

"Setting up a business"

EPISODE 7 : "Planning the budget"

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Characters / Episode 7:

Narrator

Daniel Huba (Man, 29 years old)

Scene 1 :

KOSSI: (Man, 18 years old)

ABBAS: (Man, 21 years old)

MARIAM: (Woman, 19 years old)

Scene 2 :

KOSSI: (Man, 18 years old)

ABBAS: (Man, 21 years old)

MARIAM: (Woman, 19 years old)

INTRO**Host:**

Hello and welcome to Learning by Ear and another episode of our series about setting up a business. Last time, our young entrepreneurs Mariam, Abbas and Kossi successfully organized Kossi's cousin's wedding. It was the first milestone on the way to setting up their own design agency. This episode is called "Planning the budget". It starts at Kossi's place, with a phone call that gets them thinking.

Scene 1: At Kossi's**Kossi, Abbas, Mariam**

- 1. ATMO: Indoors, background music**
- 2. SFX : Sound of footsteps**
- 3. SFX : Objects being put away**
- 4. SFX : Mobile phone rings**

5. **KOSSI :** (**Picks up**) Hello? ... Hello! Yes, speaking... Sorry? Mister Kogui. Hello! ... At Mr and Mrs Atognon's wedding? ... Oh thank you, thanks a lot.... ! Yes... yes.... hm....hmm..... How much do we cost? You mean, how much we charge? Well, do you already have a date for the wedding? (**Relieved**) Ah! Not yet? Well, you know our prices depend on a lot of different factors... Sorry?... No, Mr Kogui, I was saying it depends. First we have to meet you and talk to you, evaluate your needs and the work that has to be done, the scope of the event; we need to know whether you want to give us everything to do, or just a part of it. Do you see what I mean? I can't just give you a price like that over the phone... Yeeess! Exactly! Then everything will be clear! But don't worry - we always deliver quality at a good price. ...Sorry?... (**Flattered**) Oh thank you... yes, OK... (**worried**) To the office?... You want to come and see us at the office? ...Oh YOUR office? Oh, sure that's great, no problem... I'll be expecting your call... Yes! Thank you! Speak to you soon... (**Switches off the phone and sighs with relief**)

6. **SFX : Somebody knocks at the door**

7. **SFX : The door opens**

8. **ABBAS :** Here we are, Kossi!

9. **MARIAM :** Hi, Kossi!

10. **ATMO** to be recorded during production. Clicking of hands and fingers and kissing to say hello
11. **KOSSI** : Hi! Good timing! We've got a problem. (**Silence**)...
How much do we cost? How much should we charge for our services?
12. **MARIAM** : Have we got a customer?
13. **KOSSI** : One of the guests from Anthony's wedding just called. He wanted to know how much we cost.
14. **ABBAS** : (**Worried**) Already?! I hope you didn't give him any figures.
15. **KOSSI** : How could I? We haven't talked yet about what we're going to charge people.
16. **MARIAM** : Wow, it's all going a bit fast, isn't it? We might be overwhelmed if we don't sort ourselves out quickly and get organized.
17. **ABBAS** : Yep, you're right. So what did you tell him, then?
18. **KOSSI** : I sweet-talked him a bit, telling him the prices all depend on the individual case, there's nothing concrete, we have to talk to him first, find out what he wants, bla bla bla...
19. **MARIAM** : (**Impressed**) Well done! I'm impressed with your quick thinking.
20. **KOSSI** : He said he was going to call back to arrange a meeting. So we can go to his office to discuss it all in detail.

21. **ABBAS** : Perfect.
22. **MARIAM** : Yes, but this time we know what we're in for. We've got to work out our prices. We have to have an idea of the cost of the services that we'll probably use sub-contractors for.
23. **ABBAS** : We can already make some rough estimates based on our first experience. We have to go over the finances and see what everything cost, and then learn from our mistakes...
24. **KOSSI** : And we've got to do all this very fast, because he might call back tomorrow, or the day after - any time, basically.
25. **ABBAS** : **(Worried)** Uh-oh, the pressure's on!
26. **KOSSI** : We don't have a choice. So let's discuss a concrete budget. Then we can ask Mariam's sister Linda for advice; she specialized in accountancy at school. She knows all about budgeting!
27. **ABBAS** : Tomorrow we should make a proper financial assessment of our first event. I suggest we examine what prices we could offer if we want to stay affordable and still have a good profit margin.
28. **MARIAM** : We have to start by listing our expenses for each service – materials, transport, subcontractors' costs...
(Fade out)

29. Narrator : **It's getting serious. A company's success depends to a large extent on finances and good accounting. Let's listen to what our expert Daniel thinks:**

30. Daniel Huba 1'18

Remember, an idea is only an idea. It can be wonderful, but if you don't have financing for your business, then there is a problem. So you must sit down and plan for it. Financial planning is basically looking at what does it cost to do my business. And don't look at it from a complicated perspective. Let's take a basic example of a budget. You want to know what are my sources of income, where will I get the money, and what are the expenses I need to spend my money for. You begin, for example, like this: I would need to spend money on purchasing my raw materials. I need to spend money on getting my products to my premises or on distributing them to final consumers. I need to spend money on employing people to carry out my tasks on a short or long term basis. There are employment or human resources costs involved. I need some licenses, for example, to start this business. So it's important to understand what are my costs. And write them down. Don't say I will know them by heart. No! Write them down. One by one. One by one. One by one. How much will it cost me to do that?

