

N4 Entrepreneurship and Business Management Lecturer Guide

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Danny Plaatjies*

**Additional resource
material available for
this title includes:**

- Workbook
- PowerPoint Presentations
- Study Guide
- Mapping document
- Interactive toys
- Interactive tests
- Posters
- Exemplar paper
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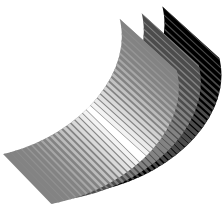
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Contents

Module 1 – The contemporary challenges of entrepreneurship.....	1
Module 2 – Creativity and idea generation.....	13
Module 3 – Market feasibility study.....	23
Module 4 – Financial feasibility study.....	39
Module 5 – Introduction to the business plan.....	55
Module 6 – Marketing plan.....	59
Module 7 – Management plan.....	83
Module 8 – Financial plan.....	89
Examination Paper 1: Memorandum	101
Examination Paper 2: Memorandum	103

Icon key



Learning outcomes: Indicates what learning outcomes are contained within the module.



Single activity: Indicates an activity to be done alone.



Pair activity: Indicates an activity to be done in pairs.



Group activity: Indicates an activity to be done in groups.



Case Study: Indicates a case study activity.



Revision questions: Indicates an activity which will help you revise what you have learnt so far.



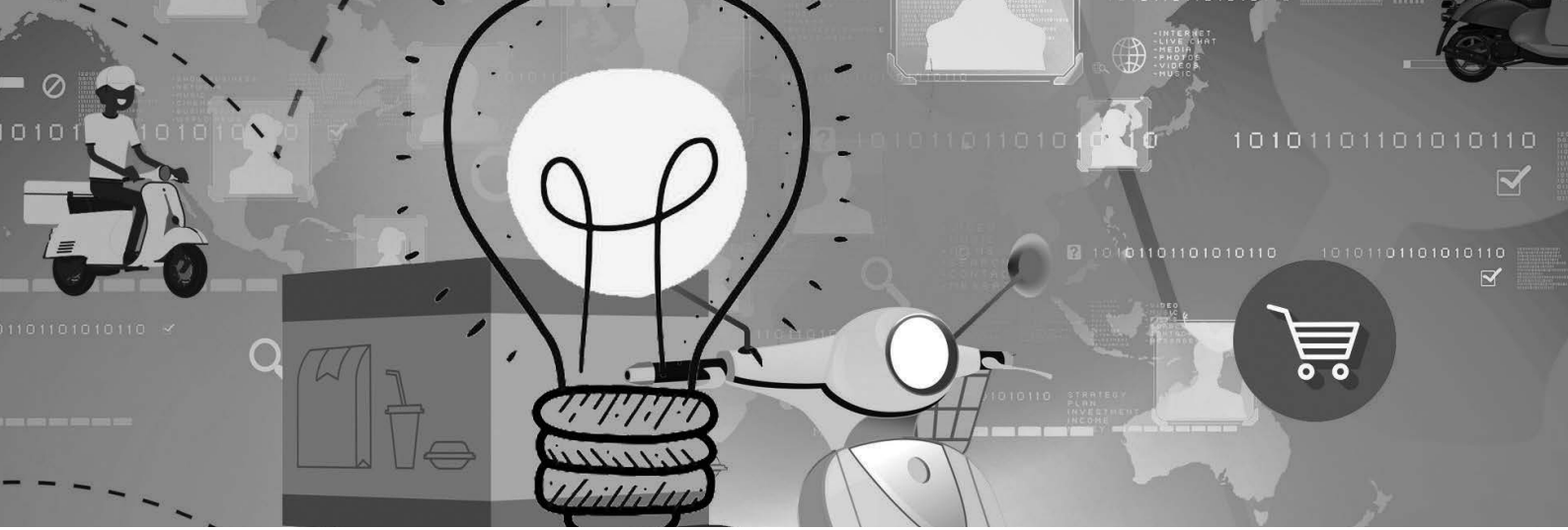
Business plan task: Refer to your business plan workbook to complete a task.

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Module 1

The contemporary challenges of entrepreneurship



After completing this module, students will be able to:

1. Define the concept entrepreneurship;
 - 1.1 Distinguish between the role of entrepreneurs and intrapreneurs;
 - 1.2 Name and briefly describe the qualities of the entrepreneur and apply to case studies of successful entrepreneurs; complete a self-analysis;
 - 1.3 Name and describe their personal resources; list their strengths and weaknesses, possible assistance to their businesses and calculate their net worth (assessing their investment capabilities);
 - 1.4 Briefly discuss the economic importance of the entrepreneur, especially with reference to the South African situation;
 - 1.5 Name and explain the advantages and opportunities of entrepreneurship;
 - 1.6 Name and explain the reasons why businesses fail; discuss how they as future entrepreneurs can overcome these problems;
 - 1.7 Name and describe the reasons why businesses succeed;
 - 1.8 **Task:** Complete a self-analysis, as well as outlining personal strengths and weaknesses, personal resources analysis and personal entrepreneurial qualities. Obtain a mark for this task which will contribute to the practical mark for the semester.



Case Study

SB page 5

Gift Nkosi

1. What is a side hustle?
It's a means of making money on the side, alongside a person's main form of employment.
2. How can Gift's side hustle turn into a full-time business?
By gaining more followers, more and more brands will use Gift as an influencer to promote certain products. In turn, she might become so busy that this will be her full-time job, along with great earning potential. As influencer you need to attend product launches, attend social functions, travel to certain locations for photoshoots, create content for social media (which takes up a lot of time), etc.

Students can come up with their own reasons why they think Gift's side hustle can turn into a full-time business.

3. Name two of Gift's latest promotions.
Paid partnerships with well-known brands.
Make-up tutorials showcasing certain make-up brands.
4. What is her latest Insta following?
More than 12 000 followers (12K).
5. Can you name another example of someone else doing the same thing?
Students can mention own examples from influencers they know or follow. Many celebrities and sport stars are also influencers that get paid by well-known brands (perfume, jewellery, skin/hair products, car manufacturers, etc.) to showcase their products.



Case Study

SB page 5

Nkosana Makate, 'Please call me' inventor

1. Is Nkosana Makate classified as an entrepreneur or an intrapreneur? Motivate your answer.
At the time of creating the 'Please call me', Nkosana was an intrapreneur as he was working for Vodacom.
2. Name three advantages that an intrapreneur brings to the company that he/she works for.
Improved performance for the company.
More money can be made for the company.
Companies can reinvent themselves and become even more profitable (intrapreneurs help a company stay current).

The answer can be found on page 4 of the Student Book. Students can also make use of the Internet to find more advantages that intrapreneurs bring to the company they work for.



Case Study

SB page 8

Elon Musk

Students need to do their own research to find the answers to these questions. Students can make use of the Internet to find the answers.

1. Explain what Paypal is.
 - PayPal is an online payment system that allows for online money transfers/payments.
 - It is a way for businesses to accept online payment from a customer.
 - You can also receive money through the service (e.g. from a family member) that will sit in your PayPal account that you can use to pay for items.
2. What makes Tesla so special?

Tesla is an electric and clean energy car company, specialising in electric cars, solar panels and solar roof tiles, battery energy storage, etc.
3. Research five reasons for Elon Musk's success.

Examples of answers can be:

 - He is very hardworking and highly motivated.
 - He also has a clear sense of direction.
 - Great work ethic and passion for what he does.
 - Willingness to take risks.
 - Perseverance.

The lecturer can also share the following article with the students:

<https://www.bbc.com/news/business-55554343>

Elon Musk's six secrets to business success



Activity 1.1

SB page 8

Self-assessment tool

- Students to complete the self-assessment questionnaire individually.
- This is a personal activity that each student must do for him/herself.
- No pressure must be placed on a student to share his/her answers with the rest of the class.
- Each student can reflect on his/her weak points and make notes on what weak points he/she can work and improve on.

Case Study

Yebo Fresh

SB page 10



<https://www.businessinsider.co.za/western-cape-township-delivery-yebo-fresh-2020-7>

An ambitious township delivery service is booming – it delivers thousands of fresh food orders a day

Andrew Thompson , Business Insider SA

Aug 16, 2020, 06:34 AM

Yebo Fresh

- Yebo Fresh, a tech-driven food delivery company catering exclusively to Cape Town townships, has expanded rapidly under lockdown.
- Households can order goods online, via Whatsapp, or over the phone with a call-back feature, and have them delivered to their doors.
- Demand has been so great, the company is looking to expand nationally.
- For more stories visit Business Insider South Africa.



Yebo Fresh, a tech-driven food delivery company catering exclusively to Cape Town townships, has expanded rapidly under lockdown. The two-year-old company that started in a Hout Bay garage now occupies a massive 2,400 square metre warehouse and is delivering thousands of grocery items and hampers into nine Western Cape townships.

The demand for Yebo Fresh's service is so great that they are looking to expand nationally. The organisation delivered its first food packs in 2018, after founder Jessica Boonstra brought her learnings from the online retail space in the Netherlands to South Africa.

But instead of taking on the food delivery companies that service South Africa's wealthy suburbs, Boonstra found a new opportunity in the Western Cape's townships – one of the biggest, and ironically most underserved, markets.

"I felt that the areas in South Africa which would benefit the most from an online shopping transformation would be townships, which are still largely underserved by big retailers" says Boonstra.

Buying groceries and then transporting them on public transport into a township is a complex and often costly process for residents.

Yebo Fresh sells meat, fish, poultry, fresh fruit and vegetables, general groceries and hampers at competitive prices – and they deliver direct to doors in Gugulethu, Delft, Mfuleni, Khayelitsha, Langa, Hangberg, Imizamo Yethu, and Mitchells Plain.



It's not a service without its challenges. Boonstra points out that many houses in townships do not have formal addresses, and so drivers must use mobile and GPS technology, and hyper-local knowledge to navigate the streets.

"There is no way that a business such as ours could exist without mobile technology, smart backend systems, extensive data analysis and a constant drive to optimise our performance," she says.

"Our drivers will stay in close contact with head office via GPS tracker and via mobile phone with the customer, who is often able to provide detailed instructions such as 'turn right at the green container, then I will meet you opposite the hair salon.'"

Where possible the delivery teams come from the communities they serve, and so are familiar with the local landmarks, can speak in the customers' mother tongues, and have a strong community footing so they are comfortable operating on landmark-specific instructions.

Boonstra says there are a lot of misconceptions that businesses have about operating in South Africa's township space - and as a result many have failed to capitalise on the opportunities that this market presents.

"The townships represent at least 40% of the national grocery market, with great entrepreneurship and beautifully creative solutions, such as conducting a wide range of activities via Whatsapp," she says. "We see massive potential in some of South Africa's underserved areas. We believe in providing people with good access to good food, and your location shouldn't have an impact on that."

Although Yebo Fresh stands alone as a grocery delivery business - they've received sizeable investments from E4EAfrica, WooThemes co-founder Mark Forrester, and more recently Scheinberg Relief Fund, among others - the company is driven by "a very strong purpose".



The organisation works closely with many non-governmental organisations to provide "efficient, localised, transparent and well-administrated sourcing, packing and delivery" of food within their target market.

"This is critical if you want to maximise the output of every rand spent and feed as many stomachs as you can," Boonstra says. "Because of our scale effect, supplier relationships and smooth operations, it is a lot cheaper for any charity to use us rather than fill trolleys at a retailer and pack themselves."

The company also works to up-skill people living in townships. "We have created at least 50 new jobs for people living in the townships that we serve - packers, drivers, team leaders, sales staff, and administration. We have discovered some wonderful talent!"

The need for Yebo Fresh's services has also increased dramatically since the start of lockdown. Boonstra says queues at township grocery stores can now last up to six hours, and many people have not even been able to travel out to local shopping malls or supermarkets, which has heightened the need for delivery options.

In early March, the company was receiving a few hundred orders a month, and only delivered on Saturdays. Once lockdown hit they had to rapidly increase their pace.

“Business has boomed significantly, and now we manage thousands of orders every single day. We went from having one, to two, and then three warehouses, before moving into one large space - a 2,400 square metre warehouse - where everything now takes place,” says Boonstra.

The company has also seen a shift from people initially buying food for themselves, to family members and employers using the service to send groceries to someone they care about. And since lockdown began, Yebo Fresh has shipped 65,000 food parcels to non-profit organisations, which Boonstra says equates to more than 4 million meals.

The company is optimistic about its future - and has plans to expand.

“Considering that the areas we operate in have very large populations and are significantly underserved by retailers, there are business opportunities in this market, but it does require a different approach, and one that is flexible and creative,” says Boonstra. “A business needs to respond to what works best for the community, rather than try to implement an existing way of operating.”

The success of Yebo Fresh in Cape Town has prompted requests for it to expand nationwide, which is something the company is considering for the future.

But for now, Boonstra and her team are focusing on serving their existing markets, and are encouraging more people to consider the business opportunities that exist within them.

“We would love to see more players entering the township food market,” she says. “It is not easy for sure, but this is a market that deserves innovation and a broad range of offerings.”

1. What gap in the market did Yebo Fresh identify as an opportunity?
Fresh food and groceries delivery service to townships (which are underserved by big retailers).
2. Do you think there is room for more competitors in this market? Motivate your answer.
Absolutely. Yebo Fresh are currently one of the only fresh food/groceries delivery services to townships and are currently only operating in the Cape Town area. Many townships do not have fresh food delivery services in their area.
3. What entrepreneurial qualities (characteristics) do founder and owner Jessica Boonstra and her team display? Mention at least four characteristics with examples from the case study.
 - **Identifying opportunities – She saw a gap in the fresh food delivery service market in townships.**
 - **Preference for moderate risk – Firstly, she did not know whether the business will work but she took the risk. Secondly, the business comes with challenges as many houses in townships do not have formal addresses. What they have done is to get drivers to use mobile and GPS technology, and hyper-local knowledge to navigate the streets. They have also matched, where possible, the delivery teams with communities they come from and therefore know the local landmarks and can speak in the customers’ mother tongues.**

- Confidence in their ability to succeed – With the challenges they have overcome, they have absolute confidence in their ability to succeed and even want to expand nationally.
- Energetic – The team is energetic and from managing a few hundred orders a month, they are now managing a few thousand orders per day.
- The urge to achieve – They are constantly looking at how to improve and expand their service. They have recently moved into a 2400 m² warehouse to make deliveries more efficient. They also want to expand nationally.

Students can expand on more qualities.

- List two obstacles that Jessica and her team are faced with in this business.
 - Many of the houses in townships where they need to deliver do not have formal addresses.
 - They are dependent on mobile technology and extensive data analysis, which requires very expensive equipment.
 - Another obstacle they face is that they operate in high crime areas.



Activity 1.2

SB page 14

This activity can either be done individually, in groups or as a whole class. In practice it has been found that a group or class discussion gives the best results.

- Identify one successful entrepreneur either in your own community or someone that is often in the news.
Students can choose any entrepreneur that stands out to them as role model (either from their community or from anywhere in the world).
- Write a brief description (profile) about this person.
The brief description should indicate who the person is and what they are known for.
Examples of answers could be:
 - He/she is very hardworking and highly motivated.
 - He/she also has a clear sense of direction.
 - He/she is a principled person.
 - He/she is very talented.
- In a table format give examples of how this individual meets the technical, business and management requirements of a successful entrepreneur.
The table format should look as follows (as with the example of Elon Musk on page 14 of the Student Book). Ask the students to classify the answers they gave in question 2 in any of the three columns.

Technical skills	Business skills	Management skills
	Hard working	
	Clear sense of direction	
		Principled man
Talented		



Activity 1.3

SB page 16

The Ubuntu debate

Read the definition of entrepreneurship again and compare it with the values of Ubuntu. Listed below are a number of topics you will debate within your groups. Study the topics below and choose one.

Your lecturer will provide guidelines as to how to proceed with the debate.

- Ubuntu is the opposite of entrepreneurship.
- Entrepreneurship can help with the implementation of Ubuntu.
- Entrepreneurship is all about the individual.
- Ubuntu is what South Africa needs.

Consider the following:

- A “definition” or simple explanation of uBuntu is given on page 16 of the Student Book.
- It is important to remember that uBuntu is widely understood by most students and in a very positive way.
- On the other hand, businesses and business people are not always exemplary in their dealings with customers.
- Traits that are sometimes associated with business people are greed, self-interest and corruption.
- Do businesses and business people represent everything which uBuntu is opposed to?
- This activity is aimed at stimulating a debate to create awareness and hopefully guide students to learn that being an entrepreneur is not necessarily at odds with the principles of uBuntu. In fact, the principles of Ubuntu should guide business people.

Proposed guidelines for any debate in a classroom situation:

- Choose only one or two of the topics listed in the activity depending on the size of the class.
- Divide the class into groups.
- For each topic there should be:
 - one group supporting the topic (or agreeing), and
 - another group that disagrees with the topic.
- These two groups will “debate” against each other.
- This could easily get out of hand unless the lecturer enforces some clear rules.



Examples of rules are:

- Students must always be polite and courteous.
- Nobody is allowed to shout.
- Students must remain respectful.
- Speak only when recognised by the lecturer.
- A member from one group speaks and then a member from the opposite group may respond.
- Allow others to express their opinions.
- No student should be allowed to monopolise the debate.
- Students must always motivate their views.
- A purely emotional answer without motivation is not allowed.



Business Plan Task

SB page 16

Refer to your Business Plan Workbook. Find the “Self-analysis” section and complete it to the best of your ability.

Ask a member of your group to read your “self-analysis” and to give his/her opinion on what he or she thinks. Other people often see positives and negatives in us of which we are not even aware. This will help you to remain realistic.

- This activity is self-explanatory provided the students have a Business Plan Workbook.
- Completing a business plan is a key requirement of the N4 Entrepreneurship and Business Management subject.
- It is strongly advised that students start early in the semester and systematically complete a business plan as they progress.
- The Business Plan Workbook was compiled to help with this process.



Activity 1.4

SB page 17

Which word(s) in Column B matches the description in Column A?

Column A

1. A characteristic of an entrepreneur
2. A reason why an entrepreneur fails
3. A keyword when defining an entrepreneur
4. An important requirement for a successful entrepreneur
5. Intrapreneur

Column B

- E. Need to achieve
- B. Change in business environment
- D. Opportunity
- A. Technical skills
- C. Employee entrepreneur



Case Study

SB page 17

Imani’s ‘sly vat vat’

1. Explain what is ‘sly vat vat’.
A ‘sly vat vat’ is a meal consisting of two or three slices of bread, filled with chips, tomato, meat, atchar, cheese and various other fillings.
The term ‘sly’ is a slang word for a slice of bread.
2. Give two reasons why Imani started her business.
 - She was unemployed and both her parents were jobless. She needed to make a living for herself and her parents.
 - She saw a gap in the market for a ‘sly vat vat’ business.

3. Name the three personal resources at Imani's disposal and explain how she made use of it.
 - **Knowledge and skills**
She is a qualified chef.
 - **Contacts and friends**
We can assume that both her parents (who she lives with) supports her business from the house as well as the family members who loaned her the money to start the business are also there for advice and support.
 - **Finance (own money and assets)**
She borrowed R2 000 from family members and she runs the business from her house.

4. Successful entrepreneurs have certain personality traits. Name at least five such personality traits displayed by Imani.
Any five of the personality traits (as mentioned on page 13 in the Student Book). An example of the answer is as follows:
 - **Willing to take risks.** She saw the gap in the market and took a chance.
 - **Optimistic.** She believed she could make a success of this business.
 - **Self-actualisation.** Imani showed she has a strong drive to achieve success and new goals.
 - **Leadership qualities.** She employs and manages three other people, takes orders and serves customers.
 - **Outgoing.** She hosts many tourists and journalists, talks to them about her business and serves them her delicious food. She is a go-getter.



Revision questions

SB page 22

1. Define the following concepts:
 - 1.1 entrepreneur
An entrepreneur is a person who is able to recognise an unfulfilled need in the community, and uses this opportunity to start a profitable business. Success is not guaranteed (uncertainty), but an entrepreneur is prepared to take the risk.
 - 1.2 intrapreneur
An intrapreneur is the practice of entrepreneurship by an employee within an organisation or a business.

Refer to pages 3-4 of the Student Book.

2. Name five personal qualities (characteristics) of entrepreneurs.
Any of the following five:
 - Confidence in ability to succeed
 - Preference for moderate risk
 - Desire for responsibility
 - Energetic
 - Identifying opportunities
 - Organising skills

- Need to achieve
- Desire for immediate feedback

Refer to pages 6-7 in the Student Book.

3. Name and discuss the three personal resources of an entrepreneur.
 - **Knowledge and skills:**
This refers to the knowledge and skills necessary to implement your business idea. If, for example, you want to start a restaurant, do you have the skills and knowledge required to work in the food industry (e.g. a chef diploma)?
 - **Contacts and friends**
Networking is important. Friends and acquaintances can be very helpful in assisting with advice or support. Who you know is important.
 - **Finance (own money and assets)**
What money and assets do you have available to start the business? The ideal would be to save up enough money to start the business. Your business plan plays a crucial role if you need to lend money, as people will ask for your business plan.

Refer to pages 12-13 in the Student Book.

4. Name and briefly explain three reasons why entrepreneurs fail.
 - **Management incompetence:**
Many new business owners fail due to bad management. Knowing how to manage your staff, debtors and new business opportunities are vital.
 - **Lack of experience:**
Experience comes with time and due to a lack of experience, many new entrepreneurs and business owners fail due to a lack of business experience. It's important to be willing to learn as much as possible and ask for advice.
 - **Poor financial control:**
Many new entrepreneurs lack financial knowledge and therefore the business fails. You need to know and understand exactly what is happening in your business from a financial perspective. If you lack financial knowledge, it will be a good idea to employ the right people to deal with the finances of the business, e.g. an accountant.

Refer to pages 19-20 in the Student Book.

5. What advice can you give to an aspiring entrepreneur in order to avoid pitfalls? Discuss at least three elements.
 - Prepare a business plan
 - Know your business
 - Understand financial statements
 - Learn to manage people effectively
 - Entrepreneurial transition

Refer to page 21 in the Student Book.



