

Volunteer Presentation

Kabondo Sweet Potato Marketing Cooperative
Service (KSPMCS)

Kabondo, Kenya



USAID
FROM THE AMERICAN PEOPLE



By: David Krou
dxkrou@gmail.com

Contents

- Introduction
- KSPMCS Profile
- Business model
- Budgeting
- Concept and importance of financial management and record keeping
- Build financial and record management capacity for KSPMCS board members
- Financial ratios analysis
- Revenue and expense analysis
- Conclusion
- Other CRS requests.

Introduction

- David Krou, USA.
 - Financial consultant.
- USAID -> CRS -> Kabondo Sweep Potato Marketing Cooperative Society (KSPMCS).
- Purpose: To build capacity of KSPMCS board on financial literacy to improve business and achieve organization goals.

KSPMCS Profile

KSPMCS Profile

1. KSPMCS is a cooperative specialized in the marketing of sweet potato on behalf of its members
2. It has approximately 1,500 member as of December 2015
3. The cooperative has 8 collection centers across Kabondo
4. Company is registered under Coop society act of 2008.

KSPMCS Profile cont'

Mission: to ensure the member farmers improve their economic livelihood level through competitive marketing of their products.

Business model

Existing Model

❑ Current business model

■ Two products

- Potato buy from farmers sell to Manufacturer at same price. No gain.
- Flour finished product from KSPMCS. Its cost exceeds its revenue. Loss.
- Two clients, one for each product: Azuri and Organi

❑ Conclusion

- Cooperative is operating at loss

Recommended Model

- ❑ Product diversification

- Potato
- Bean
- Flour
- Vine

- ❑ Client diversification

- ❑ Revenue comes from commission and mark up for the produce: pass-through model

- ❑ For flour, produce above Breakeven quantity

- Model gives the cooperative a bargaining power

Budgeting

Based on new model

[illegible]

Estimate Cash flow

[illegible]

Recommendations

- Focus on the produce for the next 3 years. When successful, add another product.
- If the production flour cannot exceed the breakeven point, discontinue production. To make it achievable, production has been broken down to 394 kg per month.
- Set a statutory reserve from the net surplus
 - Distribute dividend when appropriate

Financial accountability and Ethics

Procedure

- ❑ Implement internal control
- ❑ Make sure that it is followed

Concept and importance of financial and record management.

Importance of record keeping

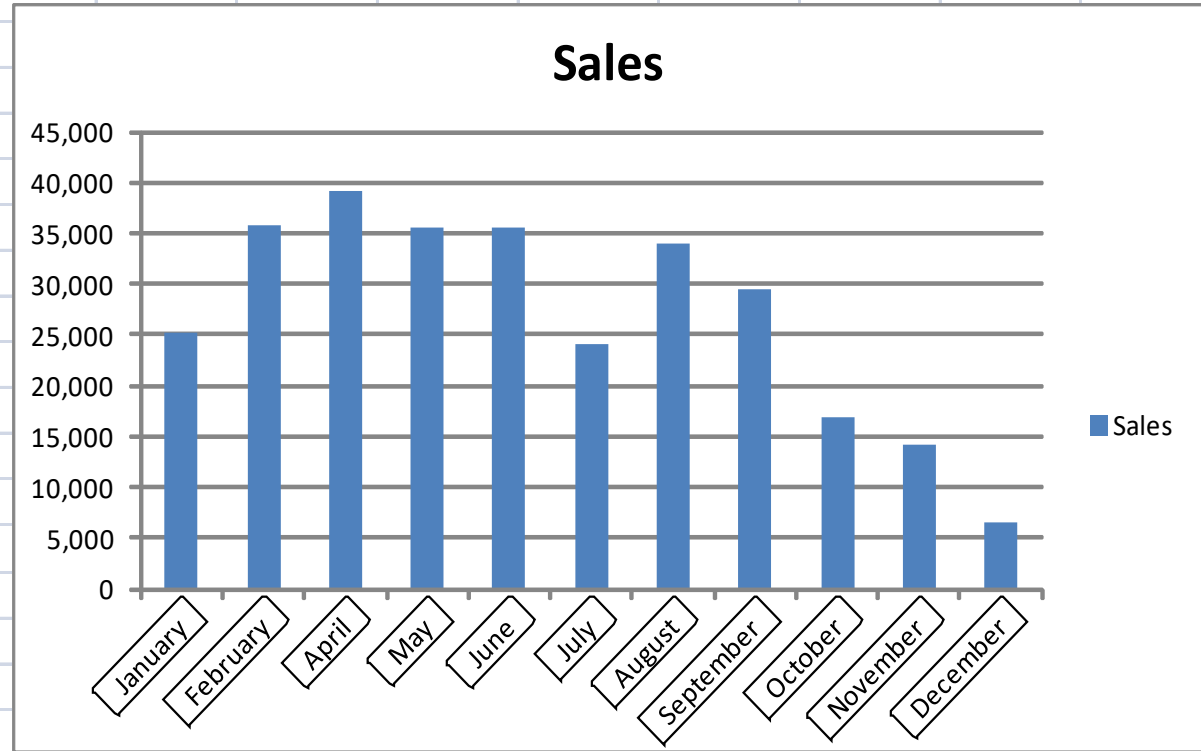
- Value of record keeping
- Best Practice for record keeping
- What to keep and for how long?

