>
</tbody>
</table>
Case Study

Observations of Mirembe Maternity Clinic

- Income from treatment of malaria and sale of drugs increases with the increase of sickness in the community during the rainy period starting in March.
- She buys more stocks in February because of the loan she got at the end of January. This drops the following month due to loan repayment but thereafter there is a steady increase in the purchase of stocks due to the increase in sales.
- At the end of the period she is able to finish off the loan and interest, pay the necessary expenses and realize a savings of Shs. 48,000.
- She has a balance of Shs. 2,350. to carry forward to July.
- She expects to have a bigger balance in the following month especially after paying off the loan.
- Total opening balance is the same as the opening balance in the first month.
- Balance / Deficit in the last month of that period is the same as the final balance in the total column.
Use the following form to prepare your Cashflow Plan.

## Cash Flow Plan for the period:

<table>
<thead>
<tr>
<th>Details</th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Inflows</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own contribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deliveries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Curative care</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of drugs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash In</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash Outflows</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases (materials)</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Labor costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stationery</td>
<td></td>
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<td></td>
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<td></td>
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</tr>
<tr>
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<td></td>
</tr>
<tr>
<td>Savings</td>
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</tr>
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<td>Others</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash Out</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance / Deficit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Chapter Seven

Income Statement

There are many different financial statements that businesses use to depict their financial position. One of the most important ones is called the Income Statement. This statement is also known by many other names including profit and loss statement, earnings statement, and statement of operations. This is a historical statement, as opposed to a projection, covering a specific period of time that tells you whether your business made a profit or incurred a loss during this time.

From the Income Statement you can see:

- Whether your profits have increased or decreased.
- Whether your costs have increased or decreased.
- Whether your sales have increased or decreased.

Having this information can make it easier to take necessary action to help your business. For example, knowing that sales income is decreasing can indicate that you should improve your marketing techniques, adjust your prices or diversify your services. If your costs are steadily increasing, you can look more closely at your operations and figure out ways to reduce your operating expenses.

As a business, you should draw an income statement at the end of every month. The simple rule for determining profit or loss is the equation:

Net Income = Revenues – Expenses

**DEFINITIONS**

**Revenue**
Money received (or to be received) by a business for goods and services rendered over a given period of time.

**Expenses**
The costs incurred for goods and services used in the process of earning revenue.

**Net income**
The amount of money that is left after you have subtracted all expenses from revenues, also known as profit.
In completing your income statement, you do the following:

**Total Revenue**
This will tell you your total sales in a month and is calculated by:

\[
\text{Total Revenue} = \text{Family Planning} + \text{Curative Services} + \text{Drug Sales} + \text{All Other Services and Product Sales}
\]

**Total Expenses**
This is a sum of all business expenses including:

\[
\text{Total Expenses} = \text{Drugs and Other Supplies} + \text{Rent} + \text{Salaries} + \text{Utilities} + \text{All Other Expenses}
\]

**Net Income**
This will show you the total result of your business. It will tell you how well or how badly your business is doing. Net income can be either positive or negative. Positive net income means that your business has earned income over the given time period. Negative net income means that your business has not been able to cover its costs over the given period of time.

\[
\text{Net Income} = \text{Total Revenue} - \text{Total Expenses}
\]
Case Study

INCOME STATEMENT FOR MIREMBE MATERNITY CLINIC
1 January – 31 June 2000

<table>
<thead>
<tr>
<th>Revenue</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Family planning</td>
<td>233,000</td>
</tr>
<tr>
<td>Curative care</td>
<td>3,258,000</td>
</tr>
<tr>
<td>Drug sales</td>
<td>1,450,600</td>
</tr>
<tr>
<td>Others</td>
<td>234,000</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>5,175,600</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
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<tbody>
<tr>
<td>Drug costs</td>
<td>2,880,000</td>
</tr>
<tr>
<td>Labor costs (midwife, cleaner, etc.)</td>
<td>570,000</td>
</tr>
<tr>
<td>Rent for building</td>
<td>850,000</td>
</tr>
<tr>
<td>Electricity</td>
<td>140,000</td>
</tr>
<tr>
<td>Water</td>
<td>70,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>210,000</td>
</tr>
<tr>
<td>Stationery</td>
<td>140,000</td>
</tr>
<tr>
<td>Interest on loan (42% on declining balance)</td>
<td>52,500</td>
</tr>
<tr>
<td>Taxes</td>
<td>40,000</td>
</tr>
<tr>
<td>Others</td>
<td>82,750</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>5,035,250</strong></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>140,350</strong></td>
</tr>
</tbody>
</table>

Sr. Mirembe finds that her business, Mirembe Maternity Clinic, made a profit of Shs. 140,350 over a period of 6 months (Jan – June 2000).
Use the following form to make your own Income Statement.

*Income statement for: ________________________________*

*For the period: ________________________________*

<table>
<thead>
<tr>
<th>Revenue</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Family planning</td>
<td></td>
</tr>
<tr>
<td>Curative care</td>
<td></td>
</tr>
<tr>
<td>Drug sales</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
</tr>
<tr>
<td><strong>Total Sales</strong></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Drug costs</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Rent for building</td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td></td>
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<td>Water</td>
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<tr>
<td>Equipment</td>
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<tr>
<td>Stationery</td>
<td></td>
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<tr>
<td>Interest on loan</td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td></td>
</tr>
</tbody>
</table>

| Net Income     |       |
Marketing

Section IV
Chapter Eight
Marketing
This chapter will present the basic concepts of marketing for any business and will also look closely at some of the specific considerations that are necessary for private health care practitioners. It will start with the standard review of the 4 Ps of marketing: product, price, place and promotion. It will then review the 2 Cs of marketing: customers and competition. This is followed by a separate section dealing with sound marketing for the medical profession. After each discussion, there will be a few questions related to your own practices. These questions, when answered in full, will help you come up with your own marketing plan.

DEFINITIONS

Market
A place where people meet to buy and sell goods and services and the people who come to buy products or services.