Module 2

Creativity and idea generation



After completing this module, students will be able to:

2. Discuss the concept creativity
 - 2.1 Explain the difference between an idea and an opportunity;
 - 2.2 Describe the importance of innovation and creativity;
 - 2.3 Name and explain the process of generating ideas; provide examples and list the ideas according to the three categories by practically exercising the process in the classroom;
 - 2.4 Describe the various methods available for creating ideas and opportunities; by applying and practising the methods in the classroom; list examples of ideas generated in groups; generate as many ideas as possible from which to make their final selection;
 - 2.5 Name and explain the procedure for protecting their ideas, products, patents, etc;
 - 2.6 List their ideas and turn them into opportunities;
 - (i) Explain how the ideas can be tested against their own abilities, skills, family needs, etc; practically assess their idea against these criteria;
 - (ii) Describe the process of identifying opportunities;
 - (iii) Describe and explain the concepts of feasibility with the aid of a check-list (identify the factors that are critical to the success of their opportunities);
 - Describe and calculate the profitability:
 - $\text{Profit} = (\text{Selling price} - \text{cost price}) \times \text{Volume} - \text{expenses}$;
 - 2.7 Obtain a mark for this task which will contribute to the practical mark for the semester;
 - 2.8 Decide on an opportunity for which they will construct a proposed business plan.



Activity 2.1

SB page 26

1. Choose the corresponding level of needs for each of the following:
Example: hunger = physiological needs

- I.1 Family and friends
- I.2 Recognition
- I.3 Job titles
- I.4 Breathing
- I.5 Pensions and benefits
- I.6 Employment and job security
- I.7 Eating and drinking
- I.8 Keeping fit
- I.9 Academic results
- I.10 Keeping clean and getting dressed

- I.1 Social needs
- I.2 Status and self-esteem needs
- I.3 Status and self-esteem needs
- I.4 Physiological needs
- I.5 Security and safety needs
- I.6 Security and safety needs
- I.7 Physiological needs
- I.8 Physiological needs
- I.9 Self-actualisation needs
- I.10 Physiological needs

Refer to page 25 of the Student Book.



Activity 2.2

SB page 26

This activity is done in groups of 3-4.

1. In your group, list examples of companies offering products/services satisfying the following needs: (Give at least three examples of companies for each need.)

Example: the need to exercise = Virgin Active, Viva Gym, Planet Fitness

Examples of answers can be the following:

- I.1 Security (to feel safe)
Armed response company, the local neighbourhood watch, police, etc.
- I.2 Hunger
Kauai, Checkers, Spur, Hungry Lion, etc.
- I.3 Travel
Any travelling agency or company specialising in holidays/travel packages, e.g. Flight Centre, Pentravel, Thompson Tours, Felix Unite, etc.

1.4 Study further

Any FET College, University or educational institution offering courses can be mentioned, e.g. PADI Divemaster Course; ETA Academy, SA Butchery Training School, etc.

1.5 Clean (wash/shower/bath)

Lux, Radox, Nivea, etc. Any business selling products that will fulfil this need or any company manufacturing products that will fulfil this need can be mentioned.

2. In your group, come up with three needs that require being satisfied in your community. Take the time to think of good ideas as this can potentially be an opportunity for a new business venture. Discuss this in your group.

Motivate students to really think hard and carefully about answers to this question as it can potentially be a business opportunity for them in their area.

When interacting or observing other people, we should be looking at them with an entrepreneurial eye, asking: 'How could I possibly provide for their needs?'



Activity 2.3

SB page 30

In groups of 3-4 people, discuss products that you regularly buy. Choose one product and discuss what improvements can be made to it (different packaging, change of design and why, etc.). Each group must then share their findings with the class.

Encourage students to think creatively and outside of the box with this activity. This should be a fun group activity.



Activity 2.4

SB page 31

1. Google 'new innovative business ideas'. Write down five ideas of which you have never heard.

Students must make use of the Internet and write down five business ideas of which they have never heard of before.

The electronic media is a huge source of information and have the potential to expand the student's creative ability. Students need to be encouraged to make more frequent use of Google as a learning tool.

2. Choose one of the five ideas you mentioned in the previous answer and share it with the rest of the class.

Students to choose one of the businesses they mentioned in question 1 and share it with the rest of the class. This can lead to interesting discussions around new products/innovations of which they have not heard of before.

3. Visit Pinterest, open an account for yourself (if you have not done so already) and search 'innovative business ideas'. This is an image based social media platform, so you will be provided with hundreds and thousands of images on innovative products and businesses. **This is an activity to help broaden a student's vision and framework with regards to innovative business ideas and things that already exist of which they might be unaware of. As it is an image based social media platform, students can see what products look like and 'pin' the pictures they are interested in, which might inspire them and lead to future business opportunities.**



Activity 2.5

SB page 31

As a class, discuss at least three examples of expos that are held every year in South Africa. Give the name of the expo as well as what the expo is about. **This is a class activity. The lecturer can lead the group discussion and ask the class to mention examples of expos held in South Africa each year.**

Examples can include: Homemakers Expo, Design Indaba, Travel Expo, Wine and Olive Production Expo, Classic Car and Motor Show Expo, etc. Students must mention what the main aim of each expo is.



Activity 2.6

SB page 35

Use the attribute analysis method for a car. The lecturer can choose a well-known car model. The class must write down the attributes of the car and how each of the attributes can be improved or modified.

For example:

Attribute	Improved/modified
Brakes	ABS brakes
USB port	Have a wireless charger built in to the car



Activity 2.7

SB page 39

The following are problems (you may identify your own or use the list of needs):

- Minimising crime in your area
- Loadshedding
- Lack of fresh water in your residential area
- Very expensive medicine

Instructions: Form a small group to discuss the topics listed and brainstorm ideas on how these problems can be solved. Make sure you follow the brainstorming steps.

The lecturer must divide the class into small groups of 3-4 people. The lecturer must encourage students to really think creatively and come up with solutions to these pressing issues as some of their answers might inspire and lead them to new business opportunities within a community and a better society for many.

A guide is to allow each group to focus on a different challenge that was identified in the list. This could make the discussion richer and the discussion could also be in more depth. The lists are also relevant and each student should have at least one opinion on each of the topics.



Case Study

SB page 41

Father Coffee

1. Give examples of how Father Coffee can protect their business.
Refer to pages 40-41 of the Student Book.
 - Father Coffee can make use of secrecy, patents and trademarks to protect their business.
 - Their signature blend should stay a secret.
 - Patents include patenting the right to for example produce and sell their signature blend of coffee.
 - Trademark includes protecting their business name as well as various product names.
2. What consumer needs does Father Coffee satisfy?
Physiological needs.
3. There are many coffee shops and roasters. What makes them different from other coffee roasters?
Students can each decide what they think makes Father Coffee different from other coffee roasters. Answers may include:
 - They have their secret Heirloom Blend that no one else sells.
 - They don't just offer specialty grade coffee but also merchandise and coffee equipment that customers can use at home.



Case Study

SB page 41

CIPC

This case study is relevant in two ways. It addresses the issue of protecting the intellectual property of professional people and also the moral responsibility we as lecturers have to teach our students that it is unethical to reproduce information without the consent of the authors.

This can be a class discussion or the lecturer can divide the class into smaller groups.

1. Why do you think it is so important for artists, filmmakers and authors to protect their copyright?
It will lead to a loss of income for them in case they do not protect their copyright. By allowing people to copy illegally we are depriving the artist of his/her income.

2. Why is the government concerned about copyright? What has the government got to lose?
Pricing is controlled by syndicates and organised crime and has caused significant economic losses for the country.
3. What is the main function of the CIPC?
They are responsible for the registration of Companies, Co-operatives and Intellectual Property Rights (trademarks, patents, designs and copyright) and the maintenance thereof.
4. What is your groups view on photocopying of textbooks?
Group's own view. Students should motivate their answer with reasons why they are for/ against copyright.



Activity 2.8

SB page 44

Choose any business idea from the list of possible “businesses ideas”. Write any four types of skills and/or knowledge that a person who starts such a business will require. Compare it with other members of your group. Is there something you did not think about?

Students can choose any business idea and list four types of skills/knowledge required to start such a business. An example of an answer could be:

- **Business idea: Personal trainer**
 - Must have a qualification in personal training
 - Must be physically able to demonstrate exercises to clients
 - Must have time management skills (organise various appointments with clients per day)
 - Must have the basic financial knowledge in order to know how/what to charge customers, work with expenses (paying the gym a % for renting their space), etc.
 - Must keep up to date with new ways of training and how to use all of the equipment
 - Must be able to work on a computer and keep track of each client's progress (weight, body fat, diets, etc.).



Business Plan Task

SB page 44

It is now the time to decide which business idea interests you; about which you have the most knowledge and want to investigate further. This business idea will form the basis of all the activities that follow and will lead to a formal business plan.

Write down your business idea with a short description in your ‘Business Plan Workbook’ and submit it for approval.

Students must now decide on a business idea for their business plan and write a short description in their Business Plan Workbook. They must submit this for approval from the lecturer as this business idea will form the basis of all the activities to follow and will lead to a formal business plan.



Case Study

SB page 45

The Sneaker Shack

1. What is the main function of Sneaker Shack?
It is a sneaker laundry providing professional footwear cleaning.
2. How have they expanded their service offering?
Extra items such as caps, handbags and travel bags can be added at an extra cost when handing in a pair of sneakers to clean.
3. List at least two business environments that have influenced their business since lockdown 2020.
 - Political environment – lockdown rules and regulations.
 - Technological environment – more people are making use of online ordering of their service, where you can have your sneakers picked up and delivered again.
 - Competitive environment – many similar businesses have closed due to financial constraints because of Covid-19 and lockdown, therefore providing them with more market share.
4. Which of the creativity methods could they have used to come up with this creative business idea? Explain your answer.
Students can link any of the creativity methods by motivating their answers. They should at least mention two methods used and explain their answer. For example, the answer could be:
 - They could have brainstormed the idea – a group of people identified a need within the sneaker community to have their sneakers cleaned.
 - Mind-mapping – from the original problem (having sneakers cleaned professionally) to adding different categories of ideas e.g. classic clean, deep clean, red clean (which include cleaning the under sole, getting rid of stains, cleaning laces and deodorising).
5. In your opinion, is this a good business idea/opportunity?
Students must give their own opinion on whether they think this is a good business idea/opportunity. They can refer to the grid on page 43 in the Student Book to assist them in deciding whether it is a good business idea/opportunity.
6. Which values of Ubuntu are applied by Sneaker Shack?
Hint: you had to visit their website in order to be able to answer this question.
They offer Project Run where people can donate their pre-loved running shoes. Sneaker Shack will clean them up and pass them on to the proud feet of young South Africans embarking on their adult journey.
7. Discuss ways in which Sneaker Shack can protect their business idea.
Students must motivate their answer on how they think Sneaker Shack can protect their business/business idea.

Refer to page 40 in the Student Book.



Revision questions

SB page 46

1. What does it mean to adopt a creative mind?
To come up with a new idea.
2. Distinguish between a business idea and a business opportunity
 - A business idea is any idea that can be used to eventually make money. It is the starting point of any entrepreneurial venture.
 - A business opportunity is an idea that has been researched and proven. It will generate ongoing income.

Refer to pages 26-27 in the Student Book.

3. Define the following terms:
 - 3.1 Innovation
The process of translating an idea or invention into a new product or service that creates value or for which customers will pay
 - 3.2 Creativity
The ability that helps us do something new, original and different.
4. How can you protect your new business idea in order to make sure no one copies it?
Ask people with whom you discuss the idea to sign a secrecy document or register a patent.

Refer to page 40 in the Student Book.

5. You have identified an idea (product or service) and need to evaluate your idea. What are the two steps to follow when evaluating an idea?
Match your idea to your personal resources and identify your critical success factors.
6. What is the aim of a winning idea?
It will make money now and in years to come; it sounds good to both you and your friends; it is easy to market and promote; it is something that a growing number of people will need; it encourages repeat purchases; customers will buy this product even if they are poor; you will make money even if sales are down; it is something you want to do and it is legal.
7. What are the personal resources of an entrepreneur? Name the three categories.
Skill and knowledge, contacts and friends, and finances.

Refer to pages 12-13 of Module 1.

8. List the level of needs in Maslow's hierarchy of needs.
Physiological needs, security and safety needs, social needs, self-esteem needs, self-actualisation needs.

Refer to page 25 in the Student Book.

9. List at least five everyday activities from which ideas can be generated.
Transport, watching television, shopping, hobbies/sport/entertainment, reading newspaper/magazine, Internet and social media.

Refer to pages 29-30 in the Student Book.



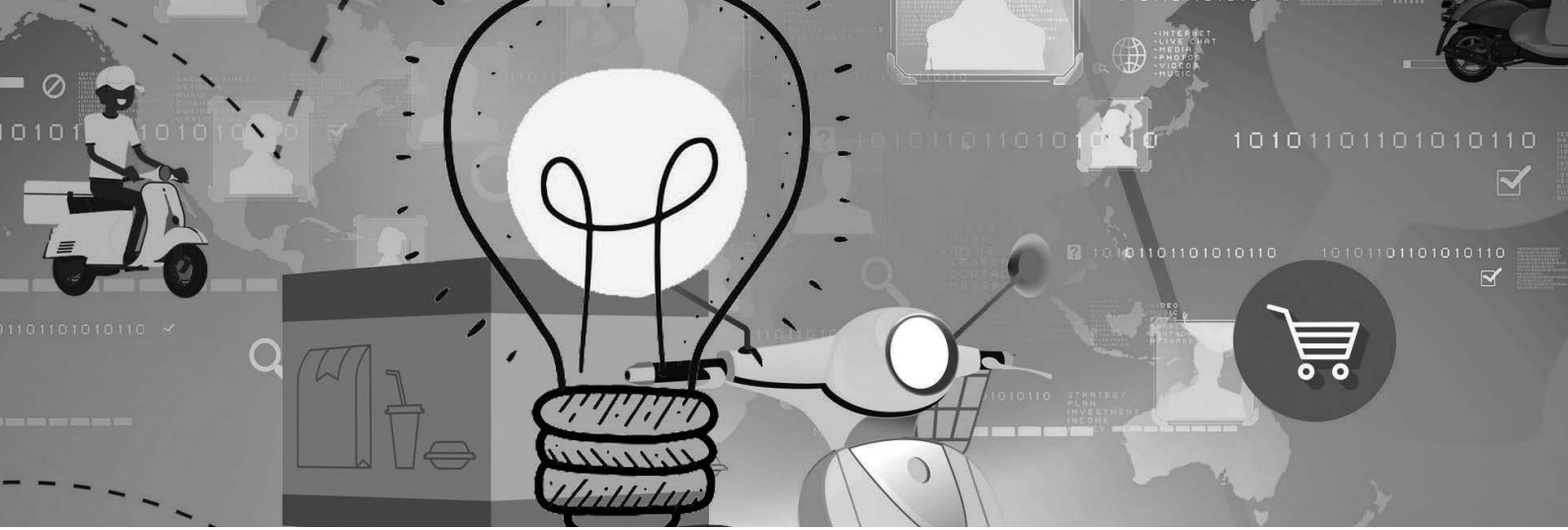
Revision questions

SB page 46

This section is done in pairs.

Indicate whether the following statements are true or false:

1. Security and safety needs are our most basic needs.
False.
2. Creativity means we need to invent something completely new.
True.
3. Reading newspapers is an example of an everyday activity that can assist one to come up with a new business idea.
True.
4. Mind mapping is a creativity method to generate new ideas.
True.
5. A good business idea is a good opportunity if you can make a profit.
True.



Module 3

Market feasibility study



After completing this module, students will be able to:

3. Define the concept; briefly explain the importance of a feasibility study;
 - 3.1 Describe the concept product; and give a detailed description of their specific product or service;
 - 3.1.1 Describe the nature of a product with reference to the classification of product/services;
 - 3.2 Describe their proposed market with reference to prescribed item; explain the concept target market; describe the market with reference to market description; market segmentation and indicators of market growth;
 - 3.3 Describe the need for market research;
 - 3.3.1 Name and differentiate between primary and secondary data;
 - 3.3.2 Name and explain the methods of collecting primary data with reference to the prescribe items;
 - 3.3.3 Name and describe the type of questions and the characteristics of a good questionnaire; draw up a questionnaire to test potential market;
 - 3.3.4 Name the important sources of secondary data;
 - 3.4 Complete market research for business plan and obtain a mark for the task which will contribute to practical mark for the semester;
 - 3.5 Describe what SWOT analysis is; complete SWOT analysis for their product/ service for the business plan;
 - 3.6 Describe competitive advantage and analyse completion with reference to a checklist.



Activity 3.1

SB page 49

What kind of information do you think would be valuable for the success of your college/business? Ask the following questions in the group:

- What made each one of you decide to study at your particular college?
- How did you find out about the college?

Students will have many different reasons for studying at college. Their decisions will be influenced by the information they got prior to studying at college and also by what they think they might gain from studying at college.

From their answers it should become clear that information flowed from the college to the prospective student. This could've been by means of an advertisement, word of mouth, open day at schools, etc.

The business (college) had to do market research to find out what students want to study and to offer those courses.

The college will offer new courses because there is a demand for those skills.

An example of a new college course is the “renewable energy” and “wholesale and retail” qualification. There are others too.

The college also had to establish the profiles of the most likely students who would study at the college and where they live. That would have assisted the college in its decision of where to advertise.



Activity 3.2

SB page 52

Work in pairs.

Study the logos and classify them into one of the three product categories.



Usave

Lancome

Swarovski

Superbalist

Consumer product – convenience product

Consumer product – specialty product

Consumer product – specialty product

Consumer product – shopping product

CAT	Industrial product
Wimpy	Consumer product – shopping product
BMW	Consumer product – specialty product
Adidas	Consumer product – shopping product
Fresh Stop at Caltex	Consumer product – convenience product
PPC	Industrial product
LG	Consumer product – shopping product
Mr Price	Consumer product – shopping product
Burger King	Consumer product – shopping product
Flight Centre	Service
Hilton	Service

Refer to pages 51-52 in the Student Book.



Activity 3.3

SB page 56

Use the criteria discussed to describe the target market of each of the brands listed below:

- Hungry Lion
- Woolworths
- Volkswagen Polo
- Louis Vuitton
- 702FM

To be successful in the business world the prospective entrepreneur must know who falls within his target market. How would a typical customer who buys a specific product or service “look”? This activity looks at the different ways or methods of describing a typical customer.

This is a fun activity since students will have very strong views on the profile of a typical user. An advertisement is often telling. The person in the advertisement represents the target market.

You may bring the advertisements for the different products listed below to your class or ask the students to find those advertisements. This will assist the class to describe the target market correctly. Remember, the more clearly you define the target market the easier it is to target advertising to that market.

Below is a guideline of what the answers should be. Encourage students to make use of the Internet in finding the most correct answers.

- Hungry Lion: 18-40 year olds, male and female, mass market, average monthly household income of between R3 800-R10 000.
- Woolworths: mMle and female, middle and upper income earners, professionals from all working age groups, wealthy retired people.
- Volkswagen Polo: Upper and middle income young professionals, male and female, also targeted at small young families.
- Louis Vuitton: Wealthy middle aged women from 35 to 54 years old and affluent young fashionable female adults aged 18 to 34 years old who have disposable income and are brand aspirants.

- 702FM: Johannesburg-based radio station, attracting an influential Gauteng audience committed to taking the country forward. Also available for listening via their website. It is mainly a talk station, aimed at adult men and women.

Refer to pages 54-56 of the Student Book.



Business Plan Task

SB page 57

Complete the section about your target market in your Business Plan Workbook. You may not be able to complete all the different criteria of defining a target market. If that is the case, give a reason why it is not possible.

By exposing the student to this activity, you want to see whether the student can apply the criteria to his/her business idea. This also helps the student to focus in on a potential target market.



Activity 3.4

SB page 59

Imani's Sly vat vat

Imani wants to calculate the market share of her 'sly vat vat' business. There are various competitors within a 5 km radius from her selling food items. The average income of her customer is R6 800 per month of which she has determined 9% is spent on take-away food per month. She has determined that at least 95% of that will be spent at competitors (especially retailers selling hot food items). Approximately 2 000 potential customers pass by her shop every day. What market share can Imani expect?

$$2\ 000 \times 6\ 800 = R13\ 600\ 000$$

$$R13\ 600\ 000 \times 9\% = R1\ 224\ 000$$

$$R1\ 224\ 000 \times 5\% = R61\ 200$$

Refer to page 58 of the Student Book.

Printing services

You want to open a printing service shop in your local area. There aren't many printing services available, so this is a good opportunity for you to own that market. The closest printing shop to your area is 10km away. There are approximately 1 000 families living in your immediate area. The average income per household per year is R192 000 per year. Customers will spend an average of 1% of their salaries on printing per month. You reckon that they will spend at least 40% of that at other printing shops. What is your potential market share?

$$\text{Average income per month per household: } R192\ 000/12 = R16\ 000$$

$$R16\ 000 \times 1\ 000 = R16\ 000\ 000$$

$$R16\ 000\ 000 \times 1\% = R160\ 000$$

$$R160\ 000 \times 60\% = R96\ 000$$



Extra activity

Mobile phone repairs

Alex has a mobile phone repair business that he runs from a small shop next to his house. There are two other competitors within a 5 km radius from him. There are approximately 500 families living in his immediate surroundings. The average income per household per year is R144 000. Customers will spend an average of 4% of their salaries on mobile phone repairs per month. Alex determined that 30% of that will be spent at his shop. What is his potential market share?

Average income per month per household: $R144\ 000/12 = R12\ 000$

$R12\ 000 \times 500 = R6\ 000\ 000$

$R6\ 000\ 000 \times 4\% = R240\ 000$

$R240\ 000 \times 30\% = R72\ 000$



Activity 3.5

SB page 62

Read the following extract.

