Module 4: Understanding Finances

## Objectives:

1. Understand key financial concepts to manage business finances effectively.
2. Learn practical skills to track income, expenses, and cash flow.
3. Develop tools for budgeting, saving, and managing financial risks.
4. Build a foundation for sustainable business growth

Agenda:

| **Section** | **Time** |
| --- | --- |
| Welcome and introduction | 30 min |
| Session 1: Money In and Money Out - 1 hr | 60 min |
| Session 2: Cash Flow Management - 1 hr | 60 min |
| Break | 15 min |
| Session 3: Budgeting Basics - 1 hr | 60 mins |
| Session 4: Managing Risks and Savings - 1 hr | 60 mins |
| Session 5: Planning for Growth - 1 hr | 60 Mins |
| Closing and Key Takeaways - 15 min | 15 min |
| **Total** | **6 Hours** |

## Before the session:

* The trainer should arrive at least 30 minutes before the start of the session to ensure the venue and all other needed materials are set up and in place.
* Room prepared in a U shape (ideally with tables and chairs) with printed participant workbooks and pencils for each entrepreneur.
* Stick posters to walls.
* Prepare sound and play welcome music (optional)
* Prepare visually appealing training flip charts in advance

Materials for the session:

* Attendance list
* Name tags
* Equipment to play music and music playlist
* White Paper
* Tape
* Markers
* Pens/Pencil

## Lesson Plan

### Section 1: Welcome and Introduction

**Objective:** Create a supportive, engaging learning environment where participants feel comfortable sharing and are motivated to explore financial literacy. This section is critical for building rapport, introducing key goals, and framing financial management as an empowering skill for their business growth.

**Time: 30 Min**

**Materials needed:**

* Paper
* Equipment to play music and music playlist
* Attendance list
* Name tags

| Time | Activities |
| --- | --- |
| 5 Min | Registration and Greeting (5 mins)**Instructions:*** + Welcome each participant as they arrive. Have a sign-in sheet ready, and provide name tags so participants can quickly get to know one another.
	+ Ensure the seating arrangement is welcoming and accessible—ideally, a U-shape or small clusters that encourage group interaction.
	+ Play light background music if possible to create a warm atmosphere.
 |
| 10 Min | **Icebreaker: “Money Matters” (10 mins)**Objective: Get participants to talk about their personal or business experiences with money to make the topic relatable.Activity:* Ask participants to pair up or form small groups and share an experience they’ve had with money—such as saving for something, making a big purchase, or handling a financial challenge. They can share what they learned or wish they had done differently if they are comfortable.

Guiding Questions:* “Have you ever saved money for something important? How did you manage it?”
* “Have you experienced any unexpected costs in your business? How did you handle it?”
* “What’s something you’d like to learn to make managing money easier?”
* "What are some financial goals you're currently working towards?"
* "Have you ever tracked your income and expenses? If so, how did it help you?"

Debrief: After 5 minutes of discussion in pairs or groups, ask a few volunteers to share their stories with the larger group. Emphasize that everyone’s experiences with money are valuable and that financial literacy can help them feel more in control. |
| 5 min | Setting Expectations (5 mins)* **Purpose**: Clarify the goals for the day and set the expectations for the session.
* **Instructions**:
	+ Share the Module’s objective: to help them gain basic financial knowledge and tools they can immediately apply to their businesses.
	+ Explain that the session will be interactive, with practical exercises and group discussions.
	+ Encourage an open environment: “This is a safe space to ask any questions, whether you think they’re big or small. We’re here to learn together!”
 |
| 5 min | Introducing Financial Literacy (5 mins)Objective: Define financial literacy in simple terms and explain its importance for small businesses.Explanation:Define Financial Literacy: “Financial literacy means knowing the basics about how money works—things like earning, spending, saving, and planning. This helps us make smart choices with money.”Emphasize its relevance for their business success: “Being financially aware helps you see where money is coming from and going, so you can make good choices to grow your business. With simple skills, you’ll feel more confident handling money.”Example:Share a relatable story, like how a small expense can affect cash flow or how setting aside small savings helps in tough times.* + [*Case study - Mama Karanga*](https://docs.google.com/document/d/1X38dc7Z6xGyA6lyINb2b0NnbPQQPC5Y_gWv6xmli0zA/edit?usp=sharing)
 |
| 5 min | Agenda and Learning Outcomes (5 mins)Activity: Walk through the agenda for the day.Discussion:Briefly introduce each module section and its purpose, using simple language (e.g., “We’ll start by looking at where your money comes from and where it goes, which helps you understand cash flow”).Share the expected outcomes: “By the end of this session, you’ll have the skills to track your money, create a budget, set up a small emergency fund, and plan for growth.”Check for any questions and encourage participants to share what they’re most interested in learning. |