Marketing
Everything you do to satisfy the needs of your customers and make a profit by providing products or services they need, setting prices that they are willing to pay, getting your products or services to them, and informing them about your product or services.

Marketing plan
A plan that details how you will market your products and services to your customers.

Market research
The process of getting information about your customers and competitors.

Product (service)
The items that your customers want to buy. These can be physical items or services.

Price
The amount of money that your customers are willing to pay for your product or service.

Place
The location where you make your products or services available.

Promotion
The activities you undertake to inform your clients of your products and services.

Advertising
Spreading information to customers about your goods and services.

Customers
The people who buy from your business.

Competition
Other businesses that provide similar products and services.
What is a Market?

The word market has two different meanings:

- Market refers to the place where people meet to buy and sell goods and services, such as a village market.

- Market also means people (women, children and men) who come to your clinic for a particular drug or service. For example, the women who come to your clinic for deliveries can be called your market.

Sr. Mirembe needs to go to Sr. Opio's drug shop (the market) to purchase some drugs and supplies.
Mr. Tumusiime says the market for his 'boda boda' are the midwives that usually require him to transport their commodities, drugs and supplies from the shops to their clinics.

**What is Marketing?**

Marketing is the process where you get the right product or service, at the right price, at the right place and time to the right customers so that you make a profit. Marketing is important because it involves satisfying customers, who are your ultimate reason for being in business. Customers must be interested in buying your products and services. They must be willing to pay for what you are offering. They must find it more convenient to purchase from you as compared to other providers and they must be attracted to your products and services over those of your competition. Satisfied customers translates into larger sales and bigger profits. Knowing your customers is the starting point and the key to smart business and sound marketing.
Study the illustrations above that show two different clinics. Compare them and answer the following questions:

What makes Sr. Mirembe's clinic different from Sr. Bernadette's clinic?

What did Sr. Bernadette do wrong?

The Four Ps and the Two Cs of Marketing

Planning for your business is an important part of being a good business person and being ahead of the game. Setting a distinct marketing plan involves knowing your customers, identifying their needs, setting an attractive and competitive price, locating your business in a convenient and good location and informing potential customers about your business. Planning out this strategy as part of a marketing plan is a good way to help you see what you are doing now and how you can improve.
Market Research
A marketing plan tells you what to sell and how to market your products and services to your customers. To develop a good marketing plan, it is necessary to collect information about your market so that you can use it in your business. This is called market research. There are many ways to collect market information to learn about your customers and the environment where you work. You may already be doing some of this informally:

- You can talk to your customers or ask them to fill out questionnaires about why they come to your clinic, if they are satisfied with the goods and services you offer, and if there are any other goods or services they would like to buy, which you do not currently offer.
- You can listen to what your customers are saying about your business to each other and to their friends and family.
- You can examine your competition and learn what products and services they are offering, what prices they are charging, how they promote their products, what people say about your competitors, and why some customers prefer your competitors over your business.
- You can ask your suppliers and business friends which products sell fast, what they think about your products, and what they think about your competition.
- You can look closely at your records to see what products and services you sell most frequently.
- You can read newspapers, catalogs, professional journals, government publications and magazines to learn more about new products and services that the industry is offering.

Which methods do you currently use to conduct market research?

Which methods do you plan to use in the future?

Part of doing a marketing plan and market research is breaking down the process into a more simple way. A very common way of doing this is to divide up the marketing process into 4 Ps and 2 Cs. The 4 Ps of marketing are **Product, Price, Place** and **Promotion** and the 2Cs of marketing are **Customer** and **Competition**.
Product
The term product refers to what you are selling. Generally, a product is defined as a physical item that you have for sale. Businesses also offer services. These are activities that you perform. Services are often harder to control in terms of consistency and quality. They are intangible and require closer contact between the customer and the provider. In this marketing discussion, product refers to both commodities and services.

As you are all aware, the way a private health practitioner promotes and advertises her clinic is different from the way a shopkeeper would market and promote his/her business. Marketing health services, first and foremost, requires that customers trust the providers, as the customers are putting their lives in their hands. It is also critical that the quality of the service is consistently high. If a customer receives poor quality once from a medical provider, it is very difficult to regain his/her trust.

Sr. Mirembe provides her customers with PRODUCTS they use and want. A product is a final commodity that a customer wants.

Mr. Oketcho is a service operator because he provides services that his customers need and want. To provide a SERVICE is to facilitate an activity for someone else. For convenience, the word PRODUCT is used to refer to both PRODUCTS and SERVICES.
To be successful in business, you must have a product your customers want and for which they are willing and able to pay. A successful business finds out what customers want and what they need.

For a health practitioner, in order to provide a product/service that your customers want, you also need to have thorough knowledge and skills about your chosen area of medical practice. This instills a certain level of confidence in the people you serve.

Answer the following questions to see if you have the right PRODUCTS and SERVICES.

*Make a list of the products and services that you provide.*

*What makes your products or services different from products or services offered by other clinics?*

*Why should patients and/or other customers come to you?*
Price
Price is the money people will pay to buy your product or service. The price must be right if you are to get customers to buy from you and for you to make a profit. When you determine what price you are going to charge, you need to know how much it actually costs you to offer this product or service. This is why record keeping is so critical in managing a business. By knowing your actual costs, you can charge a fair price that covers your costs, while allowing you to make a profit.

The price of any item must be the cost of this item plus the profit you need to make on that item. For some products and services where the competition is fierce, there is less flexibility in setting a price. For example, the price of aspirin may be the same in small stores, clinics and in the market. If you charged more for aspirin than anyone else, most people will not buy it from you since this item is common and the price is fairly set. Other products and services, which are not as common, may offer more flexibility for setting a price. Services are often more flexible since the factors of trust and quality often supersede that of price. People may be willing to pay more for a provider they trust and who provides consistent, quality service.

When setting your price, you need to know several things:

- your costs;
- how much your customers are willing to pay;
- your competitors' prices.

The only way to know what your real costs are for providing products and services to your customers is by keeping good records. You can then look at your files to determine how much it costs you to purchase specific materials and how much you pay in other costs like rent and utilities to stay in business. By setting a price for each product and service which takes into consideration all of your costs, you will be able to make a profit on your sales.