Research can be as simple as googling an idea – using *www.google.co.za* to see if anyone has yet done exactly what you are dreaming of – or to identify similar concepts and how they have turned out.

A Google search takes approximately 1 second, and costs next to nothing – yet will give you more knowledge and background than you could have bought in 12 months for R1 million a decade ago. About anything at all!

Even if the idea has been developed – you can see how it is being marketed by looking at all the players in that arena, and what they are doing to try and attract customers. Why re-invent wheels that are frantically spinning elsewhere?

Source: Peter Carruthers

This is a read-only activity. Students to reflect on how effective it is to make use of the Internet for research purposes.



Activity 3.6

SB page 62

Students to work in pairs. This is a fun activity to help make students aware of the amount of information provided by the Internet on a single topic.

Visit *www.google.co.za* and find out how many documents exist covering the following topics:

- Democracy
- Branding
- Entrepreneur
- Ubuntu

(As at August 2021)

- Democracy = About 768 000 000 results (0,55 seconds)
- Branding = About 787 000 000 results (0,66 seconds)
- Entrepreneur = About 648 000 000 results (0,58 seconds)
- Ubuntu = About 137 000 000 results (0,57 seconds)

* When you google the keyword, the answer can be found at the top on the left of the screen just below the search bar.



Activity 3.7

SB page 69

Rethabile wants to open a snack stand in a small mall in Modimolle. He would like to start out by stocking his stand with three snacks. He conducted a survey in and around the mall, asking respondents to choose their favourite snack from the list. In total, 150 people completed the survey. Rethabile created the following questionnaire:

Rethabile's Snack Stand

Good day

I am opening a snack stand in the mall and would like to know what your favourite snacks are.

Please choose your favourite snack from the list below and mark it with an 'X'.

Popcorn __

Biltong __

Chips __

Chocolates __

Nuts __

Thank you for your time.

1. What is the purpose of this survey (questionnaire)?
To determine the three most popular products amongst potential customers. Those are the products Rethabile will start with.
2. For the purpose of this survey, do you think Rethabile asked the right type of question?
 Motivate your answer.
Yes and No. He asked the right question in the sense that he wants potential customers to rate their favourite snacks. Rethabile could've added 'other, please specify' – there might have been a snack that is not on his list, that might be very popular.
3. Identify the type of question Rethabile used. Is it an open-ended or closed-ended question?
Closed-ended.

4. Could Rethabile have done anything different or added a question? Explain your answer. **Rethabile kept to the point of the survey to determine the most popular snacks. There was no need for more questions. Students can use their own discretion in answering this question.**

Refer to pages 65-68 of the Student Book.



Activity 3.8

SB page 69

Design a short questionnaire for the cafeteria research project.

- Check if your questionnaire will help you get all the information you need.
- Do you have a Section A and a Section B?
- Have you included closed and open-ended questions?

Now go and interview a representative group (sample) of students/employees.

- **Use the criteria for a good pre-sales questionnaire as a guide for answering this question. Make sure they ask both Section A and Section B-type questions.**
- **Very important, if they don't then the answer is incorrect.**
- **There is no point asking about your product or service if you don't know the profile of the person who answered the question.**
- **By asking the right questions you will get the relevant answers. A good idea is to advise the student to test the questionnaire on one of his/her friends first to get quick feedback and make the necessary changes if required.**

Refer to pages 65-69 of the Student Book.



Activity 3.9

SB page 70

Rethabile's snack stand

After counting all the X responses, Rethabile got the following data:

Popcorn: 14

Biltong: 42

Chips: 49

Chocolates: 37

Nuts: 8

1. What is the most popular snack amongst the people surveyed?
Chips
2. Rate the snacks in order from one (1) to five (5) with one being the most popular and five being the least popular snack.
 1. **Chips**
 2. **Biltong**
 3. **Chocolates**
 4. **Popcorn**
 5. **Nuts**
3. Convert the above numbers into percentages (%).

1. Chips: $49/150 \times 100 = 33\%$
2. Biltong: $42/150 \times 100 = 28\%$
3. Chocolates: $37/150 \times 100 = 25\%$
4. Popcorn: $14/150 \times 100 = 9\%$
5. Nuts: $8/150 \times 100 = 5\%$

4. What does this information mean to Rethabile?

Rethabile wants to start out by selling three types of snacks. From the research he conducted, the top three snacks to sell will be chips, biltong and chocolates. Popcorn and nuts do not seem to be very popular amongst his target market.



Activity 3.10

SB page 70

Edit, code and tabulate the data you have collected by means of the questionnaire.

Interpret and discuss the data findings

After you have analysed the data, it can now be interpreted. In the interpretation process you determine what the data actually means. The results of each question are interpreted and discussed so that you get a clear understanding of its impact. Interpreting closed questions are relatively easy because you have specific numbers or percentages to work with, e.g. 70% of respondents prefer health food in the cafeteria.

When interpreting open-ended questions, you can group all the answers which are similar together. If there are specific, unique answers, you must state these separately.

Once you have interpreted all the data, start thinking about its impact. For example, if 70% of the students/employees indicated they prefer health food in the cafeteria, it means that the owner may have to change the menu to accommodate this preference.

Write down your findings in a research report.

Activity 3.9 explained how data collected can be analysed and interpreted.

Students now need to interpret the information gathered from the cafeteria questionnaire.

- Interpretation allows you to reach certain conclusions based on the survey results.
- The information helps you to focus better on the needs of the potential customer.
- Students can refer to page 71 of the Student Book for guidelines in how to compile research findings into a concise research report.
- Actual results from their questionnaire findings can be discussed in class to see what student/employees actually prefer in the cafeteria.



Business Plan Task

SB page 72

Complete the section in your Business Plan Workbook on setting up a questionnaire and conducting marketing research for your new business. Plan the project, collect and analyse the data, prepare and present a brief report on your findings. Include all the information in your Business Plan Workbook.

Students to identify a part of their business they want to conduct research on and compile a questionnaire. Analyse the data and prepare a report on the findings.

Refer to pages 63-72 of the Student Book.



Activity 3.11

SB page 73

Visit the following link for the Enneagram Personality Test website and do a personality test to see where your personality fits in: <https://www.truity.com/test/enneagram-personality-test>

Getting honest feedback from colleagues, friends or lecturers can be helpful provided you trust them and know that they want the best for you.

This is a fun activity for students to learn more about themselves.

- Getting honest feedback from colleagues, friends or lecturers can be helpful provided you trust them and know that they want the best for you.
- Encourage the students to complete the personality test.



Activity 3.12

SB page 74

Consider asking a friend or fellow student to provide you with their opinion of your Strengths and Weaknesses using the SWOT analysis tick-list below. Ask them to be as honest as possible and thus provide you with a wider and more realistic perspective of yourself.

Step 1

Write down ALL your Strengths and Weaknesses. Use a separate page for each category (including the feedback received from your friends, colleagues and family members).

Step 2

Identify 'key words' and 'key phrases' to describe each quality or factor. For example, you may have seen from your background information profile that you displayed a lot of tenacity in completing your studies part-time. In this case you may use the word 'tenacity' to describe one of your strengths.

Step 3

Check words that have a similar meaning and cross out the ones that make the least sense to you.

Step 4

List each key word or phrase under the relevant heading on your SWOT map.

Students to compile a personal SWOT analysis based on steps 1 – 4.

Refer to page 73 in the Student Book for an example of a personal SWOT analysis.



Activity 3.13

SB page 74

Given the feedback you received from others as well as your own SWOT analysis, compile a growth plan for yourself. For each weakness or potential threat list at least one step you want to take to improve your abilities.

Students to complete a personal growth plan on how to overcome weaknesses and threats. Refer to page 74 in the Student Book for an example of how to compile a personal growth plan.



Business Plan Task

SB page 76

Compile a SWOT-analysis for your new business idea in your Business Plan Workbook. **Students to complete a SWOT-analysis for their chosen business idea in the Business Plan Workbook.**

It is advisable for students to complete the business SWOT-analysis after the business environments (pages 76-86) have been discussed.

Refer to page 75 of the Student Book as well as pages 76-86 (the business environment).



Activity 3.14

SB page 76

Lethabo and Khay started a delivery service business in the township of Imizamo Yethu. They have two branded scooters that they use for deliveries. Deliveries include anything from groceries, medicine and take-aways to household or electronic items.

They have an online website and people can book a timeslot and describe what it is that needs to be picked up, where it needs to be picked up and where it must be delivered.

Obviously, due to the constraints of using scooters, only a certain size and weight delivery can take place. They started the business during lockdown in 2020 and business since has been thriving.

Compile a SWOT-analysis for Lethabo and Khay's scooter delivery business. **Refer to page 75 of the Student Book. Students to each compile a SWOT-analysis for Lethabo and Khay's business. Student's answers will differ.**

Strengths:	Weaknesses:
No competitors in the immediate area.	Only a certain size and weight of parcels can be accommodated.
Online website with booking service.	Not enough delivery vehicles.
Opportunities:	Threats:
Opportunities to expand to more areas.	Big delivery service companies pose a threat to their business.



Case Study

SB page 76

Refer to The Sneaker Shack case study in Module 2. Compile a SWOT-analysis for Sneaker Shack.

Students to apply the same guidelines of the previous activity (Activity 3.14) to this case study and compile a SWOT-analysis for Sneaker Shack.

The SWOT-analysis exercises are there to help assist students in recognising the difference between strengths and opportunities, and weaknesses and threats.

Refer to page 75 of the Student Book.



Activity 3.15

SB page 82

Below is an alphabetical, but incomplete, list of cultural groups, institutions and events in South Africa.

- Hindus
- Jewish groups
- Kaapse Klopse
- Muslims
- Queen Mojadji – the Rain Queen
- Zionist Christian Church
- Zulu Royal Family

1. Make a list of other large or small cultural groups in South Africa.
2. Identify at least one product or service unique to each group or what they require as part of their religion or during a specific festival.
3. What are the taboos linked to each of these groups or institutions?
4. What conclusions can be drawn from the list you made?

South Africa is country that is infused with multiple cultures. The list provided in the case study should help, but there is no right or wrong answers here.

The purpose of this case study is to teach students (prospective entrepreneurs) to respect cultural groups and take note of certain taboos. If an entrepreneur ignores these taboos it would no doubt hurt his/her business.



Activity 3.16

SB page 84

Smart watches are computerised watches with touch screen capability for everyday use. It is linked to an app on a mobile phone in order to manage the data collected by the watch.

1. What business environment was mostly affected by smart watches?
Technological environment

2. What industries were mostly affected by smart watches? List at least three industries.

- Health
- Fitness
- Food
- Retail

3. How have smart watches changed consumer lives?

Consumers get live, up to date and accurate health information e.g. blood pressure, heart rate, EKG reports, fitness performance, calories burnt, steps taken and even their e-mails and messages on their watches. It has made the consumer much more health conscious and much more aware of daily habits.

This has affected the health and fitness industry, as well as the food industry, with consumers making more informed decisions based on their vital info.



Activity 3.17

SB page 84

Below are a number of media tools useful to small businesses.



1. Identify each icon.

WhatsApp Facebook Instagram Pinterest
SnapScan Yoco

2. Number each one of them and explain how a small business can put them to good use in business.

WhatsApp: One-on-one support to customers. Instant updates can be sent out.

Facebook: Cost-effective marketing for a small business. Connect and interact with existing as well as potential customers. Publish feedback and reviews. Share pictures and videos. Provide customer support. Create brand awareness.

Instagram: Connect and interact with customers and other Instagram users, adding stories, sharing pictures, streaming live videos, using hashtags, sell products via Instagram. Very cost-effective marketing. Create brand awareness. Instagram also provides helpful algorithms to business accounts, informing you of your target audience, pictures that were most liked, interactions, etc.

Pinterest: Every idea on Pinterest is shared as a Pin, which can be saved by users. These Pins can be linked to websites in order to drive web traffic and sales. People also use Pinterest to find more information about products.

- SnapScan:** Provides mobile payment solutions to small businesses (retailer or online), market stalls, or on-the-go business.
- Yoco:** Yoco is a South African financial platform for small businesses. It offers point-of-sale and mobile payment options to small businesses, to help small businesses get paid.
It recently launched a 'standalone' device that does not require Bluetooth or a smart device to enable payments.
Watch: A short video on "What is Yoco"?
https://web.facebook.com/YocoZA/videos/what-is-yoco/1485796051567032/?_rdc=1&_rdr



Business Plan Task

SB page 86

Analyse competitors

The following checklist can be used to analyse your competitors. Try and answer each question as thoroughly as possible:

- What is their unique selling proposition?
- Where do they advertise?
- How frequent are they running promotions?
- How did they price their products?
- What are their return policies?
- What social media platforms are they utilising and how often do they post?
- Do they have a website?

Students to complete a section on competitors; analysing the competition for their chosen business idea. The business SWOT-analysis would have already given some answers as to whom/where the competition is.

This is very important information an entrepreneur should be aware of as it can be an opportunity or threat to his/her business.

Refer to pages 78-79 in the Student Book.



Revision questions

SB page 87

1. Zintle studied business management and is also a qualified nail technician. She's always wanted to combine her studies with that of the beauty industry. She wants to start a nail salon from home. Once the business grows, she wants to rent a space for her nail salon. There are approximately 2000 customers in her area. The average income per annum per customer is R180 000 per annum. Her potential customer spends 3% of her/his yearly income on nail treatments. Zintle believes that she will at least own 20% of the market share in her area when she starts.

- 1.1 Calculate Zintle's potential market share in Rand value. Show all calculations.
Average income per customer per month: $R180\ 000/12 = R15\ 000$ per month

$$R15\ 000 \times 2\ 000 = R30\ 000\ 000$$

$$R30\ 000\ 000 \times 3\% = R900\ 000$$

$$R900\ 000 \times 20\% = R180\ 000$$

Refer to page 58 in the Student Book.

- 1.2 Define Zintle’s potential target market. Refer to the criteria used to describe a target market.

Students' answers will differ. A guideline for the answer is:

Working women, between the ages of 20-45, middle income bracket, located within a 10 km radius from her.

Refer to pages 53-56 in the Student Book.

- 1.3 Compile a SWOT-analysis for her business.

Below is an example of a SWOT-analysis for her business. Students can make their own assumptions in order to compile a SWOT-analysis for her business.

Strengths:	Weaknesses:
<ul style="list-style-type: none"> • Business management qualification as well as a certified nail technician. • Professional service delivered. 	<ul style="list-style-type: none"> • She operates from home with very limited space.
Opportunities:	Threats:
<ul style="list-style-type: none"> • Opportunities to expand/grow her business. 	<ul style="list-style-type: none"> • Many competitors in the area. • Times are tough and having your nails done is a luxury, so people might cut back on spending.

- 1.4 Draw up a short questionnaire that Zintle can give to customers to complete in order to rate her service and salon.

Students to compile a short service questionnaire based on the questionnaire design discussed in this module.

- Remember to have a short introductory sentence.
- Include an ‘ending’ to the questionnaire, e.g. thank you for taking the time to complete the questionnaire.
- Make use of open and closed-ended questions.

Refer to page 65 in the Student Book.

2. Indicate whether the following statements are TRUE or FALSE.

- 2.1 Demographic segmentation refers to the area of residence.

False

- 2.2 The most common instrument for collecting primary data is surveys.

True

- 2.3 Competitive advantage is when a product or a service is more “attractive” to customers than that of its competition.

True

(The look of a product can be a competitive advantage.)

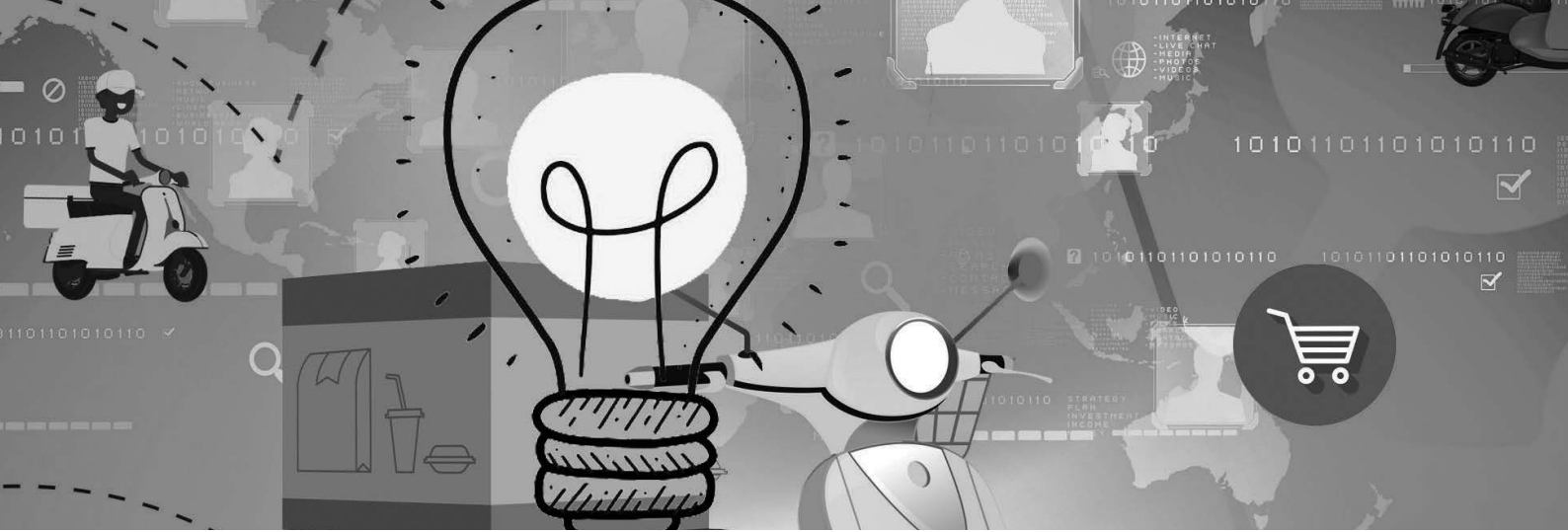
- 2.4 Products can be categorised into three (3) different categories, namely industrial products, consumer products and services.

True

2.5 Information is what is collected and only becomes data once it is reworked and interpreted.
False

3. Which description in Column A matches the concept in column B?

Column A	Column B
3.1 Customers buying patterns is influenced by "who they are"	C. Demographical segmentation
3.2 Customers all live in a particular area	A. Geographical segmentation
3.3 Different customers have different lifestyles	B. Psychographic segmentation
3.4 Customers who prefer a specific type of product.	D. Product segmentation



Module 4

Financial feasibility study



After completing this module, students will be able to:

4. Explain the financial feasibility concepts;
 - 4.1 Explain the financial concepts of a business
 - 4.2 Determine start-up costs for their proposed business;
 - 4.2.1 List assets required; describe and calculate the amount required for the purchase of fixed assets, the methods of financing and the finance charges;
 - 4.2.2 Determine pre-operating costs
 - 4.3 Explain the concepts and name examples;
 - 4.4 Determine the best and worst sales scenarios;
 - 4.4.1 Describe and calculate the gross income per unit for retail, service and manufacturing businesses as applicable to their business plans;
 - 4.4.2 Calculate the number of units produced for a specified goal;
 - 4.4.3 Calculate the break-even point.



Activity 4.1

SB page 95

Lindiwe's scarf business:

1. Lindiwe wants to start selling stylish and modern scarfs at a Saturday craft market. She can buy a scarf for R85 each and she thinks she can sell it for R110.

- 1.1 Calculate the gross profit percentage for scarfs.

Selling price (SP) R110 – Cost price (CP) R85 = Gross profit (GP) R25

$$\begin{aligned} \text{Gross profit \%} &= \frac{\text{GP}}{\text{SP}} \times \frac{100}{1} \\ &= \frac{25}{110} \times \frac{100}{1} \\ &= 22,7\% \end{aligned}$$

- 1.2 What would her mark-up percentage per scarf be?

$$\begin{aligned} \text{Mark-up \%} &= \frac{\text{GP}}{\text{CP}} \times \frac{100}{1} \\ &= \frac{25}{85} \times \frac{100}{1} \\ &= 29,4\% \end{aligned}$$

- 1.3 What would her turnover per month be if she sells 15 per day?

Selling price per scarf:	R110
Number of units sold/day:	15
Turnover per day:	R110 × 15 = R1 650
Saturdays per month:	4
Turnover per month:	R1 650 × 4 = R6 600

2. The turnover of a street vendor selling bunches of flowers is R43 200 per month and the gross profit is R18 000. The monthly fixed costs amount to R7 200. Each bunch of flowers sells for R60. Calculate:

- 2.1 The cost of sales of this flower vendor

Sales less Gross Profit	=	Cost of Sales
Therefore Cost of Sales is:	R43 200 – R18 000	
	=	R25 200

- 2.2 The gross profit percentage of this business

$$\begin{aligned} \text{Gross profit \%} &= \frac{\text{GP}}{\text{SP}} \times \frac{100}{1} \\ &= \frac{R25\ 200}{R43\ 200} \times \frac{100}{1} \\ &= 58,3\% \end{aligned}$$

2.3 The net profit percentage

$$\begin{aligned} \text{Net Profit (NP)} &= \text{GP} - \text{Fixed Costs (FC)} \\ &= \text{R18 000} - \text{R7 200} \\ &= \text{R10 800} \end{aligned}$$

$$\begin{aligned} \text{Net profit \%: } \frac{\text{NP}}{\text{SP}} \times \frac{100}{1} \\ &= \frac{10\,800}{43\,200} \times \frac{100}{1} \\ &= 25\% \end{aligned}$$

2.4 The cost of each bunch of flowers to the vendor

$$\begin{aligned} \text{Selling Price: } &\text{R60} \\ \text{Total sold: } &\text{R43 200} \div \text{R60 (Selling Price)} \\ &= 720 \text{ bunches sold} \end{aligned}$$

$$\begin{aligned} \text{Cost per bunch: } \frac{\text{Cost of sales}}{\text{Total sold}} \\ &= \frac{\text{R25 200}}{720} \\ &= \text{R35} \end{aligned}$$

2.5 The percentage mark-up.

$$\begin{aligned} \text{Mark-up \%: } \frac{\text{GP}}{\text{COS}} \times \frac{100}{1} \\ &= \frac{\text{R18 000}}{\text{R25 200}} \times \frac{100}{1} \\ &= 71.43\% \end{aligned}$$



Activity 4.2

SB page 99

The Tackle Shop

The Tackle shop's budgeted sales are R500 000 per month. They focus on selling specialised fishing rods, fishing lines, sinkers, hooks, spinners, fishing nets, etc. The bestselling item is the fishing rods. A fishing rod costs R300 and they sell it for R550.