### Section 2: Money In and Money Out (1 Hour)

**Objectives:**

Help participants understand the flow of money in their business, focusing on identifying sources of income and types of expenses. By the end of this session, they should be able to distinguish between income and expenses and recognize why tracking these is essential for business health.

**Time: 60 Min**

**Materials needed:**

* Paper
* Tape
* Card with blue economy elements
* Rope or wool
* Equipment to play music and music playlist

| Time | Activities |
| --- | --- |
| 10 Min. | Introduction to Income and Expenses (10 mins)* **Objective**: Define and explain income and expenses, using simple, relatable examples to ensure everyone understands these foundational terms.
* **Explanation**:
	+ **Income**: “Income is the money your business earns. This could come from selling products, providing services, or any other way that brings money into your business.”
	+ **Expenses**: “Expenses are the costs required to keep your business running. This includes things you pay for regularly, like rent, supplies, and utilities.”
* **Examples**:
	+ Use real-life examples that participants can relate to:
		- *Income*: Selling items in a shop, providing a paid service, or receiving payments from customers.
		- *Expenses*: Buying materials, paying for transport, rent, or marketing costs.
* **Engagement Tip**: Ask participants to share examples of their business income and expenses. This keeps the session interactive and helps everyone relate the terms to their own business.
 |
| 20 Min. | Activity: Income and Expense Sorting (20 mins)* **Objective**: Reinforce understanding by having participants categorize different types of income and expenses.
* **Materials Needed**:
	+ Picture cards or printed examples of income and expenses (e.g., images of cash transactions, sales, customer payments, rent, supplies). [Income & Expenses Images](https://docs.google.com/document/d/1AM5F6uOfXYfHoqJi36rEq0o8QpJoVleSHC5T60xxP2I/edit?tab=t.0)
* **Instructions**:
	+ Divide participants into small groups
	+ Ask them to work together to categorize the images in their workbooks into two: “Income” and “Expenses.”
	+ After categorizing, each group explains one of their choices to the larger group (e.g., “We put ‘sales’ in the income category because it’s money we earn from customers”).
* **Reflection**:
	+ Discuss as a group why it’s important to know what money is coming in and what is going out.
	+ Emphasize that understanding these categories is essential for tracking business finances effectively.
 |
| 10 Mins | Discussion: Why Tracking Matters (10 mins)Objective: Highlight the importance of tracking income and expenses as a tool for business stability.Talking Points:Explain that tracking helps entrepreneurs make informed decisions, plan for future expenses, and ensure they aren’t spending more than they’re earning.Share a simple example: “Imagine if you sell a lot but don’t know what you’re spending. Without tracking, it’s easy to think your business is doing well, only to find out later that expenses are too high.”Engagement Tip:Ask participants: “Have any of you experienced a surprise expense that affected your cash? How would tracking help in that situation?”Guide them to see tracking as a way to avoid financial surprises and better control their money |
| 15 Mins | Activity: Daily Tracking Exercise (15 mins)Objective: Practice daily tracking of income and expenses to build a habit of recording financial data.Materials Needed:Small notebooks or simple daily tracking sheets (can include columns for “Date,” “Income,” “Expense,” “Type of Expense,” and “Notes”). [Daily\_Tracking\_Sheet\_Template](https://docs.google.com/spreadsheets/d/1oTimUuK8cODzYKR2dmmfyfiOfSW7NmNqaoR7wOn0FWM/edit?usp=sharing)Instructions:Provide each participant with a notebook or tracking sheet.Explain that they will record all money coming in and going out daily for one week. Show them how to fill out each column.Example Walkthrough:Demonstrate by filling out a few rows with mock data. For example:*Date*: October 1*Income*: Kes.20 (sale of product)*Expense*: Kes.5 (supplies for product)*Type of Expense*: Materials*Notes*: Bought more supplies for next week.Goal: Emphasize that tracking income and expenses daily helps create a clear picture of cash flow, making it easier to plan for future needs and control spending. |
| 5 Mins | Key Takeaways and Q&A (5 mins)Objective: Summarize the key points learned and encourage questions.Key Takeaways:*Income and Expenses*: These are the core categories of money in a business.*Importance of Tracking*: Recording income and expenses helps avoid surprises and supports better decision-making.Q&A:Invite participants to ask any questions they have. Encourage open sharing by reinforcing that every question is valuable. |