Recommendations

- ❑ Back up data; e.g manual & electronic
- ❑ Organize data in a meaningful manner
 - create pivot tables
 - Have some statistics available

pivot table has organized data monthly

2015	
Months	Sales (in sh)
January	25,200
February	35,720
April	39,152
May	35,500
June	35,500
July	24,000
August	33,900
September	29,500
October	16,900
November	14,200
December	6,550



Keeping statistics for better estimate

KSPMCS collection centers

Statistics to know before next forecast.					
Membership and Production					
Area	Members	Non Members	Total acres	Quantity delivered	Increase potential
Chabera					
kodada					
kotutu					
Nyapalo					
Obuya					
Senta					
Ringa					
Ramba					

Build Financial and record
management capacity for KSPMC
board members

Streamline financial process and procedure in record keeping

- Journal entries
- General ledger
- Trial Balance
- Financial statements
 - Balance sheet
 - Income statement
 - Cash flow

Financial Statements for KSPMCS

KSPMCS Balance sheet December 2015

<u>Assets</u>	
Current Assets	
Cash	30,000
Account receivable	35,000
Inventories	0
Prepaid expenses	0
Total current assets	65,000
Total Fixed Assets	6,235,000
Accumulative Depreciation	200,700
Net Fixed Assets	6,034,300
Total Assets	6,099,300
<u>Liabilities and Equity</u>	
Current Liabilities	
Account payable	28,800
Salary payable	0
Total current Liabilities	28,800
None Current Liabilities	0
Total liabilities	28,800
KSPC, Capital	6,070,500
Total liabilities and Equity	6,099,300

Income Statement KSPMCS

Income Statement December 2015	Amount
Net Sales	296,122
Beginning Inventories	0
Purchase	
Transportation In	
Cost of good available for sale	173,824
Deduct Ending inventory	0
Cost of good sold	173,824
Gross profit	122,298
Operating Expenses	
expense office supplies	5,000
repair & maintenance	2,500
Salaries and Wages	120,000
Selling-Marketing	0
Delivery	12,000
Utilities (Heat light and power)	12,000
Depreciation	200,700
Total Operating expenses	352,200
Operating Profit	-229,902
interest expense	0
Profit before tax	-229,902
Taxation	0
Net Income	-229,902