* For the purpose of this exercise, we will focus on the fishing rods only.

The various costs of the business are as follows:

Budgeted costs:	Fixed	Variable
Materials		R90 000
Sales commission		R100 000
Factory rent	R30 000	
Admin expenses	R60 000	
Distribution		R50 000
Salaries	R70 000	
Office rent	<u>R50 000</u>	-----
Totals:	?	?

1. Calculate the total fixed costs and variable costs respectively.

$$\text{Fixed costs} = \text{R}210\ 000$$

$$\text{Variable costs} = \text{R}240\ 000$$

2. Calculate the GP% as well as the NP% for fishing rods.

$$\text{Gross Profit per unit:} = \text{Selling Price} - \text{Cost of Sales}$$

$$= \text{R}550 - \text{R}300$$

$$= \text{R}250$$

$$\text{Gross Profit \%} = \frac{\text{GP}}{\text{SP}} \times \frac{100}{1}$$

$$= \frac{\text{R}250}{\text{R}550} \times \frac{100}{1}$$

$$= 45.5\%$$

$$\text{Net Profit for 1000 rods:} = \text{Gross Profit} - \text{fixed cost}$$

$$= \text{R}250\ 000 - \text{R}210\ 000$$

$$= \text{R}40\ 000$$

$$\text{Net Profit \%} = \frac{\text{NP}}{\text{SP}} \times \frac{100}{1}$$

$$= \frac{\text{R}40\ 000}{\text{R}550\ 000} \times \frac{100}{1}$$

$$= 7.3\%$$

3. What is The Tackle Shop's break-even point in Rands for fishing rods?

$$1. \text{ Break-even point per unit:} = \frac{\text{Fixed Costs}}{\text{Gross Profit per unit}}$$

$$= \frac{\text{R}210\ 000}{\text{R}250}$$

$$= 840 \text{ units}$$

$$2. \text{ Break-even in Rands:} = \frac{\text{Fixed Costs}}{\text{Gross Profit \%}}$$

$$= \frac{\text{R}210\ 000}{45.5\%}$$

$$= \text{R}461,54$$



Activity 4.3

SB page 100

Fatimah's pineapple den

Fatimah plans to open a fresh pineapple den selling sliced pineapples dipped in different types of Masala. She worked out that a pineapple slice including the spices and the sticks will cost her R1.50. Her fixed costs (monthly) are the following:

Stall rental	R200
Salary	R2 000
Transport	R100
Miscellaneous	R100

She plans to sell the pineapple slices for R5.

Calculate:

1. Break-even turnover (R)

$$\begin{aligned} \text{Gross Profit/unit} &= \text{Selling Price} - \text{Variable Costs} \\ &= \text{R}5 - \text{R}1,50 \\ &= \text{R}3,50 \end{aligned}$$

$$\begin{aligned} \text{Gross profit\%} &= \frac{\text{GP}}{\text{SP}} \times \frac{100}{1} \\ &= \frac{\text{R}3,50}{\text{R}5} \times \frac{100}{1} \\ &= 70\% \end{aligned}$$

$$\begin{aligned} \text{Break-even for sales:} &= \frac{\text{Fixed Costs}}{\text{Gross Profit \%}} \\ &= \frac{\text{R}2\,400}{70\%} \\ &= \text{R}3\,428,57 \end{aligned}$$

2. Break-even units

$$\begin{aligned} \text{Break-even (units)} &= \frac{\text{Fixed Costs}}{\text{Gross Profit/Unit}} \\ &= \frac{2\,400}{3,50} \\ &= 685,71 \end{aligned}$$

3. Break-even point (R) if she wants to make R1000 profit on top of her salary
Break-even Rand, with a profit target

$$\begin{aligned} \text{Break-even for sales:} &= \frac{\text{Fixed Costs} + \text{Profit}}{\text{Gross Profit \%}} \\ &= \frac{\text{R}2\,400 + \text{R}1\,000}{70\%} \\ &= \text{R}4\,857,14 \end{aligned}$$



Activity 4.4

SB page 105

Use the information of The Tackle Company in Activity 4.3 on page 100, and draw a graph to determine the following:

- Break-even turnover (R)
- Break-even units
- Break-even point (R) if they decide to increase salaries to R84 000 per month.

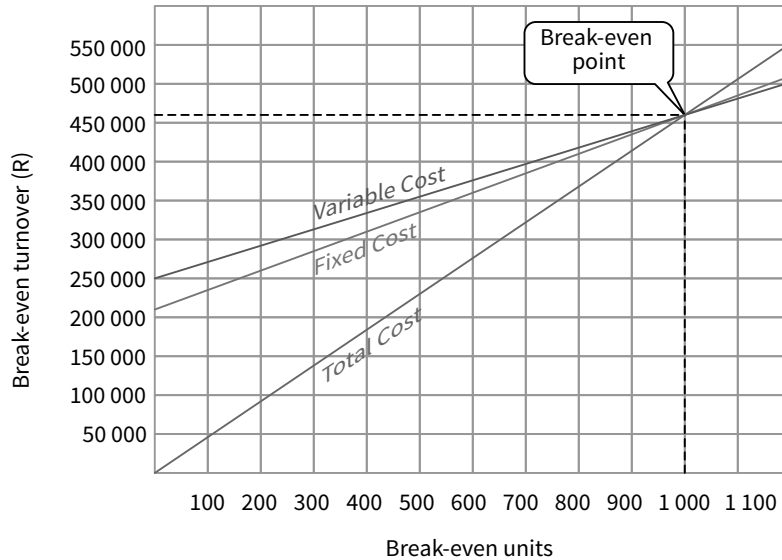
1. Fixed cost line AB: R210 000

2. Total cost line calculation AC:

$$\begin{aligned} \text{Variable costs for 1 000 Rods} &= \text{R}250 \times 1\,000 \\ &= \text{R}250\,000 \\ \text{Total Costs} &= \text{Variable Cost} + \text{Fixed Costs} \\ &= \text{R}250\,000 + \text{R}210\,000 \\ &= \text{R}460\,000 \end{aligned}$$

3. Income line DE: We used 1 000 rods
 Thus: $1\ 000 \times R550 = R550\ 000$

If salaries change to R84 000, then the fixed cost line will move to R224 000.



Activity 4.5

SB page 106

- Luna, a second-year financial management student, wants to start an online tutoring business, teaching Maths and Accounting to Grade 8 and Grade 9 learners. Make a list of fixed assets that Luna will need.

An office/meeting room

Laptop or computer

A backdrop banner for video conferencing/video calls

Desk

Chair

- Evelyn wants to start a medical courier service company. Such a company will be responsible for couriating items such as lab specimens, medicine and medical equipment. The healthcare industry is expanding at a rapid rate, making this type of business a great opportunity. She wants to employ three drivers, including her. Make a list of Evelyn's fixed assets.

Three vehicles to be used for deliveries

Laptop/computer

Students might also add an office room/small storage facility

Desk

Chair

- This is a small business that can be started from home. A storage facility is optional depending on the size of the business.



Business Plan Task

SB page 106

1. Make a list of all the fixed asset requirements for your business and include this list in your Business Plan Workbook.
2. Calculate the amount required for the purchase of fixed assets.
 - Students must create a list of fixed asset requirements for the business. Include the list in the Business Plan Workbook.
 - Students must calculate the amount required for the purchase of the fixed assets and include that in the Business Plan Workbook as well.

Refer to page 106 in the Student Book. The list for each business will vary according to the type of business. The size of the business will also influence the specific business.



Activity 4.6

SB page 109

Refer to the previous activity of Luna (online tutoring) and Evelyn (medical courier service). Make a list of pre-operating costs for Luna as well as Evelyn's business.

Luna (online tutoring):

- Internet service provider fees
- Stationery
- Software programmes for laptop (accounting software package)
- Any other opening fees such as Facebook advertising

Evelyn (medical courier service):

- Branded outfits for the three drivers
- Stationery e.g. files, pens, paper, printer, ink for printer, etc.
- Packaging material e.g. boxes, plastic tape to seal boxes, carrier bags, etc.
- Whatsapp for business use
- Optional: Telephone installation (most small businesses operate by using a mobile phone)

Refer to page 109 in the Student Book.



Business Plan Task

SB page 109

Make a list of all your start-up requirements for your business in your Business Plan Workbook.

Students to complete this section in the Business Plan Workbook for their chosen business.



Activity 4.7

SB page 110

Add your own examples to the following table:

Fixed costs	Variable costs
Rent	Raw materials
Salaries	Petrol for transporting goods
Electricity (unless you manufacture)	
1.	1.
2.	2.
3.	3.
4.	4.

Student's answers will all vary.

Below are examples of fixed costs:

- Loan payments
- Insurance premiums
- Rental lease/property taxes
- Interest payments
- Phone bills
- Depreciation
- Equipment rental (e.g. photocopying & printing machine for admin purposes)

Below are examples of variable costs:

- Advertising/publicity
- Sales commissions
- Wages
- Packaging

*Variable costs depend on the type of business.

Students can make use of the Internet to find examples of fixed and variable costs.



Business Plan Task

SB page 111

1. Make a list of all the potential fixed costs for your proposed new business. Speak to other small business owners and people with experience to ask advice on what your possible costs will be. For example, one of your costs will possibly be a monthly telephone account. You need to calculate estimates for all your fixed costs. **Fixed costs are those costs that remain more or less the same every month irrespective of the level of business activity. These are the costs that have to be paid every month. In other words, fixed costs are not affected if for example sales go up or down. The student needs to be able to identify his/her future business's fixed costs.**

By speaking to business owners students should be able to get a clearer understanding of what kind of fixed costs they will have to deal with when they have their own businesses.

2. Make a list of all the variable costs for your particular business.
The list provided needs to be specific to the type of business that is envisaged. This exercise will help the student to have a clearer understanding of the difference between fixed costs and variable costs.
3. Look up potential suppliers for your business and make a list of them. It will be helpful if you can get prices/quotes from them for your estimates.
By making contact before the time with potential suppliers the student will become familiar with the supply chain and the different suppliers who are required to be in place to sell their products.



Activity 4.8

SB page 114

1. Complete the worst-case sales scenario if this business only achieves a 40% market share.
Answers are shown in the table.

Best Sales Scenario		Worst Sales Scenario	
Market potential/day (*18 500 24) (doesn't make sense)	771	Market potential/day	771
Potential market share (60% of 771)	463,60	Potential market share (40% of 771)	308,40
Supplier discount (5% of R22)	R1,10	Supplier discount (5% of R22)	R1,10
Daily Figures:		Daily Figures:	
Units sold per day	463	Units sold per day	308
Price per unit	R55	Price per unit	R55
Cost price per unit	R20,90	Cost price per unit	R20,90
Daily Sales (463 × R55)	R25 465	Daily Sales (308 × R55)	R16 940
Less Total Daily costs (R20,90 × 463)	R9 676	Less Total Daily costs (R20,90 × 308)	R6 437
= Gross profit per day	R15 788,30	= Gross profit per day	R10 503
Monthly figures:		Monthly figures:	
Days open per month*	24	Days open per month	24
Total Monthly sales (R25 465 × 24)	R611 160	Total Monthly sales (R16 940 × 24)	R406 560
Less Monthly unit cost R20,90 × 24	R232 240,80	Less Monthly unit cost R6 437 × 24	R154 488
= Monthly Gross Profit	R378 919	= Monthly Gross Profit	R252 072

* Number of business days per month should be given; if not, use 24 **days**.

2. If this business is not paying cash for its purchases, by how much (R) will the best sales scenario be affected?

Best case Scenario:

Units sold per day: 463

Sales per month: 463 × 24 = 11 126,40

Discount amount per unit: R1,10

Total discount lost because business is buying on credit:

11 126,40 units × R1,10 = R12 239,04



Business Plan Task

SB page 114

Complete a sales forecast for your business keeping the following in consideration.

- Break-even point
- Competition

Students need to familiarise themselves with the calculations for “best” and “worst case” scenarios. After completion of Activity 4.7 the students should now be able to complete a sales scenario for their own business plan. This activity will help make the student aware of two types of business scenarios. Often businesses only look at the best sales scenario but do not take into consideration the fact that matters don’t always go to plan. Doing a worst-case scenario could help avoid business failure.

Students to complete this section in the Business Plan Workbook.



Activity 4.9

SB page 114

Piet is the owner of a bicycle shop. He decided to maintain a mark-up policy of 20% on all his bicycles. He buys a bicycle for R4 800 and pays R700 transport costs.

- What will his selling price be?
- What will his gross profit percentage be?

Information given: Cost of sales: R4 800 + R700 = R5 500
Mark-up % : 20%

Mark-up calculation

$$\begin{aligned} 20\% \text{ of Cost of sales is: } & \frac{20\%}{100\%} \times \frac{R5\ 500}{1} \\ & = R1\ 100 \end{aligned}$$

$$\begin{aligned} \text{Sales (SP)} & = \text{Cost of Sales} + \text{Mark-up} \\ & = R5\ 500 + R1\ 100 \\ & = R6\ 600 \end{aligned}$$

$$\text{A simple method is: } R5\ 500 \times 120\% = R6\ 600$$

$$\begin{aligned} \text{Gross Profit} & = \text{Sales (SP)} - \text{Cost of Sales (CP)} \\ & = R6\ 600 - R5\ 500 \\ & = R1\ 100 \end{aligned}$$

$$\begin{aligned} \text{Gross Profit \%} & \frac{GP}{SP} \times \frac{100}{1} \\ & \frac{1\ 100}{6\ 600} \times \frac{100}{1} \\ & = 16,67\% \end{aligned}$$



Activity 4.10

SB page 114

Monica lives in Khayelisha, Cape Town. Her husband, Thabo, lost his job and he was paid out some money. They have decided to use this money to start a business selling raw chicken from their house. They will call their new business, “Tshisa Nyama”.

A good friend of theirs has a chicken farm and he can supply chickens at a good price. They have managed to get two deep freeze fridges to keep the meat fresh. To make this business plan complete, they need to determine the start-up costs of the business.

Monica provides you with the following information:

Wages	R	500
Container	R	2 500
Bucket	R	200
Cell phone	R	250
Advertising	R	150
Water and electricity	R	500
Umbrella	R	80
Cost of buying stock (opening stock)	R	1 800
Cash on hand	R	15 000
Packaging	R	60
Display stand	R	95
Fridges	R	2 500
Transport	R	400

Determine their start-up costs by using the information provided.

The start-up cost for a business consists of both fixed costs and pre-operating costs. The start-up costs are in bold. The rest will occur regularly.

Monica provides you with the following information:

Wages	R500
Container	R2 500
Bucket	R200
Cell phone	R250
Advertising	R150
Water and electricity	R500
Cooler box	R150
Umbrella	R80
Cost of buying stock (opening stock)	R1 800
Cash on hand	R15 000
Packaging	R60
Display stand	R95
Fridges	R2500
Transport	<u>R400</u>
	R24 185

Total Start-up costs are: R7 635
(Start-up costs are in Bold)



Revision questions

SB page 115

1. You intend supplying stationery files to a stationery business. Your projected sales figure for the year is 15 000 files. The files cost you R150 000. These files make up 40% of your sales and your selling price is R20 each. Your budgeted operating expenses for the year are: Telephone R4 000, Advertising R1 000, Stationery R500, Rental R36 000, other running expenses R3 000.

Information given:

Selling price/file: R20

Sales (Income): 15 000 units × R20
= R300 000

Cost of Sales (files): R150 000

R300 000 from the sale of files amounts to 40% of total sales.

This implies that other “Stationery” contributes to 60% of total sales.

Although this was not directly asked, it would be helpful to calculate the total sales of this business.

$$\begin{aligned} \text{Total Sales} &= \frac{100\%}{40\%} \times \frac{R300\,000}{1} \\ &= R750\,000 \end{aligned}$$

NB. The above amounts are projected sales and not actual sales.

- 1.1 Calculate the variable costs and fixed costs.

Fixed cost = R44 500

It is not 100% clear what is meant by “other running expenses of R3 000” but it can be assumed it is “on-going” meaning they will be incurred every month and therefore they are a fixed cost.

Variable cost: Files = R150 000

The variable costs for the Stationery section, which is 60% of the business, were not given or requested.

- 1.2 Calculate the variable cost per file.

Variable cost of files: R150 000
Number of files: 15 000
Cost per file: R150 000 ÷ 15 000 = R10

- 1.3 Calculate the gross profit percentage.

Gross Profit = SP – CP
= R300 000 – R150 000
= R150 000

$$\begin{aligned} \text{Gross Profit \%} &= \frac{\text{GP}}{\text{SP}} \times \frac{100}{1} \\ &= \frac{\text{R}150\,000}{\text{R}300\,000} \times \frac{100}{1} \\ &= 50\% \end{aligned}$$

$$\begin{aligned} \text{Gross Profit per unit} &= \text{SP} - \text{CP} \\ &= \text{R}20 - \text{R}10 \\ &= \text{R}10 \end{aligned}$$

- 1.4 Calculate the break-even units if you want to achieve a profit of R50 000. This question is not as straightforward as it appears at first glance. File sales contribute towards 40% of total sales. Stationery makes up the rest – which is 60%. Therefore, when calculating the break-even point for files, only 40% of the fixed costs should be allocated to “files”. “Stationery” should cover 60% of the fixed costs.

$$\text{Fixed costs allocated to files: } \text{R}44\,500 \times 40\% = \text{R}17\,800$$

$$\begin{aligned} \text{Break-even (units)} &= \frac{\text{FC} + \text{R}50\,000}{\text{GP per unit}} = \frac{\text{R}17\,800 + \text{R}50\,000}{\text{R}10} \\ &= 6\,780 \text{ units} \end{aligned}$$

However:

This question is generally quite difficult for students and specifically as an examination question. We would therefore suggest that if an assumption was made that the R44 500 fixed costs are all related to files, then students should get the benefit of the doubt. It could still be an interesting discussion point in the class though.

Revised calculation:

$$\text{Fixed costs allocated to files: } \text{R}44\,500$$

$$\begin{aligned} \text{Break-even (units)} &= \frac{\text{FC} + \text{R}50\,000}{\text{GP per unit}} = \frac{\text{R}44\,500 + \text{R}50\,000}{\text{R}10} \\ &= 9\,450 \text{ units} \end{aligned}$$

- 1.5 Use the information and construct a graphical representation of the break-even point.

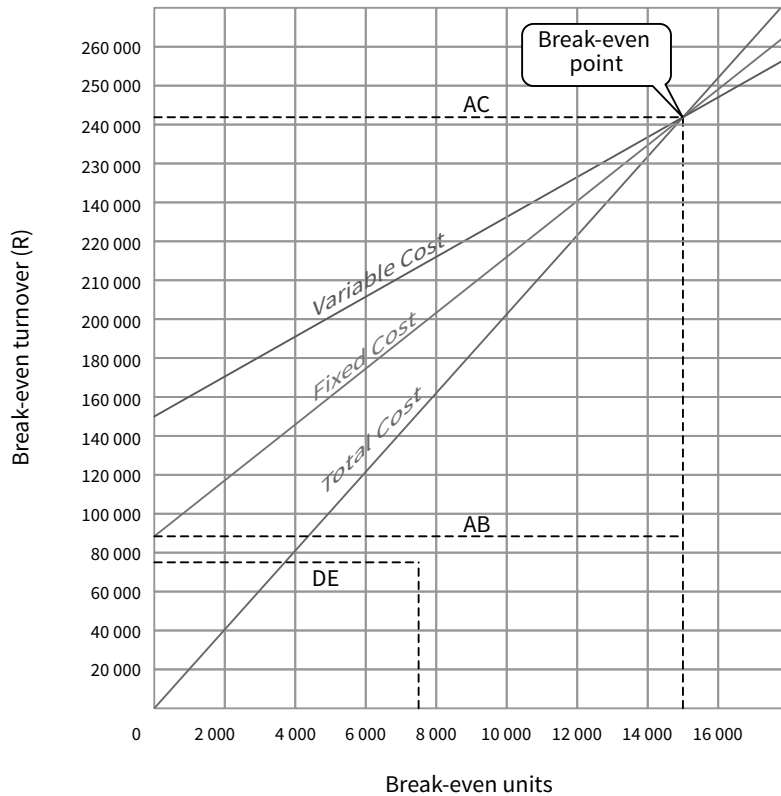
1) Fixed cost line AB: $\text{R}94\,500$

2) Total cost line calculation AC:

$$\begin{aligned} \text{Variable costs for 15 000 files} &= \text{R}10 \times 15\,000 \\ &= \text{R}150\,000 \end{aligned}$$

$$\begin{aligned} \text{Total Costs (Files)} &= \text{Variable Cost} + \text{Fixed Costs} \\ &= \text{R}150\,000 + \text{R}94\,500 \\ &= \text{R}244\,500 \end{aligned}$$

c) Income line DE: $7\,500$ units are used
Thus $7\,500 \times \text{R}10 = \text{R}75\,000$



1.6 What is the breakeven-point in units (files)?

It is assumed this calculation is to determine break-even point in units without a profit motive.

$$\begin{aligned} \text{Break-even (units)} &= \frac{\text{Fixed Costs}}{\text{Gross Profit per Unit}} = \frac{\text{R}17\,800}{\text{R}10} \\ &= 1\,780 \text{ units} \end{aligned}$$

If the view is that Files should cover all the fixed costs the calculation is as follows:

$$\begin{aligned} \text{Break-even (units)} &= \frac{\text{Fixed Costs}}{\text{Gross Profit per Unit}} = \frac{\text{R}44\,500}{\text{R}10} \\ &= 4\,450 \text{ units} \end{aligned}$$

- You have a clothing business at your local flea market, Layla's Clothing. You sell clothing items for children and your two main products are onesies and takkies. The cost price for the onesies and takkies amounts to R40.00 and R60.00 respectively. You sell the onesies for R90.00 and the takkies for R100.00. Contribution to total sales of the onesies are 70% and 30% for the takkies. The fixed costs and variable costs per month amounts to R1200 and R1800 respectively.