### 20 MIN BREAK

### Section 3: Cash Flow Management (1 Hour)

 **Objectives:**

* Equip participants with the knowledge to monitor and manage cash flow, helping them ensure that their business has enough money available to cover expenses and avoid cash shortages.

**Time: 60 Min**

**Materials needed:**

* Paper
* Pen / Pencil
* Equipment to play music and music playlist

| Time | Activities |
| --- | --- |
| 25 Min.  | **Introduction to Cash Flow (10 mins)****Objective:** Define cash flow and explain why it is crucial for business operations.**Explanation:*** Cash Flow: “Cash flow is the movement of money in and out of your business. When money comes in from sales or services, that’s positive cash flow. When money goes out for expenses like supplies or rent, that’s negative cash flow.”

**Why Cash Flow Matters:*** Emphasize that a healthy business needs a positive cash flow to pay expenses on time. Cash flow helps them keep track of how much money is actually available—not just on paper but in hand.

**Example:*** Share a simple example: “Imagine you sell products and earn Kes.100 this week. But if you have to spend Kes.120 on supplies and rent, you’re short Kes.20. Cash flow tracking shows you if you have enough money to cover expenses like this.”
 |
| 20 Min. | Activity: Cash Flow Tracking Exercise (20 mins)* **Objective**: Help participants practice tracking cash flow, and distinguishing between incoming and outgoing cash.
* **Materials Needed**:
	+ Cash flow tracking template or a whiteboard with columns for “Date,” “Cash In,” “Cash Out,” and “Balance.”
	+ [Daily Cash Flow Template](https://docs.google.com/spreadsheets/d/1eBdiZNi1mrMc3pp2tevczxyWIBlza_qNmUX3UplJpo0/edit?usp=sharing)
* **Instructions**:
	+ Distribute a basic cash flow tracking template and walk participants through how to fill it out.
	+ Explain each section:
		- *Date*: When the transaction occurs.
		- *Cash In*: Money received, such as from sales or payments.
		- *Cash Out*: Money spent on business needs, like supplies or rent.
		- *Balance*: Remaining cash after each transaction.
* **Hands-On Example**:
	+ Go through a mock week with transactions, filling out each column as a group. Use examples like:
		- Day 1: Kes.50 cash in (sales); Kes.20 cash out (supplies); balance Kes.30.
		- Day 2: Kes.30 cash in (sales); Kes.15 cash out (transportation); balance Kes.45.
	+ Have participants calculate the running balance after each transaction to see the impact on cash flow.
 |
| 20 Min | Discussion: The Importance of Positive Cash Flow (10 mins)* **Objective**: Reinforce the significance of maintaining a positive cash flow and how it impacts daily operations.
* **Talking Points**:
	+ **Avoiding Shortages**: Positive cash flow ensures the business has enough money to cover expenses.
	+ **Improving Decision-Making**: Regular cash flow tracking helps business owners make informed decisions, like knowing when to hold off on purchases or when there’s enough cash to reinvest.
	+ **Managing Slow Periods**: Cash flow tracking can help entrepreneurs prepare for slow seasons by saving extra cash during high-sales periods.
* **Example Discussion**:
	+ Ask participants: “Has there ever been a time when you couldn’t cover an expense because cash was low? How might cash flow tracking have helped in that situation?”
	+ Emphasize that tracking cash flow gives them control over timing and expenses, so they aren’t caught off guard.
 |