Statement of Cash flow

Kabondo Sweet Potatoes Marketing Cooperative Society Statement of Cash Flow, December, 2015	
Net Income	(239,000)
Depreciation	209,000
increase/decrease in Asset	0
increase in liabilities	2,000
Operating Cash Flow	(28,000)
interest paid	0
Cash Flow before Financing	(28,000)
Financing	
Increase in overdraft	
Decrease in bank loan	
Membership fees	60,000
Cash Flow Financing	60,000
Investing	
Purchase Equipment or land	0
sold Eqpt or land	
Cash Flow Investing	0
Net Cash Flow	32,000
Beginning balance	0
Ending Cash Flow	32,000

Conclusion

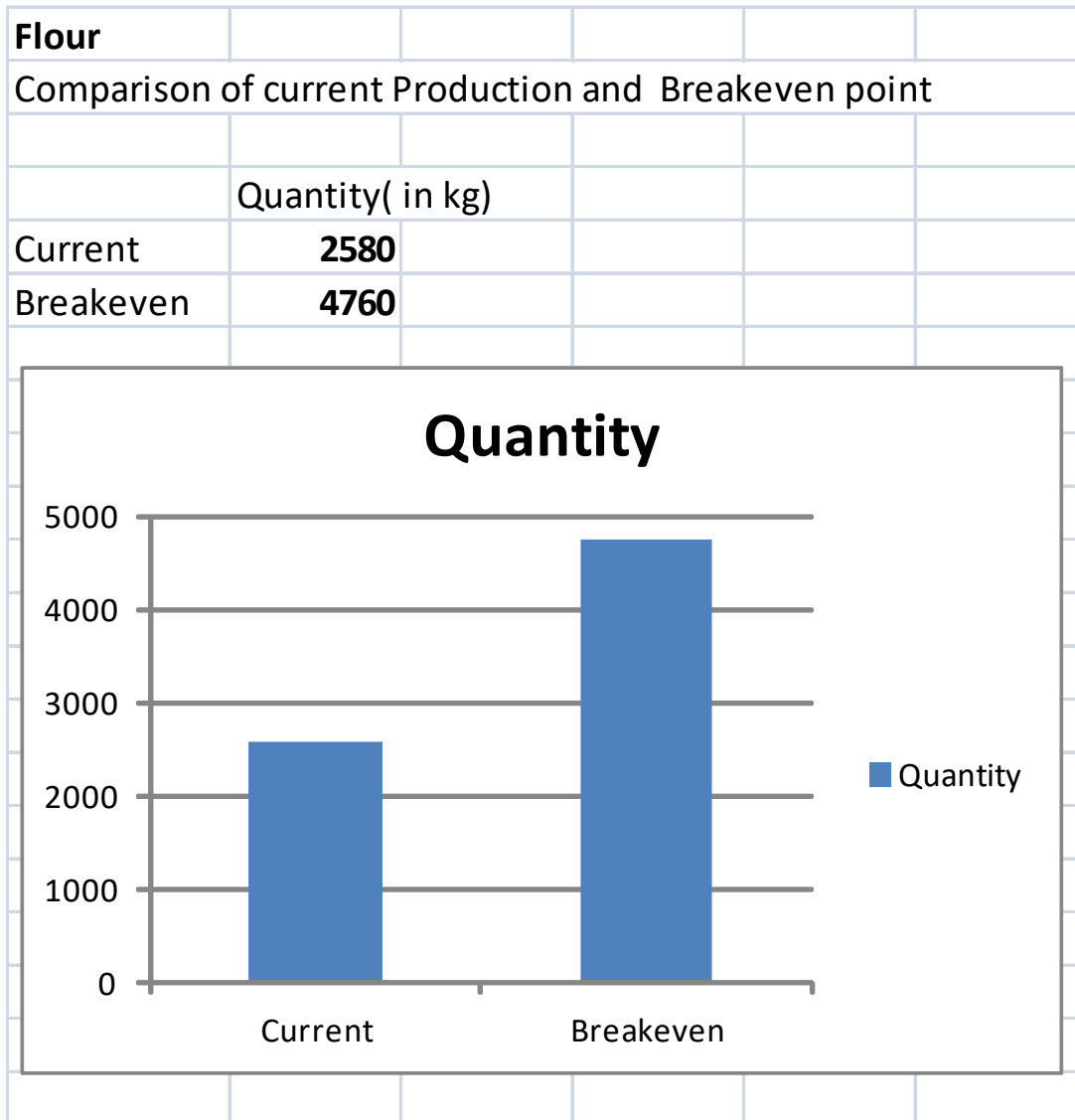
- ❑ KSPMCS is operating at loss due mostly to its large amount of fixed assets (98%) which is create large amount of depreciation. However the cooperative shows a positive cash flow, thanks to members contribution. This is not sustainable.