Knowing how much your customers are willing to pay is easy, if you are keeping track of your sales by maintaining good records. Products that do not sell well are often overpriced. This process requires trial and error. You might first set a price that is similar to your competitors' unless you have a reason to set it higher or lower.

You may decide to set your price higher, if your products or services are better than your competitors' or if you provide some extra service such as longer operating hours. You may decide to set your price lower, if your product or service is new and people do not yet know about it or if you want to attract new customers.
Answer the following questions about your prices.

*How much do you charge for the products and services at your clinics?*

<table>
<thead>
<tr>
<th>Service/Product</th>
<th>Price</th>
</tr>
</thead>
</table>

*How did you set these prices?*

*How much are your customers willing and able to pay?*

<table>
<thead>
<tr>
<th>Service/Product</th>
<th>Price</th>
</tr>
</thead>
</table>

*What are the prices that other clinics charge for providing similar products or services?*

<table>
<thead>
<tr>
<th>Service/Product</th>
<th>Price</th>
</tr>
</thead>
</table>
Are those prices affordable to most of your clients?

How can you make sure that you are always covering your costs?

Do you offer different prices for different people? If so, why?

Do you ever offer any services for free? If yes, how do you afford to do this?

Do you make any record of this? If not, how do you keep track of how much this actually costs your business?

Do you ever provide your services on credit? If yes, do you keep any records?

Roughly how many people do you think you provide credit to in a day, week or month?

Do they always pay back?
Have you ever been unable to collect on your credit customers?

If yes, do you have an approximation of how much your business may have lost from bad debts?

Place
Your business may have the right products and services set at the right price, but sales may still be low. This may be due to the fact that customers do not know where to buy your products or services.

Place is where your business is located. Consider how you will get your goods and services to your customers. You can choose to take your goods and services to your customers or you can choose to have your customers come to you for the goods and services.

For service businesses like clinics, locating your business in a convenient location is important, but place often refers to more than just the physical location. Customers are often willing to go out of their way, if the provider has a clean, comfortable and hospitable clinic. Providers who have good reputations and well kept clinics can still attract more clients than those located in the center of town.

Answer the following questions about your business location.

Where is the business located?

How far are you from your suppliers?

How easily/conveniently can you get to and from your suppliers?
What other arrangements have you to ensure a steady supply and to meet abrupt demands?

Where are your customers located?

How easy or convenient is it for your customers to get to your location?

How can you find new or different customers?

Promotion

Sr. Mirembe is in her clinic. There are many clients who have come to get some services at her clinic. Why do you think she has all those customers?

Informing and attracting customers to buy your product or service is called promotion. Promotion is the proactive approach to selling more and making more profit. There are many different types of promotion including advertising, sales specials, publicity and becoming a better sales person.
Advertising

Advertising is simply spreading information to customers about your goods and services. It involves informing customers and making them interested in your product. Advertising can be done through a variety of mediums, some low-cost, others more expensive. Some examples of how you can advertise are:

- Using signage for your business. On your sign, indicate your name, address, telephone and hours of operation and services provided. Display a sign at each access point to your clinic, especially on major roads. Mount an attractive and eye-catching sign on the outside of your clinic.

- Use boards, posters and leaflets. Stamp the name of your clinic on issues of Health Matters or other publications you distribute. Create customized patient education brochures that feature information on your clinic.

- Make business cards, price lists, special letters and photos.

- Highlight the quality of your clinic. Display signs that indicate that you are a part of a professional association. Display certificates that indicate when you have successfully completed additional training. Display professional and business licenses and registrations.

What type of advertising do you currently do?

What type of advertising do you plan to do in the future?
Display
One of the easiest ways to promote certain products is through your display. By keeping a clean, tidy and orderly display, you can often leave the impression of high quality and good customer service. By arranging your products in an eye-catching way, you can attract your clients' attention to what you have on offer, without incurring any costs for advertising.

You can use display to make it appear that you have a lot of goods and a lot of choice. You can also display medical posters on the walls advertising the importance of certain health issues and products, e.g. family planning posters illustrating the benefits of different family planning methods, childhood diseases, etc.

- Make your goods and services easily seen.
- Attractively display drugs and other products.

Sales Promotions and Specials
Another form of promotional activity is offering special deals or incentives to buy more products or services. This is often helpful if you are trying out a new product or service, have certain products that are not selling as well as they could or when products may be more expensive for the customers to buy without first knowing the quality. Below are examples of sales promotions and specials:

- Let customers try new products: you may have samples for free for a visit or for the first time purchase.
- Make special offers: offering a discount, for example, on a certain product or service on certain days of the week when business is slow.
- Give demonstrations: if there is a product or service that people do not understand or need more information about before they try it, you may give periodic demonstrations or explanations so that they learn more about it. This is especially helpful in marketing family planning products.
- Sell products that go together in a bundle: in order to increase sales and promote services or products that do not have high demand, consider bundling them. Offer a discount if a customer purchases a package that includes, for example, antenatal, delivery and postnatal services rather than selling them separately at a higher price.
What types of sales promotion have you tried in the past?

What types of sales promotion do you plan to try?

Publicity
Publicity is a way to get advertising, without paying for it. It involves using the media, whether newsprint, radio or television, to inform the public about what you offer. Good publicity is an excellent way to enhance your sales. Publicity is effective because it captures new clients who may not otherwise see or listen to regular advertising. Additionally, people often believe articles and what they hear on the radio more than advertisements. Publicity can be seen as impartial and honest.

At the same time, publicity is often hard to get for small and micro-businesses. You can try by writing to your local paper, magazines or radio about how your business helps the community. Another very important form of publicity, which is also free, is using word of mouth. Customers often choose medical practitioners when they are referred to them by their family and friends. If you have a good practice, treat your customers with respect, and have gained their trust, they will tell their family, friends and colleagues about your business. This is one of the most effective ways to get new customers and to expand your business.