| 20 minutes | Activity: Projecting Cash Flow for One Week (15 mins)Objective: Practice estimating cash flow for a short period to anticipate cash needs and potential gaps.Materials Needed:Projected cash flow worksheet or a simple table on paper with columns for “Day,” “Cash In,” “Cash Out,” and “Projected Balance.”Instructions:Divide participants into small groups and give them a blank cash flow projection sheet for one week.Ask them to list expected daily income (e.g., average daily sales) and expenses (e.g., rent, supplies) for each day of the week.Calculate the projected balance each day, taking into account both cash in and cash out.* **Framing:** “In this activity, you’ll work in small groups to project cash flow over one week, helping you anticipate daily cash needs and identify any potential shortfalls. Using a cash flow sheet, list expected income each day, such as sales, alongside anticipated expenses like supplies and rent. For each day, calculate the projected balance by subtracting expenses from income. I’ll give an example to start: on Day 1, with Kes.60 in income and Kes.30 in expenses, the balance would be Kes.30; on Day 2, if Kes.40 comes in and Kes.20 goes out, the balance becomes Kes.50. As you work, consider solutions for days with low balances, such as saving more or adjusting expenses. Let’s get started!”

Guided Example:Provide an example projection to help them start:Day 1: Kes.60 cash in; Kes.30 cash out (supplies); projected balance Kes.30.Day 2: Kes.40 cash in; Kes.20 cash out (rent); projected balance Kes.50.Reflection:Discuss any cash shortages identified in their projections and encourage participants to consider solutions, like saving more or reducing expenses temporarily.Activity: Projecting Cash Flow for One Week (15 mins)* **Objective**: Practice estimating cash flow for a short period to anticipate cash needs and potential gaps.
* **Materials Needed**:
	+ Projected cash flow worksheet or a simple table on paper with columns for “Day,” “Cash In,” “Cash Out,” and “Projected Balance.”
* **Instructions**:
	+ Divide participants into small groups and give them a blank cash flow projection sheet for one week.
	+ Ask them to list expected daily income (e.g., average daily sales) and expenses (e.g., rent, supplies) for each day of the week.
	+ Calculate the projected balance each day, taking into account both cash in and cash out.
* **Guided Example**:
	+ Provide an example projection to help them start:
		- Day 1: Kes.60 cash in; Kes.30 cash out (supplies); projected balance Kes.30.
		- Day 2: Kes.40 cash in; Kes.20 cash out (rent); projected balance Kes.50.
* **Reflection**:
	+ Discuss any cash shortages identified in their projections and encourage participants to consider solutions, like saving more or reducing expenses temporarily.
 |
| 25 minutes |  Key Takeaways and Q&A (5 mins)* **Objective**: Summarize the main points about cash flow management and address any questions.
* **Key Takeaways**:
	+ *Positive Cash Flow*: It’s essential to have more money coming in than going out.
	+ *Tracking Cash Flow*: This shows exactly how much cash is available and when expenses may exceed income.
	+ *Planning Ahead*: Projecting cash flow can help anticipate and avoid shortages.
* **Q&A**:
	+ Invite questions from participants. Encourage them to share any insights or “aha” moments from the session.
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### Section 3: Budgeting Basics, Managing Risks, and Savings (2 Hours)

 **Objectives:**

* Understand budgeting as a tool to control spending, prioritize resources, and save for growth.
* Identify potential business risks and establish savings strategies to create a financial safety net.
* Empower entrepreneurs to create a simple, effective budget and plan for managing risks.