2.1 Calculate the gross profit and gross profit percentage.

	Onesies	Takkies
Selling price	R90	R100
Cost price	R40	R60
Gross Profit	R50	R40
	$\frac{GP}{SP} = \frac{100}{1}$	$\frac{GP}{SP} = \frac{100}{1}$
	$= \frac{R50}{R90} = \frac{100}{1}$	$\frac{R40}{R100} = \frac{100}{1}$
	= 55,6%	= 40%

2.2 Calculate the weighted average gross profit percentage

	Sales	GP	WA GPP
Onesies	70%	55,6%	38,92%
Takkies	30%	40%	12%
			50.92%

2.3 Calculate the break-even turnover if you want to achieve a profit of R5 000 per month.

$$\begin{aligned}
 \text{Break-even (Rand):} &= \frac{\text{Fixed Costs} + \text{Profit}}{\text{WAGPP}\%} \\
 &= \frac{\text{R1 200} + \text{R5 000}}{50.92\%} \\
 &= \text{R12 175,96}
 \end{aligned}$$

Note:

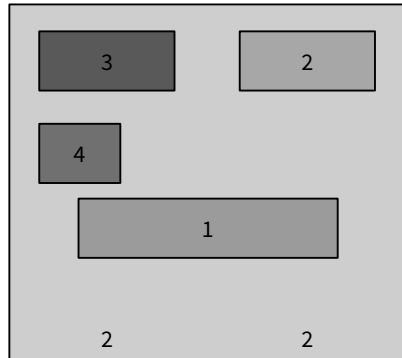
A variable cost amount of R1 800 is mentioned in the question. This amount should ideally be divided 70 : 30 and added to the "Cost of Sales" of Onesies and Takkies respectively. However, the number of sales units for Onesies and Takkies are not provided making it impossible to do such a calculation. The only other option is to add these so-called "variable costs" to fixed costs and re-do the calculation.

$$\begin{aligned}
 \text{The answer:} &= \frac{\text{Fixed Costs} + \text{Profit}}{\text{WAGPP}\%} \\
 &= \frac{(\text{R1 200} + \text{R1 800}) + \text{R5 000}}{50.92\%} \\
 &= \text{R15 710.92}
 \end{aligned}$$

- 2.4 Describe and indicate a floor plan or layout of this business.
Note, you are selling onesies and takkies at a flea-market.

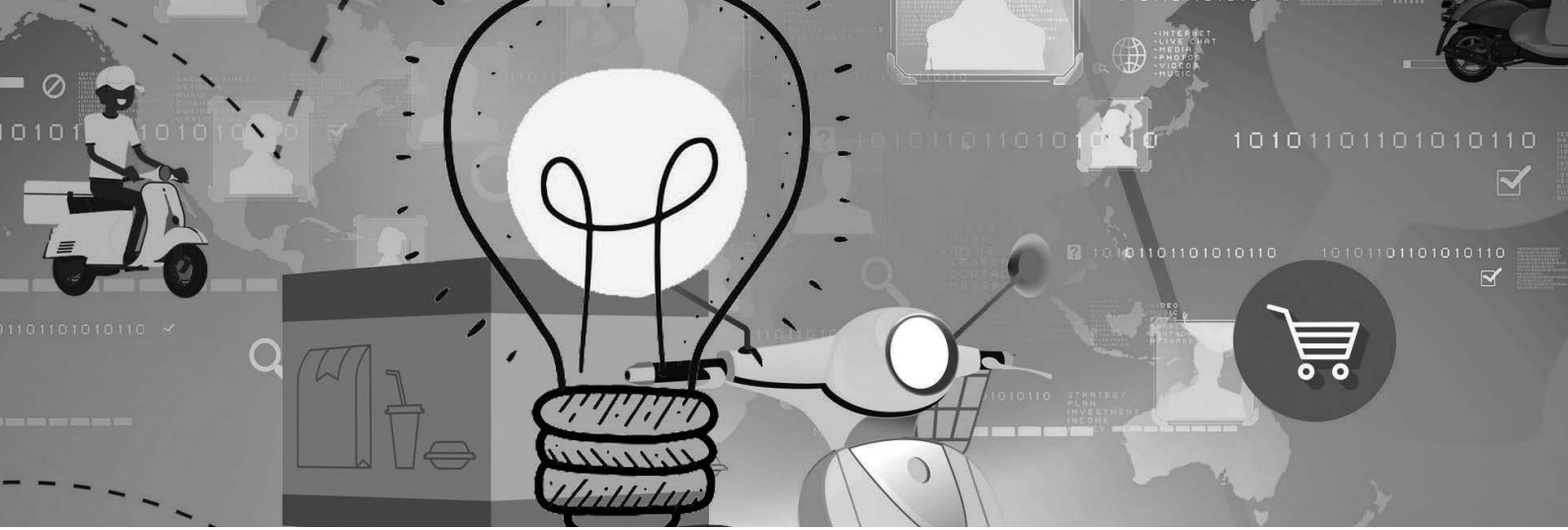
The floor plan is discussed in Module 7.

An example of a typical floor plan at a flea market can look as follows:



1. Table with Onesies and Takkies
2. Onesies hanging on a rail.
3. Boxes with extra stock.
4. Chair

3. Give one word for the following phrases.
- 3.1 Something that your business has if it is unique and which your competitors don't have.
Competitive advantage
 - 3.2 When a business is neither making a profit nor a loss, then the business is?
Breaking even
 - 3.3 The costs a business needs to incur before it is open for business to generate an income.
Start-up costs
 - 3.4 Establish the size and number of customers in an area.
Market potential
 - 3.5 Taking a positive and a negative view of the potential future sales of a business.
Sales scenario (best and worst)
 - 3.6 The gross profit percentage for more than one product.
WAGPP
 - 3.7 The profit after all fixed costs were deducted as well.
Net profit
 - 3.8 The turnover of a business.
Sales/Income
 - 3.9 Prediction of how many products a business will sell over a particular period of time expressed.
Sales forecast
 - 3.10 The items you need in your business to rather use them to generate business.
Fixed assets



Module 5

Introduction to the business plan



After completing this module, students will be able to:

5. Describe the reasons for doing a business plan;
 - 5.1 Name the elements of a business plan;
 - 5.1.1 Describe the content; complete the cover sheet;
 - 5.1.2 Complete the executive summary; indicate the financial institution feasibility plan in brief overview;
 - 5.1.3 Describe the content; complete the description;
 - 5.1.4 Describe the content; complete marketing plan;
 - 5.1.5 Describe the content; complete the management plan;
 - 5.1.6 Describe the content; complete the financial plan;
 - 5.1.7 Describe the content; complete the supporting materials for your business plan;
 - 5.2 Know where to find assistance for the prescribed items;
 - 5.3 Name and describe the simple rules in selecting a name for a business; select a suitable name for their proposed business;
 - 5.4 Present the business plan orally;
 - 5.4.1 Complete a checklist for written business plan;
 - 5.5 Task: Students must complete the cover sheet and description of the business, as well as the relevant sections of the marketing, management and financial plans from the information gathered on the feasibility studies – Obtain a mark for this task which will contribute to the practical mark for the semester.



Activity 5.1

SB page 123

Read through the following common mistakes made when compiling a business plan:

- Unrealistic financial projections
- Not defining the target market
- Over-hype of your idea
- Bad research
- No focus on competition
- Hiding your weaknesses
- Not knowing your distribution channels
- Including too much information
- Being inconsistent
- One writer, one reader (reading over spelling and grammatical errors – give the business plan to a few people to read and review)

Students must read through the list of common mistakes made when compiling a business plan. They must make sure to avoid these mistakes when compiling their own business plan.



Activity 5.2

SB page 123

Read an excerpt from an article published by Business Tech on how the Coronavirus lockdown has forced many businesses to close.

Lockdown forced nearly half of small businesses in South Africa to close: study

Financial services company Finfind has published a new report showing how Small, Medium and Micro Enterprises (SMMEs) bore the brunt of the country's coronavirus lockdown.

The study, which was published in collaboration with the Department of Small Business Development and a number of business groups, is based on a survey of 1,489 businesses across every major sector.

The data shows that in the first five months of lockdown, 76.2% of businesses surveyed experienced a significant decrease in revenue.

35.2% had cash reserves saved, and of these, 62.6% thought their cash reserves would last between one and three months. However, only 29.2% of businesses were confident they could pay expenses the following month.

Existing debt, lack of cash reserves, outdated financials, no access to relief funding, and an inability to operate during the lockdown, **forced the closure of 42.7% of small businesses.**

Surprisingly, only 47.9% of businesses that closed had applied for Covid-19 relief funding. However, virtually all (99.9%) of these funding applications were rejected, Finfind said.

While the outlook for the future is largely uncertain for SMMEs, 76.7% of the business owners who were able to remain open, are optimistic about being able to survive in 2021.

Only 32%, however, believe that they will be able to create new jobs – a significant alarm bell during an unprecedented unemployment crisis, Finfind said.

Going forward, the common thread among the businesses surveyed is that funding and ‘going digital’ are major priorities, Finfind said.

“In the wake of 2020, the coming year will likely be a rocky road for most South Africans, but there is still some optimism from entrepreneurs, who courageously continue to build this vital business sector.”

To read the full article, go to <https://businesstech.co.za/news/business/455100/lockdown-forced-nearly-half-of-small-businesses-in-south-africa-to-close-study/>

Students must read the thought-provoking article on how the Corona virus has forced so many small businesses in South Africa to close. This can be an interesting discussion in class.



Business Plan Task

SB page 124

Complete the following sections of their business plan:

- Cover sheet
- Description of business
- Complete all relevant sections of the marketing, management, production and financial plans from the information gathered from the feasibility study.

This task aims to “kick start” students to start working on their business plans, that is if they have not already done so. By now they have sufficient insight to make a start. The Business Plan Workbook was developed to guide students to complete a very simple business plan successfully. A workbook is useful since not all students have access to a computer to type their own business plan. On a practical note – allow students to write with a pencil first. They often change their minds and can then easily erase their previous thoughts. Once they are done and happy they may overwrite the plan in pen and make their workbooks look attractive.



Activity 5.3

SB page 125

The article below lists some of the pitfalls with which new entrepreneurs have to deal – watch out for them. Planning is last on the list, but needs to be done first. The next section is your first step in this planning process.

The first five years are the hardest – expert warns the new entrepreneurs

Business Staff

JUST started a new business? The first five years are the hardest: statistics show that 60 percent of the small to medium businesses started this year will fail in the next five years.

And a particularly dangerous time for a business is after the first 18 months, says Rod Cusens of First National Bank.

“The entrepreneur has worked hard, put in a lot of effort for 18 months and finally sees his business doing well. But that’s when complacency sets in – the owner withdraws from the business and hires part-time employees who are not familiar with the product being sold and which, in turn, affects the service level,” says Mr Cusens.

Things to watch, he says, include:

- Cashflow – running out of cash is the major reason for businesses going under.
- Operating expenses – if expenses increase faster than sales, sooner or later profits vanish.
- Marketing and sales – people who are technically minded often find it difficult to market and sell their product. “If you don’t have the necessary marketing skills, it’s important that you either acquire the skills or employ someone who has them,” says Mr Cusens.
- Personal resolve – people often start their own businesses without sufficient consideration to the

consequences, believing that the only barrier between themselves and success is a shortage of capital.

- Incorrect focus – often referred to as “the favourite child syndrome”. The entrepreneur focusses on issues he or she likes rather than on the important ones, resulting in a glossing-over of key elements.
- Management – a good maxim is: “Don’t do – delegate,” says Mr Cusens. As the business grows the entrepreneur doesn’t have time to do everything and has to learn to rely on others.
- Planning – starting and staying in business means identifying, prioritising and organising numerous activities simultaneously.

Given the above, one can conclude that compiling a business plan is not a quick and easy process. It requires a lot of research and planning. However, as was pointed out earlier, if you know where you are going, the chances of getting there are a great deal better.

Activity 5.3 is an interesting article for students to read, mentioning the pitfalls which entrepreneurs have to deal with. This activity points out to students that it is not an easy process to compile a business plan.



Activity 5.4

SB page 130

The Power of Branding

As mentioned, branding is important when deciding on a name for your business. You want something iconic and easily recognisable. All brands started out by choosing a name. Which brands do you identify with the following symbols?



The Power of Branding

This is a fun activity for students to see how powerful a brand (symbol of a brand) can be.

The brands are:

- Nike
- McDonalds
- Starbucks
- Apple
- Shell
- USN
- Instagram
- Essence
- Capitec



Activity 5.5

SB page 131

Complete the following checklist to ensure your business plan is complete:

Design and complete a cover page containing your name, student number and business name	
Design and attach business card to cover page	
1. Background information <ul style="list-style-type: none"> • Executive Summary of Business • Personal Information of Owner • Personal Goals • Personal Monthly expenditure • Self Analysis 	
2. Description of business <ul style="list-style-type: none"> • A Detailed Description • Type of ownership • SWOT Analysis • Potential and goals of Proposed Business 	
3. Marketing Plan <ul style="list-style-type: none"> • Target Market (Customer Profile) • Market Research (Questionnaire, Market Potential, Competitor's Analysis) • Promotional Strategy (Advertisement, Advertising Plan) 	
4. Financial Plan <ul style="list-style-type: none"> • Pricing Strategy (the manufacturer, the tradesperson, the Serviceman) • Break-even Point • Best and Worst Sales Scenario • Income Statement • Projected Cash Flow Statement 	
5. Management Plan <ul style="list-style-type: none"> • Labour Requirements • Business Layout (Floorplan) • List of Suppliers (Machinery, Office Equipment) 	
6. Motivation and Conclusion	
7. Appendix (e.g. list of fixed assets requirements, list of start-up requirements, description of how you are going to produce/manufacture your product, description of administration requirements for your business, legal documentation, licenses, etc.)	

Students must complete the checklist provided as they complete the various sections in the Business Plan Workbook in order to make sure they have covered all the aspects of the business plan.



Activity 5.6

SB page 131

Formally present your business plan to your lecturer and class in the form of an oral presentation. You may add PowerPoint slides to visually explain important information. Each student will get the opportunity to formally present his/her business plan to the class. This will give each student the chance to get a feel for what it is like 'pitching' a business idea to possible investors, business partners, etc.



Module 6

Marketing plan



After completing this module, students will be able to:

6. Name, represent schematically and explain the elements of the marketing mix;
 - 6.1 Identify the nature of your product/service and summarise its characteristics;
 - 6.1.1 Explain the importance of packaging and packaging strategies; name and describe types of packaging and labelling strategies; choose packaging strategy for their own product where applicable;
 - 6.2 Describe the importance of pricing;
 - (i) Name and explain the pricing techniques;
 - (ii) Explain and calculate with the aid of examples the different classifications of cost with reference to the quantities sold; apply relevant pricing technique for retail, service or manufacturing business to their own business;
 - (iii) Explain and calculate a mark-up for their business;
 - 6.3 Explain concept promotion;
 - 6.3.1 Name and describe promotional advertising for an immediate sale, as opposed to advertising for goodwill and to improve image;
 - 6.3.2 Name and explain how the advertising media can be utilised, and their advantages and disadvantages by using examples;
 - 6.3.3 Name explain the principles in creating advertising messages, the characteristics of effective advertisements, how to measure the results, how to construct an advertisement; develop an advertising plan for their proposed business; practically apply these concepts in the classroom as well as developing and advertisement for their proposed business;
 - 6.3.4 Name and describe the factors to bear in mind when establishing how much to invest in advertising; name and describe the use of public relations;
 - 6.3.5 Name and describe promotional efforts to “hook” customers;

continued...

- 6.3.6 Describe the concept personal selling and explain what knowledge is essential; describe how sales skills can be developed and explain the different steps in a personal sales transaction; name and describe the contents of a sales letter with examples, name and describe dealing with customer complaint; list ideas and advise about customer service;
- 6.3.7 Describe the technique to increase turnover of slow-moving goods;
- 6.3.8 Name and explain the various forms of guarantees/warranties;
- 6.4 Explain the concept place;
 - 6.4.1 Explain the concept of locality; describe that factors having a bearing on the locality of a business with reference to the market and availability of suitable premises;
 - 6.4.2 Describe and illustrate the layout of a small business with reference to directives;
- 6.5 Complete the marketing plan for the proposed business plan.



Activity 6.1

SB page 137

Divide into groups of 3-4 people. Identify the features and benefits of the following products/services:

- WhatsApp
- Re-useable bamboo coffee mug
- Dishwashing liquid

Different customers will view the benefits of a product differently. They will all see the same features, but they will buy it for different reasons (benefits). For example, if two customers buy the same pair of running shoes, one will buy the bright reflective colour as he/she is concerned about safety. The other customer will look at the same colour feature and see it as very fashionable and buy them to wear socially.

By comparing the three products, the different groups will identify even more features and benefits. The features of the different groups should be more or less the same. But the benefits could vary. Remember, a good salesperson will point out the features, but will then tell the customer how he or she can benefit from this feature.

Product	Features	Benefits
WhatsApp	Payments options, view once feature, group calls, QR codes.	Works on any phone, send messages for free, free international messaging, easy to use.
Re-useable bamboo coffee mug	Beautiful designs, made from bamboo, recyclable, comes in different sizes.	Re-usable, water tight, heat resistant, dishwasher safe.
Dishwashing liquid	Bright colour liquid in re-useable plastic bottle, long lasting.	It's concentrated, cuts through grease, kills 99% of germs.



Business Plan Task

SB page 139

Describe the exact nature of the product(s) that you are going to sell. The following can be used as guidelines:

- Range of products to be offered
- New or existing products
- Size, colour and shape
- Features
- Uses
- Benefits

Each student should now list their products in the Business Plan Workbook and use the relevant guidelines below to describe them in as much detail as possible. A T-shirt business is used below only as an example:

Product	Printed t-shirts
Range of products	T-shirts and long sleeve tops
New or existing	New product existing concept
Size, colour and shape	Variety of sizes, colours and shapes
Features	Bright colours long lasting
Uses	Used as casual wear
Benefits	Keeps you warm in cold weather and cool in summer, looks cool, prints will be fashionable



Activity 6.2

SB page 144

Classify the packaging of the following products by choosing one of the following answers: Family packaging, Individual packaging, Multiple packaging or Reusable packaging.

1. Pringles Potato Chips



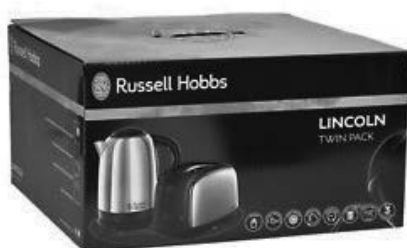
Pringles = Family packaging

2. Huletts Sugar



Huletts sugar = Individual packaging

3. Kettle and toaster combo



Kettle and toaster combo =
Multiple packaging

4. Bread mix sold in a ceramic mixing bowl



Bread mix sold in ceramic bowl =
Reusable packaging

Refer to pages 140-143 of the Student Book.



Activity 6.3

SB page 147

In groups of 3-4, identify three products/brands and their efforts in using sustainable packaging and share it with the class

The groups can come up with product efforts they are familiar with or make use of the Internet to search for brands using sustainable packaging. This can be an interesting class discussion.



An example:

Food Lovers Market has banned all plastic bags in their corporate stores, using only brown paper bags.

Many coffee shops such as Vida e Caffé are using recyclable take-away coffee cups and lids (no more plastic lids).

Refer to pages 144-147 of the Student Book.



Activity 6.4

SB page 148

Divide the class into groups of three to four students. Bring the packaging of a food product to class and analyse the packaging information according to the infographic on page 148. List all the packaging requirements that were met as well as any shortcomings.

This is a fun and practical activity for students to actually see what packaging and labelling entails. Students must evaluate the chosen product's packaging according to the infographic and guidelines on pages 147-148 of the Student Book.



Activity 6.5

SB page 155

Refer back to Siya's vending machine business on page 58.

Siya's determined the size of his market. He did a sales forecast and considered a number of pricing factors. However, he did not do a proper costing and did not calculate a break-even point.

1. Make a number of assumptions, which you must be able to explain, and calculate the following:

Variable costs

Cost price per cold drink	:	R5/cold drink
Selling price:		R11 (amount was obtained from a café)
Expected sales:		$R9\ 600 \div R11 = 872$ tins
Total variable costs:		$872 \times R5 = R4\ 360$

Fixed costs	
Rent (vending machine)	: R300,00
Rent (taxi rank space)	: R150,00
Salary	: R2 000,00
TOTAL	: R2 450,00

Total Costs	
Variable costs	: R4 360,00
Fixed costs	: R2 450,00
TOTAL	: R6 810,00

$$\text{Break-even Point} = \frac{\text{Fixed costs}}{\text{Gross Profit \%}}$$

$$\begin{aligned} \text{Gross profit} &= \text{Sales} - \text{Cost of Sales} \\ &= \text{R9 600} - \text{R4 360} \\ &= \text{R5 240} \end{aligned}$$

$$\begin{aligned} \text{Gross Profit\%} &= \frac{\text{R5 240}}{\text{R9 600}} \times \frac{100}{1} \\ &= 55\% \end{aligned}$$

$$\begin{aligned} \text{Break-even Point} &= \frac{\text{R2 450}}{55\%} \\ &= \text{R4 454,55} \end{aligned}$$

$$\begin{aligned} \text{Break-even units} &= \frac{\text{R2 450}}{\text{R6}} \\ &= 408 \text{ tins} \end{aligned}$$

If Siya sells his cold drinks at R8 instead of R11 it means that he would have to sell many more cold drinks to reach R9 600 in sales. ($\text{R9 600} \div \text{R8} = \text{R1 200}$)

His gross profit per tin would only be R3 instead of R5 .