Other types of publicity you can offer are:

- Give health talks on radio or television in collaboration with a doctor or someone from the Ministry of Health about certain health related topics.
• Provide health education talks at different venues in the community in order to increase awareness and recognition, e.g. during epidemic breakouts, you can give awareness sessions at schools and at district headquarters.

• Actively participate in your community to raise awareness of yourself and your clinic. This includes meeting with the LC in your area on a regular basis, accompanying district health visitors on home visits, participating in district health meetings, and participating in local community organizations (women's groups, church, etc.)

What types of publicity have you tried in the past?

What will you try in the future?
Improving Your Skills as a Salesperson

Another way to attract customer attention and increase your business is to improve your own skills as a salesperson for your clinic. Once you attract customers through advertising or through various promotions, you must actually convince them to make a sale from you and to come back in the future. This can only be done if you:

- Understand what your customers' needs are.
- Know how to treat customers with respect and courtesy.
- Have thorough knowledge about the products and services you offer.

Understanding your customers means knowing more than just the typical customer. You should be familiar with various types of people who come to you and know how to address their concerns and needs. Some customers need more time to think about what they want, other customers are very busy and need quick service, while some customers are always short on cash. By knowing what to expect from your various customers, you can tailor your response and service to them so that they walk away satisfied and happy with your services.

Knowing how to treat your customers is critical to providing good service. It is important to show compassion and consideration for your clients. This means providing ample time for their consultations, prohibiting individuals to queue jump unless it is a medical emergency, treating clients promptly and courteously, and ensuring patient confidentiality.

As discussed earlier, being knowledgeable about your work is critical to building trust and gaining the respect of your clients. In the end, this is the bottom line of operating a health business. Clients are coming to you because they have faith in that you understand the medical profession and can help them.

What can you do to be a better salesperson?
The Two Cs Of Marketing

Customers
The people who buy from your business are called customers. Before you start your business, it is important that you know who your customers are.

Interacting with customers
The promotion of your clinic will largely depend on how you interact with your customers. Serving customers is the main reason you are in business. Customer service is an area that should be taken very seriously in the health profession. It is one of the most important ways that you shall be able to retain your existing clients and attract new ones.

In order to promote products and services, quality of care and client satisfaction, a health provider should specifically consider the following elements:

- **Interpersonal qualities:** It is important to treat your clients with respect and dignity. Make sure to greet them with a smile. Take some time to talk to your clients about their health problems and answer their questions. Call them by their names. Appreciate their problems and try not to be judgmental. Make sure your staff is also trained in customer service.

- **Affordability of services:** How affordable are your services? Can most of the people in your community afford your rates? Do most of your clients usually clear their bills after receiving a service?

- **Accessibility of services:** What sort of customers do you serve? Accessibility means how easily your patients can get to the clinic. As a health practitioner, you need to know who these people are, where they live, if they live near the clinic or far from it and if you can reach them in times of emergencies.

- **Professional skills:** It is important to let your clients know that you are a trained professional. Stay knowledgeable in your field. Display professional certificates. Always follow standard professional practice, including throwing away expired drugs and sterilizing your equipment before use. Displaying your professionalism is an important way to promote your clinic and retain clients.
• **Good consultation process:** You should give ample time to the consultation process rather than rushing to finish the line. This will foster better discussion and understanding of the patients' illnesses and avoid making wrong diagnoses. Relevant history should be taken. Patients should be examined (at least a quick general or specific exam where the patient load is high). Where facilities are available, necessary investigations should be done. Diagnosis and treatment should be rational and based on standard treatment guidelines. It is important to spend a moment explaining to the patient about the illness and treatment. In some cases, new important information is discovered at this point. A poor consultation process is likely to yield poor case management and failure to cure hence the loss of confidence in a health worker or their facility. A patient should never get the impression that you do not have time for her/him.

• **Confidentiality:** Improve confidentiality and privacy by ensuring that only one patient is seen at a time in the examination or injection room. No patient wants to have an injection or have private parts of their bodies examined in the view of other people. If adequate privacy is not provided, the client may conceal vital information concerning their illnesses. Talk to your staff about the importance of client confidentiality and make sure they do not discuss your patients' illnesses in public.

• **Availability of supplies:** Ensure a continuous supply of essential drugs. Patients usually consider the availability of drugs above all other things as an indicator of good quality. Inform patients as soon as possible when services are unavailable so that they are not needlessly kept waiting. Explain to clients why certain drugs are not available and recommend where they can get them until you are able to supply them.

• **Continuity of care and services:** Patients always want to deal with health providers who know their medical histories and are always there when they go to the clinic for a service. You should always continue to provide efficient services to your clients whether old or new. Do not change your attitude or the delivery of services to some clients just because they have been with you longer. Every customer is a valuable asset to the business.

• **Good sanitation and clean facility environment:** You should ensure that your clinic is clean and tidy at all times. Make sure that the waiting area is clean and the compound and toilets are sanitary. Inspect the outside of the clinic to make sure there is easy access.

• **Queues and patient flow:** Look at the flow of your patients and the length of queues in the waiting area. Where are the longest queues? How can the patient flow be improved? How can queues be shortened to save the patients' time? For example, can more windows be opened at busy times for registration, dispensing, dressing etc.?
• **Discourage all forms of informal charging:** This can create distrust of health services. Measures to curb such practices should be implemented because they are an additional financial burden to the patients and alienate the vulnerable members of the community from getting health services.

Answer the following questions about your customers.

*Roughly what percentage of your clients are women, men or children?*

Men ____%  Women ____%  Children ____%

*What is the distribution by age of your clients?*

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>&lt;5yrs</td>
<td>____%</td>
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<tr>
<td>6-16yrs</td>
<td>____%</td>
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<tr>
<td>16 - 25yrs</td>
<td>____%</td>
</tr>
<tr>
<td>26-35yrs</td>
<td>____%</td>
</tr>
<tr>
<td>36-40yrs</td>
<td>____%</td>
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<tr>
<td>&gt; 40 yrs</td>
<td>____%</td>
</tr>
</tbody>
</table>

*What is the literacy level of your customers?*

Illiterate ____%  Semi-literate ____%  Literate ____%

*What is the distribution by socio-economic class of your clients?*

Poor ____%  Middle Class ____%  Rich ____%

*What are their primary illnesses?*

*When do most illnesses occur?*

*What will you do to make your customers feel well attended to?*
How can you attract new customers? Would it be possible for you to sell a package of your services to a nearby business? e.g. a school?