**Time: 60 Min**

**Materials needed:**

* Paper
* Pen / Pencil
* Equipment to play music and music playlist

| Time | Activities |
| --- | --- |
| 25 Min.  |  Introduction to Budgeting and Its Importance (15 mins)* **Objective**: Explain budgeting in simple terms and why it is essential for managing business resources.
* **Explanation**:
	+ **Budgeting**: “A budget is a plan for how you will use your money. It helps you decide how much to spend and save, so you don’t run out of money.”
* **Why Budgeting Matters**:
	+ **Financial Control**: Budgeting gives entrepreneurs control over their finances, helping them make informed decisions.
	+ **Prioritizing Needs**: With a budget, they can separate what’s essential from what can wait, reducing unnecessary expenses.
	+ **Preparing for the Future**: A budget allows for setting aside money for future needs or growth.
* **Example**:
	+ Share a simple budgeting example, like planning to save for new equipment by reducing monthly expenses. For instance, if a business makes Kes.500 in a month and spends Kes.400, the budget helps decide where to allocate the extra Kes.100 for savings or reinvestment.
* Case Study: Consider Rukiya’s Case Study: [Rukiya's Story](https://docs.google.com/document/d/1qGRqqPgGCZcyCFirLaHlz-PxVfA8ugFPWGM4f85oB74/edit?tab=t.0)
 |
| 20 Min. | Activity: Budget Creation Workshop (30 mins)* **Objective**: Help participants create a simple monthly budget tailored to their business.
* **Materials Needed**:
	+ Budget worksheet with sections for “Income,” “Fixed Expenses,” “Variable Expenses,” and “Savings.”
	+ [Budget template - Final](https://docs.google.com/spreadsheets/d/1Q7vKqDurWiEx8vEZR7tl164_0MK3N9xSSUPDtQIwz-o/edit?usp=sharing)
* **Instructions**:
	+ Distribute the budget worksheet and guide participants in filling it out.
	+ **Income**: List average monthly income from sales or services.
	+ **Fixed Expenses**: Expenses that remain the same each month (e.g., rent, utilities).
	+ **Variable Expenses**: Costs that can change monthly (e.g., supplies, transportation).
	+ **Savings**: Money set aside for emergencies, growth, or investment.
* **Hands-On Example**:
	+ Walk participants through filling out the budget with hypothetical numbers:
		- Income: Kes.600/month
		- Fixed Expenses: Kes.200 (rent), Kes.50 (utilities)
		- Variable Expenses: Kes.100 (supplies), Kes.50 (Transportation)
		- Savings: Kes.100 for emergencies
	+ Calculate the total expenses and remaining income.
* **Reflection**:
	+ Discuss the balance between income and expenses. Encourage participants to adjust their budgets if expenses are too high and think about ways to increase savings.
 |
| 20 Min | Discussion: Risk Awareness in Business (15 mins)* **Objective**: Help participants recognize potential risks that could impact their business and introduce strategies for managing these risks.
* **Talking Points**:
	+ **Types of Risks**: Financial (cash flow issues), Environmental (natural disasters), Operational (equipment breakdowns).
	+ **Importance of Preparedness**: Explain how identifying risks in advance allows business owners to create plans to minimize potential impacts.
* **Example**:
	+ Share a relatable example, such as a business experiencing low sales during a slow season. By identifying this as a risk, the business can save money during busier times to cover slow periods.
* **Engagement Tip**:
	+ Ask participants: “What are some risks you’ve faced in your business? How did you handle them?” This encourages sharing and helps identify common risks.
 |
| 20 minutes | Activity: Risk Assessment and Mitigation (20 mins)* **Objective**: Guide participants in identifying specific risks for their business and brainstorming simple strategies to reduce these risks.
* **Materials Needed**:
	+ Risk assessment worksheet with columns for “Risk,” “Impact,” and “Mitigation Strategy.”
* **Instructions**:
	+ Have participants list at least two risks they believe could impact their business.
	+ For each risk, identify its potential impact (e.g., lost sales, damaged equipment) and a strategy to minimize it (e.g., setting aside money for repairs).
* **Examples**:
	+ **Risk**: Seasonal low sales.
		- *Impact*: Less cash flow, and difficulty paying bills.
		- *Mitigation Strategy*: Save extra cash during peak seasons or find ways to reduce expenses during slow months.
	+ **Risk**: Equipment breakdown.
		- *Impact*: Temporary business closure.
		- *Mitigation Strategy*: Regularly save a small amount for repairs or maintenance.
* **Reflection**:
	+ Discuss how planning for risks makes businesses more resilient and prepared for unexpected challenges.
 |
|  | Introduction to Savings and Emergency Funds (10 mins)Objective: Emphasize the importance of having a savings plan as a buffer against risks and cash flow issues.Explanation:Savings: “Setting aside money for later use, so you’re prepared for unexpected expenses or emergencies.”Emergency Fund: “This is money saved specifically for unexpected events like equipment repairs, sudden expenses, or slow sales periods.”Why It’s Important:Security: Having an emergency fund gives peace of mind and financial stability.Business Continuity: Savings ensure the business can continue operating even when faced with unexpected expenses.Example:Explain how setting aside even a small amount each week can build up over time, creating a reliable safety net for the business.Activity: Setting Up an Emergency Fund (20 mins)* **Objective**: Help participants plan their own emergency fund by setting realistic savings goals.
* **Materials Needed**:
	+ “Emergency Fund Jar” or worksheet with weekly/monthly savings goals.
* **Instructions**:
	+ Have each participant decide on a small amount they can save weekly or monthly and write it down (e.g., Kes.5 per week).
	+ Encourage them to label an envelope, jar, or bank account specifically for emergency savings.
* **Example**:
	+ If someone saves Kes.5 per week, they’ll have Kes.260 saved after a year. Explain how this amount could cover a small repair, purchase of extra supplies, or a few days of business expenses during a slow period.
* **Reflection**:
	+ Ask participants how they feel about starting an emergency fund. Emphasize that saving even a small amount regularly can make a big difference over time.