Siya's Break-even point would then be:

$$\begin{aligned} \text{Break-even units} &= \frac{\text{R2 450}}{\text{R3}} \\ &= 817 \text{ tins} \end{aligned}$$

2. Do you think that Siya's price of R8 per tin is reasonable given all your calculations? If not, how much should he charge per tin? Give reasons for your answer.

Previously Siya had to sell 408 tins per month to break-even. At the lower price of R8 he needs to sell 817 tins to break-even. Siya will certainly sell more tins at R8, but it means he will have to work doubly hard to obtain the same break-even point. He would still make a profit, but it would be far lower. If other cafés are selling at R11 per tin, commuters might be more comfortable to pay a little more than R8 for the convenience of buying a cold drink at the taxi rank. Good advice would be to do a small market research questionnaire to determine how much students would be prepared to pay.



Activity 6.6

SB page 156

1. An entrepreneur buys and sells funky bar chairs. Many restaurants/coffee shops order's bar chairs from him. The rent is R3 000 a month and wages R6 600 a month. On average, 70 bar chairs are sold every month. A chair is purchased for R120. The entrepreneur would like to have a mark-up of 40% on cost price.
 - 1.1 Name at least three different factors that must be kept in mind when deciding on a selling price?

Factors to consider when deciding on a selling price:

Although explanations are given below, the question requires the students only to name the factors.

Your target market

You should know your potential customers and always consider the demographic factors such as their income, age, education, gender, culture. This is to avoid a situation in which you sell the right product to the wrong people or vice versa.

Competitors

Other businesses also selling chairs may play an influential role on your pricing. Your price versus your competitor's price would either invite or drive customers away from your business.

Convenience

Simon's business must be at the right place closer to potential customers. In this example, students would no longer have to leave the campus to buy drinks.

Costing

Your expenses must be considered. How much did you spend to get the product? Keep one eye on the costing and the other on your competition and think of your customer. The selling price must cover all your costs and include a profit margin.

Break-even point

Keep an eye on your break-even point. For example when increasing the price the number of customers buying your product could decline meaning that your break-even point would increase. When decreasing the price of the product, you will need to sell more products to break-even.

Refer to pages 148-151 of the Student Book.

1.2 What would the ideal selling price be?

The ideal selling price?

Note: The selling price is equal to total costs plus profit.

Total cost:

Variable costs : $R120 \times 70 \text{ chairs} = R8\,400$

Fixed costs : Rent + Wages
 $R3\,000 + R6\,600 = R9\,600$

Total costs : $R18\,000$

Plus 40% profit

$R18\,000/70 = R257$

$R257 \times 40\% = R102,80$

Selling price = $R257 + R102,80$
 $R359.80 \text{ per chair}$

This can be rounded off to R360 per chair.

Variable costs:	Material	:	R5 000,00	Wages	:	R8 000,00
TOTAL		:	R13 000,00			

Fixed costs	Rent	:	R2 000,00	Admin costs	:	R2 500,00
TOTAL		:	R4 500,00			

Total costs

Variable costs	:	R13 000,00	Fixed Costs	:	R4 500,00
TOTAL	:	R17 500,00			

Plus 20% profit

$R17\,500/500 = R35$

$R35 \times 20\% = R7$

Selling price = $R42 \text{ per frame}$

2. An entrepreneur makes photo frames from reclaimed wood. The rent for the workshop amounts to R2 000 per month. The workers' wages amount to R8 000 a month. The materials used to manufacture an average of 500 photo frames per month is R5 000. A photo frame is sold for R180 each. Other administrative costs such as telephone costs, etc. amounts to R2 500 per month. The entrepreneur intends making a 20% net profit. What should the ideal selling price be?

The selling price with a 20% mark-up will be R42 per frame. Currently this entrepreneur is making considerably more than 20% profit as he is selling the photo frames for R180 each.

3. Service undertaking

Generally there are two types of service businesses, namely those that engage in repair work and those that render a general service.

3.1 Repair service

Allan, a motor mechanic entrepreneur repairs cars in his backyard. His assistant receives R120 an hour. Other vehicle costs amounts to R1 200 a month. The fix and repair work on a customer's car takes 2 hours. His fixed costs per month are R6 000. Spare parts to the value of R1 200 (cost price) were fitted. Allan calculated that he spends 300 hours every month repairing motorcars. He intends making a net profit of 10%. Only the assistant worked on this specific car. What must the customer pay for the work?

Variable costs:

Labour per vehicle	:	$2 \text{ hr} \times \text{R}120 = \text{R}240$
Spare parts per vehicle	:	$\text{R}1\ 200$
Number of cars serviced	:	$150 (300 \div 2 \text{ hr})$
	:	$(\text{R}240 + \text{R}1\ 200) \times 150 = \text{R}216\ 000$
Other vehicle costs	:	$\text{R}1\ 200 \text{ per month}$
Total variable costs	:	$\text{R}217\ 200$

Fixed Costs:	:	$\text{R}6\ 000$
Total costs	:	$\text{R}223\ 200$
Total cost per car	:	$\text{R}223\ 200 \div 150 = \text{R}1\ 488$
Mark-up %	:	10%
Customer price	:	$\text{R}1\ 636,80$
The mark-up amount is	:	$\text{R}148,80 \text{ per car}$

Although not asked, Allan will receive $\text{R}148,80 \times 150 = \text{R}22\ 320$ profit.

Allan's assistant is paid R36 000 per month. So something is not right. Allan should either increase his profit margin or revisit the hourly rate he pays his assistant. He should not earn less than his assistant.

3.2 Service rendering business

Kaylon who has a hairdressing salon employs two hairstylists. The rent amounts to R1 560 a month. Other fixed costs are R600 a month. Kaylon pays the hairstylist R40 an hour. Other variable costs amount on average to R11 520 a month (wages of the stylist excluded). Kaylon does no hairstyling, but receives and sees to the needs of the customers, answers the telephone and does administrative tasks. She has calculated that a hairstylist works on average 180 hours per month. She requires a 10% profit.

3.2.1 If a wash, cut and blow dry takes three hours, what should the customer pay?

3.2.2 Given your knowledge of the prices of salons is this a realistic price?

Also refer to the pricing criteria.

Variable costs

Wages : $R40 \times 180 \text{ hrs} = R7\,200,00$

Other : R11 520,00

Total : R18 720,00

Fixed costs:

Rent : R1 560,00

Other : R600,00

Total Costs : $R18\,720 + R1\,560 + R600 = R20\,880$

Total cost per hour : $R116 (R20\,880 \div 180 \text{ hrs})$

Mark-up% : 10%

Price/hour : $R116 \times 10\% = R11,60$

$R116 + R11,60 = R127,60$

The price per hour with a 10% mark-up is R127.60

Customer should pay $R127,60 \times 3 \text{ hours} = R382,80$ for a wash, cut and blow dry.

Students can give their own opinions on whether they think this is a realistic price for a wash, cut and blow dry.

Refer to pages 148-151 and page 156 in the Student Book for this activity.



Case Study

SB page 162

PIZA e Vino

Students must keep in mind that PIZA e Vino is situated mainly in Gauteng, with only two branches in the Western Cape (Stellenbosch and Hartenbos).

Radio advertising will work in Gauteng if they advertise with local radio stations.

Social media will work excellent as an advertising media as people will get to know about them and customers who are interested in the restaurant will follow them on social media. These customers will mostly be people that have a PIZA e Vino in their vicinity that they can visit. So the right market will be targeted with social media.

Television will not be an appropriate medium as they are only situated in Gauteng and two branches in the Western Cape. There will be no point in advertising nationally.



Business Plan Task

SB page 163

Students must determine the following for their business plan and complete the relevant sections in the Business Plan Workbook.

1. Where should you advertise?
They should determine the best advertising media for their chosen product/service.
2. Is there any form of advertising not mentioned in the table above?
Can the students think of any advertising media not mentioned in the table on pages 160-161? This can be a class discussion.
3. Find out what it will cost to place a certain size advertisement in your local newspaper and give feedback to your class. As a class, discuss the reasons for various price differences amongst certain newspapers.
This will require students to make use of the Internet or phone a local newspaper to get the pricing of advertising. This activity will make students aware of what printed advertising actually costs.



Case Study

SB page 163

IKAG

Students must read the case study as well as visit IKAG's website in order to be able to answer the questions.

1. List and describe four criteria Mbali must consider before selecting certain media to advertise.
 - How many people can she reach (listeners, viewers, readers, etc.)
 - Who is her target market (refer back to your target market and look at their age, gender, educational level, and income level)
 - Cost of the various media
 - Credibility of the medium (for example is website XYZ a reputable website to advertise on, or is the XYZ Newspaper a reputable newspaper)

Conclusion: This is a good advertisement.
Refer to page 160 in the Student Book.

2. Where can Mbali advertise her business? Explain by referring to the various advertising media and what would best suit her business. Choose at least two media.
Student answers will differ. Students must choose at least two appropriate mediums from the list on pages 160-161 of the Student Book and motivate why they feel that will work for Mbali.
3. How can you register on the website to become part of the network and advertise your services?
Students need to visit the website in order to see how you can register to become part of the network.
How it works: Sign up for an account, confirm your e-mail address, wait for a go live date from IKAG and start posting and receiving job notifications.

4. Mbali's helpfulness in connecting people is also another form of advertising. What is it called?

Networking.

5. How is the spirit of Ubuntu displayed here?

IKAG brings people together and it spreads positivity in the fact that people can find someone for a job/or create work for themselves. Question 5 is also linked to the e-link in this case study (the article about the unrests and riots in Durban and Gauteng) with more than 40 000 people coming together within 48 hours to clean up the areas. That is the spirit of Ubuntu; togetherness, mutual respect, showing dignity and co-responsibility to look after and clean-up our beautiful country.



Activity 6.7

SB page 166

Class discussion:

In groups of 3-4 people, evaluate the following online advertisement according to the AIDA principle as well as the guidelines mentioned above. Each group must share and discuss their opinions with the class.

the
PERFECT PAIR

PRESENT YOUR
FUNICULAR TICKET
TO REDEEM AT ANY
KRISPY KREME STORE

ONLY R25

240ML CAPPUCCINO

ORIGINAL GLAZED

Kruspy Kreme
DOUGHNUTS

f t i KRISPYKREME_ZA

*S & CC APPLY. WHILE STOCKS LAST. OFFER DOES NOT RUN IN CONJUNCTION WITH ANY OTHER PROMOTION. PRESENT YOUR VALID FUNICULAR TICKET TO REDEEM THIS OFFER. OFFER REDEEMABLE AT ALL STORES. ONE REDEMPTION PER FUNICULAR CUSTOMER.

SOUTH AFRICAN FUNICULAR

*Keep in mind it is an online advertisement.

Group opinions will differ which are acceptable provided their explanations have merit and relate to this particular advertisement. This is an application type question where students must realise that they have to apply the AIDA principle first, secondly for each of the four categories they should decide whether the advertisement meets that specific criteria. And lastly reach an overall conclusion. General statements that are not applied to this advertisement are wrong.

Students have to make mention of the fact that this is an online advertisement means there are 'live' links in the advert e.g. links to their Facebook, Instagram, Twitter and website page. This make the advertisement interactive and the customer can immediately find more information about the offering and the rest of their products. This forms part of the Action principle of AIDA.

Criteria	The group's application
A- Attention	Good use of colour and different font sizes. ✓✓ It <u>will</u> ✓✓ grab a potential customer's attention easily.
I – Interest	The advertisement mentions "Only R25" fairly prominently with an tempting photo of a cappacino and a glazed donut. ✓✓ So the advert <u>will create interest</u> ✓✓ with that photo and the fact that R25 is displayed so large.
D-Desire	<u>Real desire</u> ✓✓ is created by this advertisement. People will feel that this is an absolute bargain as a person will pay more or less R40 if you buy the two items separately. ✓✓ People will also want to find out more about the Cape Point funicular ticket. People might feel this is a great combo offer – buy a ticket to visit Cape Point and redeem a cappuccino and donut for R25 only.
A-Action	The advertisement <u>does</u> ✓✓ encourage immediate action. Live links are provided to their Facebook, Instagram, Twitter and Website pages where more info on the offering can be found as well as a link to the Cape Point website. ✓✓

Refer to pages 164-165 of the Student Book.



Business Plan Task

SB page 169

Design an advertisement and complete an advertising plan for your business. The total amount you plan (budget) to spend must be included in your financial plan.

Students must design an advertisement for their chosen product/service. It can be designed on a computer and printed or be drawn by hand if the student does not have access to a computer or printer. They must put together an advertising plan for their business.

Students must include all costs relating to advertising in their financial plan.

Students can refer to pages 164-169 of the Student Book to assist them in completing this task.



An example of a good advertisement:

STRAND COMPUTERS



Sale from R4999.99

Visit us @ 2111 Main Road Strand 7140or
call us on (021) 853 0000 or
strandcomputers@gmail.com

Advertising plan

Strand Computers implements a 10% advertising policy.

MONTH	MONTHLY ACTIVITIES	BUDGET (10%)	SALES
JANUARY	Leaflets distributed to taxi ranks, train stations	R1 000	R10 000
FEBRUARY	Place an advert in the local newspaper Free editorial	R1 500	R15 000
MARCH	Place an advert in the local newspaper: the classified section Cape Times newspaper Free editorial	R100 R3000	R31 000
APRIL	Distribution of posters to the local community	R2 000	R20 000
MAY	Weekly advertisement in local newspaper Free editorial	R3 500	R35 000
JUNE	Leaflets distributed to homes	R2 300	R23 000
JULY	Advertise on local community radio station Free publicity	R4 000	R40 000
AUGUST	Place an advert in the local newspaper: the classified section Cape Times newspaper Magazine Free editorial	R5 000	R50 000
SEPTEMBER	Advertise using billboard on N2	R10 000	R100 000
OCTOBER	Advertise on local television	R10 200	R102 000
NOVEMBER	Place an advert in the local newspaper: the classified section Cape Times newspaper, Die Burger, Free editorial	R12 000	R120 000
DECEMBER	Advertise on the local community radio station	R15 000	R150 000



Activity 6.8

SB page 170

Scan the following QR code and see what it reveals.



This is a fun interactive activity. Students must use their mobile phones to scan the QR code.

The QR code takes them to the Future Managers website.



Activity 6.9

SB page 174

Sales letters

What recent sales letters (newsletter e-mails) have you received?

Student answers will vary greatly. Any letter (e-mail) received with promotional offers qualifies as a sales letter. Example: Mr Price, Superbalist, Zando, Fly Safair, Checkers Xtra Savings, Clicks Clubcard, etc.



Case Study

SB page 178

Mr Price

In groups of 3-4, students must answer the following questions:

1. Compile a list of at least three different media used by Mr Price to advertise that your group members are aware of at the moment.
Television, Online (social media such as Instagram), Magazines. Students can add to these answers.
2. What strategies is Mr Price still using to enter the market and to grow its market share after all these years?
Strategies used by Mr Price after all these years in business includes:
 - Regularly launching new products and stay up to date with the latest trends (clothing, exercise equipment, homeware, etc.)
 - They appeal to a specific target market.

Refer to page 176 in the Student Book.

3. Ask each member of the group what image or emotion they think of first for each of the following retailers:
 - Shoprite
 - Refinery
 - Identity
 - Checkers

This will be an interesting activity and groups can share their answers with the class. This can lead to an interesting class discussion on why certain brands evoke certain emotions.
4. Is your group in agreement with the answers above? What lesson can be learnt from these answers.
Chances are that there will be no agreement in any of the groups as people will have had different experience with the brands or might not even be aware of some of the brands mentioned. The lesson learnt is that all people have different interest, tastes, experiences, etc. and will therefore have their opinions and views on certain brands.



Case Study

SB page 180

The Business of Clusters

In groups of 3-4, students must answer the following questions:

1. List two examples of business clusters in your local area.
Each group's answers will differ. Any example of competitors situated in the same street/building/mall can be mentioned. For example, a few doctors' practices in the same street, any shopping mall that consists of a few clothing retailers or food retailers, etc.

2. Can your group think of at least three advantages of setting up a business in close proximity to the competition.
Some advantages that can be mentioned include:
 - It attracts more 'feet', therefore can lead to more business/income.
 - The more companies situated in a cluster, the more skilled employees will be attracted.
 - It can lead to faster growth for businesses.
 - Businesses can complement each other for example, in one cluster might be a dentist, a few doctors, a pathologist lab, a physio therapist, etc. So when visiting the dentist, you might schedule an appointment to see your physio before or after the dentist as it is located in the same building/street and it is convenient. Or the doctor might refer you to the physio in the same building for an injured muscle, etc.

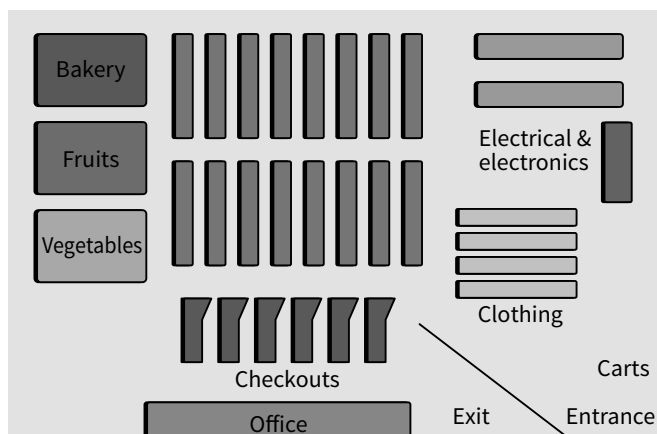
Students can think of how convenient a shopping mall is – not only can they buy clothing items there, they can also buy groceries, stationery supplies, etc. while they are there or go and watch a movie/visit a restaurant.



Activity 6.10

SB page 181

Below is an example of a typical layout of a food retailer.



1. Visit your nearest retail shop in your area. Note where the different products are placed? Draw up the layout of the shop you visit.
Students can base their answer on the drawing example given in the activity. Students must take note of which products are placed where, which products are mostly found at the back of a store, which products are mostly found at the pay points, etc.
2. Can you come up with reasons why certain products are placed in certain aisles and on a specific shelf?
Students can do research/make use of the Internet to find the answer to this question. It is important for them to be aware of why certain products are placed in certain places.

Reasons include:

- Certain popular products are sometimes placed at the back of the store in order to get customers to walk past 'not so popular' products to try and boost sales.
- Manufacturers pay more for shelf space depending on which shelves they want. Eye-level height is the most expensive shelf space.



Business Plan Task

SB page 182

Complete the floor layout for your own business.

Students must complete the floor layout for their chosen business in their Business Plan Workbook.



Business Plan Task

SB page 182

Marketing plan

Complete the "Marketing Plan" section of your business plan. Keep the following guide questions in mind while compiling your marketing plan.

Guide Questions

- What is the product that you are going to sell?
- Who are your competitors?
- How does your product compare with your competitors in terms of price, value and quality?
- Where will your business be situated (location)?
- In which geographical area will you do business?
- Who exactly will buy your product (target market)?
- What is your sales forecast?
- What is your selling price?
- What promotional measures will you use to sell the product?
- How will you distribute your product?

Students can now complete the marketing plan of their business plan. They must make sure to go through the guide questions to help them in completing their marketing plan.



Revision questions

SB page 182

1. Rate the following promotional advertisement according to the AIDA concept.



The PEP advertisement:

- A – Attention is drawn by use of colour and various font sizes as well as the beautiful photo. The use of the colour red with pricing normally indicates a sale or a promotional price.
- I – Interest is created by the words ‘Make your winter cosier’. People would want to see how. The ‘Buy any 2’ also creates interest in what you can get if you buy 2.
- D – Desire is definitely created by the use of the photo with everyone looking very cosy and warm in their winter’s clothes. The stack of blankets on the photo adds to that feeling of desire.
- A – Action is created by the QR code which people can scan to view the offer and more information online.
2. What promotional methods did PEP make use of in the above advertisement?
- Special offers
 - Buy any 2
 - Discount
 - QR code

3. What promotional methods are used in the following advertisements?

Dischem



Checkers



Dischem:

- Buy 2 and get one free
- Special offer
- Discounts
- Limited time offers

Checkers:

- Sale
- Combo deals
- Limited time offers
- Loyalty programmes

Refer to pages 169-170 in the Student Book.

4. Mention four benefits that Dischem, PEP and Checkers are trying to achieve with their promotional campaigns,
 - Encourage purchases of new products.
 - Encourage buying of several units at the same time (sense of urgency).
 - Identify and gain new customers.
 - Get rid of the previous season's stock.
 - Encourage existing customers to buy more.
 - Increase sales during quieter periods.
 - Help the company stay competitive.

Refer to page 170 in the Student Book.

5. Match the explanation in Column A with the concept in Column B.

Column A	Column B
1. An advertising medium that is very mobile.	C. Vehicle branding
2. Uses our audio senses such as music to bring a marketing message across.	D. Radio
3. The most powerful form of advertising.	E. Television
4. Costs very little and could be seen by a very wide audience.	B. Social Media
5. A very visible method to advertise in a very specific area.	F. Posters
6. Best medium when customers search for a product to find your business.	A. Website

Refer to pages 160-161 in the Student Book.

6. You want to advertise your business selling air time. Select one advertising medium that you think will be effective and explain why? (Choose your own name for the business.)
Students must base their answers on where to advertise by looking at the size of the business, location of the business as well as whether they have many competitors in the area. They can make their own assumptions about the business and motivate their answer accordingly.

Most probably an advertisement in a local community newspaper, a pamphlet or social media (Instagram and Facebook) will be the best media to use.