**Competition**

Other businesses selling goods and services similar to your goods and services are called competitors. Ask yourself in what ways your business is better or worse than the competition.

Answer the following questions about your competitors.

*Who else in your area is providing the same goods and services as your business?*

*Are your competitors' businesses getting bigger or smaller?*

*How will you attract customers from your competitors to your business?*
Compare your business to that of your competitor and tick (✔) the appropriate answer.

<table>
<thead>
<tr>
<th></th>
<th>Better</th>
<th>Same</th>
<th>Worse</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of goods and services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of your goods or services</td>
<td></td>
<td></td>
<td></td>
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<td>Ease for customers to reach your business</td>
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<td>Price of your goods and services</td>
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<td>Appearance of your business</td>
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<td>What customers say about your business</td>
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Areas where you are worse or the same as your competitor are areas that should be improved so that you can attract new customers.

What changes will you make to your business to make it better than your competitors?

**Good Marketing and Management Practices for Clinics**

It is important to note that the marketing and promotion of health care practices is somewhat different from other private businesses.

- Firstly, it is illegal to directly advertise a private health practice through the mass media.
- Secondly, it is important for a health professional to maintain her reputation as a trusted, confidant and knowledgeable medical practitioner in the community.
- Whatever advertising and promotion that is done needs to preserve this reputation as well as uphold the medical ethics and the laws that govern the health sector and medical practice in Uganda.

**Success Factors**

There are many practices that can be incorporated into your business and marketing plan that will enhance your chances of success.
Quality of care
"Quality of care" means different things to different people. For patients, it may mean the presence of drugs, laboratory tests and courteous staff. For nurses and midwives, quality of care may mean acquisition of better equipment or having a variety and sufficient quantity of medical supplies. Private health practitioners need to understand the customers' expectations and work towards their satisfaction. They also need to understand quality of care in a broader sense in order to work towards providing it.

When patients are asked to pay for services, they expect:

- better services;
- higher quality of care.

It is important for the service providers to understand what the patients (customers) want and provide it within medically accepted standards.

At first, private health practitioners should concentrate on making quality of care improvements, which are easily visible to large numbers of patients. These include positive staff attitude, environmental cleanliness, painted walls, orderly and pleasant waiting areas, good drug supplies, ability to perform diagnostic tests etc.

This means spending a portion of the revenue on things which directly promote patient satisfaction. It also requires understanding the views of patients and acting to improve aspects of quality which may not require additional funds.

Active participation of all players
There is no progress without people. The health practitioner and all those who work with her must be closely involved in activities geared at promoting the clinic. Good leadership is crucial for proper guidance of the whole health team - the support of all staff members is essential. All players must understand the common goal and the need to work together in a complimentary manner.

Monitor performance
Private health practitioners (who are usually in-charge of their clinics) should be very aware of their clinics on a daily basis. They should observe how systems are being implemented and take time to talk to the people they work with about problems they face and possible solutions. Such assessments will foster better management that incorporates views aimed at improving the services at the clinic.

Spend money to make money
In order to improve the state of affairs at the clinic, a part of the revenue should be used to improve or maintain it. The revenue should be used to make selective, visible improvements (e.g. fixing the waiting area, availability of seats, screens, etc.) and should also be used to ensure that the necessary stationery or exercise books and other supplies are always available. The pharmacy and laboratory should always be stocked with drugs and reagents.
Plan and set targets
It is vital to plan and set targets. Without targets, it will be difficult to determine whether you need to alter or update some plans or whether the marketing system needs improvement.

Marketing Plan
Now that you are familiar with the important concepts of marketing, it is time to think about putting all of the pieces together into a strategy. This process is known as developing a marketing plan. When developing a marketing plan, you should:

- Identify existing marketing problems in your business.
- Prioritize the problems.
- Identify the causes of these problems.
- Identify solutions/strategies for the problems.
- Assign responsibilities - who should solve what problem.
- Identify the resources that will be used/required for solving the marketing problems.
- Remarks/observations/comments can be made relating to a particular issue under consideration.
- After the timeframe for the marketing action plan is complete, the health practitioner should reflect on achievements, failures and the reasons why the desired marketing goals were not achieved. Through this evaluation, better strategies can be devised through corrective action.

The table on the following page is a useful tool to help you assess the marketing problems that exist and how to address them.

A sound marketing plan is a product of proper record keeping. It is from the records that impending marketing problems can be deduced and analyzed to develop a marketing action plan. Such records include the financial statements, research reports, treatment books and market surveys.
How will you promote your business in order to attract people to come and get products and services from you?

<table>
<thead>
<tr>
<th>What is the problem?</th>
<th>How is the problem to be solved?</th>
<th>Who will solve the problem?</th>
<th>When to solve the problem?</th>
<th>What resources will be needed?</th>
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Business Management & Microfinance

Section V
Chapter Nine
Business Management

Management Responsibilities and Functions
The people working in a business can be divided into two groups:

- Management
- Labor

Management
Management is people who direct and make decisions in a business. For a private health clinic, management may be the person who started the business or those employed to run the business operations. They work to achieve the goals of the business using the available resources.

Labor
Labor is the people who follow the direction of the management and actually do much of the hands-on work. Often when a business is new, it has no employees other than the owner. As it grows or expands its operations, additional employees are needed with the appropriate skills to improve operations. Hiring appropriate staff to meet the growing needs of the business is a critical aspect of being a good manager and having a successful business.

Manager
This person ensures that all business activities are well coordinated and accomplished. A manager is involved in all business tasks. She may not do the actual activity that the task involves, but she is responsible to see that the activities are done well and successfully accomplished.

Qualities of a good manager
- Good at both managing money and people.
- Good communicator.
- Effective motivator.
- Ability to identify resources and use them well.
- Ability to maintain good relations with other businesses.