 |
| 25 minutes |  Key Takeaways and Q&A (10 mins)Objective: Reinforce the main lessons on budgeting, risk management, and savings.Key Takeaways:*Budgeting*: Helps control spending and prioritize funds.*Risk Management*: Identifying risks and having plans reduces potential financial impacts.*Emergency Savings*: A small, consistent savings habit builds financial resilience.Q&A:Open the floor for questions and encourage participants to share their thoughts on budgeting and risk management. |

### Section 4: Closing

**Objective:** Share final key takeaways and define the next steps

**Time: 15 Min**

**Materials needed:**

| Time | Activities |
| --- | --- |
| 10 Min | Key Takeaways* SAY “We’ve come to the end of today’s workshop, I would love to hear from some of you:
	+ What are your main takeaways?
	+ How what we discussed here today is going to help your business and the ocean moving forward?”
* LET 3 to 5 people share their answers
* SAY “Congratulations for your hard work today, we encourage you to apply the actions you’ve identified and to keep exploring new ways to improve”
* SAY “let’s give ourselves a final round of applause”
 |
| 10 Min | Next steps and survey* SHARE next steps and activities:
	+ Next peer learning session will be held on [XX] at [XX] hours
	+ Next workshop will be held on [XX] at [XX] hours
	+ [Other relevant information]
* SAY Good bye and wish them well.
 |