7. Use the principles of a good advertisement and complete an advertisement for the advertising media you suggested in the previous question.
Students must draw/design an advertisement for the advertising media they suggested in question 6. The advertisement must adhere to the AIDA principle. Refer to pages 164-165 of the Student Book.

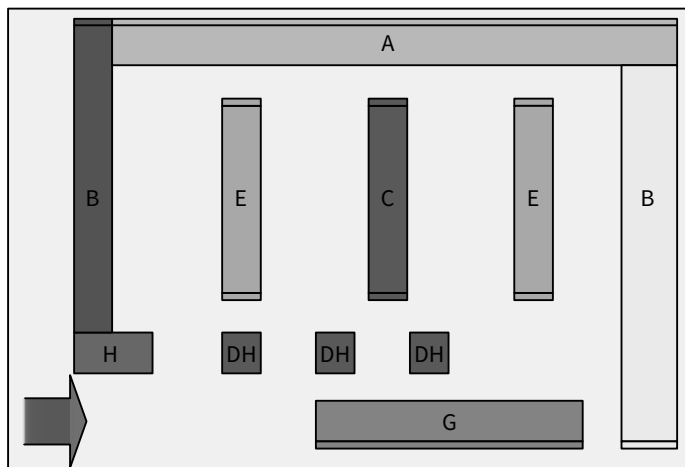
The advertisement must incorporate the following:

- draw attention; use the word cheap; must be bold
- benefit to customers
- fast service/convenient
- layout message needs to be short, simple and clear
- heading that stands out, draws attention, name of event
- illustrates the relevant use of drawing, photos, name of the business, etc.
- other relevant information
- the location
- the contact number for any enquiries
- price.

8. You want to open a stationery shop in a local shopping centre. Draw the layout of your shop and decide where you will place the following articles:

	Item – Stock	Classification
A	Pens, tippex, pencils, rulers, glue, etc.	Necessities
B	Envelopes, writing pads, note books, files, etc.	Necessities
C	Gift wrapping paper, greeting cards, birthday cards	Luxury items
D	Gifts such as pen sets, miniature teddy bears, etc.	Impulse goods
E	Weekly, monthly and hobby magazines	Convenience
F	Daily newspapers	Impulse
G	Calculators, watches, cameras, etc.	Expensive
H	Cashiers	

Layouts may differ but the placement of stock should be more or less in the same areas



9. The advertising policy of your business is that 5% of all potential sales will be spent on advertising. Use the following information and complete the advertising budget for the first quarter of your business given the following sales figures:

January – R9 800 February – R10 500
 March – R9 500 April – R9 000

Advertising costs for different mediums (monthly):

Leaflets R900 Editorial in local newspaper Free
 Facebook advertisement R800 Instagram advertisement R350

MONTH	MONTHLY ACTIVITIES	BUDGET (10%)	SALES
JANUARY	Editorial in local newspaper	R	R9800
FEBRUARY	Facebook ad Editorial in local newspaper	R800	R10 500
MARCH	Instagram ad Editorial in newspaper	R350	R9 500
APRIL	Leaflets	R900	R9 000

10. You manufacture carpets. In one year you estimate that you will make 400 carpets. You estimate that you will use the following raw materials:
- Wool R15 000
 - Cotton and labels R2 000

The weekly paid machine operator will cost you R30 000 for the year. Indirect manufacturing costs like cleaning materials and maintenance will amount to R8 000 for the year. Fixed costs amounts to R15 000 for the year.

Question

Calculate what should your price per carpet be if your competition is known to have a mark-up of 25%?

Wool	:	R15 000
Cotton and labels	:	R2 000
Labour	:	R30 000
Other	:	<u>R8 000</u>
Total		R55 000
Fixed costs:	:	<u>R15 000</u>
Total costs	:	R70 000

Note:

Cost per carpet : $R55\ 000 \div 400\ \text{carpets}$
 = **R137,50**

Mark-up

25% Mark-up : **R87 500 or R218,75 per carpet**

Conclusion:

If the decision is to be slightly cheaper than the opposition, a 20% mark-up policy would be better suited. In such a scenario the price would be as follows:

Total Costs	:	R70 000
20% Mark-up	:	R84 000 or R210,00 per carpet

11. John buys and sells second-hand cell phones. His projected sales for the year are R570 000. His opening stock is estimated at R10 000 (20 cell phones). John's projected purchases for the year are estimated at R342 000 (closing balance of R15 000). He has estimated that his fixed costs will be R50 000.
- What is the selling price per cell phone?
 - Calculate the cost price per cell phone.
 - Remark on his pricing strategy.

Unit cost of a cell phone:

$R10\ 000 \div 20\ \text{cell phones} = R500$

Note: The unit cost of a cell phone was slightly hidden when the question stated, "His opening stock is R10 000 – which is 20 cell phones."

Income statement

Sales	:		R570 000
Less Cost:	:		
Opening stock	:	R10 000	
+ Purchases	:	R342 000	
- Closing stock	:	R15 000	
			<u>R337 000</u>
Gross Profit	:		R233 000
Less Fixed costs	:		<u>R50 000</u>
Net Profit	:		R183 000

Calculation:

Number of cell phone units sold: $R337\ 000 \div R500 = 674$ cell phones

Selling price:

Sales \div units sold = selling price $R570\ 000 \div 674 = R845,70$

Selling price of a cell phone is: $R845,70$

Cost price of a cell phone

Total cost: $R337\ 000 + R50\ 000 = R387\ 000$

Cost price per cell phone

Total costs \div number of units sold $R387\ 000 \div 674 = R574,18$

Costing:

What is clear from the above calculations is that all the business expenses are covered and the business is making a healthy profit. The net profit percentage is 32,11%.

Conclusion:

This business is covering all its costs, breaking even and making a profit. Therefore one can conclude that its pricing policy is very good.

12. You would like to start a small cell phone repair business. You have estimated that you will work 224 hours per month (8 h/day \times 25 days). Your total expenses per month are expected to be R5 200. A friend asks you to repair a faulty cell phone. Parts that need to be replaced amounts to R200 and you estimated that you would work 2 hours on the cell phone.
- What will it cost you to repair the cell phone?
 - How much should you charge him (pricing) if a fair mark-up is 20%?

Variable cost per hour is: R200

Fixed cost component: $R5\ 200 \div 224\ \text{hours} = R23,21$

Total cost: $R200 + (R23,21 \times 2) = R246,43$

It will cost R246,43 to repair a cell phone.

The price of the phone is: $= R246,43 \times 20\% = R49,30$

So with a 20% mark-up the price is $= R246,43 + R49,30$

$= R295,73$



Module 7

Management plan



After completing this module, the student will be able to:

- 7.1 Differentiate between the types of businesses; select the form of ownership most suitable to his/her proposed business;
- 7.2 Discuss criteria that need to be kept in mind in the process of selecting the form of ownership for their proposed business;
- 7.3 Name and describe the procedure, as well as the documents involved in the formation of the business;
 - Refer to the role of the registrar of companies and attorneys;
 - Name and explain the procedure, the authorities and departments involved;
 - Complete legal formalities as applicable to their proposed business;
- 7.4 Describe their role as the owner of the business in terms of responsibilities and management;
- 7.5 Describe the role of other employees in the running of their proposed business and describe shortly the duties and responsibilities of each;
- 7.6 Give a detailed description of the process that will be followed in the production of the proposed product, or delivery of the service or functioning of retail concern for their proposed business;
- 7.7 List equipment/machinery required in the operation of their business;
- 7.8 Describe the supplier analysis in respect of reliability, proximity, service and number of supplier;
- 7.9 Describe the requirements for efficient administration of their proposed business;
- 7.10 Complete the management plan of their proposed business plan for presentation.

**Business Plan Task****SB page 191**

Decide on a form of ownership for your business. Find out what legal requirements are involved and complete all legal formalities as applicable to your proposed business.

Students must decide on a form of ownership for their business. Obviously, students should not be paying for any licences or legal advice but they should research and be aware of what legal requirements will be involved for their chosen business and make mention of that in their business plan.

Refer to pages 188-191 in the Student Book.

**Activity 7.1****SB page 193**

Complete a list of the number of workers, the skills required and their salaries that you will have to pay when you start your own business.

Students must establish a list with the number of workers required, skills required as well as salaries that they will have to pay for when they start their own business. This forms part of the management plan of the business plan.

**Activity 7.2****SB page 196**

Complete a description of how you are going to produce (manufacture) your product or provide your service. It includes the following:

- Description of the process
- Equipment needed for the process.

This activity forms part of the management plan of a business plan. Students must give a description of how they are going to produce (or buy) the product for their business and what equipment is needed for the process. E.g. if you want to start a coffee shop you will require a coffee machine with built-in coffee grinder and milk frother. That is a very expensive piece of equipment.

**Activity 7.3****SB page 199**

Identify potential suppliers for your business. Use the above-mentioned procedure.

Refer to page 199 of the Student Book. Students must use the listed procedure to identify possible suppliers for their business.

**Case Study****SB page 200**

Document Retention

Students must read the article about the importance of document retention and make a list of at least 10 financial record items that must be kept in storage. Students must google 'document storage legal requirements South Africa' to help them find the answer.

The answer can be found on the following website:

<https://www.exceed.co.za/retention-periods-for-accounting-documents/>



Business Plan Task

SB page 203

As part of the management plan section of the business plan, students must describe the requirements for efficient administration for their proposed business.



Business Plan Task

SB page 203

Students must complete the management plan section of their business plan in the Business Plan Workbook. Some activities already completed in this chapter (Activities 7.1, 7.2 and 7.3) will help with the completion of the management plan.



Revision questions

SB page 204

1. Compare the forms of ownership by completing the table below:

	Partnership	Private Company	Sole Proprietor
Formalities	None	Comprehensive	None
Life of the business	Terminated by death, withdrawal or insolvency	Unlimited	At death, the owner's assets are passed to the estate
Registration	Local authority	The registrar of companies	Local authority
Three advantages	Any 3 advantages from page 189 in the Student Book	Any 3 advantages from page 190 in the Student Book	Any 3 advantages from page 189 in the Student Book
Three disadvantages	Any 3 disadvantages from page 189 in the Student Book	Any 3 disadvantages from page 190 in the Student Book	Any 3 disadvantages from page 189 in the Student Book
Membership	2-20	1 – unlimited	1
Tax	Partners are taxed on profits whether they stay in the business or not	Taxed at a fixed rate, dividends declared are currently taxed before paid out	Individual is taxed on the profits whether they are drawn or not
Liability	Jointly and severally liable	Limited liability	Individually liability

Refer to pages 188-191 of the Student Book.

2. List any three staff related documentation that should be filed promptly.

Any three of the following:

- Letter of appointment
- Job description
- UIF documentation
- Medical reports
- Workmen's compensation details
- Staff evaluations
- Any other staff-related documents

Refer to pages 202-203 of the Student Book.

3. When selecting a supplier, what criteria will you use to decide whether a supplier is a suitable supplier for your business?

Price

Quality

Locality

Delivery

Service

Refer to page 198 of the Student Book.

4. Define separate legal entity.

A separate legal entity is a business which is registered as a company and as a result is legally separate from your private life. It means that the business is an entity on its own. The benefit of a separate legal entity is if something goes wrong with the business then the business owner is protected from debt claims and other business risks.

The exception is when the business owner signs a “surety”! In this event, creditors can claim the owner’s personal assets to offset any business losses. Good advice to students is to avoid signing any surety (at all cost). Signing surety for anybody else may be extremely dangerous.

Students can make use of the Internet to search for a definition.

5. Sikhokele's farm stall

- 5.1 Define cost of sales

Cost of sales are the costs of your sales – in other words, all the products and service costs that are directly related to sales.

- 5.2 Will the gross profit of this business increase or decrease if Sikhokele manages to get discounts from his suppliers? Explain.

Gross Profit = Sales – Cost of Sales

If the farm stall gets a discount it means “Cost of Sales” would become less and therefore Gross Profit would be more/increase.

- 5.3 Name three different types of discounts that he can ask for.

- Quantity (volume) discount
- Cash discount
- Trade discount

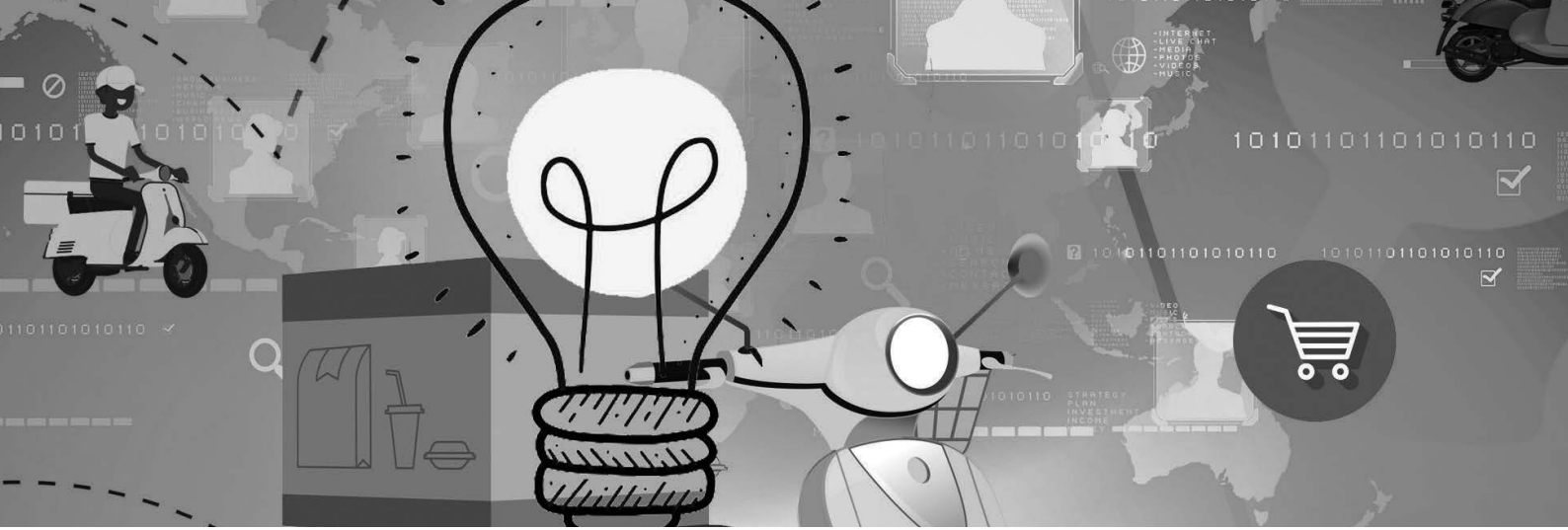
Refer to page 198 of the Student Book.

- 5.4 Which type of discount will he most likely get if he asks? Motivate your answer.

A cash discount could be an option. It can rightly be assumed that Sikho’s business is a cash business since he sells to passing traffic. He will therefore have cash, which he can use to negotiate a discount if he pays his account early or if he pays cash.

Remember, an electronic transfer/payment is also seen as ‘cash’.

- 5.5 Name five different source documents that Sikhokele will encounter in his business for which he needs to have a proper filing system in order to run his business effectively.
- **Invoices**
 - **Receipts**
 - **Delivery notes**
 - **Cash register slips**
 - **Credit card slips**
 - **Bank statements**
 - **EFT's (Electronic Fund Transfers)**
- 5.6 Which business format would best suit the Farm Stall? Give a reason for your answer.
- **Sikhokhele is the owner and he has no business partners.**
 - **It is a cash business meaning his business risk is very low and does not need a separate legal entity.**
 - **A sole trader does not have to comply with many formalities.**



Module 8

Financial plan



After completing this module, the student will be able to:

- 8.1 Describe the sources of long-term and short-term capital;
 - 8.1.1 Describe the employment of fixed and working capital with examples; describe the factors determining capital requirements;
 - 8.1.2 Name and describe the methods of obtaining equity capital;
 - 8.1.3 Name and describe the facilities and instruments for borrowed capital;
- 8.2 Name and explain the functions of the prescribed financial statements;
- 8.3 Complete the projected financial statements for his/her proposed business and do the calculations practically;
 - 8.3.1 Complete the projected Cash Flow Statement for 12 months;
 - 8.3.2 Complete the projected [Income Statement](#) for 12 months;
- 8.4 Determine the amount of the loan required, if any, from the projected financial statements;
- 8.5 Complete the financial plan of their proposed business plan for presentation.



Activity 8.1

SB page 211

Go to a financial institution near you or visit their website, and obtain the following information:

- Interest rate on a bank overdraft
- Requirements for opening a current account
- What you must know and do before applying for a loan to start your own business
- What advice they would give an entrepreneur who is about to begin the search for start-up capital.

This activity works best as a group activity.

This activity aims to confront students with the real business world and as a result try to guide them towards a realistic business plan.

The questions are guidelines only. The students should discover the following:

- Interest rates (the cost of borrowing money) and how “expensive” money is.
- What a bank or any moneylender will want before granting a loan.
- It is not easy to get a loan to start a business.
- And if a loan is granted, the payback terms are very steep.

Guideline answers:

- Interest rate on a bank overdraft:

Below is a link for the Capitec website showing loan amounts, interest rates, the payback periods as well as the relevant payback amounts. There is a rate calculator on the website that will make it even easier. If it is impractical to send students into a bank when they all need to ask the same question, allow the students to do the research on the Internet.

Each group can focus on a different bank and only one member of the group will be nominated to visit a bank and try to get answers to the questions.

<https://www.capitecbank.co.za/global-one/credit/rates-and-fees/>

- Requirements for opening a current account:

The bank will probably give the student an “application to open a current account” form. The answer to all the questions is on this application form.

- What you must know and do before applying for a loan to start your own business. Complete a business plan, and know specifically what the break-even point is.
- What advice would they give an entrepreneur who is about to begin the search for start-up capital?

The following are possibilities:

- It is not going to be easy.
- Try to borrow as little as possible.
- Have a professional business plan.



Business Plan Task

SB page 219

The budgeted **Income Statement** for your proposed business plan.

The **Income Statement** must now be drawn up given the budgeted figures. The **Income Statement** examples and the budgets should guide you in creating your own **Income Statement**. Although you are completing your **Income Statement** at this stage it might be advisable to do it after your Cash Flow Statement.

The **Income Statement** must now be drawn up given the budgeted figures. The **Income Statement** examples and the budgets should guide the student in creating his/her own **Income Statement**. Although the student is completing his/her **Income Statement** at this stage it might be advisable to do it after the Cash Flow Statement.



Activity 8.2

SB page 220

Questions

Complete the table below using all the above information about Woogle. Note the distinction between “cash” and “credit”.

Additional

- Note the relationship between “total sales” and “total purchases” for each month.
- This business opened on the first of March. This is the reason why there are no “credit payments” for March. If the business had already been in operation then February’s sales would have been given in order to know what the credit receipts for March were.

Students to use the information from the cash flow table on page 219 to complete the table.

	March	April	May	June	July
Cash sales	2 000	6 000	8 000	4 000	
Credit sales		1 000	3 000	4 000	
Total sales	2 000	7 000	11 000	8 000	
Cash purchases	1 000	3 000	4 000	2 000	
Credit purchases		5 000	1 500	2 000	
Total purchases	1 000	8 000	5 500	4 000	



Activity 8.3

SB page 221

House of Fudge

House of fudge is owned by two siblings. They specialise in luxury fudges, baked goods, nougat and gourmet marshmallows.

Months	Estimated income	Estimated purchases
March	R8 000	R3 000
April	R3 000	R5 000
May	R5 000	R2 000
June	R6 500	R4 000

Additional information:

- House of Fudge bought a new oven in March. They paid R700 deposit and their monthly payments thereafter will be R250 for the next six months.
- Their average expenses per month are:
 - Rental R1 200
 - Wages R1 000
 - Telephone R180
 - Electricity R250
 - Water R120
- House of Fudge's terms are strictly cash for both suppliers and customers.
- In April they will sell their old industrial cake mixer for R800 cash.
- In May they will buy a new industrial cake mixer. The deposit will be R450 and the monthly payment thereafter will be R120 for the next six months.

Calculate the cash-flow for House of Fudge.

Cash Flow Statement: House of Fudge

Opening balance		R1 550	-R2 650	-R3 100
Cash sales	R8 000	R3 000	R5 000	R6 500
Debtors' income				
Other income		R800		
Total cash income:	R8 000	R5 350	R2 350	R3 400

Fixed expenses	R2 750	R2 750	R2 750	R2 750
Purchases	R3 000	R5 000	R2 000	R4 000
Creditor payments				
Other payment 1	R700	R250	R250	R250
Other payment 2			R450	R120
Total money out	R6 450	R8 000	R5 450	R7 120
Closing balance	R1 550	-R2 650	-R3 100	-R3 720

Fixed costs:

Rental	R1 200
Wages	R1 000
Telephone	R180
Electricity	R250
Water	R120
	R2 750

Although it was not requested, the following can be concluded:

1. House of Fudge has a huge cash flow problem.
2. This means they will need at least R3 720 to survive.
3. No details were provided but a baker's costs which include fresh ingredients, etc. are directly linked to the number of customers he/she services. April's purchases therefore do not make sense.



Activity 8.4

SB page 221

Bake me happy is a one-person business selling pies at an outlet close to a railway station. Use the following information to draw up a Cash Flow Statement for the period March to May 1998.

	February	March	April	May
Sales	4 000	3 000	2 500	5 500
Purchases	3 000	4 000	1 500	200

Additional information

1. All purchases and sales are cash.
2. Bake me happy expects to receive R1 500 in March from an old debtor.
3. A new pie machine will be delivered in April. A deposit of R800 is payable on delivery. Monthly installments thereafter will amount to R300.
4. The business' average expenses per month are:
 - Rent R200
 - Electricity R350
 - Wages R1 500
 - Telephone R50
5. The bank balance at the beginning was R2 500.

Required

1. Draw up the forecast Cash Flow Statement
2. Should Pie-in-the-Sky arrange for an overdraft facility? Explain your answer.