Responsibility of a manager
- Develop plans for the business.
- Set goals for the business.
- Direct business resources in the right direction.
In order to achieve the above, a manager needs to be able to visualize the future needs of her customers, have good leadership abilities and be creative. A manager should know what product or service to provide, where to locate the business and what to do when customers change their needs and wants.

**Time management**

"Time wasted is money lost." Because a manager is often juggling many responsibilities, time is often a major constraint in achieving all of the business goals. For this reason, time management is a very important aspect of managing a business. A good manager needs to separate tasks, plan properly and review performance. Some helpful guidelines for time management are:

- List the specific goals to be accomplished.
- Be motivated not to waste time.
- Set a timeframe within which you want to accomplish a task.
- Make notes to yourself about jobs to be done so that your mind can be clear to think about important matters rather than maintaining a mental list.
- Do only the things you have to do and delegate to others the work they can do.
- Have a filing system so that you do not have to look through stacks of papers.

**The Functions of Management**

1. Planning
2. Organizing
3. Controlling
4. Directing
5. Staffing

**Planning**

Planning is the act of determining what is to be done and where, how and when it is to be done. You will need to plan your product, stock, labor, market and finances to ensure that your business continues to improve. You need to plan what your business is going to do within a given time period. You can then plan the activities needed to achieve these goals. Good planning requires that the manager consider carefully each activity that takes place in the business.
Organizing
Organizing is the way activities and resources are related to each other. It involves:

- Developing and keeping an up-to-date work plan.
- Recognizing the strengths of your workers and using those strengths.
- Recognizing the weaknesses of your workers and helping them to improve.
- Recognizing your own strengths and weaknesses.

How to organize tasks and jobs in a business
Each worker in the business must understand their role to be able to perform at their best. The manager must clearly define the different tasks and organize them in the most efficient way. The following points illustrate how this can be done:

- Define the tasks to be performed.
- Group the tasks into jobs.
- Use the most qualified person for the job.
- Assign duties.
- Monitor the performance.
- Appraise and motivate.

Hints on how to improve performance

- Provide each worker with the tools and equipment to perform each job.
- Give clear instructions to each worker on how to perform each job and what needs to be done.
- Show each one how their job meets the goals of the business.
- Use the skills, knowledge and experience of each one.
- Satisfy the personal needs of each worker that relate to the job.
- Describe the skills training and experience necessary to handle each job.
- Write out the rules of the business that workers need to obey and make sure they understand the repercussions.
- Allow regular, day-to-day, two-way communication between managers and workers.
Controlling
Controlling is the continuous process of maintaining and guiding the activities of the business. It ensures that the right activities are taking place, at the right time and the right results are being achieved and implemented. Controlling involves:

- Checking how activities are being performed.
- Checking results.
- Carrying out necessary improvements.

Directing
Directing brings together the three functions of planning, organizing, and controlling. As the business becomes larger, it is not possible for one person to do all the activities. It, therefore, requires delegation of duty. Directing involves:

- Using the right people to perform activities.
- Communicating properly so that everybody knows what they are supposed to do.
- Delegating to others.
- Motivating workers so that they are always ready to work hard.

How would you motivate your staff?

Staffing
This is the most vital factor in the process of management. It involves hiring and retaining a suitable workforce. It involves the process of recruiting, training, developing, compensating and evaluating workers and maintaining proper incentives and motivators. This function is critically important since people differ in their knowledge, skills, experience, physical condition, age and attitudes.

Making Wise Decisions
One of the most important tasks of a manager is to make wise decisions about issues concerning the business. Some suggestions to help managers make some of these decisions follow.
Set clear goals
One needs to set clear goals to be able to make wise decisions. The setting of clear goals provides management with useful guidelines to make decisions. Because goals provide the guidelines for decisions in the business, you should take time to regularly review the goals so that you are sure that your business is moving in the right direction.

Realistic goals are very important management tools. When goals are clearly stated and can realistically be achieved, then everyone in the business knows the purpose of their work and can make decisions and act to achieve those goals.

Who makes decisions?
Depending on the problem at hand and the specific situation, different individuals working on the business can make decisions at different times. Some of the more likely decision makers include:

- Owners of the business.
- Manager.
- Expert or external consultant.
- Worker who knows the best way to solve a particular problem.

Decision-making techniques
There are various techniques to reaching a decision. Some are appropriate in some situations while others may be more appropriate in other situations. There is no fixed rule as to which technique should be employed when. As the manager, you need to be able to determine when it is appropriate to use a particular method. Some helpful guidelines follow each technique.

Decision by Authority
Managers do this in situations where it is likely to take too long to consult everyone on the staff for their opinion on a matter that requires urgency.

- This technique may be useful in an emergency situation where a quick decision is necessary. An example could be a decision in response to a health or tax inspection.

Decision by Consensus
Here, managers reach their decisions through a cooperative team effort. It means that there is general agreement though not always perfect agreement. It is often not possible to reach a perfect agreement.

- This technique is useful when decisions require full participation and cooperation in the implementation phase. A staff member who feels left out or who is unhappy with the decision may hinder implementation and progress if s/he is not part of the decision making process.
Decision by Voting
Decision by voting or majority rule is when people vote and the decision that receives the most votes is implemented.

- This is a quick and effective way to reach a decision although it has its own limitations such as domination from the outspoken members and unhappiness from the minority that does not win. This may not always result in the best decision given a particular situation. It only ensures that the majority of the participants are satisfied. It is likely to be most useful when the decision is not as critical to the success of the business.

Decision by Delegation
Modern management practices call for delegating as many decisions as possible to a person most knowledgeable about the work for instance a Laboratory Technician. The worker usually knows how to improve the efficiency of the way s/he is doing the work. If a worker can analyze his or her work critically and can make decisions, there is usually no reason for the manager to be involved in the decision.

- This is especially useful when the decision to be made is complicated and requires a very solid understanding of the problem.