31. Narrator : Daniel makes it very clear! When it comes to finances, you have to take everything very seriously. Our friends have already written a lot down – their ideas, the questions for the market survey. Now they have to do it all again to work out their budget.

Scene 2 : At Abbas' house**Abbas, Mariam, Kossi****32. ATMO : Inside, during the day. Traffic in the distance****33. SFX : Paper rustling**

34. ABBAS : Gosh, this is a lot of work! But we're almost there!
We've put all our papers, bills and receipts together.
There are three general categories: *Expenses, Revenues and Wages.*

35. KOSSI : So we spent 100 dollar on design, printing and envelopes...

36. MARIAM : Telephone costs on top of that.

37. KOSSI : Five dollar each, that's 15 in total.

38. MARIAM : And then 25 dollar on transport...

39. KOSSI : That's 140 altogether, then.

40. ABBAS : Plus the 10 percent organization charge – 14 - which means around 154 dollar in general costs overall.

41. KOSSI : And we received 160 dollar from my cousin.

42. ABBAS : So in the end we've got 6 dollar left over. All right, what's the second category?

43. MARIAM : Civil wedding. Basically, the package the town hall offered, which includes all the papers, the renting of the room...

44. KOSSI : That's good, so that's 50 dollar.// **(fades out)**

- 45. MARIAM :** Plus the presents for the bridesmaid and the best man – also 50 dollar.
- 46. ABBAS :** So that's 100 dollar plus wages - that's 110.
- 47. KOSSI :** Anthony gave us 130 dollar for this...

FADE OUT TO THE NARRATOR. THE SCENE WILL CONTINUE AFTERWARDS.

- 48. Narrator :** Our friends don't want to leave anything to chance. But there are some items that just seem to create a loss. These things happen in business, but is there a way of protecting oneself? Of course, says our expert Daniel.

- 49. Daniel Huba 0'50**

If I put the exact price of today, what happens if tomorrow I go and the road is bad, and the lorry that can transport my goods says: Today I have increased my transport by hundred schillings. Because of that, it's good to plan in advance. There are two ways to do it. One way is to put your cost down one by one until the end. Then you put a percentage of that and say: 'my head rule or extra cost will be 20 percent of the total'. So that 20 percent is always to seek for the adjustments. Or you can individually place an extra cost. So you say for transport, instead of budgeting 100, I will always budget 150 schillings. Or if it's one dollar, I'll plan for two dollars. If you do that, you know that extra one is to cover for any eventuality that will come.

50. **Narrator :** **Let's join our friends back at Abbas' house.**
 They're still working on their financial statement.

51. **ATMO : ATMO : Interior atmo, in the daytime. Traffic in the distance**

FADE IN – THE SCENE CONTINUES

52. **ABBAS :** So, the grand total shows that our expenses were 480 dollar, and our revenues were 390 dollar, which means we have a *deficit* of

53. **KOSSI :** 90 dollar ! (**Silence**)

54. **ABBAS :** How much are our wages supposed to be?

55. **MARIAM :** (**Promptly**) 120 dollar. Take that off the deficit – that means we make a profit of 10 dollar.

56. **ABBAS :** (**A sigh of relief**) Well, at least we're not going to be out of pocket... We didn't really do it to earn money, anyway. Even if the expenses exceeded the revenue, the profit margin will cover our ...

57. **KOSSI :** (**interrupts**) Remember, Anthony said he'd pay us more if we ended up making a loss.

58. **MARIAM :** But Kossi, your cousin is like your brother, he's one of us. We'll make up the difference with other customers!

59. **KOSSI :** No! Business is business! Even when it comes to family. And Uncle Masinga said it was important to be strict! We have to be strict right from the beginning so that we get into good habits.

60. **ABBAS** : But now you're being super-strict! We should be thanking your cousin because he gave us this opportunity when we were just starting out. Now we know what the costs are, and that we always have to have budget in some extra money in case of an emergency.

OUTRO :

Host :

And that's the end of the seventh episode of our Learning by Ear series on setting up a business, featuring Daniel Huba from Inoorero University in Nairobi in Kenya. The adventures of our three entrepreneurs continue in the next episode. Now that they've added up the costs and know what profit margin they need, they're ready to offer their services to potential clients. Find out how they do this by tuning in next time.

How about your own experiences? Do you think good accounting is the most important aspect of business? Tell us your story or give us your views by sending an email to lbe@dw-world.de

If you would like to hear this episode again or any other Learning by Ear series, go to [dw world dot de slash l b e](http://dw-world.de/lbe)

Bye for now, and don't forget to tune in next time!

END