Bake me happy

1. Draw up the forecast Cash Flow Statement

Cash Flow Statement: Bake me happy

	February	March	April	May
Opening balance	R2 500	R1 400	-R200	-R2 100
Cash sales	R4 000	R 3 000	R2 500	R5 500
Debtors' income		R1 500		
Other income				
Total cash income:	R6 500	R5 900	R2 300	R3 400

Fixed expenses	R2 100	R2 100	R2 100	R2 100
Purchases	R3 000	R4 000	R1 500	R200
Creditor payments				
Other payment 1			R800	R300
Total money out	R5 100	R6 100	R4 400	R2 600
Closing balance	R1 400	-R200	-R2 100	R800

Fixed costs:

Rental	R200
Wages	R1 500
Telephone	R50
Electricity	R350
Total cash out	R2 100

2. Should Bake me happy arrange for an overdraft facility? Explain your answer

- Yes, Bake me happy needs to arrange for an overdraft facility for March and April.
- An overdraft facility of at least R2 100 will be needed although only R200 will be needed in March since the business has negative bank balances for those two months.
- Students would be correct if they pointed out that the fixed costs of the business would go up given the overdraft facility and the related interest on the overdraft facility.
- Use the Capitec interest rates to calculate the interest on an overdraft of R2 100. Remember that interest is calculated over a year. The interest amount for one month is calculated by dividing the annual amount by 12.



Business Plan Task

SB page 222

Use your Business Plan Workbook to complete a budgeted ~~Income Statement~~ and Cash Flow Statement for your business. Make sure your financial plan of your business plan is completed. **Students must use their Business Plan Workbook to complete a budgeted ~~Income Statement~~ and Cash Flow Statement for their business. Students must make sure their financial plan of their business plan is completed.**



Revision questions

SB page 223

1. Complete a Cash Flow Statement for the following business:
*Assume the opening balance was R148 000

Month	March	April	May	June	July
Opening balance	148 000	103 450	95 900	94 350	79 800
Cash sales	48 000	48 000	56 000	36 000	
Debtors' income		12 000	12 000	14 000	
Other income		2 000			
Total cash in	48 000	62 000	68 000	50 000	
Fixed Expenses	37 550	37 550	37 550	37 550	
Advertising*					
Purchases	25 000	30 000	30 000	25 000	
Creditors' payment		1 500	1 500	1 500	
Other payments	30 000	5 000	500	500	
Total money out	92 550	69 550	69 550	64 550	
Closing balance	103 450	95 900	94 350	79 800	

Alternative:

The opening balance was not given in the above case study. However if the opening balance of R148 000 were given, this is what the Cash Flow Statement will look like.

Would your advice for this business be the same as before?

Conclusions:

1. For the period March – June this business does not have a negative cash flow.
2. For each month “Money Out” is much more than “Money Income Cash in”. It means it is making a loss each month.
3. The closing balances (at the bottom) are still decreasing every month. This means the business is still losing money.
4. This business is in deep trouble and unless sales increase dramatically it will go under.
5. It is correct to say that the R148 000 will not help this business unless there is a real prospect that sales will increase.

Advice:

Advice for this businessperson:

It would make no difference to the business's prospects if you deposited R148 000 into this its bank account at the beginning of March. You would lose it.

What would make a difference?

1. Increase its sales significantly in order to be successful.
2. Reduce its monthly costs by at least half.
3. Do not buy the vehicle.
4. Do not buy a new computer.

2. Draw up an estimated cash-flow budget for the next three months.

Month	October	November	December	January
Opening balance	500	24 300	81 100	81 900
Cash sales	35 000	30 000	32 000	
Debtors' income				
Other income		38 000		
Total cash in	35 000	68 000	32 000	
Fixed Expenses	10 950	10 950	10 950	10 950
Advertising*	250	250	250	250
Purchases				
Creditors' payment				
Other payments			20 000	2 100
Total money out	11 200	11 200	31 200	13 300
Closing balance	24 300	81 100	81 900	

Conclusion:

1. This business does not have a negative cash flow.
2. For each month, money in is much more than money out, except in December when the deposit on a new vehicle was paid. Money in was still slightly more than money out.
3. This business is making a profit.

Note:

There is no information about July's sales or purchases, therefore July is incomplete.



Case Study

Springbok Silencers

SB page 224

1. Number of silencers per month:

	March	April	May	June
Sales per month	130 000	115 000	221 000	227 000
Selling price per unit (silencer)	4 000	4 000	4 000	4 000
Unit sales per month (rounded off)	33	29	55	57

2. A. Variable cost calculation:

Purchases (silencers)	R65 000	R57 500	R110 500	R113 500
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B. Other variable costs:

Number of batches used/month	3.3	2.9	5.5	5.7
------------------------------	-----	-----	-----	-----

Welding rods per batch of 10	R2 000	R2 000	R2 000	R2 000
Sub-total Rods	R6 600	R5 800	R11 000	R11 400

Welding electricity used per batch 10	R2 000	R2 000	R2 000	R2 000
Sub-total	R6 600	R5 800	R11 000	R11 400
Total	R13 200	R11 600	R22 000	R22 800

Total variable costs per month (A+B):	R78 200	R69 100	R132 500	R136 800
--	----------------	----------------	-----------------	-----------------

$$\begin{aligned}
 \text{Variable cost per unit:} &= \frac{\text{Variable Costs}}{\text{Units}} \\
 &= \frac{\text{R78 200}}{33} \\
 &= \text{R2 369}
 \end{aligned}$$

Fixed costs:

Wages:	R30 000
Rental:	R12 000
Telephone:	R2 550
Electricity:	R4 500
Fuel:	R3 000
Total fixed cost:	R52 050

3. Selling price	R4 000
Cost of sales (variable costs)	<u>R2 369</u>
Gross Profit	R1 631

$$\begin{aligned} \text{Gross Profit Percentage} &= \frac{\text{Gross Profit}}{\text{Selling Price}} \times \frac{100}{1} \\ &= \frac{R1\ 631}{R4\ 000} \times \frac{100}{1} \\ &= 40.8\% \end{aligned}$$



Case Study

SB page 225

Mountain Tomatoes

Refer to the earlier example of Mountain Tomatoes on pages 102-105 of the Student Book.

Summary of information from the Mountain Tomatoes example to be used in the sales forecast:

Detail	Tomatoes	Spinach
Selling price	R10	R7
Cost per unit	R5	R4
Gross profit/CD	R5	R3
Sales %	83%	17%
GP%	50%	43%

Breakeven Point	R30 737
WAGP%	48.8%

Details	Aug	Sep	Oct	Nov	Dec	Jan
Optimistic scenario	R10 235	R20 471	R30 737	R46 106	R50 717	R55 789
Pessimistic scenario	R7 684	R15 369	R23 053	R30 737	R33 811	R37 192

Calculating the variable cost
(using the above sales forecasts)

Details	Aug	Sep	Oct	Nov	Dec	Jan
WAGP%	48.8%	48.8%	48.8%	48.8%	48.8%	48.8%
Pessimistic scenario:						
Gross Profit	R3 750	R7 500	R11 250	R15 000	R16 500	R18 150
Cost of sales	R3 934	R7 869	R11 803	R15 737	R17 311	R19 042
Optimistic scenario:						
Gross Profit	R4 995	R9 990	R15 000	R22 500	R24 750	R27 225
Cost of sales	R5 240	R10 481	R15 737	R23 606	R25 967	R28 564

Guidelines:

1. The starting point of this sales forecast is the breakeven point objective and when it might be reached. October and November were chosen respectively.
2. For the optimistic scenario and working backwards, August's sales were forecast to be 33,3% of the breakeven point and September 66,6% of the breakeven point. This method provided a steady growth from a zero base.
3. Furthermore, it was expected that the planned promotion would result in a 50% increase in sales in November. A steady growth of 10% for the months thereafter was forecast.
4. For the pessimistic scenario it was predicted that the planned promotion would assist the business to get to the breakeven point in November. Working backwards, August's sales were forecast to be 25% of the breakeven point, September 50% and October 75%. A steady growth of 10% was again forecast for December and January.
5. Since the Weighted Average growth profit percentage was known, the gross profit for each month could easily be calculated for both scenarios. And if you know the sales amount and the gross profit, Cost of sales (purchases) could easily be calculated by deducting one from the other.

Cash-flow statement:		Pessimistic scenario				
Mountain Tomatoes						
	Aug	Sep	Oct	Nov	Dec	January
Opening balance	R15 000	R3 750	-R3 750	-R7 500	-R7 500	-R6 000
Cash sales	R7 684	R15 369	R23 053	<u>R30 737</u>	R33 811	R37 192
Other income						
Total cash income:	R22 684	R19 119	R19 303	R23 237	R26 311	R31 192
Fixed expenses	R15 000	R15 000	R15 000	R15 000	R15 000	R15 000
Purchases	R3 934	R7 869	R11 803	R15 737	R17 311	R19 042
Other payments						
Total money out	R18 934	R22 869	R26 803	<u>R30 737</u>	R32 311	R34 042
Closing balance	R3 750	-R3 750	-R7 500	-R7 500	-R6 000	-R2 850

Cash-flow statement:		Optimistic scenario				
Mountain Tomatoes						
	Aug	Sep	Oct	Nov	Dec	Jan
Opening balance	R15 000	R4 995	-R15	-R15	-R7 485	R17 235
Cash sales	R10 235	R20 471	<u>R30 737</u>	R46 106	R50 717	R55 789
Other income						
Total cash income:	R25 235	R25 466	R30 722	R46 091	R58 202	R73 024
Fixed expenses	R15 000	R15 000	R15 000	R15 000	R15 000	R15 000
Purchases	R5 240	R10 481	R15 737	R23 606	R25 967	R28 564
Other payments						
Total money out	R20 240	R25 481	<u>R30 737</u>	R38 606	R40 967	R43 564
Closing balance	R4 995	-R15	-R15	R7 485	R17 235	R29 460

Comments:

1. The case study did not ask for two different cash-flow statements based on two different scenarios. However, compiling both demonstrates the value of sales scenarios and will assist with marking given that students must do their own sales forecasts and their answers will vary considerably.
2. The previously calculated breakeven point of R30 737 correlates with both cash-flow statements in October and November respectively. In those months “Money-in = Money-Out” and is highlighted and underlined in both statements.
3. In the “pessimistic scenario” the cashflow situation is at its worst at the end of November and then starts to improve in December. It would still take a few months to obtain a positive monthly cash-flow, but one could argue the worst is over.
4. In the optimistic scenario the cashflow is at its worst in September & October and improves dramatically to become positive from November onwards.
5. Mountain Tomatoes is clearly on the right track, but has a cashflow problem the first few months. This would be true for most start-ups and needs to be bridged with extra funding otherwise the business will fail. The R15 000 start-up fees that Mountain Tomatoes received made a huge difference to the start of their first month.

The big question therefore is how much money does Mountain Tomatoes need to avoid having a negative cash flow and where will **Mountain Tomatoes** find this shortfall? Consider the following:

1. In the pessimistic scenario **Mountain Tomatoes** needs an additional R7 500. You simply read this off the cash-flow statement.
2. In the optimistic scenario R15 would be needed.

Refer to page 113 in the Student Book for an example of a sales scenario. Since forecasting is an uncertainty, doing different sales scenarios could be helpful. The question is always, what is the worst case scenario and if that happens, what then?

EXAMINATION PAPER 1: MEMORANDUM

SECTION A

QUESTION 1

- 1.1 Name THREE personal resources of successful entrepreneurs. (3 × 2) (6)
- Knowledge and skills
 - Contacts and friends
 - Finance (personal assets and liabilities)
- 1.2 Name TWO types of data. (2 × 2) (4)
- Primary data
 - Secondary data
- 1.3 List FIVE idea-generation techniques. (5 × 2) (10)
Any five of the following:
- Reverse method
 - Attribute analysis
 - Problem redefinition
 - Forced connection
 - Mind mapping
 - Brainstorming
 - Metaphorical analogy
- 1.4 State the purpose of each of the following parts in a business plan: (5 × 2) (10)
- 1.4.1 Executive summary
An executive summary is an interesting and comprehensive overview of your proposed business plan. It basically is a summary of the business plan.
- 1.4.2 Marketing feasibility study
A marketing feasibility study contains a description of the target market, research that was conducted, description of competitors, promotional strategy and advertising plan.
- 1.4.3 Conclusion
This is a summary of why you believe your business plan will succeed and why other people should have faith in your proposed venture.
- 1.4.4 Financial feasibility study
This contains detailed information on all financial aspects of the proposed business e.g. product costing, pricing of products, calculation of break-even point, ~~Income Statement~~, Cash Flow Statement, etc.
- 1.4.5 Appendix
This refers to all supporting documentation that accompanies the business plan e.g. legal documents, reference letters, credit reports, copies of contracts, etc.

[30]

QUESTION 2

Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (2.1–2.10). (10 × 2)

- 2.1 The marketing mix consists of price, place, product and promotion.
True
- 2.2 Personal funds are a form of borrowed finance.
False
- 2.3 The mark-up policy is a component of marketing.
False
- 2.4 A benefit tells the customer something about the product whereas a feature tells the customer how the product/service can make his/her life better.
False
- 2.5 A competitive advantage is when you make your product or service more attractive to customers than that of your competitors.
True
- 2.6 During the 'follow-up'-step of the selling process, a salesperson follows up to make sure that the customer is still happy with his/her purchase.
True
- 2.7 Discount occurs when a product is sold at a high price.
False
- 2.8 A legal entity requirement is the way in which a business is registered in terms of tax authorities and law courts.
True
- 2.9 Shareholders get a dividend after the company announces its profits.
True
- 2.10 Choosing a supplier that practices sustainability is one of the important criteria when selecting a suitable supplier.
True

[20]

TOTAL SECTION A: 50

EXAMINATION PAPER 2: MEMORANDUM

QUESTION 1

Jig Plumbing

Jig Plumbing was started by Jenna Hendricks and is a female owned plumbing business. Jenna is a Plumbing and Solar Engineering graduate and won the silver award in the first Poster and Pitch Competition held by False Bay College. Although she started out focusing mainly on plumbing solutions, her company also offers the following services: kitchen and bathroom renovations, solar installations, carpentry services and hot water cylinder repairs.

With the silver award of R10 000 and her own funds, she started Jig Plumbing in 2016. Jenna says that her company is built on the core values of honesty, loyalty, integrity and safety. She escorts her team to each job in order to ensure quality workmanship.

She was determined to make a name for herself in the plumbing industry. She's been operating her business successfully for over five years now and has more than 5 employees working for her. Her company operates throughout the City of Cape Town area.

- 1.1 Name TWO reasons why Jenna embarked on this project. (2 × 2) (4)
- She saw a gap in the market for plumbing services.
 - It can be assumed that she didn't have a job at the time (unemployed).
 - She was determined to make a name for herself as a female in the plumbing industry.
- (Any two)
- 1.2 How well does Jenna fit into the entrepreneurial profile? (7 × 2) (14)
- Confidence
 - Preference for moderate risk
 - Energy
 - Responsibility
 - Skill of organising
 - Desire for immediate feedback
 - Identifying opportunities
 - Urge to achieve
- 1.3 It is said that entrepreneurs possess certain personal resources in order to be successful. Does Jenna possess the resources she needs to make a success of her business? If so name those resources. (3 × 2) (6)
- Knowledge and skills, finance, contacts**
- 1.4 Determine the target market for Jenna's business. Use the market segmentation process that you think is appropriate. (3 × 2) (6)
- Commercial businesses, private home owners, building contractors**
- 1.5 List THREE competitive advantages for Jenna's business. (3 × 2) (6)
- Quality of service provided
 - Variety of services provided (not just plumbing)
 - Reasonably priced

- 1.6 Jenna wants to advertise her business in the local community. Advise her on THREE advertising media she could use. (3 × 2) (6)
- Newspaper (local community newspaper)
 - Instagram and Facebook (social media)
 - Local radio station
- 1.7 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (1.7.1–1.7.4). (4 × 2) (8)
- 1.7.1 Sales scenarios help with conducting the financial feasibility study in a business.
True
- 1.7.2 A survey can be used as a method of gaining market information.
True
- 1.7.3 A service is intangible.
True
- 1.7.4 Demographic segmentation refers to the area of residence.
False

[50]

QUESTION 2

The following questions are applicable to the business plan you have completed during this semester. Select a product or service that you want to use as a business plan that you completed this semester.

- 2.1 Give your product or service a name and explain why you selected that particular name. (2 × 2) (4)
Students' own answers (one mark for each)
- 2.2 Complete a market research questionnaire for your business. Your questionnaires should include at least FIVE questions. (14)
Questionnaires should follow the guidelines set out in the Student Book. Marks are awarded for asking at least five questions (10 marks). There should be an opening statement (what the questionnaire is about) (2 marks) as well as a closing statement (e.g. thank you for your time) (2 marks). Students must use both open and closed-ended questions.
- 2.3 Complete an assessment (two factors each) on your investment capabilities by referring to your:
(a) knowledge
(b) skills
(c) contacts
(d) funds. (4 × 2) (8)
Any two factors applicable to their business

- 2.4 Name and explain the type of customer (target market) that might be attracted by your product or services. (2 × 2) (4)
- Consumer market
 - Industrial market
 - Service market
- (Any two)
- 2.5 List FIVE ideas that should be taken into consideration when packaging and labelling your product or service. (5 × 2) (10)
- Must prevent breakage
 - Simple and practical in order to minimise costs
 - Colour
 - Labels (information)
 - Use of pictures and symbols
 - Illustrations
 - Language
 - Interactive media (e.g. QR codes on labels that can be scanned for more info)
- (Any five)
- 2.6 Discuss five points to remember when selecting a supplier for your business. (10)
- Reliability
 - Proximity
 - Quality
 - Service
 - Number of suppliers
 - Sustainable practices
- (Any five)

[50]

QUESTION 3

Tshisa Nyama

Monica lives in Khayelisha, Cape Town. Her husband, Thabo, lost his job and he was paid out some money. They have decided to use this money to start a business selling raw chicken from their house. They will call their new business, "Tshisa Nyama".

A good friend of theirs has a chicken farm and he can supply chickens at a good price. They have managed to get two deep freeze fridges to keep the meat fresh. To make this business plan complete, they need to determine the start-up costs of the business.

Monica provides you with the following information:

Wages	R	500
Container	R	2 500
Bucket	R	200
Cell phone	R	250
Advertising	R	150
Water and electricity	R	500

Umbrella	R 80
Cost of buying stock (opening stock)	R 1 800
Cash on hand	R 15 000
Packaging	R 60
Display stand	R 95
Fridges	R 2 500
Transport	R 400

3.1 Use the answer sheet to determine Monica's start-up cost

(30)

Fixed Assets	
Container	R500
Bucket	R200
Umbrella	R80
Deep freezers	R2 500
Display stand	R95
TOTAL	R3 375
Monthly expenses	
Wages	R500
Cell phone	R250
Advertising	R150
Water and electricity	R500
Transport	R400
TOTAL	R1 800
Pre-operating expenses	
Cost of buying stock (opening stock)	R1 800
Cash on hand	R15 000
Packaging	R60
TOTAL	R16 860

3.2 Monica and Thabo run's a successful Instagram and Facebook page, providing information to potential customers about their products.

Explain how they can measure the success of this form of advertising.

(6)

- Keep track of enquiries (phone calls as well as direct messages).
- Provide coupons.
- Run hourly promotions via these channels.

(Any two)

3.3 Design an advertisement for their business, Tshisa Nyama. Make use of the AIDA concept. (5 × 2) (10)

Must have:

- Name of the business
- Entrepreneur's name
- Addresses and telephone numbers
- Logo or emblem of business
- A frame

3.4 Use your creativity and redesign the general face mask to include more benefits other than just protecting humans from germs. Add at least FOUR new things. HINT: Make use of a sketch and add descriptions. (4)

- Include sketch of mask.
- Add pictures/patterns to the mask.
- Multi-purpose mask – used as scarf, buff, etc.
- Can be used for branding as well for a business.
- Students can be creative e.g. built-in thermometer, etc.

[50]

QUESTION 4

4.1 Use the following information to draw the estimated Cash Flow Statement for the next four months. At the beginning of January 2021 we had favourable bank balance of R8 000.

MONTH	ESTIMATED SALES	ESTIMATED PURCHASES
January	R10 000	R4 500
February	R8 500	R3 000
March	R8 000	R3 000
April	R12 500	R6 000

Other information

1. We bought a new motor vehicle in January. We paid R10 000 deposit and monthly payments thereafter are R400 for the next two years.
2. The average expenses per month are:

Wages	R1 600
Rental	R1 500
Telephone	R450
Electricity	R200
Fuel	R400

3. 20% of all the sales on credit. These customers pay 30 days later.
4. In March we will sell an old laptop for R1 000 cash.
5. In March we will buy a new laptop. The deposit will be R800 and the monthly instalment thereafter will be R400 for the next two years. (28)

Cash Flow Statement				
	January	February	March	April
Bank balance beginning of month	R8 000	-R1 650	-R400	-R650
Cash sales	R8 000	R6 800	R6 400	R10 000
Credit sales		R2 000	R1 700	R1 600
Other income	R1 000			
TOTAL CASH AVAILABLE	R17 000	R7 150	R7 700	R10 950
Monthly expenses	R4 150	R400 R4 150	R400 R4 150	R400 R4 150 R400
Cash purchases	R4 500	R3 000	R3 000	R6 000
Other payments	R10 000		R800	
TOTAL CASH PAYMENTS	R18 650	R7 550	R8 350	R10 950
Bank balance end of month	-R1 650	-R400	-R650	0

- 4.2 You want to know how your customers feel about your products or services rendered. Construct an after-sales service evaluation questionnaire for your business. The questionnaire must include at least FIVE applicable questions for your type of business. (5 × 2) (10)
- Students complete an after-sales questionnaire, asking at least five questions. Use different categories / blocks on questionnaire such as good, average, poor, etc.**

- 4.3 Complete a personal resource analysis for the owner of a coffee shop. Each resource should include at least TWO examples. (12)
- Students must refer to:**
- Knowledge and skill
 - Contacts and friends
 - Funds

[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200