Steps in making wise decisions
The following steps can help you make better decisions more easily:

- Identify the problem that requires a decision.
- List possible solutions to the problem.
- Think about each of the solutions and analyze them for their effectiveness in solving the problem.
- Take action to implement the decision.
- Evaluate the results of the decision to see if it was the best one.
Your Family and Your Business

As you organize your business, consider whether you will use family members as employees. Using them has important advantages to the business but also creates potential problems. Family members must be used wisely if the business is to succeed. Most small ventures are family businesses owned and managed by members of the same family. They are started by one person who involves other members as the business expands.

<table>
<thead>
<tr>
<th>Advantages of family labor</th>
<th>Disadvantages of family labor</th>
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<tr>
<td>• Strong personal commitment</td>
<td>• Personal consumption of business money and goods</td>
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<tr>
<td>• Loyalty</td>
<td>• Favoritism and nepotism</td>
</tr>
<tr>
<td>• Honesty</td>
<td>• Personal conflicts can carry over into business</td>
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<td>• Free inputs into the business</td>
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How to deal with the problems of a family business

• Have clear rules and guidelines.
• Use the best qualified person for the job.
• Separate personal money from business money by:
  − Making and following a budget.
  − Deciding on money collection and expenditure.
  − Recording all income and expenditure.
  − Keeping cash box in the business.
  − Paying all family workers a salary.
  − Paying the owner a salary.
  − Using only personal money for all non-business expenses.
  − Always ensuring that the business has enough funds to meet its current obligations, provide for future needs and to re-invest for growth.
Conflict Management

In any business, conflict is likely to arise or take place when individuals work together. When they do, you will need to know how to manage it.

Conflicts arise between people when:

- Events touch the lives of individuals in important ways, as when they are seen as a threat to something we value highly or block an important goal we want to achieve.
- Events affect the life of one person differently than the others.
- An event involves a territorial threat, such as when job boundaries are not clear and one employee tries to do another's job.
- The event implies one is not competent or reflects on one's reputation.
- They do not communicate well.
- A critical or judgmental statement may cause another person to feel defensive.

How can you tell if a conflict is present? There are many signs that indicate conflict, including:

- Visible hostility.
- One person consistently obstructs, delays or sabotages the effort of another.
- A worker is often tired, uninterested or dissatisfied with his job, or withdraws from participation.
Strategies to resolve conflicts and possible consequences

Different people have different methods for dealing with conflict. Some of the more common methods and their advantages and disadvantages are as follows:

<table>
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<tr>
<th>Method</th>
<th>Definition</th>
<th>Advantage</th>
<th>Disadvantage</th>
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| Withdrawal           | Back away from conflict                                                     | Allows one's anger to cool down                                            | Issues not addressed thus usually increased hostility  
|                      |                                                                            |                                                                           | Relationship often suffers                                                                                                               |
| Force                | Use of position of power to force a resolution of the conflict             | Aims to attain goals without regard to personal relationship              | Least co-operative of the strategies  
|                      |                                                                            |                                                                           | Postpones real battle until later  
|                      |                                                                            |                                                                           | Group becomes a false group (artificial politeness)                                                                                         |
| Accommodation        | Preserves harmony in relationship without regard to one’s personal goals   | Places another's needs above one's own                                    | Conflict may arise later                                                                                                                   |
| Compromise           | Finding a middle ground, which partly satisfies all parties                | Recognizes as a fair resolution of competing concern  
|                      |                                                                            |                                                                           | No one party dominates                                                                                                                     |
| Confrontation and    | Underlying issues are confronted and integrated into other aspects of the    | One is strongly committed to finding a solution to the conflict  
| Integration          | relationship                                                                |                                                                           | Takes more time and energy but meets most needs of the parties  
|                      |                                                                            |                                                                           | Regarded as a problem solving strategy where all parties will go for assistance.                                                            |
|                      |                                                                            |                                                                           | Requires openness and trust                                                                                                                |
Chapter Ten
Introduction To Microfinance

The Business Handbook for Private Health Providers has helped you to assess yourself and your business. You have reviewed the importance of record keeping, financial reporting, marketing and business management. Over the course of the training, you have been encouraged to set goals and consider new activities and systems for improving your business. You have been encouraged to examine whether you need external resources, such as a loan, to implement these improvements. You learned how to plan for a loan by considering how it would impact your cashflow before borrowing. For those of you who are interested in borrowing for your business now or in the future, this chapter is designed to give you an introduction to microfinance, which is an important source of financing for businesses such as your own.

What is Microfinance?
Microfinance is the provision of financial services to individuals and groups who otherwise do not have access to formal financial services.

The institutions that provide these financial services are called Microfinance Institutions (MFIs). They are very similar to banks in that they lend money to people who need it. But MFIs choose their clients from among those people that commercial banks do not usually choose either because they are first time borrowers or they do not have collateral or because they are located in rural areas very far away from the commercial bank's office. MFIs sell financial services to lower income business people. In addition to financing, an MFI may also offer additional products and services, including:

- Savings facilities. Passbooks are sold to savers and their savings are mobilized by the MFI and kept securely with a nearby bank.
- Savings earn interest.
- Training in borrowing skills (when to repay, guarantee responsibilities).
- Training or education in a variety of business & technical topics.
MFIs may be structured in a variety of ways and offer different products and services. Some may be cooperatives, others are village banks, while yet others may be formally registered banks. The types of methodologies they use can generally be grouped into two categories: individual lending and peer lending.

A Microfinance Institution is also a business. And, like your own business, it must cover its costs and expenses (salaries, transport, rent, etc.). To cover its expenses, it must charge interest and fees on the loans that it gives to the borrower.

By charging a fee for its products and services, MFIs can make sure they are sustainable. This means that they can continue to operate and grow like any other business while covering all of their costs. Most MFIs were created because of a social mission to provide financial services to lower income business people. But it is their business mission to be sustainable and profitable that allows them to stay in operation and expand their services to meet the needs of a large client group. Fulfilling their social mission alone would allow them to assist only a limited group of clients.
### Definitions

**Microfinance Institution (MFI)**
Institution that provides financial services to low-income and otherwise "unbankable" individuals.