Recommendation

- Must produce flour above breakeven point

Breakeven Analysis	
Selling price (P)	110
Variable price (V)	79
P-V	31
Fixed cost (F)	146,500
Breakeven quantity	4,726
Current production	2,560
Increase	85%

Current production Vs Breakeven point



Financial Ratios Analysis

Type of financial ratios

□ Build awareness on following ratios

➤ Solvency ratios

➤ Leverage ratios

➤ Profitability ratios

➤ Liquidity ratios

Revenue and Expense analysis

Understanding cost

☐ Current situation

- No knowledge of Depreciation as an expense. As such it is not included in cost.
- No distinction between direct and indirect cost.

☐ Consequences

- Incorrect calculation of profit or loss

Recommendations

- ❑ For each fixed asset, Calculate depreciation
- ❑ Count it as an expense and deduct it from the revenue
- ❑ Depreciation formula has been given

Conclusion

- ❑ Currently KSPMCS is operating at loss.
- ❑ The board has been endowed with effective financial tools to manage the cooperative
- ❑ When the business model recommended is implemented, success will follow.

Other CRS requests

Action plan for host recommendations

Recommendation	Specific Action	Responsible person	By when
1. Business Model	<ul style="list-style-type: none"> a. Product diversification b. Client diversification c. Use commission & mark up as revenue generator d. Produce Flour above breakeven quantity e. use your bargaining power 	KSPMCS Board members. Tobias Muga	Starting January 2016
2. Budgeting	<ul style="list-style-type: none"> a. Focus on the 4 products for the time being. b. Produce Flour (finished product) above breakeven . c. Set a statutory reserve. d. Distribute dividend when appropriate. 	KSPMCS Board members. Tobias Muga	Starting January 2016
3. Organizing data to turn them into meaningful information	<ul style="list-style-type: none"> a. Designed templates: ex. membership and production b. Taught how to use a pivot table. 	KSPMCS board members. Secretary: Tobias Muga	Starting January 2016
4. Building financial records	<ul style="list-style-type: none"> a. Journal , General ledger, Trial balance. b. Balance sheet, Income statement, Cash Flow 	KSPMCS board members	Starting January 2016
5. Understanding Cost	<ul style="list-style-type: none"> a. How to calculate depreciation b. Depreciation as an expense c. Depreciation formula 	KSPMCS board members	Starting January 2016
6. Diversification	<ul style="list-style-type: none"> a. Add to the product line: Bread & Milk 	KSPMCS board members	Starting January 2016

. Recommendations to other non-host stakeholders

- Donors should analyze recipient activities when fixed assets are given.
- Donated fixed assets have to be proportionate to the activities being undertaken
- If not, depreciation from those assets reduces the profit substantially. Ex: KSPMCS has revenue of 290k and depreciation of 200k.

How can CRS improve future volunteer experience

- When a volunteer arrives in Kenya from the US, CRS should allow him to rest for a day before starting the journey for the final destination because of the time zone differential.
- Factors not under your control:
 - Power off from time to time
 - Internet too slow to be used in remote places.

Thank You!