**Borrower**
The person or institution that receives money from another person or institution for a given timeframe and must repay the amount in full according to a set time schedule.

**Loan**
A sum of money that is lent from one individual or institution to another individual or institution.

**Fee**
The amount that is charged for processing or issuing a loan.

**Interest rate**
The cost of borrowing money.

**Term**
The length of time a borrower has access to a loan. Also can be seen as the amount of time the borrower has to repay the amount borrowed in full.

**Savings**
Money that is put aside for later use.

**Principal**
The portion of the loan repayment that is the original loan amount.

**Interest**
The portion of the loan repayment that is attributed to the cost of borrowing.

**Payment**
The total that is repaid by the borrower, including both principal and interest.

**Repayment schedule**
A detailed timeframe for which loan repayment is due. The schedule normally details the dates, principal, interest, and payments, which are due over the term of the loan.

**Guarantor**
The person who is vouching for the borrower.

**Collateral**
An asset that is used to guarantee a loan. If a loan is not paid, the lender sells the asset and uses the proceeds to pay off the unpaid loan amount. Most microfinance institutions do not require collateral, but instead, use group lending schemes as a type of "social collateral."

**Group lending**
A type of microfinance lending which uses a group of individuals who co-guarantee each other's loans.
What is a Borrower?
A borrower is someone who has accessed a loan and now owes money (or goods) to another person, business, MFI or bank. Almost all of us have been borrowers at some point in our lives. A borrower has the responsibility of repaying the money (or goods) they borrowed according to the terms of the lender.

What is the Relationship Between an MFI and a Borrower?
The relationship between you and your MFI is a business relationship and both parties should always keep this in mind when doing business. You are a customer of the institution and are buying goods and services from the MFI - you are buying money (the loan) and also services like business training.

If you, as a borrower, do not repay the MFI on a timely basis or you become a "bad customer", the MFI (or your Borrowing Group) may choose not to lend you any more money. Just like you, as a business person, would not want to continue assisting a customer who did not pay for the injection or the tablets that you gave him, an MFI will not continue to serve a customer who does not meet his/her obligations.

Likewise, if your MFI does not serve your needs, you as a borrower may choose to go to a different MFI. Just like a customer, who wants to buy bread and milk at a good price, may choose one market over another one, a customer who wants to buy money (borrow) may choose one MFI over another.

As a borrower, it is your responsibility to look for an MFI that meets your needs. Do your homework and you will find the MFI that is right for you!!

What is a Loan?
A loan is money or items taken for a given set period with an understanding that it will be returned to the person (or MFI) advancing the money. A loan is different from a gift or a grant because it has to be paid back. For microenterprise loans, the main aim is to enable the borrower to generate more income. This income can then be used to pay off the loan, invest in additional stock, make capital improvements, cover basic living expenses, and anything else that the owner of the business feels is worthy.

What are Interest and Fees?
Interest and fees are the cost of borrowing money from any person or institution. When you borrow from your family you may not pay cash interest. However, oftentimes when we borrow from our family or friends, we not only return the money, but might also "do a favour" like help take care of the shop so that they can do other errands. If you borrow sugar from your sister, you may return a little more than you borrowed. All of these things are called interest and fees. MFIs and banks charge cash interest and fees just like they lend you cash and not sugar!
Interest and fees must be recognized by borrowers. You must know how much you are paying to borrow. This is important for at least two reasons:

1. When you determine the prices for your goods and services in your business, you must know all of the costs you need to cover to ensure profit.

2. You will compare MFIs in your area before you choose one. You will look at the variety, quality and range of services they provide (for example, do you want to get training and education... or just get a loan and no training). You will also compare the cost of the training and services offered by the MFI. The cost is the interest rate and fees they charge.

**What are Loan Payments?**

When a borrower pays back a loan, s/he pays back a regular payment as agreed upon with the lender. The loan payment follows a set schedule that is normally provided to the borrower in a repayment schedule. The schedule identifies the date specific payments are due, how much is repaid toward the loan itself (principal), and how much is paid toward the fee for borrowing (interest). The length of time that a borrower has to repay the loan is called the loan term.

**Why Save?**

MFIs encourage their aspiring and current clients to save in order to provide the MFI with security against people not repaying their loans. Often, even after the loan is repaid, the savings are not returned to the borrower. This is to make it easy for the borrower to take a repeat loan. Because repeat loans are usually larger, an MFI may require the clients to make savings during the entire loan cycle so that the borrower can gradually rise to the required savings level without a lot of strain.

MFIs are also seeking to instill a cash savings culture among micro-borrowers. Most rich or poor people in Uganda save in-kind: they buy livestock, equipment, plots of land and other assets that you can touch. However, these assets are not easily converted into cash to cater for a crisis or emergency. When a crisis does occur and you quickly need money, you will have to sell the asset for possibly less than it is worth, and sometimes for even less than you paid for it!

Therefore, MFIs encourage borrowers to save on a voluntary basis as well to assist them with handling a crisis and preparing for upcoming expenses (like school fees) so that there is not a cash crisis when those expenses come due.
**What are Loan Guarantees?**

MFIs use a variety of loan guarantees to make sure that borrowers return the amount that they borrowed on time and in full. Some MFIs require that borrowers have guarantors. A guarantor is someone who agrees to stand up for you and attest for your credit-worthiness. The guarantor does not just "stand-up" for you or "speak up" for you, the guarantor also risks his/her own money. If you fail to pay (that is, fail to be credit worthy), your guarantor MUST pay your installment or your entire loan.

Another form of guarantee that MFIs use is collateral. This is usually applicable to larger loans to individuals. Types of collateral include homes, cars, business assets like equipment, and so on.

To avoid having to obtain collateral, MFIs often use group lending schemes that function as "social collateral." These schemes require that borrowers find a group of individuals who are also interested in borrowing money for their business and who will co-guarantee each other. When one member of the group is unable to make his/her payment, the other members are bound to make that person's payment on his/her behalf. The group as a whole is seen as the borrower and if the group fails to step forward and make payments on behalf of their defaulting members, the entire group is penalized when applying for subsequent loans.